



## University Council

**Paper no:**

**Paper title:** Minutes of previous meeting and matters arising

Minutes of the Council meeting held on 28 November 2019 in Lecture Room 17, CMDC, Cranfield University.

**Present:** Ferguson, Mr Iain (Chair)  
Atkinson, Professor Helen  
Carter, Miss Caroline  
Carey, Mr Anthony  
Chen Davison, Lesley  
Ehigiator, Mr Osas  
Gregson, Professor Sir Peter  
Hill, Mr James  
Hynes, Miss Alice  
Rowlands, Mr Simon  
Saggu, Mr Jaz  
Thompson, Dr Christine  
Young, Baroness Barbara  
Day, Mr Colin  
Sparks, Professor Emma

**Apologies:** Fairweather, Mr Paul  
Mayhew, Dr Maxine

**Attending:** Aspinall, Mr Philip, Chief Operating Officer  
Douglas, Mr Gregor, University Secretary  
Pleasants, Ms Emma, Executive Assistant  
Stephenson, Professor Tom (for item 5)  
Ryals, Professor, Lynette (for item 6\*)  
Sibbald, Mr Ian (for item 6\*)  
Ellis, Mr Gareth, (item 7)  
Pollard, Professor Simon (for item 8)

**1. Introduction**

The Chair welcomed members and attendees.

**2. Disclosure of interest**

Declarations of interest were received from:

Mr Colin Day, Chair of the MK:U Board, Professor Lynette Ryals, Chief Executive of MK:U and Mr Ian Sibbald, member of the MK:U Board.

### **3. Minutes of the meeting and matters arising**

The minutes of the meeting held on 24 October 2019 were approved for publication on the University website.

#### **Matters arising:**

##### **(a) Student Diversity Statistics**

It was agreed that the student statistics would be removed from the published Diversity Report. The Academic Report would be the single source of student diversity statistics and the Diversity Report would be the single source of staff diversity statistics.

##### **(b) Report of Chair's Action**

The correction to the record of appointment was noted.

##### **(c) Office for Students correspondence**

Council noted the letter received from the OfS in October 2019, which had been sent to 282 registered higher education providers concerning compliance with regulatory deadlines.

Council received a report on the timelines around the late payment of the QAA membership fee. Council was content that mechanisms were in place to ensure that subsequent payments would be paid within the QAA's terms.

##### **(d) Queens Anniversary Award**

Prof Sir Peter Gregson reported that the University had been awarded a Queens Anniversary Prize for the National Flying Laboratory, led by Professor Graham Braithwaite. This was the sixth such award for the University. Council offered their congratulations and thanks to all involved.

### **4. Finance matters**

##### **(a) Financial Statements to 31 July 2019**

Council received the Financial Statements to 31 July 2019, noting that the Joint Finance and Audit Committee (JFAC) had agreed to recommend to Council the Financial Statements at its meeting on 24 October, subject to the addition of a highlights report which was now included.

Council noted that PwC had completed their audit of the financial statements and issued a clean audit report. Mr I Sibbald reported that the USS pension deficit had been recalculated based on the 2017 revaluation. The 2018 revaluation which concluded in September 2019, would lead to a credit in the 2019/20 accounts.

Council approved the Financial Statements to 31 July 2019.

##### **(b) Management Accounts to 31 July 2019**

Council received the Management Accounts to 31 July 2019, noting the overall performance of the Schools and Professional Services.

Research income remained very good, whilst Professional Development had seen a slight reduction in income, but a contingency was in place with the

addition of further Mastership award bearing courses. Revenue, profitability and cash were satisfactory.

Council approved the Management Accounts to 31 July 2019.

**Action:** Mr Ian Sibbald to provide an update for Finance Committee confirming the financial position with the Schools as at 31 October 2019, in December 2019.

**(c) Office for Students (OfS) Financial Return 2018/19**

Council received the OfS Financial Return for 2018/19, noting that the reporting mechanism had changed to a single return from the previous HEFCE regulation regime of three separate returns. The majority of the data in the return had been approved by Council in July 2019, but required reconsideration in this form because of OfS advice issued at the end of October 2019 and following.

Council approved the submission of the OfS Financial Return 2018/19 as outlined in the paper.

**(d) Private Placement Bond**

Council received an update on the Private Placement Bond, noting that Mills and Reeve had been appointed as advisors in August 2019 and that they had been developing the note purchase agreement and marketing materials that would be issued to potential investors.

Following an oral update from JFAC, the confirmed minute of the discussion was agreed (see Appendix).

**5. REF Briefing**

*Professor T Stephenson joined the meeting for this item.*

Council received a presentation from Prof T Stephenson on REF 2021, noting that:

- the previous REF submissions had taken place in 2001, 2008 and 2014 and that c160 institutions would enter REF 2021;
- the University's Code of Practice had been accepted by UKRI on 19 November 2019;
- the University had a REF Intranet page for academic staff updates;
- the REF Strategy Board was ensuring the University would be ready for submission by reviewing the assessment criteria, including research environment, outputs and impact case studies
- the submission would include 100% of eligible staff;
- the assessment of output quality was being undertaken with help from external experts;
- a Mock REF exercise would be held in 2020, ahead of the census date 31 July 2020, submission on 27 November 2020, and results expected in December 2021.

**Action:** Prof T Stephenson to present a REF update to Council in July 2020.

*Professor T Stephenson withdrew from the meeting.*

## 6. **MK:U**

*Professor Lynette Ryals joined the meeting for this item.*

It was reported that JFAC had considered the recommendation from the University Executive that the MK:U proposals should pass through this stage gate.

Council noted that:

- the Education and Governance arrangements had been agreed;
- student number projections had been scrutinised and were based on sustainable models;
- MK:U was projected to be cash positive throughout the period to 2028;
- the risk register had been updated and outline communication plans provided;
- the financial liabilities of MK:U had been ring fenced from Cranfield University.

*Prof L Ryals and Mr Ian Sibbald withdrew from the meeting.*

Council noted that progress on securing capital funding had been delayed by political uncertainty. Council was otherwise pleased with the progress of the project, including the amount of interest and support from Milton Keynes Council, local, national and independent businesses and from education providers in Milton Keynes.

In line with the unanimous recommendation from the University Executive and JFAC, Council agreed that the MK:U project should proceed to the next stage gate. Subject to Milton Keynes Council agreeing the funding requirements up until the end of March 2020, project work would continue as currently planned. Another stage gate decision would be made in March 2020 in the light of the capital funding situation at that time.

## 7. **Annual Reports**

### **(a) Annual Environment Report**

*Mr G Ellis joined the meeting for this item*

Council received the Annual Environment Report which had been written in accordance with DEFRA guidelines, noting:

- the focus on carbon and energy management;
- the Salix Revolving fund received for the University to make improvements in energy efficiency and reduction in carbon emissions had been increased;
- the official opening of the solar farm had produced 20% more energy than anticipated;
- that there had been an increase in the usage of the bus services, from c20k to c50k journeys per annum;
- the car share initiative;
- the environmental notifications received by the Energy and Environment Team.

The Vice-Chancellor reported that the Executive had endorsed the report. A discussion at SMT the following week would initiate further consultation towards new ambitious net zero targets for the University.

Council recognised the importance of thought leadership and the University's contribution on environmental matters with climate change being high on the government's agenda. This would return for discussion at a future meeting.

Council approved the Annual Environmental Report.  
*Mr G Ellis withdrew from the meeting.*

**(b) Academic Assurance Report**

Council received and endorsed the Academic Assurance Report, noting a number of changes to the document following detailed discussion and scrutiny by Audit Committee.

**(c) Audit Committee Annual Report to Council**

Council received and endorsed the Audit Committee Annual Report, noting the annual internal audit of risk management had confirmed that the University continued to maintain an appropriate process for the recognition, assessment and management of opportunities and risks. Audit Committee would review value for money and risk management in the coming year. The external auditors had been changed to Price Waterhouse Cooper from KPMG, with restrictions on their providing non-audit services.

**8. International Recruitment and Strategy Briefing**

*Professor SJT Pollard joined the meeting for this item*

Council received a presentation on International Recruitment and International Strategy, noting:

- an increase of 128 students from the previous year and improved recruitment from South East Asia (*Office note: since the Council meeting, with some late registrations, the new postgraduate taught intake ahead of the budget by 21 heads (1%), with a total of 2,166 heads recruited in 2019/20; some 170 heads up on 2018/19.*)
- IPSR supported some 160 agents globally, these being governed through an internal 'Agent Manual' which had been subject to internal audit scrutiny on two occasions. A formal process was place for the recruitment of new agents (two references required) and the 'stepping down' of agents in accordance with explicit criteria;
- progress on the Project 500 initiative – a pan-University project to tackle institutional barriers to student growth;
- the number of European students remained strong (530 heads) with increase numbers paying fees;
- changes to the post study work visa would be optimised;
- UK recruitment, and which institutions students came from;
- that the prestigious Chevening and Commonwealth Scholarships, funded by the Foreign and Commonwealth Office, continued to deliver significant profile for Cranfield;
- that the new on-line Admissions system was now live;
- the "Careers for Chinese students initiative" could be replicated across different demographic student groups;
- growing markets included Cambodia, Vietnam, South East Asia, with potential for South America and the Gulf;

- the strengthening of partnerships such as Jiangsu could see potential increases in student numbers;

*Professor SJT Pollard withdrew from the meeting.*

**9. Any other business**

None

*Meeting closed at 19.00.*

## APPENDIX

### Cranfield University (the “University”)

#### 1 Reported

1.1 The Chair reported that:

1.1.1 at its meeting of 25<sup>th</sup> July 2019 the Council approved the following recommendations of the Finance Committee:

- (i) that funding for an increase in residential accommodation at Cranfield, the development of a student hub and other general corporate purposes be raised by the University from the issuance of a privately-placed bond (the “**Private Placement**”);
- (ii) that the University increase the size of the Private Placement to refinance existing indebtedness (the “**Refinancing**”) if appropriate coupon rates can be obtained;
- (iii) that the value of the Private Placement, between £110 million and £150 million, be determined by the Chair of Council in conjunction with the Chair of Finance Committee once the actual coupon rates had been obtained; and
- (iv) that HSBC be appointed as private placement agent for the University.

1.1.2 the University had now appointed:

- (i) HSBC to act as private placement agent; and
- (ii) Mills & Reeve LLP (“**M&R**”) to provide legal advice on the Private Placement, the Refinancing and related matters.

1.1.3 a first draft of the note purchase agreement (“**NPA**”), under which the University will issue the bonds (the “**Notes**”), had been prepared by M&R;

1.1.4 under the Office for Students’ *Terms and conditions of funding for higher education institutions* the primary responsibility for assessing the affordability of, and risks around, financial commitments rests with the governing body of a higher education institution. In particular, the Office for

Students has stated that higher education institutions must consider certain principles (the “**OfS Principles**”) when entering into any financial commitments;

1.1.5 as part of the Private Placement process the University would be delivering, through HSBC, a private placement memorandum (the “**Memorandum**”) and an investor presentation (the “**Investor Presentation**”) to potential investors. While these are not a formal prospectus, unlike the equivalent documents in a public bond issue, the University would be giving representations to the purchasers of the Notes about the accuracy of the information provided and that there are no material omissions. Breach of these representations could result in early repayment of the Notes;

1.1.6 the Council was asked to:

- (i) consider the terms of the Private Placement now that a draft of the NPA had been prepared;
- (ii) apply the OfS Principles to the proposed Private Placement;
- (iii) review the draft Memorandum in the light of the representations given in the NPA; and
- (iv) affirm the delegated authority of the Chair of the Council and the Chair of Finance Committee to conclude the Private Placement and the possible Refinancing.

1.2 the Council now needed to consider and approve the Private Placement and possible Refinancing.

## **2 Received**

2.1 The following draft documents (the “**Documents**”) were provided to the meeting:

2.1.1 an explanatory note from M&R on the first draft of the NPA which sets out the terms on which the Notes will be issued to the purchasers; and

2.1.2 a note from HSBC on the marketing materials to be used in the Private Placement process.



### **3**     **Noted**

3.1     It was noted that:

3.1.1     the NPA will set out the proposed terms on which the Notes would be issued, including the following:

- (i)     the Private Placement is for an amount of between £110 million and £150 million and, in any event, up to £150 million; and
- (ii)    the Notes would be unsecured and would rank at least equally with the University's other senior unsecured borrowings;
- (iii)   financial covenants to be tested on an annual basis; and
- (iv)    certain restrictions on, among other things, providing security to third parties, which would apply for as long as any Notes remained outstanding;

3.1.2     the actual interest rate payable on the Notes would be fixed by reference to the level of the appropriate reference government bond at the time and date of pricing the deal;

3.1.3     the NPA was based on a standard template for private placements in the UK market and broadly followed the terms achieved by other issuers accessing this market;

3.1.4     the NPA was in draft form, and further amendments to the documents would need to be made (noting, in particular, that certain clauses may vary depending on whether the Refinancing takes place); and

3.1.5     a decision would need to be made on the pricing date of the Private Placement on the final pricing, interest coupon, interest payment dates and maturity date of the Notes.

3.2     It was further noted that:

3.2.1     If any of the University's existing bank facilities were to remain in place it was likely, among other things, that:

- (i) the Private Placement investors would require the financial covenants in the bank facilities would be aligned to the financial covenants in the NPA;
- (ii) the Private Placement investors would require the existing security granted in favour of National Westminster Bank plc to be released; and
- (iii) certain consents from the existing bank lenders would be required to enable the University to enter into the Private Placement.

3.2.2 If some or all of the University's existing bank facilities were to be refinanced the University would be liable to pay the banks the principal, any accrued interest and any break costs.

3.3 It was further noted that the OfS Principles were as follows:

3.3.1 the risks and affordability of any new financial commitments must be properly considered;

3.3.2 financial commitments must be consistent with the higher education institution's strategic plan and treasury management policy;

3.3.3 the source of any repayment of a financial commitment must be clearly identified and agreed by the governing body of the higher education institution at the point of entering into that commitment;

3.3.4 planned financial commitments must represent value for money; and

3.3.5 the risk of triggering immediate default through failure to meet a condition of a financial commitment should be monitored and actively managed.

3.4 The Council then reviewed and considered the Documents.

3.5 Having considered the Documents, the Council considered each of the OfS Principles in turn:<sup>1</sup>

3.5.1 *in terms of affordability Council noted that the Private Placement is affordable, with costs factored into the University's operating plan;*

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<sup>1</sup> The wording in this section is by way of an example only, based on what we have seen on other private placements. As the OFS guidance indicates, consideration of these principles is a matter for the Council so this section in the final form minute should set out the Council's own consideration of each of the OFS Principles in turn..

- 3.5.2 *the new financial commitments are to enable the University to achieve the increase in residential accommodation;*
- 3.5.3 *the source for repayments will be through the University's standard operations;*
- 3.5.4 *the new Private Placement facility will be competitively tendered in the market to ensure value for money is achieved. Additionally the University will be supported in ensuring value for money with through the use of a placement agent (HSBC) and lawyers (M&R);*
- 3.5.5 *The University and its advisors have reviewed the covenants contained within the proposed NPA to ensure that the University will remain within compliance of its conditions. This has included assessing the new proposed NPA against the University's future financial plans and assessing the non-financial covenants against the University's current operational performance and existing contracts.*

#### **4 Resolved**

- 4.1 After due and careful consideration of the Documents, the OfS Principles and taking into account their duties and obligations as charity trustees pursuant to the Charities Act 2011 and the University's constitutional documents and considering the best interests of the University, **it was duly resolved** by the Council and the following be and hereby are approved:
- 4.1.1 the Private Placement;
- 4.1.2 subject to the approval of the Chair of Council and the Chair of Finance Committee (acting together) (the "**Authorised Individuals**"), the Refinancing;
- 4.1.3 all powers, authorities and discretions of the Council be delegated to the Authorised Individuals as may be necessary for the authorisation of all acts, matters or documents in connection with the Private Placement and the Refinancing, including, but not limited to:
- (i) authority to decide whether to proceed with the Refinancing including authority to decide which of the University's existing bank facilities (if any) are to be refinanced, and authority to negotiate and finalise any documents required to effect such Refinancing and

release any applicable security granted by the University to secure the existing facilities;

- (ii) authority to negotiate and finalise the documents (the “**Transaction Documents**”) required to give effect to the Refinancing and the Private Placement, such documentation to include, but not be limited to the NPA, the Memorandum and the Investor Presentation;
- (iii) authority to make a decision as to which investors will participate in the Private Placement, the amount of Notes that will be allocated to each such investor, the amortisation profile (if any) and final maturity date or dates of the Notes;
- (iv) authority to make the final decision on fixing the price and terms of the Notes (including participating in any pricing call with the purchaser(s)), such authority to be limited to negotiation of the Private Placement up to a maximum amount of £150 million, a maximum term of 30 years, with a fixed interest rate of no more than 3.5% per annum, (the “**Authorised Parameters**”);
- (v) in the event that the proposed terms of the Private Placement are outside the Authorised Parameters, the Authorised Individuals will seek Council approval for the revised terms;

4.1.4 the Vice Chancellor & Chief Executive and the Secretary be authorised on behalf of the University to execute and deliver those Transaction Documents to be executed under hand, by signing (either jointly or severally) for and on behalf of the University;

4.1.5 (1) one of: the Chancellor, the Pro-Chancellor, the Chair of Finance Committee, the Vice-Chancellor, the Chief Operating Officer, or a Pro-Vice-Chancellor; (2) one member of Council; and (3) the Secretary or their appointed deputy, be authorised on behalf of the University to execute and deliver those Transaction Documents to be executed as deeds, by affixing the University's seal; and

4.1.6 the Authorised Individuals (alone or together) be authorised to do all such things including the execution of documents, certificates and notices in such form and including such amendments as they (acting alone or together), in their absolute discretion, see fit and to provide further

confirmation to any party involved with the transaction as is necessary or desirable to give effect to the Private Placement and, if applicable, the Refinancing.