

Ulster University

Council

18 December 2019

Notes of a special meeting of the Council of Ulster University held by Video Conference on 18 December 2019 to discuss funding for the Belfast Campus expansion.

PRESENT

Ms J Pyper (Chair), (Belfast), Mrs H Bingham (Belfast), Mr P Lobban (England), Mr A McAnallen (Students' Union) (Jordanstown), Dr P McNaney (Belfast), Mrs H Quigley (Magee), Dr E Way (Magee).

APOLOGIES

Professor K Burnett, Mr D Clements, Ms G Horgan, Mr A Langan, Mrs M Lindsay, Professor P Nixon, Mr P Sheridan, Mr R Sloan, Dr J Stuart.

In Attendance

Professor P Bartholomew, Ms F Kane, Professor Cathy Gormley Heenan, Ms N Lamond, Mr E Mullan.

The Chair opened the meeting by informing members that Mrs Lindsay would be absent from Council business for some months due to illness and asked that the good wishes of Council were recorded both to her and also to Mr Langan who was in hospital. The Vice Chancellors absence on holiday was noted.

The Chair advised that the purpose of the meeting was to discuss terms of the FTC offer from DfE and the existing and emerging risks of accepting this. She invited Ms Lamond to speak to the paper and to provide an update on developments.

Ms Lamond apologised for the lateness of papers, which was due to the fact that the Letter of Offer and Heads of Terms in relation to the FTC loan from DfE had only been received on 17 December.

Ms Lamond commented that a history of the project had been given at the previous meeting, including assurance around strategic risks. At the Chair's invitation she presented a paper providing a further review of the GBD risk profile commenting that the PWC Capital Project Review had identified the following key risks.

- Somague/Sacyr SA perform the contract in accordance to reasonable expectations, the agreed programme, contract quality standards and for

the agreed sum to enable the University to open for the commencement of the 2021/22 academic year.

- The University performing its roles under the project as Employer, Programme Manager and Programme Integrator;
- Reliance on a single contracting entity with limited local presence;
- Supply chain vulnerability;
- Completing the Contractor Design;
- Concluding Value Engineering within acceptable conclusions for both parties;
- Risk of future disputes due to commercial pressures'
- Continuous improvement of working and collaborative relationships
- University reputational risk arising from further delay
- Increased scrutiny from Department for Economy, as potential funder
- Multiparty action for the recovery of damages from other parties;

Ms Lamond informed members of the steps that the University was taking, where appropriate in conjunction with key partners, to mitigate against those risks. She commented that The GBD Project Board had established a fully costed and annotated Risk Register. The risk register is reviewed and assessed at quarterly risk review workshops. Risks have continued to be proactively managed and reviewed and reported to the Project Board, Belfast Vision Steering Group, Resources Committee and Audit Committee.

She went on to say that the supply chain was now fully signed up, although there was still some work to do on value engineering. In response to a query she explained that the liquated damages provision had been made more robust and acknowledged there was always a possibility that dispute resolution procedures would come into play.

Following discussion, when members thanked the team for the work that had gone into the project in this regard, members noted that the project team fully recognises that construction is a risk from beginning to end and therefore the challenges will continue for at least the next 18 months.

Members were also assured that the project had regained stability and productivity levels had increased steadily with recent months showing exponential increases in activity and turnover. The recent forecasted and actual spend profiles are closely aligned and it was expected that productivity would continue to increase in the coming months.

It was noted in the paper that further assurance work was proposed with the contractor with the goal of gaining further confidence in their programme for the senior executive and Council. In addition separately the universities' project and client side teams would look at all scenarios around high risk areas such as handover and partial completions. These additional assurance and risk management measures were welcomed and Peter Lobban was asked to work with Ms Lamond and the Project Directors to provide a steer on how these might be of best value.

Members then went on to discuss the detail of the heads of terms noting the following conditions in advance of the initial drawdown

- Usual legal Opinions, Certificates, Representations and Warranties, as to solvency, vires, accuracy of documentation provided etc
- University to provide evidence that the Settlement Deed between Somague and the University has been signed within 1 month of funding being granted, and a signed copy forwarded to the Lender (and DfE and DoF);
- Lender (and DfE and DoF) to be satisfied with terms of borrower's Financial Sustainability Plan.
- Security in place
- Implementation of outcomes of Capability Review
- Lender satisfied with Project Cost Schedule.

Members also noted other arrangements and conditions in respect of the timing of future drawdowns and an interest rate of 0.25% on the full amount.

It was noted that some of these could cause difficulties, but Ms Lamond considered that several were issues of process which could be readily resolved. In noting that members raised particular concerns in respect of what was described as a 'Debt Service Reserve Account' which was a balance of £38.2m to be paid into debt service reserve account over which the Department would have a charge. Ms Lamond informed members that the effect of this would be a £20m shortfall in overall funding.

In discussion members expressed some frustration and lack of understanding of the need for such requirements so it was agreed that clarity and justification should be sought from Departmental officials. Members also discussed the feasibility of completing the proposed reviews before the first drawdown, concluding that this would not be possible without timely input from DfE on both the capability review and the financial sustainability plan and so this should also be raised with the Department.

In general members considered that many of the terms of the offer were onerous, including the reporting requirement and the risk of impinging on the University's autonomy. It was clear however that the Department had serious concerns about financial planning and university oversight although the university had not had sight of the Deloitte Report and its findings. Nonetheless Council recognised that, subject to the clarifications referred to earlier in these

minutes, and subject to Department of Finance approval without further requirements, that the heads of terms should be accepted.

Members then went on to discuss future working relationships with the Department, commenting that it was essential to develop a more collaborative approach at strategic level. The Chair commented that she would welcome that and would consider a meeting for members of Council with Departmental officials. It was noted that the Permanent Secretary was due to have a tour of the Belfast Campus shortly after Christmas and it was agreed that Mr Lobban might join that.

Based on the offer of loan having been made, Council authorised Ms Lamond to enter into the settlement agreement with the contractor. It was agreed that the Chair should write to the Permanent Secretary accepting the heads of terms but reflecting some of the concerns whilst stressing our shared desire to work together to deliver not only the GBD project but also in the interest of the development and delivery of higher education strategy in Northern Ireland more generally.