

(M 09/196 – M 09/222)

Royal Holloway
University of London

COUNCIL

**Minutes of the Meeting of the Council
held on 24 September 2009**

Present:	Sir Andrew Burns	Mr J Lerche	
	Mr A Alway	Mr A Martin	
	Mr D M Beever (<i>from item 6</i>)	Cllr H W V Meares	
	P Blagbrough	Mr J R Potts	
	Professor C Bradley	Mr W F Rooke	
	Mr J Brannan	Mr I G Ross	
	Mr R Buswell	Ms B Shorter	
	Professor F Driver	Dr A Stead	
	Mr M Hamilton-Griffin	Mrs G Stuart	
	Mrs E Horwood	Mrs J Walker	
	Professor R Kemp		
Apologies:	Mrs S Tyacke		
With:	Ms K Kerr	College Secretary & Head of Governance	
	Mr J Ackroyd	Governance Officer	
In attendance:	Professor A Tickell	Vice-Principal (Research, Enterprise & Communications)	
	Professor G Ward	Vice-Principal (Planning & Resources)	
	Professor P Beesley	Dean of the Faculty of Science	
	Professor R Deem	Dean of the Faculty of History & Social Sciences	
	Professor K Normington	Dean of the Faculty of Arts	
	Mr S Bland	Director of Facilities Management	
	Mr G Robinson	Director of Finance	
	Ms S Kay	Head of Strategic Development	
	Observers:	Professor J Frank	Observer (on behalf of UCU)
		Mrs M Reilly	PA to College Secretary

1. **MEMBERSHIP**

1.1 The Council welcomed to the meeting James Pidgeon, President of the Students' Union and Morgan-Hamilton Griffin, the Students' Union Chair, who was commencing his second term of office. Both students will serve on the Council from 1 August 2009 to 31 July 2010. 09/196

The Council noted that Cllr Mary Angell stood down as the Surrey County Council representative on the College Council during August 2009. At the date of the meeting no replacement had been nominated by Surrey County Council. 09/197

2. **CONFLICT OF INTEREST**

The Chairman invited members to indicate if they had a conflict of interest with any of the agenda items. None of the members indicated a conflict. 09/198

3. **MINUTES**

The minutes of the ordinary business session of the previous meeting held on 24 June 2009 (M09/120 to M09/196) were confirmed and signed. It was noted that the minutes of the Restricted Area Business session held on 24 June 2009 would be considered during the October meeting of the Council. 09/199

4. **MATTERS ARISING FROM THE MINUTES**

There were no matters arising from the minutes of the previous meeting. 09/200

5. **GOVERNANCE**

The Council confirmed the re-appointment of Barbara Shorter to the Council for a further term of office to run until 31 July 2010. 09/201

6. **PROPOSED MERGER WITH ST GEORGE'S**

6.1 The Chairman provided an outline of the proceedings for the meeting, which were to include a detailed consideration of the final Merger Business Case (CL/09/73), prior to inviting the Council to pass Special Resolutions on the dissolution of Royal Holloway and Bedford New College (RHUL) and its subsequent merger with St George's Hospital Medical School (SGUL). 09/202

The Council considered the minutes of the special meeting of the Finance Committee held on 16th September (CL/09/77) during which the Committee concentrated on carrying out a detailed review of the Business Case. The Chairman of the Committee reported that insufficient time during the meeting had prevented the Committee from exploring several issues which would now be brought to the Council's attention.

09/203

Several issues of importance arose from the Financial Due Diligence Reports, in particular the poor quality of SGUL's financial data which was in part due to the smaller size of that institution's Finance Department. It was recommended that final accounts for SGUL be obtained and reviewed before making a formal decision on the proposed merger. The projected merger costs had been re-assessed following the August briefing to Council and further savings had been identified and some merger costs rephrased. The Chairman of the Audit & Compliance Committee considered the following to be a fundamental barrier to that Committee signing off on the adequacy of the merger due diligence:

09/204

- i. The lack of supporting information to support SGUL's forecasts;
- ii. The extension of the reported forecast period in the Business Case from 5 to 7 years, which had not formed part of the PwC Due Diligence exercise; and
- iii. Inadequate balance sheet and cashflow information in the body of the Business Case

The proposed change to the depreciation policy to increase the useful asset life of information systems from 5 to 10 years was discussed. The College's external auditors had indicated that the change was acceptable provided Council considered this to be justified. Additionally, the risks in NHS funding had not been addressed in the Financial Due Diligence report and consequently the Council had not been able to consider the impact of such risks. It was

AGREED: That PwC should be asked to complete the Financial Due Diligence following the changes made to the Business Case. The completed report was to be considered during the next meeting of the Council.

The Chairman of the Finance Committee provided an update on pension issues arising through the merger. It was noted that while the position of pension fund members was unaffected by the merger there was a risk to RHUL and SGUL arising from the need to identify the scale of liabilities at the date of the merger. A cautious approach was recommended incorporating:

09/205

- i. Agreement by the pension fund trustees to a Scheme Apportionment Arrangement;
- ii. Making an application for clearance to the Pension's Regulator
- iii. Inclusion of a clause in the parliamentary bill effecting transfer of pension liabilities. This could be removed at a later stage if necessary.

These recommendations were accepted. It was recognised that following a Scheme Apportionment Arrangement it would be necessary to note this in both institutions audited accounts. This might affect terms, conditions and availability of bank finance. Some mitigation of this risk could be obtained by ensuring that the required note showed any pension deficit on an actuarial as well as a buy out basis.

There was discussion around the projected capital expenditure figures over the forthcoming three years for the merged institution's estates. These totalled £14.2m for SGUL and £15.7m for RHUL. The amount projected for refurbishment of the Jenner Wing, which was reported as being £30m initially, had been reduced to £8.5m over two years in phase one. It was noted that whilst the items requiring capital expenditure provided on p.72 of the Merger Business Case were based on key priorities, it would be for the Council of the merged institution to agree expenditure when a business need arose. Capital expenditure for projects included within the Masterplan for the RHUL estate were not included within the projected expenditure, as such items were dependent on obtaining planning permission from Runnymede Borough Council and would become a priority only once a business demand arose. Council members reiterated their concern over the capital investment required for merging the two institutions' Information Technology systems. It was

09/206

AGREED: as a condition of the merger, to commission from PwC a review of the capital expenditure plan for the information technology requirements of the merged institution in order that a satisfactory business case for this investment could be demonstrated. .

The Acting Principal confirmed that HEFCE had provided a clear indication that the merged College would be eligible for £2.5m in grants and a £2.5m loan from the Strategic Development Fund in order to assist with merger costs.

09/207

It was reported that an executive summary of the Merger Business Case which included the full Academic Vision was considered at the special meeting of the Academic Board held on 15th September 2009. Concern was expressed during the Board meeting that the full Business Case had not been provided to members, although it was noted that consideration of the wider issues around the merger was outside the remit of the Academic Board. An informal vote of those who found the Academic Vision for the merger to be compelling received 9 votes in favour, 2 votes against and 9 abstentions. Several reasons for the high number of abstentions were cited. The Deans and Vice Principals, who had been eligible to vote, abstained due to their close involvement with the Academic Vision. A semantic change in the way the invitation to vote was expressed, from “a good academic vision” to “compelling academic vision” may have led members to reconsider their votes. Finally, the student members of Academic Board reported that their abstentions were due to having recently joined the board and the lack of opportunity in discussing the issues with their colleagues.

09/208

An open meeting and away day for academic staff in both RHUL and SGUL’s schools of Biological Sciences were reported as being successful in building on the broad themes in the Academic Vision. Discussions in other departments had identified much potential collaboration with Medicine, with the Faculty of Arts being particularly enthusiastic to launch new initiatives with the proposed medical school. Securing a wider subject base and gaining critical mass through merger with a medical school was highlighted as a major benefit in attracting funding for interdisciplinary research given the Government emphasis on funding for STEM subjects. Additionally, future funding secured through the Research Excellence Framework (REF) would include a 25% allocation of such funds on the basis of impact and usefulness to society, a factor which was to include improved patient care.

09/209

The Chairman of the Council confirmed that the preferred legal vehicle for merger was through dissolution of both Colleges and the incorporation of a company limited by guarantee to form the merged institution. This would provide a flexible approach should changes to internal governance structures be required in the future. Due to both institutions currently existing as Statutory Corporations, a take over of either institution would not have been possible. An application for incorporation under Royal Charter had been discouraged by the Privy Council, unless cogent reasons could be provided for why an exception should be made to current policy.

09/210

The Council received copies of correspondence between the Chairs of the RHUL and SGUL Councils which outlined the current position of each Council regarding the name of the new Institution and the interim leadership needed going into the merger. It was noted that the Chair of the SGUL Council proposed that the new institution should have an identical legal and brand name, whereas a legal name incorporating the Bedford title and a distinct brand name for the merged institution had been proposed by the Chairman of the RHUL Council. The inclusion of Bedford in the legal name

09/211

was considered important to alumni from that institution, in addition to that being factually correct. The proposal put forward by SGUL of a joint legal title and brand name of “Royal Holloway St. Georges” was thought likely to prove unacceptable on the basis of initial advice from the Department of Justice, as this would have imputed a Royal accolade to St. Georges. Following discussion, it was thought that a concession on the brand name (accepting Royal Holloway St Georges) was justified in order to retain the reference to Bedford in the legal title and secure agreement to the merger as a whole.

The Council continued to refer to the letter sent to the Chair of the SGUL Council and considered the issue of leadership for the merged institution. At the Finance Committee meeting of 16th September 2009, the Committee considered the merger risks in detail. The principal risk was identified as failure to implement the merger plan in a timely and decisive manner. The need for authoritative leadership was felt to be a key requirement. The Committee agreed to recommend the business case to Council subject to appointment of the acting Principal of RHUL who would form a small team drawn from both institutions to direct the merger with the help of a merger implementation team. The Council reiterated support for the Acting Principal of RHUL to take up this position, pending the appointment of a permanent Principal. If both Principals of the existing Colleges were to have had decision making powers over merger issues, there would be a serious and unacceptable risk of deadlock and delay... It was reported that SGUL had proposed that an Interim Chief Operating Officer be recruited externally to manage both institutions. This was considered undesirable, as such an officer would lack the necessary institutional understanding to facilitate a successful merger. The proposal seemed to confuse the necessity for leadership on merger issues with that of leadership for the day-to-day running of the SGUL campus, which would continue to be undertaken by the Medical School’s existing Principal. It was proposed that an implementation team should be established to drive forward the merger process with the appointment of a single leader, as a necessary condition to the merger.

09/212

The Council invited the President of the Students’ Union to comment on the RHUL student body’s view of the merger. The President reported that views gained following an open meeting at the Students’ Union on 23 September 2009 showed a particularly positive view of merging with the medical school. It was emphasised that each campus would have continued to be regarded as separate entities post merger by their respective student bodies, due to the geographical distance between the two campuses and the distinctly different qualities of a predominantly liberal arts focussed institution and one with a medical focus.

09/213

MERGER SPECIAL RESOLUTION

The Chairman invited members of the Council to vote on a Special Resolution which received 20 votes in favour, 2 votes against and no abstentions in its passing.

09/214

The Council passed a Special Resolution, in accordance with the Royal Holloway and Bedford New College Act 1985, that, subject to the conditions listed below as discussed in Council, Royal Holloway and Bedford New College should be dissolved, simultaneously with the dissolution of St George's Hospital Medical School, and that a single institution should be founded on 1 August 2010, which was conditional upon:

- Approval by the Trustees of USS and SAUL of a Scheme Apportionment Arrangement, clearance sought by both institutions from the Pensions Regulator, and a pensions clause inserted in the draft Bill
- The legal name of the merged institution should be Royal Holloway, St George's and Bedford New College
- The operational name of the merged institution, subject to Royal approval, should be Royal Holloway St George's
- The establishment of an implementation team with, by the 15th October 2009, the appointment of a single leader pending the appointment of a Principal for the merged institution to mitigate the risks inherent in the implementation of the business case
- Further referral to PwC to complete financial due diligence following the changes made to the business case
- A review by PwC of the capital expenditure plan for the information technology requirements of the merged institution demonstrating a satisfactory business case for this investment

6.2 Further issues relating to the proposed merger

6.2.1 Bill, Memorandum and Articles of Association

The Council received the Bill, Memorandum and Articles of Association (CL/09/79 – CL/09/81) for the proposed merged institution and noted that these documents were still under amendment. An updated version was to be provided to the October meeting of the Council for further consideration. Any comments regarding the documents were to be directed to the College Secretary for consideration.

09/215

6.2.2 Council Structure

The Council received a paper on the proposed Council structure for the merged institution (CL/09/82). Concerns over academic staff governors being nominated by the Academic Board and the lack of provisions for more junior

09/216

academics to be nominated to the Council were noted.

6.2.3 Appointment of New Principal

The Council received a paper on the proposals for appointing a Principal for the merged institution (CL/09/83). It was noted that a selection panel was to be convened as soon as was possible and members of Council were invited to submit their comments outside the meeting to the Chairman on the characteristics which the College was to seek in a new Principal. 09/217

6.2.4 Principles and process for the transfer of staff to the merged institution

The Council received a draft paper on the proposals for the transfer of staff to the merged institution (CL/09/84) which was not discussed in detail during the meeting. 09/218

6.2.5 Accession of the new College

The Council received a paper outlining the process for accession of the new College to the Federal University of London (CL/09/85) which was noted but not discussed during the meeting. 09/219

PART B: ITEMS FOR REPORT AND FORMAL APPROVAL

7. REPORT OF DECISIONS TAKEN BY THE CHAIRMAN

The Council noted that no action had been taken by the Chairman since the last meeting. 09/220

8. REPORT OF DECISIONS TAKEN BY CIRCULATION

The Council noted that no action had been taken by circulation since the last meeting. 09/221

9. SEALING OF DOCUMENTS

The Council noted that the following documents had been sealed since the last meeting:

09/222

- On 23 July 2009, Licence for the Alterations to Huntersdale, Bakeham Lane.
- On 29 July 2009, transfer document for various titles comprising the Arboretum, Egham from the University of London to Royal Holloway and Bedford New College.

James Ackroyd
Governance Officer
14 October 2009