THE AUSTRALIAN NATIONAL UNIVERSITY

COUNCIL MINUTES

The 422nd meeting of the Council was held at 8.30m on Friday, 3 October 2014 in the R C Mills Room, Chancelry Building, ANU campus, Canberra.

ANU Council:

Present:
The Chancellor, Professor Gareth Evans AC QC (in the Chair)
The Vice-Chancellor, Professor Ian Young AO
Pro-Chancellor Ms Robin Hughes AO
Professor Suzanne Cory AC
Professor Patrick Dodson
Dr Doug McTaggart
Mr David Miles AM, via teleconference
Mr Matthew King
Ms Naomi Flutter
Mr Ben Niles
Mr Graeme Samuel AC
Associate Professor Karen Hussey
Professor Tim Senden
Mr Cameron Wilson

Apologies:
Professor Matthew Colless

In attendance: Ben Gill, as undergraduate student representative-elect.

ANU Executive and Senior Management:
Deputy Vice-Chancellor (Research) – Professor Margaret Harding
Pro-Vice Chancellor (Research and Research Training) – Professor Jenny Corbett
Pro-Vice Chancellor (Student Experience) – Professor Richard Baker
Executive Director, Administration and Planning – Mr Chris Grange
Professor Nick Glasgow, Chair, Academic Board
Alastair Sinton, Chief Finance Officer

Chancelry staff:
Director, Corporate Governance and Risk Office - Kate Molloy
Governance Officer, Corporate Governance and Risk Office – Leslie McDonald
Manager, Corporate Governance and Policy – Andrew Heath

Observers (for non-confidential items):
Ms Elsa Merrick
Ms Claire Gardner
Ms Miriam Adams-Schimminger
Mr Daniel de Scipio
Mr Louis Klee
Mr James Waugh
Mr Ray Yoshida

PART 1: PROCEDURAL ITEMS

1. ANNOUNCEMENTS

The Chancellor welcomed to the 422nd meeting of Council new member, Dr. Karen Hussey, who takes up her position on Council following the election by the academic staff of the Faculties, and Professor Tim Senden re-elected to Council by the academic staff of the Institute of Advanced Studies.
Council further noted that Professor Matthew Colless had been newly elected to Council following the election by Deans and Heads of Research Schools, but was an apology for this meeting.

Council thanked Cam Wilson, outgoing President of ANUSA, for the contributions he has made to Council deliberations over the term of his one year appointment and noted that Mr. Ben Gill was the new ANUSA President, and would join Council for the December 2014 meeting.

Council was advised that Emeritus Professor Sally Walker would meet with Council immediately following the Council meeting at 11:30am, in her capacity as Principal lead for the Review into the ANU Act 1991 and the governance arrangements contained within it. Professor Walker will also meet with a number of former Council members. The purpose of the meeting with Council members was to outline the approach being taken in respect of the review, to report the proposed analysis and modelling methodology that will aid the development of a best practice governance framework, to highlight milestones and reporting schedules and to propose a series of questions and invite discussion.

2. LEAVE OF ABSENCE

No leave of absence was granted for the meeting.

Mr David Miles joined the meeting via teleconference.

3. DISCLOSURE OF MATERIAL PERSONAL INTEREST

Mr. David Miles informed Council that he has been appointed to review the Cooperative Research Centres Program and asked Council to note his appointment.

No other member disclosed a material personal interest in any matter on the agenda.

4. ARRANGEMENT OF AGENDA

Council noted re-arrangement of the agenda as follows:

Agenda items 6 and 7 – Vice-Chancellor’s report and ANU by 2020 to be handled together and followed by a presentation on renewal
Agenda item 9 – ANU Investment Management Review, with confidentiality of this item removed.
Agenda item 8 – 2014 University Financial Projections and 2015 University Budget

Agenda item 14 (Audit and Risk Management Committee Charter)-and Agenda item 27(2015 Council meeting dates) were starred.

Unstarred items were approved on the motion of the Vice-Chancellor.

5. COUNCIL MINUTES

Council resolved to confirm the minutes of the meeting held on 25 July 2014 (124/2014).

PART 2: KEY BUSINESS ITEMS

6. VICE-CHANCELLOR’S REPORT

The Vice-Chancellor introduced his report, addressing the following issues:

6.1 Higher Education Reforms
The Federal Government Higher Education Reforms have been passed by the House of Representatives. In the Senate, the legislation has been referred to the Education and Employment Legislation Committee. The Committee has a reporting date of 27 October 2014. The Vice-Chancellor will appear before the Committee on Wednesday 8 October, as Chair of the Go8. Council noted that, in the event that the legislative package does not receive passage, the University faces the risk of reduced funding ****
6.2 Rankings
Following the release of the Academic Rankings of World Universities (ARWU) the QS Rankings have now been released. In contrast to the drop in ranking reported in the ARWU, the QS rankings have seen ANU improve its position from 27 to 25 in the world.

The Vice-Chancellor reaffirmed the need to improve publication and citation performance ****. These issues will be discussed by the Deputy Vice-Chancellor (Research) as part of her report to this meeting of Council.

6.3 Staff Development and Renewal
The Vice-Chancellor commented on the recent series of senior academic appointments who will have instrumental roles in driving rejuvenation of Health and Medical Sciences and bring strength in research performance. Council endorsed the appointments and commended the University in its ability to attract quality appointments to critical areas of the University's research domain.

The Vice-Chancellor made a presentation to Council on how ANU could continue its process of staff renewal aimed at enhancing the academic performance of the university. Data such as the Academic Ranking of World Universities (ARWU), citation performance, publication counts and research income all indicate growth lower than is desirable. The presentation highlighted the importance of a comprehensive performance development and review process in ensuring the continued development of staff, which Council supported. The Vice-Chancellor will report back to Council on this item.

6.4 Student Load
Council noted the vice-Chancellor’s update report on student load, as follows:

First preferences are tracking positively in each State with 11.7% increase overall. State by State data shows:

- ACT up 5.3%
- NSW up 14.9%
- NT remaining steady
- QLD up 11.35%
- SA up 139.4%
- TAS up 5%
- VIC up 16.7%
- WA down 12% and
- Unknown up 14%

In relation to early total application data, Council noted that:

- QTAC is down 20%+
- VTAC is down 13%
- SATAC is down 13%
- WATAC is down 32%
- NSW UAC is down 7%

ANU was tracking well with a strong performance on first preferences, compared with other members of the Go8 and should achieve budget targets of a 5% growth in commencements.

In relation to international student numbers, early data shows positive increases and higher acceptance rates with ANU experiencing strong growth from its dominant markets.

Enhanced branding and student recruitment efforts are resulting in growing acceptance rates and an increasing preparedness for students to travel away from their home base for their tertiary education.

The University is finalising its marketing campaign which will be launched over the change in preference period, to ensure current projections hold.

The downward trend observed in relation to total national applications may be symptomatic of the current uncertainty regarding introduction of fee deregulation. Moreover, the trend may
point to the market’s reaction to speculation of excessive price increases. [Note that subsequent to the Council meeting, new data shows national numbers now only slightly down.]

6.5 **Social Research Centre (SRC) Acquisition**
The recent acquisition of the Centre has proven advantageous with the Centre winning the contract for the Quality in Learning and Teaching Survey, a course experience survey conducted nationally ****

6.6 **China in the World**
The Vice-Chancellor advised Council of the current contract between the University and the Commonwealth which provides for a Commonwealth endowment **** to be matched by the ANU through philanthropy, with a default requiring the University to possibly absorb full costs. Negotiations with the Department of Education have now concluded with agreement reached to remove this provision within the contract focusing, instead, on the Centre achieving its key performance deliverables and managing its operations within budget.

6.7 **City West Land Development option**
The Vice-Chancellor advised Council that the ACT Government has approved the extension of the current development option on city west land to 2020, at which time the development option will conclude. The University now has an extended window to develop a business case for suitable development.

6.8 **Review of the ANU Act 1991**
Council members noted that Professor Sally Walker, former Vice-Chancellor of Deakin University, has been appointed by the Minister for Education to undertake the review of the ANU Act 1991 and the governance arrangements contained within it. Professor Walker will meet with Council immediately following the Council meeting at 11:30am.

Council noted the report of the Vice-Chancellor.

7. **REVIEW OF ANU BY 2020 STRATEGY—PROGRESS REPORT**

The Vice-Chancellor recapped previous Council consideration of the University’s strategy, during the February 2014 strategic retreat. At that time, Council resolved that a review of ‘ANU by 2020’ be undertaken by a small Working Group of Council, comprising:

- Chancellor, Gareth Evans
- Vice-Chancellor, Ian Young
- Pro-Chancellor, Robin Hughes
- Doug McTaggart
- Tim Senden

The Working Group would be supported by the University’s management to:

- undertake analysis of key issues and emerging trends
- engage in a broad consultation program to draw together major themes arising and
- propose updates to the current strategic plan, based on the ‘2020’ building blocks, namely:
  - Excellence in Research
  - Excellence in Education
  - Excellence as a national Policy resource
  - World-Class staff
  - Inspired Students
  - Engaged Alumni
  - National Outreach
  - International Outreach
  - Embedded Access and Equity
  - Effective Organisation
  - High Quality infrastructure
  - Broad Resource Base
Council noted that in the months following its 2014 retreat, the Vice-Chancellor commenced large scale discussions with staff and students to build ownership of the updated strategic plan, but the current uncertainty surrounding the introduction of fee deregulation has meant that a different consultative approach became necessary. A series of Vice-Chancellor roundtable forums are now underway with Research School Directors and with students to identify their aspirations and needs, together with the qualities, services and the residential experience dimensions that distinguish ANU from other institutions and which remain highly valued. The outcomes from these forums will inform the refreshed strategy.

Council similarly recognised the importance of the residential experience as a characteristic of the ANU offer and sought to ensure that this aspect is a feature of the updated plan.

It was noted that the significant role of ANU in relation to Indigenous education needs to be well articulated in the plan and become a feature of the built environment.

Council resolved that the timeframe for the updated ‘ANU by 2020’ be extended to 2025, and that a first draft of the updated strategy be discussed by the Working Party at a meeting to be scheduled for 4 December 2014, with an update to Council at its meeting on 5 December.

In addition, Council agreed that, for the meeting in February 2015, the standing business agenda should be considered at a meeting of Council in the afternoon of Thursday 19 February 2015, in order that the final draft strategy could be discussed, in detail, over the course of an all-day strategic retreat to be held on 20 February 2015.

Resolved:
That Council approve the proposed program of work and timeframe for the development of an updated long term strategic plan, ‘ANU by 2025’, based on the building blocks contained in ‘ANU by 2020’.

8. 2014 UNIVERSITY FINANCIAL PROJECTIONS AND 2015 UNIVERSITY BUDGET

The Chief Financial Officer introduced the paper detailing the 2014 financial projections and the 2015 budget for the University. Key highlights included:

- The current 2014 financial projections and 2015 budget report an improved operating position over both 2013 actual and 2014 budget;
- In 2015, the net operating result before investments and capital grants is budgeted to be positive for the first time since 2010;
- The improved financial outlook for 2014 and 2015, driven primarily by increased tuition fees, will allow increased funding to be allocated to the University’s capital building program;
- Capital funding is budgeted to increase by $13.5m to $38.5m in 2015.

Council noted the potential risks to the 2015 budget, namely:

- Reforms to tertiary education including fee deregulation for domestic undergraduate students which may result in a weakening in student applications;
- Impact on competitive research funding of ongoing funding cuts and rationalisation of Commonwealth Departments (e.g. impact of the integration of AusAID into DFAT);
- Recent weakening of ANU’s position in the ARWU ratings;
- Concentration of international students and risks associated with any softening of current market concentrations.

Council considered the updated financial projections for 2014 and the 2015 University Budget and welcomed a most comprehensive analysis and report of the University’s financial position.

Resolved:
That Council note the 2014 University financial projections and approve the 2015 University budget.
9. ANU INVESTMENT MANAGEMENT REVIEW

9.1 Outsourcing: At its meeting on 25 July 2014, Council noted work in progress by the University’s Investment Management Office to consider and respond to the findings and recommendations arising from the review conducted by Frontier Advisory Services, with particular focus on the appropriate model to be used for the management of domestic equities within the University’s Long Term Investment Portfolio.

Council noted amongst the key findings of Frontier that current organisational arrangements, involving direct stock selection, present some risk exposure to the university given the small number of staff in the Office, the high dependency on these few staff for its work and the large sums of funds being invested and that the option of outsourcing stock selection to an independent manager/s should be examined, in a more detailed manner.

A compelling case was made for outsourcing the selection and management of domestic equities to an index-based external manager to enable the re-direction of internal staffing resources to other necessary work, namely, market analysis, asset allocation and compliance monitoring.

In adopting this recommendation, Council noted the following:

1. There will be no reduction in investment office staffing. It is intended that the Office will allocate more of its existing resources to asset allocation and related decisions, including overlays on an index managed approach, informed by inputs from the selected manager(s).
2. There will be no immediate change to the operation of the Investment Advisory Committee although its role and focus will be refined at the end of the transition.
3. There is a significant range of options for engagement of index managers including the option of engagement of more than one manager. It is expected that the transition will be completed by 31 March 2015.

9.2 Socially Responsible Investment: Council engaged in a discussion, at length, on how the current Socially Responsible Investment Policy (SRI), adopted by Council and effected on 13 November 2013 should be applied to both current domestic equity investments, and under a future outsourced regime. In the course of discussion, the need to balance a range of imperatives was emphasised, in particular, Council’s fiduciary responsibilities to both maximise returns and minimise risk, stakeholder concerns, and access to relevant expertise.

It was agreed that in a fully outsourced system, SRI Policy compliance, by reference to Environmental, Social and Governance (ESG) criteria, will need to be a component, and close attention will need to be paid to this issue in the selection and ongoing monitoring of an external fund manager.

In relation to current in-house portfolio management it was agreed to have regard to the detailed analysis of our existing stocks by Corporate Analysis Enhanced Responsibility Australia (CAER) - the Australian partner of Ethical Investment Research Services (EIRIS), an international provider of ESG research based in London, and that divestment be undertaken of seven particular stocks as soon as market conditions are conducive to doing so, on the basis that each scored in the lowest category on the CAER Sustainability Ratings:

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Resolved:
That Council:

1. Approve the divestment of seven companies from the University’s domestic equities investment portfolio, based on their scoring in the lowest category on the CAER Sustainability Ratings;
2. Note that the seven companies represent **** 1.4% of our total investment portfolio **** and

MINUTES
3. Approve the proposal to transition to an index-based external manager/s, taking into account the need to have an appropriately constructed SRI/ESG component in selection and ongoing management of all external funds.

PART 3: STRATEGIC ISSUES

10. RESEARCH PERFORMANCE AT ANU

The Deputy Vice-Chancellor (Research), Professor Margaret Harding, gave a presentation to Council on the University’s performance against the 2014 Research Plan with specific focus given to the following themes:

a) Attracting, retaining and developing Early Career Researchers and high profile staff (impact on rankings, ERA and our strategy regarding HiCi staff)
b) Health and Medical Research – implementation of review recommendations
c) Our research publication and income performance versus the Go8 – areas where the university is falling behind and strategies to address this issue
d) HDR students – increasing full-fee paying and discussion of impacts of 10% RTS reduction and charging fees if the Budget package passes the Senate.

Amongst the key points discussed were:

1. The current uncertainty in respect of the fee deregulation may impact prospective cohorts of PhD students and research funding
2. There remains a priority for the University to engage, more proactively, with industry and business in research partnerships
3. ANU is ranked highly in the Excellence in Research Australia (ERA) exercise and maintaining this position in ERA 2015, as well as number 1 or 2 in international rankings, is very important.
4. HERDC reporting of research income and publications determines the funding available to the University for the forthcoming year. Research Funding for 2013 increased +16%, compared with +5% in 2012, however, the University performed below the Go8 in research publications
5. In relation to Category 1 grants, ANU excels in ARC all research grant schemes and Fellowship schemes except those schemes requiring industry partners. In contract, ANU under-performs in securing NHMRC funding for both projects and Fellowships, underpinning the need for academic and research renewal across health and medical sciences. The University has recognised the underperformance in winning NMHRC funding and the need for investment to realise opportunities in this discipline cluster.
6. Given the University’s distinctive national role, it outperforms the sector in securing public sector income, including funding from the National Institutes Grant (NIG) funding, but is the lowest in the Go8 for industry donations and ranks 7th for HDR fees.
7. The University is a high exporter of research staff and funding. **** Whilst mobility is a feature over the lifetime of a researcher’s employment, there is a need to achieve a more balanced outcome by attracting research staff and related funding to ANU.
8. Rankings – QS, ARWU and THE - equally show a downward trend for the ANU in the area of Citations, compared to world and national rankings. Citations, per academic staff member, are also lower, on average, compared with Go8 institutions, emphasising the importance of ensuring ANU continues to attract, retain and support early and mid-career researchers.

To address these findings, the following priorities and strategies are now being implemented:

1. Implementing recommendations of the 2013 review of Health and Medical Sciences, including new initiatives to increase NHMRC Fellowship and grant applications.
2. Supporting large scale partnerships and initiatives, notably through the soon-to-be-launched Canberra Global Research precinct (ANU-CSIRO), and positioning for new ARC Centres of Research Excellence.
3. Increasing International full fee paying HDR students via establishment of strategic international partnerships with sponsoring agencies, and building key strategic partnerships with Universities and funding agencies in Brazil and Europe.
4. Establishing career pathways for early career researchers and ensure effective mentoring and support alongside the new staff performance development programme
5. Focusing on the following four key research areas in engaging with industry and business: Defence, Space Sciences, Plant and Agricultural Sciences, Composite materials; and
6. Building a comprehensive research philanthropy case for support around students, staff and buildings; in particular building a case to attract a high profile donor to support HDR scholarships in a similar manner to the Tuckwell scholarships.

Council thanked Professor Harding for a most comprehensive and insightful assessment of the key issues driving research renewal at ANU.

Resolved:
That Council:

1. Consider the issues arising from the presentation about how the University is tracking against the 2014 Research Plan and the implications for research renewal; and
2. Discuss the emerging priorities, in more detail, at its next strategic retreat to be held in February 2015.

PART 4: OTHER MATTERS FOR DECISION

11. HONORARY DEGREE NOMINATION

Resolved:
That Council approve the award of the degree of Doctor of Science honoris causa to Professor Chunli Bai on the grounds of his outstanding contribution as a scholar.

12. REVIEW OF ENTITY-WIDE RISK MANAGEMENT FRAMEWORK

Resolved:
That Council approve the revised entity-wide risk management framework which is the result of review and consultation across the ANU community to achieve a more streamlined, practical tool that enables staff to plan and ensure effective risk management practices are in place within their areas of operation.

13. STUDENT SERVICES AMENITIES FEES – REVISED APPROVAL PROCESS

Resolved:
That Council approve the process for consulting students on the expenditure of Student Services and Amenities Fee (SSAF) funds.

14. AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

Resolved:
That Council approve the proposed changes to the ARMC Charter and reaffirm the importance of this work.

15. ANU STUDENTS’ ASSOCIATION INCORPORATED CONSTITUTION

Resolved:
That Council approve the amendments to the Constitution of the ANU Students’ Association Incorporated governing the conduct of meetings, as passed at an Annual General Meeting of the Students’ Association on 21 May 2014.

16 ANU PARKING INFRINGEMENT FEES 2015

Resolved:
That Council approve the proposal to increase the University’s parking infringement fees effective from 1 January 2015.
PART 5: OTHER MATTERS FOR NOTING

17. AUDIT AND RISK MANAGEMENT COMMITTEE – SUMMARY OF MAJOR ITEMS CONSIDERED

Council noted the summary of major items considered by the Audit & Risk Management Committee (ARMC) at its meeting held on 3 September 2014.

18. FINANCE COMMITTEE – SUMMARY OF MAJOR ITEMS CONSIDERED

Council noted the summary of the major items considered by the Finance Committee at its meeting held on 19 September 2014

19. CAPITAL BUILDING FINANCIAL SUMMARY REPORT

Council noted the Capital Building Financial Summary Report.

20. REARRANGEMENT OF THE FINANCE FUNCTION WITHIN THE UNIVERSITY

Council noted the planned implementation of a Financial Shared Services Centre to process transactional-based finance functions within ANU.

21. ACADEMIC BOARD

Council noted the report from the meeting of the Academic Board held on 1 August 2014 (1045/2014).

22. 2014 WORKPLACE GENDER EQUALITY AGENCY ANNUAL REPORT

Council noted the University’s annual compliance report submitted to the Workplace Gender Equality Agency (WGEA) and the Notice of Compliance with the Workplace Gender Equality Act 2012.

23. POWER OF ATTORNEY

Council noted the list of transactions over which the Investment Manager exercised the Power of Attorney between 9 July 2014 and 3 September 2014.

24. UNIVERSITY SEAL REPORT

Council noted the document to which the University Seal has been affixed since the meeting of Council held on 25 July 2014.

25. SIGNIFICANT VISITS AND EVENTS, GRANTS AND CONSULTANCIES

Council noted the report of significant visits and events, grants and consultancies (144/2014).

26. LEGISLATION

Council approved the following legislation:

1.1 Academic Board and Committees Statute 2014
1.2 Honorary Degrees Rules 2014
1.3 Staff Superannuation (Repeal) Statute 2014
1.4 Superannuation Funds (Investment and Management) (Repeal) Statute 2014

and noted a progress report in relation to the 2014 review of University legislation.

27. 2015 COUNCIL MEETING DATES

Council noted the 2015 Council meeting dates, as approved at the February 2014 strategic retreat; and the broad schedule of proposed business agenda items for the year ahead.
Council further resolved that the business meeting of Council be conducted late afternoon at ANU House, Melbourne, on Thursday 19 February 2015, followed by pre-Council dinner. This arrangement will enable a full day dedicated to consideration and discussion of the University’s updated strategic plan (to 2025) on Friday 20 February 2015.

PART 6: OTHER BUSINESS

28. QUESTION TIME

Council noted that extensive initial (preliminary) discussions are underway with the University Work Health and Safety (WHS) Policy Committee concerning the development of a policy recommendation to the University's Executive on the scope, reach and timing for the phased introduction of a ban on smoking on campus.

The WHS Policy Committee consists of representatives from Colleges, Divisions and Research Schools, similar to the University's Staff Consultative Committee, and provides the forum for WHS policy development and consultation.

Initial consultation will explore a range of policy options that may include designated smoking areas, the potential for the use of e-cigarettes, how far any ban on smoking should extend, whether it should apply to residential colleges and to the sale of products on campus. In addition, the role of QUIT programs to support staff, as part of the usual wellbeing and support programs run by the University, will be reviewed.

29. OTHER BUSINESS

Council resolved to approve a proposal tabled at the meeting, to appoint Mr. Darren Keogh to Council’s Finance Committee. Mr Keogh's qualifications, financial, banking and commercial experience will bring further expertise to the Committee membership.

30. NEXT MEETING

It was noted that the next meeting of Council will be held on 5 December 2014.

Council business concluded at 11:30 am, followed by discussion with Professor Sally Walker and Deloitte team in relation to the review of the ANU Act 1991 and the governance arrangements contained within it ****

Council extended its thanks to Professor Walker for her overview and reaffirmed its willingness to cooperate in the review process, in the hope and expectation it would reinforce ANU's position as Australia’s national flagship university.

_________________________________ Date:______________________
Professor the Hon Gareth Evans AC QC
Chancellor
The Australian National University

(**** indicates a removed item which is confidential to Council Members)