

## STRATEGY, PERFORMANCE AND RESOURCES COMMITTEE

A meeting of the Strategy, Performance and Resources Committee was held on Wednesday 14 March 2007 at 10.00am in Committee Room A, Northcote House.

PRESENT: Deputy Vice-Chancellor, Professor M Overton (in the Chair)  
Pro-Chancellor, Mr K R Seal  
Treasurer, Mr G A Sturtridge  
Deputy Vice-Chancellor, Professor N Armstrong  
Deputy Vice-Chancellor, Professor R J P Kain

Mr D J Allen  
Mr C J Allwood  
Dr J Barry  
Sir Robin Nicholson

Ms J Percy  
Professor N J Talbot  
Professor W B Richardson

Director of Finance and Corporate Services, Mr J C Lindley  
Director of Planning Services, Mr P J Kennedy

IN ATTENDANCE: Dean of the Faculty of Postgraduate Studies, Professor H M Lappin-Scott  
Dean of the Faculty of Undergraduate Studies, Professor M Macnair  
Mr S N Fishwick, Permanent Secretary to the Students' Guild  
Dr N J Horseman, Assistant Registrar  
Ms G Weale, Executive Officer to the Registrar and Secretary

APOLOGIES: Pro-Chancellor - Professor R J Hawker, Senior Deputy Vice-Chancellor -  
Professor J M Kay, Dame Suzi Leather, Professor J A Littlechild,  
Vice-Chancellor - Professor S M Smith

07.18 **Minutes**

The minutes of the meeting held on 9 February 2007 were **CONFIRMED** (SPRC/07/15).

07.19 **Matters Arising**

**Cornwall Phase 3** – Exeter's Environment and Sustainability Institute continued to attract considerable interest, which was in capital/working capital terms a bid for £90m. Confirmation of the outcomes from Brussels/SWRDA was likely to be received in October 2007.

**St Luke's Feasibility Study** – the consultants had further work to do and the final report would not now be available until the end of April. An interim report identifying key issues was being prepared, however, and this should be made available to stakeholders by the end of March.

**Governance: an update from the Council Awayday** – Council had expressed a clear appetite for reviewing current governance arrangements, and it would consider the potential routes forward at its April meeting. The main drivers were to streamline the decision-making system, in particular releasing staff time from committee attendance into research, teaching and (for support staff) service delivery. Following discussion at Council there would be consultation at a number of levels prior to making firm recommendations to Council. The Chair of Council noted that the performance-reporting system now in place (oriented around the top 20 metrics, and the Corporate Plan operating objectives) was fully compliant with the Committee of University Chairmen's recent recommendations on good practice, and in fact exceeded their standards in most areas. More work was required on indicators below the level of the 15 top 20 metrics, which Planning Services would be taking forward.

#### 07.20 **Vice-Chancellor's Report**

The Vice-Chancellor's report was **RECEIVED** (SPRC/07/16).

#### 07.21 **Financial Forecast 2006/2007**

The Committee **RECEIVED** the latest financial forecast 2006/2007 from the Director of Finance (SPRC/07/17 attached for Council).

The forecast historic cost surplus of the University was now £0.9m, compared to the forecast approved by SPaRC on 9 February 2007 of £1.1m, and the target position of a £1.5m surplus. It was noted that all the principal risk areas for the University's forecast had now been reviewed.

The report identified a number of variances, both adverse and positive, from the budget. Although research income was up on 2005/06 by 19%, the net earnings from research were below forecast by £0.8m, concentrated in Biosciences and SECaM. A technical adjustment relating to the treatment of fEC (full economic costing) in the original budget led to a further adverse variance of £0.3m, and the costs of early retirements was £0.4m.

The revised forecast also included surpluses from asset sales of £5.7m. Sales had now been completed on Crossmead, End Cottage and Bonhay House, realising surpluses of £4m as forecast. The position on the sale of Rowancroft was less certain due to the dependency by the purchasers on obtaining planning consent, and the sale of Westgarth was now expected to take place in 2007/08. Contingency plans to bring forward sales of other assets were now being made.

A central contingency of £1.8m had been included in the budget for risk management purposes, with £1m as yet unallocated and therefore available for release to improve the forecast. With the significant risk areas all now reviewed, and with the year-end now approaching, it was no longer necessary to hold all of that contingency, therefore the Committee **APPROVED** the release of £0.5m of contingency, holding £0.5m of contingency for risk management. This decision would improve the forecast surplus to £1.4m. The Director of Finance anticipated that there would be further vacancy savings and thought that a result in excess of £2m was probable. This prediction was not without risk, in particular it was dependent on the satisfactory conclusion of asset sales, and the Committee would be kept briefed on the position as it developed towards year-end. The Committee welcomed this analysis, and reiterated its commitment to reaching the target surplus position for the year.

#### 07.22 **HEFCE and TDA Grant Settlements 2007/08**

The Committee **RECEIVED** a report on the HEFCE grant settlement for 2007/08 (SPRC/07/18 attached for Senate and Council).

The University's provisional 2007/08 grant settlement from the Higher Education Funding Council for England (HEFCE) had been received recently, together with the overall settlement for the sector. The settlement was a very positive one for Exeter, with the University receiving an additional £4.7M compared with 2006/07 - an overall growth of 10%. Stripping out the effects of funding for science and the overseas research students awards gave growth figures of £4.3M and 9% respectively. Exeter had the second largest percentage growth in HEFCE grant in all of the 94 Group and Russell Group universities (QMU London had a marginally higher % growth). Nationally, Exeter's % growth in grant was 7<sup>th</sup> highest; on a cash basis Exeter had the 12<sup>th</sup> highest growth.

The 2007/08 grant totalled £53.2M, a growth of nearly £23M since 2001/02. Although these additional revenues generally came with requirements, most notably in the need to teach the additional student numbers (ASN's) across Exeter and Cornwall (and including PCMD) campuses, the continued growth in volumes gives scope to generate efficiencies and to spread overheads.

Research income was also up, and above the average for the University's peer groups. There were changes in research income methodology, in particular relating to the allocations of business-related income. Although Exeter was not strong in this area (37<sup>th</sup> nationally), the overall research grant was above the average for its peers, with strong growth in research student funding in particular (up 15%). Planning Services colleagues would conduct more modelling on this area and discuss the results with School Managers.

From a top 20 metric perspective, HEFCE grant income fell outside what we defined as earned income, and the growth in grant made achieving the targeted proportion of earned income more challenging. The Committee welcomed this growth, however, and took the view that it reflected very well on the intensity and volume of work that had been put in to re-position Exeter on the HE map. The overall conclusion was that the recent, current and projected increases to total grant income gives Exeter a strong platform for the future.

The recent reductions in Research Council budgets for 2007/08 were also discussed. Members were very concerned at this breach of the ring-fencing of budgets for research. There would be concerted efforts at national level to bring the seriousness of this matter to the attention of ministers, in order to minimise the risk of any future recurrence.

The TDA settlement for 2007/08 was expected to be received shortly, and the Committee would be briefed on the outcome.

#### 07.23 **Strategic Planning 2007/08-2010/11**

The Committee **CONSIDERED** the following papers Financial Planning 2007/08 (SPRC/07/19 attached for Council) and Proposed Planning Parameters for Period to 2010/11 (SPRC/07/20 attached for Council).

Before getting to the specific points addressed in the papers, the Committee wished to note the following broader issues for planning:

- that the previous strategic focus on planning for the 2008 RAE was now nearly complete, and our thinking now needed to advance swiftly to the post RAE landscape – whilst the emphasis on research intensity for the University was not going to be lost, there were new themes likely to emerge, with the student experience and the 'mixed-economy' increasingly important and likely to need investment to get right, in particular if the cap on undergraduate fees was lifted
- that an annual surplus should be planned for, not for any intrinsic value, but in order to provide for self-investment, in particular to underpin investments in the Estate and its infrastructure for a sustainable future
- that asset sales were not a long-term prop for the underlying operating position, which had to achieve a surplus

The Director of Finance introduced the start-point budget for 2007/08, which gave initial projections on income and cost from the current year into next, applying the various 'knowns' such as on ASNs, variable fees, HEFCE funding, together with a similar application to costs. This new piece of work, which would be embedded in annual planning for future cycles, was welcomed by the Committee, and in particular it highlighted the importance of getting more realistic positions on both income and cost into School budgets from this year. The current start-point showed an operating historic cost deficit of £1.7m. An important shift that School Planning Groups would be asked to address this cycle was to reach much more realistic views on projected income, and at the same time to press down on expenditure. In recent cycles there had been a tendency to over-estimate income, and to also over-project expenditure, which led to wasteful reconciliation exercises across the year as part of the drive to achieve the target surplus at year-end. Recent experience showed that costs were over-estimated, and Schools would be asked to take a harder view on cost in budgeting. Overall, the Committee expected to see a £1.5m historic-cost surplus achieved again in 2007/08 with a similar expectation for future years.

The planning parameters for the period to 2010/11 made prudent assumptions about funding for both teaching and research, with the financial planning parameter being a cumulative real-

terms reduction of 1% for both. The investments leading up to the RAE were designed to deliver a significant improvement in the University's performance, and in its financial return for QR, but the Committee agreed that it would be unwise to start making projections in income/expenditure plans until there was more information on which to base those projections. The Committee was also content with the other parameters in the paper (SPRC/07/20), which it **APPROVED**. These included the shift in the use of the contingency used in 2006/07 to support higher-risk income plans towards the same resource being used from 2007/08 to underpin new activities, which in 2007/08 would be focused on new and re-branded premium fee postgraduate programmes.

There were three specific issues not addressed in the general parameters, that the Committee addressed:

- Rates for student, staff and space drivers – Professional Services continued to work to the costs incorporated in Schools budgets (for 2007/08) in June/July 2006 budgeting. Although there had been some changes in staff and student volumes, the rates projected in 2006 continued to apply, with changes to rates not being material.
- Targets for Schools – the Committee **DECIDED** that all Schools should plan for a target of at least 2% surplus at the reserve movement level (i.e. after SDF). It was recognised that there might be exceptional cases where such a requirement was simply not possible without incurring a damaging impact, and it would be for the DVC Resources to reach a view on such cases.
- Historic reserve deficits – the Committee **APPROVED** the proposal that Schools with such deficits enter into plans or 'mortgage arrangements' to clear these. The period to pay off any historic reserve deficit should not be more than 10 years, but should also not be unnecessarily long (ie if a school can repay any historic deficit within 3 years then it should not unnecessarily extend it beyond this time). The historic deficit would be repaid in equal instalments over the years agreed with the School. If Schools made surpluses in excess of this fixed annual amount then these may be transferred into released reserves to be used for investment or non-recurrent purposes at the Head of School's discretion – so long as they are included in the School's budget for the year. Schools with historic surpluses would see those surpluses fixed and not available for them to use until the University's General reserve position has been fixed (ie it is at £8m or more), although budgeted surpluses would be available to them. The issue would be discussed at a future SMG meeting, but the Committee was content with the principle.

These planning parameters would be incorporated into School/Services planning templates.

#### 07.24 **Procurement Strategy**

The Committee **CONSIDERED** a proposed procurement strategy (SPRC/07/21 attached for Senate and Council).

By way of context, the University's Corporate Plan 2006 – 2010 included the aim to have an improved purchasing and supply management strategy by July 2008. The agreed service aims for Finance in the Corporate Plan included a comment that during 2006/7 a key driver will be "the efficient use of resources through commencing a series of "Value for Money" initiatives. The development of a University procurement strategy was the principal initiative to achieve this. Externally, the Government sponsored report on potential public spending efficiencies (Gershon) had recommended that organisations such as universities develop procurement strategies to increase the efficiency with which public money is expended. In response to the Gershon report HEFCE had published a report on procurement identifying recommended good practice in the HE sector.

The proposed procurement strategy was targeted at maximising value, minimising risks and process costs, thereby increasing the capacity with which the University, Schools and services could attain their objectives. The strategy had been constructed principally following a review of recent publications on HE and public procurement issues, current procurement technology, procurement of the University's goods and services over the last 3 years and the

resources of the procurement team, supplier trends and partnership arrangements available to the University.

The review had revealed significant areas for improvements in the University's procurement arrangements. Areas of concern were the lack of e-Procurement systems at the University, insufficient resources allocated to procurement, poor compliance with documented University procurement processes and a less than satisfactory understanding of the nature of the supply chain activity at the University. The strategy made a number of proposals that would address these deficiencies, and in doing so it was anticipated that the University would generate annual savings of £2.9m by 31 July 2010 - some £1.6m due to reduced prices from suppliers and £1.3m arising from lower processing costs. The strategy included proposals to monitor and measure these savings.

Financial investment was necessary to enable these savings to be delivered, in particular a one-off capital investment in e-Procurement systems of circa £110k as soon as possible, together with annual revenue investment of £110k, of which circa £85k was staff costs, mainly to appoint a Head of Procurement, from 1 August 2007 at the latest. These costs had been previously built into Professional Services planning assumptions from 2007/08.

The Committee welcomed these proposals, and members with experience of the implementation of similar strategies at other organisations strongly endorsed the direction of travel and the projections of savings. Points noted in discussion included:

- the importance of making an excellent appointment to the Head of Procurement post
- the need to engage quickly with Schools and Services, for example through the demonstration of 'quick wins'
- that most of the savings would be realised in just a few units, in particular Corporate Services (Buildings and Estate, Hospitality Services) and Academic Services, and that savings realised in these areas would in themselves lead to savings in cost for Schools.

Subject to consideration by the Director of Finance of issues that might be subsequently identified by Audit Committee (which would receive the paper at its 19 March meeting), the Committee **APPROVED** the Strategy.

#### 07.25 **Education Committee**

The Committee **RECEIVED** reports from Education Committee meetings held as follows:

(a) 29 January 2007 (SPRC/07/22 attached for Senate)

The Dean briefed the Committee on the work he was leading to bring a single set of classification conventions into effect from 2007/08.

(b) 6 March 2007 (SPRC/07/23 attached for Senate)

The Employability Strategy minute from Education Committee was noted. There was no single answer as to why Exeter currently under-performed compared to peers in this performance area, but a broad range of actions were underway in order to improve performance. The vital role for the Guild of Students in connecting students to the importance of their preparations for working life was recognised, and the DVC Education would take that issue forward. There would be a set of investment proposals for this strategy, and these would be considered alongside other investment proposals later in 2007.

The Committee also welcomed the report of the Graduate School's Review of the Taught Masters Portfolio, which the Dean of Postgraduate Studies added to verbally. A number of actions had been agreed by Education Committee to take forward the agenda to improve the postgraduate portfolio. The decision taken earlier by SPaRC to support pump-priming investments in this activity was welcomed by the Dean.

#### 07.26 **Human Resources Committee**

The Committee **RECEIVED** a report from the Human Resources Committee meeting held on 19 February 2007 (SPRC/07/24 attached for Senate and Council). The Committee **APPROVED** the policy on Learning and Development (subject to minor amendments) and the arrangements for the management of employees' rights to "keeping in touch" days. The Committee also welcomed the Human Resources' Committee's decisions on contribution based rewards.

#### 07.27 **Investment Committee**

The Committee **RECEIVED** a report from the Investment Committee meeting held on 1 March 2007 (SPRC/07/25 attached for Council). Returns on equity based investments managed by Rensburg Sheppards continued to out-perform stock market and investment management indices, and cash management returns delivered both by the external managers and the University's Finance Services gave satisfactory returns.

#### 07.28 **Performance and Risk Steering Group**

The Committee **RECEIVED** the termly performance reports as follows:

##### (a) Performance in the Top 20 Metric Areas (SPRC/07/26 attached for Council)

The report gave an overview of Exeter's current performance compared to the competitor group in the 15 Top 20 metrics and progress towards meeting targets for each metric.

The Committee noted that:

- in the 'traffic light' assessment, 8 of the indicators were classified as 'on track' or 'broadly on track' in regard of progress to meeting targets and there were significant or serious concerns regarding the other 7 indicators.
- the graduate level employment metric's 'traffic light' assessment had changed from 'amber' to 'red' however this was not a reflection of a material change performance but rather a re-evaluation of that performance.
- The IT, Library & Learning Spend metric showed a significant improvement and had been assessed as 'yellow – broadly on track, some concerns'. This followed a detailed analysis of the HESA finance return last autumn and the optimisation of expenditure classification in Schools and PCMD plus real terms increases in expenditure in this area. This improved expenditure would have a phased impact in the league table publications due to the three year averaging employed however significant improvement in Exeter's position in this indicator should be seen in the next couple of years.
- overall Exeter's performance was progressing on the right trajectory and performance was currently just outside the median of the comparator group and hence just outside the Top 20. However the three research indicators were still outside the median position which was a cause for concern. It was estimated that the performance improvements might result in a rise in Exeter's position in the next Times League table to the low to mid 20's.
- A final report for the year would be provided to SPaRC in the summer term.

##### (b) Progress in Achieving Objectives in the Corporate Plan (SPRC/07/27 attached for Council)

The report presented the second review of the indicators of success for 2006/7 & 2007/8 assessing progress on each of the indicators. This Spring report (SPRC/07/27) was relatively close in time to the previous Autumn report, which was generated at the end of November last year, and there was little change in the pattern of assessment. Two indicators had been completed namely IiP accreditation had been achieved for

Professional Services and a refined Contribution Based Rewards Scheme had been agreed. The areas which continued to raise concern and shown as 'not on target' were the growth in the proportion of postgraduate and international students, achieving the yearly milestones associated with the agreed 2009/10 School targets for research income per fte and the aim to increase Research Council studentships.

As requested by Council, a further aspect had been added which indicated whether the action was intended to be completed in the 2006/7 or 2007/8 academic year and also gave an assessment of the amount of activity involved in completing the action on the scale from 'Major', through 'Substantial', to 'Minor'. The next iteration of the Corporate Plan would contain actions for one year only for clarity.

A further termly report would be provided in the summer term to SPaRC and Council giving further updates on progress of these indicators.

#### 07.29 **Physical Resources Committee**

The Committee **RECEIVED** a report from the Physical Resources Committee meeting held on 20 February 2007 (SPRC/07/28). The Committee noted that the costings for the Estate Strategy would be provided to SPaRC at its June meeting before consideration at Council and the development of these costings would conclude at SPaRC in the Autumn Term.

#### 07.30 **Safety Committee**

The Committee **CONSIDERED** the University Smoking Policy as submitted to the Safety Committee meeting held on 18 January 2007 (SPRC/07/29).

In summary:

- (a) Smoking would be banned from all buildings owned or managed by the University, including single occupancy offices.
- (b) Smoking would be excluded within a 5 metre perimeter of each building.
- (c) Smoking would be excluded from University owned or operated vehicles or vehicles hired for official business.
- (d) Smoking would be permitted in designated student study bedrooms.

The Committee **APPROVED** the revised policy for implementation from the 1 July 2007.

#### 07.31 **Science Strategy Board**

The Committee **RECEIVED** a report from the Science Strategy Board meeting held on 14 February 2007 (SPRC/07/30). It was noted that work on the Strategy was moving forward well, with costed proposals to be considered by the Committee/Council later in 2007.