

## STRATEGY, PERFORMANCE AND RESOURCES COMMITTEE

A meeting of the Strategy, Performance and Resources Committee was held on Monday 16 October 2006 at 10.00am in Committee Room A, Northcote House.

PRESENT: Vice-Chancellor, Professor S M Smith (Chair)

Pro-Chancellor, Mr K R Seal  
Pro-Chancellor, Professor R J Hawker  
Treasurer, Mr G A Sturtridge  
Senior Deputy Vice-Chancellor, Professor R J P Kain  
Deputy Vice-Chancellor, Professor N Armstrong  
Deputy Vice-Chancellor, Professor J M Kay  
Deputy Vice-Chancellor, Professor M Overton

Mr D J Allen	Sir Robin Nicholson
Mr C J Allwood	Ms J Percy
Dr J Barry	Professor N J Talbot
Professor J A Littlechild	Professor W B Richardson

Director of Finance, Mr J C Lindley  
Director of Planning and Performance Review, 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  
Permanent Secretary to the Students' Guild, Mr S N Fishwick  
Equality and Diversity Officer, Ms K M Devlin (for discussion under 06.67)

APOLOGIES: Dame Suzi Leather

The Vice-Chancellor welcomed members new to the Committee – Mr Allwood, Professor Littlechild, Professor Overton, Ms Percy and Professor Talbot.

06.63 **Minutes**

The minutes of the meeting held on 28 June 2006 were **CONFIRMED** (SPRC/06/54).

06.64 **Matters Arising**

- **Framework Agreement (minute 06.47)** – the UCU had now approved the University's proposals to implement the Framework Agreement, which meant that with the approval of all the unions it could now be implemented. It was intended that this would be with effect November salary payments to staff, backdated to 1 August.
- **RAE Consultation (minute 06.47)** – the University's response to the consultation had been submitted, and a copy of this would be circulated to members with the minutes of the meeting.
- **Science Park (minute 06.47)** – this project continued to be progressed, and a decision on the preferred site (near to junction 29 of the M5) should be made by March 2007.

- **2006/7 Financial Position and Asset Sales (minute 06.50)** – a progress report on asset sales and their contribution to the University's position for 2006/7 was received. Sales of land at Rowancroft (for development of student residences) and of Crossmead were expected to proceed.
- **St Luke's Campus – Options Appraisal (minute 06.53)** – all students and staff were being written to on the review of options for St Luke's. All options to enable the three St Luke's Schools to grow were on the table. Once the appraisal from the consultants had been received there would follow a process of consideration and consultation during the Spring, with decisions made in Spring/Summer 2007.
- **Top 20 (minute 06.55)** – the Committee (and Council) would receive a detailed briefing on the development of the top 20 metrics, and the targets being proposed for each of the 15 metrics.
- **INTO (minute 06.56)** – Council had decided at its 10 October meeting that the University should proceed to legal closure of the agreement with INTO, as outlined in SPaRC/06/46 and as detailed in the Council paper (available to members upon request). This was an important development, bringing with it the development of modern teaching and residential buildings, enabling the University to meet its ambitious international student numbers targets and bringing about an internationalisation of the University. These changes would, in turn, require the University to focus on cultural change and service delivery appropriate to a much larger international community.

#### 06.65 **Governance Effectiveness Review 2006**

The Committee **RECEIVED** the summary of feedback from 2005/06 SPaRC members (SPRC/06/55). The response rate was 52%.

The responses were generally encouraging, but the following points were highlighted:

- the Vice-Chancellor's report would be provided primarily in written format this year, with the VC providing contextual reports as and when he saw necessary;
- agendas would continue to be prioritised to ensure that major items were properly dealt with;
- papers would come to the Committee with an executive summary and clear recommendations; and, especially
- the Committee should be addressing the 'big picture' at SPaRC, and avoiding getting straight into matters of what may be minor detail.

The secretariat was trying to get the balance right in paperwork between focusing on the key issues, the provision of full information and avoiding excessive amounts of paper. Committee members should let the Secretary to the Committee know if they felt the right balance was not being achieved.

#### 06.66 **Terms of Reference and Membership**

The Committee **RECEIVED** the Terms of Reference and Membership of the Committee for 2006/07 (SPRC/06/56 attached for Senate and Council). A revision to the previous terms of reference had been made to clarify the Committee's responsibilities (subject to the role of Audit Committee) for providing assurance to Council on risk management. Subject to the proposal for making an addition to ensure that these terms of reference properly captured the Equality and Diversity issues for SPaRC (minute 06.67 refers), the Committee **APPROVED** these revised terms of reference.

06.67 **Equality and Diversity [Kate Devlin in attendance for this item]**

The Committee **RECEIVED** a paper on Equality and Diversity (SPRC/06/57).

The report identified those parts of the legislation which placed a clear duty on the University's decision making bodies. In future they must consider all new policies, procedures, practices and structures for their potential adverse impact on particular groups covered by the legislation, done openly and transparently. They must also have in place a system for recording these processes. Most importantly, the new legislation (e.g. the Disability Discrimination Act 2005, and the Equality Act 2006) brought in a major shift – as of now universities through these Acts would be required to be proactive and promote equality and diversity, as opposed to the more passive sense of demonstrating that they did not discriminate. The paper also highlighted the heightened risk profile for the University, which Ms Devlin and the DVC Resources were endeavouring to address in partnership with colleagues.

It was very important that the University and its committees did address Equality and Diversity in decision-making. For SPaRC, Ms Devlin was asked to recommend the appropriate change to its terms of reference to reflect this new landscape, and that principle should be extended to all committees. Papers for SPaRC should make clear reference to Equality and Diversity where relevant, and the Committee's Secretary was asked to ensure that this was the case, and members should ensure that any concerns they have in policy review and decision-making related to Equality and Diversity were raised through the Chair when papers were being discussed.

The following points were also noted:

- Schools and Services should be alerted, through School Planning Groups and via the Registrar and Secretary, that their conduct of business should address these same concerns, noting that advice from Ms Devlin was freely available
- Ms Devlin should ensure that all Committee secretaries are clear as to what their responsibilities were, and that
- A log of critical incidents related to Equality and Diversity should be developed, managed and monitored, ensuring that the higher-profile cases were dealt with through the University's Critical Incidents Policy.

06.68 **Vice-Chancellor's Report**

The Vice-Chancellor **REPORTED** on the following matters:

- **The Past Year** - at the end of the University of Exeter's Golden Jubilee year 2005-06, the University was in the midst of an investment programme worth over £140m, with investment in new facilities and research centres. 15 Anniversary Chairs had attracted world-class scholars to Exeter and 100 new academic staff had been appointed. The year also saw the announcement that a new Dental School had been secured for the region, and the investment continued in the Cornwall Campus, with an increased number of Exeter degree subjects and enhanced research centres.
- **Top 20 by 2010** - Exeter had been named as one of the UK's most successful universities for the third time by *The Sunday Times* – more than any other university. Exeter came 18<sup>th</sup> in the league table out of 109 listed institutions. Currently, Exeter was ranked 28<sup>th</sup> in *The Times* league table, a position that was expected to improve significantly within the next two years.
- **SMG Residential** - at the end of September, SMG held its first residential meeting at which there had been very productive discussions focussed around the strategic direction of the University. SMG endorsed the conclusions reached by the VCEG at its residential earlier in September that the key strategic priorities for the coming year should be employability, international and postgraduate recruitment, generation of research income

and the science strategy. The event was a great success and reinforced the SMG's common sense of purpose and involvement in decision-making processes.

- **Research Assessment Exercise 2008** - feedback from external assessors on our pilot RAE had been received by the end of July, and there would be a further round of Research Output Monitoring in January 2007, followed by meetings of the RAE Review Group, which would take decisions about the staff to be submitted. The pilot had proven extremely useful in helping calibrate tactics and improvements for the final RAE submission. More widely, there was little doubt that concentration of research funding was still on the agenda, and that to remain in the research top grouping was vital for Exeter's future.
- **Comprehensive Spending Review** - HE was not expected to do well in the 2007/08 CSR and there was a risk of a decrease in the unit of resource. Various possible planning scenarios were being explored against this background, but it was noted that in the previous planning round there had been provision made in the University's plans for a decrease in the unit of resource.
- **Fees** – cross-party discussions over the future of undergraduate fees were expected to take place as the next general election approached, to avoid the possibility of the raising of the cap becoming a party political issue. The key point for Exeter was to ensure that it was ready for an intensification of market forces regardless of how the debate over fees might ensue in the intervening years.
- **1994 Group** – the VC was now Chair of the Group (for the next three years), and the scope this gave to influence national policy both for the Group and for Exeter should not be under-estimated. It did now appear, with the 1994 Group having agreed to admit four additional members – Leicester, Loughborough, SOAS, and Queen Mary and Westfield – that in effect the binary line had now been redrawn, under the 37 research-intensive institutions which belonged to the Russell Group and 1994 Group.
- **2006 National Student Survey** - for the second year running, the University was among the top ten universities in the UK for student satisfaction, and Exeter remained the University with the most satisfied students in the South West. At Exeter a total of 1,540 final year undergraduate students gave their views, 65% of those invited to take part. Responses rated satisfaction as higher or at maintained levels to last year in 20 out of 22 questions. Exeter had the 'most satisfied' Management and Finance and Accounting students in the UK.
- **Campus Developments** - extensive building work and refurbishments had been carried out across the Streatham Campus over the summer. The results were impressive and the Vice-Chancellor thanked Buildings and Estate Services for all the hard work that had gone into delivering the improvements in time for the start of the new academic session.

The Registrar and Secretary **REPORTED** on developments at and around the Cornwall campus, in particular regarding residential accommodation for students at this campus. By 2007, there would be just over 800 en-suite bedrooms for Exeter and University College Falmouth students, but this would be insufficient to enable the guarantee of a first year place to be made, and as that was a vital marketing tool action was necessary. Exeter had therefore appointed an agent to pursue options for a purchase of land adjacent to the campus suitable for this purpose. If University College Falmouth was unable to provide funds to support the purchase of land, Exeter would need to proceed and reach an arrangement with Falmouth as it was expected that it would be utilising the accommodation also. The Chair of Council supported the actions taken to date and planned, and the Committee **APPROVED** the proposal in principle that the University proceed to purchase land adjacent to the Cornwall campus to support its development.

Regarding the review of options for the Schools at St Luke's, the President of the Guild of Students noted that the Guild of Students was consulting its students, and that the initial views coming through suggested opposition to the sale of the campus. The President was thanked for this update. It was also noted that it would be important for the Guild to engage with the issue of how to support the growth of the St Luke's Schools.

#### 06.69 Report from the VCEG Residential Planning Meeting

The Committee **CONSIDERED** a report from the meeting held on 17-19 September 2006 (SPRC/06/59 attached for Senate and Council).

The document described the key themes and actions that the VCEG residential meeting agreed were important to pursue in this year's planning cycle. SMG (Senior Management Group) also analysed what steps it should be taking in support of our drive to Top 20 at its residential meeting, and clear common ground had been reached on what the key issues were, and of the steps we should be taking to address them.

The general assumption should be that whilst Governments might want to be helpful, they were often capricious, and it was evident that self-help, in the form of entrepreneurial activity was the only means to sustainable success. We must diversify the student population, make it increasingly postgraduate and international, ensure that employment rates improved significantly and quickly, and always face outwards. The University needed to plan for investments, and in particular to ensure our Science base was strong. Research income had to be increased, now that much of the work towards the RAE was nearing completion. The physical infrastructure must be modern, attractive and fit for purpose. The development of a new Finance Strategy to help underpin those strategic goals was going to be important for the latter part of 2006/7.

#### 06.70 Financial Position 2005/06

The Committee **RECEIVED** a report from the Director of Finance on the financial position for the year 2005/06 (SPRC/06/60).

The statutory accounts for 2005/06 had been prepared in draft and the external audit of these accounts is currently in progress. This was two weeks earlier than in previous years, in accordance with the timetable to finalise accounts by 30 November 2006, as part of the University's involvement in HEFCE's "single-conversation" pilot.

The approved forecast for the University, prepared for the June meeting of SPaRC, was a historic cost surplus of £1.5m. However, at the Council meeting on 17 July, a verbal update was given which indicated that further favourable variances would increase the historic cost surplus to around £3m.

This had proved to be the case and as a result of favourable variances across all operational areas, the draft consolidated accounts, prior to audit, showed a historic cost surplus of £3.7m. The variances arose primarily from a combination of expenditure slippage and additional income. The larger scale of the favourable variance was due to factors such as the overprovision for CBR (contribution based reward payments to staff).

The Committee **APPROVED** the release of CBR payments, the costs of which were included within the overall forecast surplus. The 1% element that would be payable to all eligible staff would be on a flat-rate basis, so that as staff on lower salaries would benefit more with CBR taken as a proportion of earnings.

Further analysis would highlight any issues which impacted on the forecast for 2006/07 and identify areas for improvement during in year monitoring for 2006/07. The Committee was concerned at the likely final out-turn for research income, which showed an adverse variance of £1.1m on gross figures. Although this result would be 8% up on 2004/5, there was still concern that the improvements in applications and grants awarded in previous years did not appear to be coming through as expected. Greater clarity and contextual information on reporting on application rates, grants awarded and research income was requested in 2006/7.

The Committee thanked the Director of Finance and his staff for their work on the out-turn position, and welcomed the earlier provision of this data.

#### 06.71 University Banking Arrangements

The Committee **RECEIVED** a paper from the Director of Finance on the University banking arrangements for its information (SPRC/06/61). Council had made the decision at its 10 October meeting to approve the amended terms and conditions and to ratify the full repayment of the £3.2m Barclays overdraft.

#### 06.72 Accounting Policies

The Committee **CONSIDERED** a report from the Director of Finance on accounting policies (SPRC/06/62).

In accordance with accounting standards, the University must ensure it has adopted accounting policies most appropriate to its particular circumstances for the purpose of giving a true and fair view, and these policies had been reviewed in accordance with Financial Reporting Standard 18. There were a number of amendments, and in particular these related to the treatment of expenditure on fixed assets, long-term maintenance and on major refurbishments.

The Committee **RECOMMENDED TO COUNCIL** that it approve these revised accounting policies, which would be provided to Council as part of the overall approval of the financial statements for the year ended 31 July 2006.

#### 06.73 Finance Strategy and Planning Parameters

The Committee **CONSIDERED** two related papers, the first being a progress report on the Finance Strategy and including longer-term scenarios, and the second proposing detailed planning parameters to apply to 2010/11 or until otherwise revised (SPRC/06/63a, SPRC/06/63b attached for Council)

The report on the Finance Strategy set out the longer-term “horizon” planning at the University and the shorter terms issues this gave rise to. SPaRC and Council had identified three priorities for the Finance Strategy which in order of priority were: financial sustainability, achievement of the University’s strategic objectives and the devolved decision-making to budget centres.

Three key issues in the funding environment were analysed – the outcomes of the comprehensive spending review (CSR) and the T funding review, the RAE and the future of research funding, and the future of undergraduate tuition fees. Although the CSR did look as though it would create a reduction in the unit of resource, and if that proved to be 5% that could lead to a reduction of circa £3m per annum to the University, the second and third areas were likely to provide the possibility of significant additional resources. A range of scenarios around these outcomes, and including the assumption of a growth in pay costs at 5% p/a, were then discussed. On that basis, there was the prospect of significant and increased uncommitted surpluses and cash balances arising after 2010. These were currently speculative, and would need revisiting as these assumptions were either verified or otherwise, but gave a useful view going forwards of what might be possible. One cautionary note was the impact of wage settlements that were higher than inflation – the historic-cost graph across all these issues showed a downturn after peaking around 2010-11.

However, regardless of the precise outcomes on these three key issues, it was already apparent that the HE environment was getting increasingly competitive, and universities were either making headway or going backwards. Exeter was in the group, very clearly, that was on the move and upwards, but to become sustainably competitive at and above the top 20 level needed investment. The Committee had yet to see the varying costings for strategies around Education, Science and Information Services, for example, and the Estate Strategy was going to require investment also. The current financial projections for the period to 2010 did not show the levels of surplus to enable revenue investment to take place prior to 2010, unless a lower level of surplus was targeted, and the capital resources available were currently also limited.

In discussion the following points were noted:

- top 20 investments were vital to make if our current upwards performance was to be sustained, but there had to be confidence that performance improvements were in fact coming through, and that the investments would see a further ratcheting upwards of earned income
- it was vital to be making plans to ensure we would be able to attract students under a higher-fee regime and at the higher rates, and to do so would require shorter-term revenue investments to yield longer-term gains
- the financial data was now much more secure than it had been previously, and that enabled the University to more confidently take decisions that did entail risk
- contingencies were necessary, but excessive prudence as well as the danger of double-counting contingencies in Schools as well as corporately could lead to lost investment opportunities
- options for investments in Estate, Education, Information Services and Science strategies would be needed for decision-making in Spring 2007, and that
- fund-raising, more effective procurement and self-help were vital tools to deploy.

The investments to ensure that top 20 was achieved and sustained would need the implementation of an innovative Finance Strategy. Four key elements were noted. The setting of a surplus level that would ensure a stable and sustainable future, but calibrated at a sufficiently low enough level to enable the University to self-invest. Secondly, related and in the short/medium term only, capital surpluses could be used to support strategic revenue spend. Thirdly, that the early redemptions of loans prior to 2010, whilst they would reduce interest payments, would jeopardise the investments necessary for top 20. Fourthly, that there are a range of assets that could be utilised to create a significant capital fund – this could be a mix of the sale of non-core assets and in particular off-campus residences, along with the release of value from some of the residences on-campus be entering longer-term leasing arrangements with the private and voluntary sectors. It was thought that these two items brought together could yield in the region of £30m to £60m for investment in the top 20 strategies. Any such schemes would have to be on the basis of careful selection of partners and careful management thereafter, and ensuring that the service to students was of a high quality. An important issue for this potential strand for the Finance Strategy would be the impact on the bottom-line, as the surpluses generated in these areas would no longer accrue to the University's accounts.

Additionally, a set of planning parameters were proposed to the Committee (in SPRC/06/63b) that would be used corporately and by Schools and Services to guide their current planning. The setting of the parameters early in the cycle should help planning proceed on a more informed basis, with the outcomes from the Spring grant settlements being considered by SPaRC in March 2007. The Committee **APPROVED** these parameters to be used for the period to 2010/11 or until further notice, subject to the targeted historical cost surplus being £1.5m from 2007/08.

The Committee welcomed these important proposals, noting that at this stage the DVC Resources and the Director of Finance were seeking approval by the Committee and Council to take these issues forwards. The Committee **RECOMMENDED TO COUNCIL** that in order to make attainable and sustainable the strategy to achieve top 20:

- (a) the University should aim for a historic-cost surplus of £1.5m as a general presumption from 2007/8 and in succeeding years until the end of the planning period,
- (b) that, in principle, pre-investment could be contemplated provided that robust plans were in place to improve performance as a result,
- (c) the resources released from any sales of assets or other sources should be available in principle to be used towards revenue spend supporting the top 20 strategy, provided that the revenue plans longer-term were sustainable,
- (d) the early redemption of current loans should not be targeted, and that additional loan finance should not be used except as an emergency source of funding,

- (e) the exploration of the sale of non-core off-campus assets should proceed, together with the discussion with potential partners of the long-term lease of certain residences on the Streatham campus to provide a capital yield.

The Committee would expect regular updates on the development of the strategy from the DVC Resources/Director of Finance.

#### 06.74 **Student Numbers - Preliminary Report for 2006/07**

The Committee **RECEIVED** a report on the preliminary student intake position for 2006/07 (SPRC/06/64).

The paper provided a preliminary indication of student numbers for the year 2006/07. The data showed UK/EU undergraduate registrations marginally exceeding planned intake, as was the case for International undergraduates. For PGT, the prognosis was less positive. It was expected that once the numbers had stabilised, the UK/EU and international positions would be slightly below those in 2005/06, but significantly below aggregated School plans. PGR numbers show a healthy growth from 2005/06, but were likely to be slightly below the plans.

The updated position would be provided to the Committee for its November meeting, and that assessment would underpin a review of the financial implications to be considered at the same meeting. The implications for action planning and for longer-term strategies would also be brought back to the Committee.

#### 06.75 **Cornwall Campus Management Group**

The Committee **RECEIVED** a report from the Cornwall Campus Management Group meeting held on 5 October 2005 on the Group's revised membership and terms of reference (SPRC/06/65). The progress of the University's work towards proposals for Phase 3 of CUC was noted.

#### 06.76 **Wave Hub Project**

The Committee **RECEIVED** a report on the Wave Hub Project (SPRC/06/66 attached for Senate and Council).

The Wave Hub was a renewable energy project in the South West of England, currently under the direction of the RDA. It would be the world's first offshore facility available to Wave Energy device developers for operational testing of multiple arrays of wave energy conversion devices (WECs) and for supplying energy directly to the High Voltage Grid. The Wave Hub was due to be operational by the summer of 2008, sited about 12 miles off the North Cornwall shore at Hayle. Following a period of consultation and market appraisal, the RDA learned that the project was not yet attractive to the commercial community and had invited the Universities of Exeter and Plymouth to jointly own, operate and manage a clearly defined and independent Wave Hub Operating Company (OpCo). The RDA was aiming to have OpCo established by December 2006 and to assume responsibility for all remaining aspects of commissioning, construction, operation and management of the Wave Hub by March 2007.

The University had recognised this as an exciting opportunity, and one that offered alignment with the emerging Science Strategy and especially with academic interests at the Cornwall campus. However, although there were attractive opportunities, the project was not without risk. The Committee endorsed the Registrar and Secretary's view that the University should only proceed with this project on the basis that it had commissioned its own due diligence process (with the University of Plymouth) and to the satisfaction of both universities, and that it commissioned and was content with a full risk assessment.

**06.77 Science Strategy Board**

The Committee **RECEIVED** a report from the Science Strategy Board meeting held on 13 September 2006 (SPRC/06/67). The Board had amended its terms of reference and was now taking forwards its strategic agenda. A small number of inter-disciplinary themes were being explored, and it was expected that the proposals for Phase 3 of CUC would map onto these.

**06.78 Learning and Teaching Committee**

The Committee **RECEIVED** a report from the Learning and Teaching Committee (Education Committee with effect 1 August 2006) meeting held on 4 July 2006 (SPRC/06/68 attached for Senate).

**06.79 External Affairs Strategy**

The Committee **CONSIDERED** a report from the External Affairs Committee meeting held on 4 October 2006 (SPRC/06/69 revised attached for Senate and Council).

This Strategy has been under development for some time, and had been endorsed by VCEG at its recent residential meeting. It was aligned with the Corporate Plan, supported the top 20 metrics, and offered some very helpful 'positioning messages' for external relations. It also recommended that in the development of a new Corporate Plan a key characteristic around "a portfolio of demand-led academic programmes which are highly attractive to the market" be considered. It was also noted that Schools would need to develop their own External Affairs plans in this cycle.

The Committee welcomed this new Strategy, and **RECOMMENDED TO SENATE AND COUNCIL** that it be approved. There was some further editorial work to do on the Strategy, and in particular the section on School media coverage required some more attention.