

## STRATEGY, PERFORMANCE AND RESOURCES COMMITTEE

A meeting of the Strategy, Performance and Resources Committee was held on Tuesday 21 November 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  
 Deputy Vice-Chancellor, Professor N Armstrong  
 Deputy Vice-Chancellor, Professor J M Kay  
 Deputy Vice-Chancellor, Professor M Overton

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

Director of Finance, Mr J C Lindley  
 Director, Planning and Performance Review, Mr P J Kennedy

IN ATTENDANCE: Dean of the Faculty of Postgraduate Studies, Professor H M Lappin-Scott  
 Permanent Secretary to the Students' Guild, Mr S N Fishwick  
 Executive Officer to the Vice-Chancellor, Dr V J Gregory  
 Executive Officer to the Registrar and Secretary, Miss G L Weale  
 Mr P Tiltman (for discussion under 06.88)

APOLOGIES: Professor R J P Kain, Professor M Macnair

#### 06.80 **Minutes**

The minutes of the meeting held on 16 October 2006 were **CONFIRMED** (SPRC/06/70).

#### 06.81 **Matters Arising**

- **INTO (minute 06.64)** – the Registrar and Secretary reported on developments since the Committee's October meeting. There were some outstanding issues ahead of formal legal closure on the agreement with INTO, but these were in the process of being satisfactorily resolved. It was noted that Senate would have an important role in overseeing the quality of the programmes. The first English language students were due to arrive in June 2007. A number of colleagues had worked extremely hard to get this project to this promising stage, and thanks in particular were expressed to John Withrington and Jeremy Lindley and their teams for their work. INTO were looking to work with about 5-6 universities initially (including UEA and Exeter and, very probably, Newcastle) then expanding to about 11 to 12 universities in total.
- **Terms of Reference and Membership (minute 06.66)** - to confirm the addition of a new paragraph 2 relating to equality and diversity as follows:  
 'to ensure that consideration and decisions relating to strategic, performance and resources matters are consistent with the University's duty to promote equality and eliminate discrimination.'

- **Cornwall (minute 06.68)** – the Registrar and Secretary confirmed that the process to secure the purchase of land adjacent to the Tremough campus primarily for residential accommodation provision, and probably including an element of financing from University College Falmouth, was proceeding satisfactorily.

## 06.82 Vice-Chancellor's Report

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

- **Strategy Co-ordination Group** - a Strategy Co-ordination Group had been established, reporting to the VCEG, under the chairmanship of the Deputy Vice-Chancellor (Resources). The purpose of this Group was both to ensure that the University's major strategies – for example the Science Strategy, the Estates Strategy, and the Information Services Strategy – were fully harmonised and to consider the resource implications/benefits of these strategies and make recommendations for investment.
- **Combined Universities in Cornwall Phase 3** - it was hoped that the level of funding available for the University in Phase 3 would be known shortly. Our plans were ambitious plans, including the creation of a world-class research institute in the Environment and Sustainability Institute, to bring the transformative economic change and additionality to Cornwall which the funders wanted. It was also noted that University College Falmouth had launched a feasibility study into a potential merger with Dartington College of Arts. The institutions were holding initial exploratory discussions about the move and the possible creation of a new merged institution within the Combined Universities in Cornwall. Council would be making a decision on the University's involvement in Phase 3 at its April 2007 meeting, with an interim report to its December meeting, with a SPaRC discussion on the issues in February or March 2007.
- **Comprehensive Spending Review** - the Higher Education Funding Council for England (HEFCE) was expecting to see a real-terms reduction in resource in the Comprehensive Spending Review (CSR). The University's plans had anticipated this with a 5% cut in mind. Since 93% of HEFCE funding was allocated as a block grant, and with QR-funding protected, any cuts would fall on the T grant.
- **HEFCE Support for Science** - had announced that an additional £75m over three years had been allocated to boost science departments. The extra £25m a year would support chemistry, physics, chemical engineering, and mineral, metallurgy and materials engineering, with an allocation of circa £1k per student. Indicative figures produced internally (as yet not verified by HEFCE) showed that this could be in the upper part of the £300-400k range for Exeter.
- **Report of the Stern Review on the Economics of Climate Change** - the publication of the Report of the Stern Review on the Economics of Climate Change presented the University with exciting opportunities to initiate and lead in related research, knowledge transfer activities and programme development. Over the coming months, the University would be carefully examining the implications of the Report and what it can do to work towards helping to achieve the Report's recommendations.
- **St Luke's Feasibility Study** - the University had appointed consultants King Sturge to carry out the feasibility study into the options for the future usage of St Luke's Campus. The study was now expected to be completed in February 2007.
- **Investors in People** – the Professional Services were being assessed for Investors in People status this week. It was noted that Hospitality Services had (subject to formal confirmation) been recently awarded the industry-standard 'Hospitality Assured' status. This was a tribute to staff in Hospitality Services and to Simon Malloy's leadership of them.
- **Longer-term positioning** - at a recent informal meeting with the new Chief Executive of HEFCE the University's strategic direction and positioning for the long-term corroborated with the trends and issues the Chief Executive saw as likely to come to the fore in the next few years.

- **Conservative Party** - as Chair of the 94 Group the Vice-Chancellor had been offering views to the Conservative Party as it deliberated on its future education policy. This was important work to ensure that their considerations took account of the issues of excellence being prevalent in institutions of varying size and geographical location.
- **Northcott Theatre** - it was noted that there were a number of issues for the Theatre's Trust and for the University to address. The Executive Director had recently resigned, and it was apparent that there was a significant mismatch between the size of the original capital project to redevelop the Theatre and the availability of funds. As Chair of the Board of Trustees, the Vice-Chancellor had commissioned work from the University, and the Board had now decided to place a cash limit around the capital project and ensuring that it still delivered additional seats, health and safety compliance and other income-supporting measures, and to accept the University's offer of financial assistance in the form of both a grant and a loan (the two combined totalling up to £500k) together with financial assistance that the City and County Councils were intending to provide. There were management and governance issues for the future that would be taken forwards.
- **Potential legal case involving the Guild of Students** - there had been reports in the national media regarding the constitutional arrangements for Christian Unions at Exeter and at some other universities. An Exeter student had informed the University that he was intending to pursue legal action against the Guild and the University. It was vital that the Guild continued to follow due process, as this would be the key point of scrutiny for internal complaints procedures that would be invoked should the student wish to take action, and that these would be exhausted before a formal legal process would be followed.

#### 06.83 Commentary on Financial Statements 2005/2006

The Committee **CONSIDERED** the Financial Statements for the year ended 31 July 2006, together with a commentary from the Director of Finance (SPRC/06/72 and SPRC/06/73 attached for Council).

The Financial Statements for 2005/06 were now finalised and had been presented to Audit Committee on 16 November. Early indications of the final outturn for 2005/06 had been reported to SPaRC in October and had highlighted a number of key issues. No amendments had been made during the course of the audit and the final historic cost surplus was £3.7m, as previously reported.

The financial result for the year, based on a turnover of £138m, was an improvement of £10.3m over the £6.6m deficit reported in 2004/05; £6.6m of the variance related to exceptional items and with a £3.7m improvement at the operating level. The original budget for 2005/06 was for an historic cost surplus of £3.1m and although forecasts throughout the year had showed a projected deterioration from that position, the Committee was pleased to note that the original financial position planned for 2005/06 had in fact been exceeded.

Despite long-term borrowings rising by £14m to £77m, the balance sheet showed a strong financial position as a result of the revaluation of fixed assets. It was noted that in future years there would be an increased depreciation charge as a result of the increased valuation of these assets, and this would make the prospect of surpluses on a current cost basis unlikely in the near-term as a consequence. Cash balances continued to increase and general reserves had moved into surplus as a result of a review and realignment of accumulated balances, including the contribution of those previously held within Professional Services. These reserves now came to £2m, some £6m short of the £8m target.

Schools showed an aggregate historic cost surplus of £4.6m, which included the Peninsula College of Medicine and Dentistry, the accounts for which had been subject to audit. Three Schools (Performance Arts, Psychology and Physics) showed negative in-year reserve movements, with Biosciences breakeven position supported by £0.7m from the SDF.

Going forwards, 2006/7 was forecast to be a challenging year financially and it was going to be important that favourable variances were identified as the year progressed in order that investment in key areas was not unnecessarily restricted. Improvements to reporting and related process were now coming through, and ownership in Schools and Services of their

budgets and plans was now clear. The platform was much sounder for School planning this year.

The Treasurer **REPORTED** that he was happy with the Financial Statements provided to the Committee, and expressed his thanks to the Director of Finance and his team. The treatment of reserves had been made significantly clearer in the new approach. He also noted that he would keep under continual review his role in this annual process, to continue to offering appropriate governance assurances to Council.

Provisional data would be provided to HEFCE as part of the University's involvement in the 'Single Conversation' initiative, subject to confirmation of the statements by Council. It was noted that there was some further proof-reading of the document to be completed before presentation to Council. Additionally, the future developments section of the Treasurer's report would be amended to more accurately describe the 2006/7 position and short-term prognosis, and both bullet points on page 9 were to be deleted, as well as a small number of minor changes. Conditional upon the completion of that work, the Committee **RECOMMENDED TO COUNCIL** that it approve the Financial Statements for the year ended 31 July 2006.

The Committee also **DECIDED** that it should review the internal loans position as reserves improved, and that if finances permitted these should be written off as legacies a number of current Heads of School/School Manager had inherited.

#### 06.84 **Student Numbers - Provisional Report for 2006/2007**

The Committee **CONSIDERED** a report on the provisional student numbers position for 2006/2007 (SPRC/06/74 attached for Senate and Council).

The Committee had received an early indication of the intake position at its October meeting, and the forecasts provided then remained valid. This showed:

- UK/EU undergraduate entrant registrations marginally exceeding planned intake, as was the case for International undergraduates.
- For postgraduate taught students, (PGT) the position for home and international fee status students was anticipated to be just below 2005 intake, but significantly below aggregated School plans. This underlined the importance of the current review of postgraduate provision.
- Postgraduate research entrant numbers (PGR) showed a healthy growth from 2005, but slightly below the plans.

In a small number of Schools the levels of undergraduate non-returning students were above that expected, and this was being reviewed at individual School level.

The financial impact on tuition fees was discussed under the following item (minute 06.85 refers). It was noted that some £200k of bursaries were unspent for 2006 entry, and that a review of the scheme to incorporate students who were above the current 18-21 age range was in hand.

The main HEFCE grant condition (within the + or – 5% range) would be met, with the position likely to be at circa +1% (i.e. meaning that Exeter was receiving marginally more per taught student in HEFCE T grant than the modelled average). The growth target should also be met, but this would be tight, given the steep growth in funded additional numbers, and also now that centralised admissions meant that previous unplanned over-recruitment was now much less prevalent. There was some holdback, at approximately £80k, for initial teacher training students funded by the TDA, but it was noted that the School of Education and Lifelong Learning had planned budgetary provision for this.

#### 06.85 **Financial Forecast 2006/2007**

The Committee received a report from the Director of Finance on the financial forecast 2006/07 (SPRC/06/75 attached for Council).

The budget approved by SPaRC on 28 June 2006 was for a £3.5m forecast historic cost surplus, which SPaRC revised at its October 2006 meeting to set a target surplus of £1.5m. The current financial forecast showed a projected surplus of £0.6m. It was noted that this forecast assumed that CBR would be paid in full.

The major variations from budget were on teaching income (minute 06.84 refers), on asset sales and on various other items. The net estimated shortfall in teaching income was £1.9m, offset by the release of £0.9m of contingency provided against higher-risk income; how this would be released would be decided at SPaRC's February meeting. An initial review of research income projections had been made, and which gave some cause for concern – the forecasts did not, in the main, include an update on research income projections. Costs relating to the Northcott Theatre were not included in the current forecast.

This was at an early stage in the annual cycle, and based on recent past experience there had been a definite trend of the position improving through the year. It was important that School plans did as quickly as possible make proper provision for earned income where there was reasonable confidence that this would come in. To not do so risked the University making decisions on cost control that would mean foregoing of investment opportunities. The Committee would review the position at its February and March meetings, and decide at that stage if there needed to be cost control measures applied, to ensure that the £1.5m surplus target was reached.

The Committee **APPROVED** the increase of £300k to the staff retention contingency within the SDF (making a total of £400k), which would be important in the lead-in to the RAE, and the funding of £200k for INTO due diligence costs from the SDF. Both these items were included in the £0.6m forecast. The Committee also noted the position on released reserves.

#### 06.86 **ERBS Pension Issues**

The Committee **RECEIVED** a report from the Director of Finance on ERBS (Exeter Retirement Benefits Scheme) pension issues (SPRC/06/76 attached for Council). The Committee thanked Jeremy Lindley for an excellent paper which set out the issues and the options for decision-making very clearly. The Registrar and Secretary declared his interest as a Trustee of ERBS.

The ERBS was in the process of finalising its tri-annual valuation of the Scheme. Whilst the assets of the Scheme had improved significantly, the liabilities had increased further due to the increased life expectancy of members and the valuation method the actuaries had to use. These factors were compounded by the regulations of the new Pensions Protection Fund, which normally required deficits to be repaid over 10 years, which if adopted fully for ERBS would lead to an employer's contribution of 29.9% as opposed to the current 16%, an additional circa £1.4m annually.

Provisional discussions had been held with the Trustees of the Scheme, through which there appeared to be a strong possibility that were the University to give asset securities for the Scheme's deficit then the Trustees would be willing to consider holding the employer's contribution rate in the range of 19% to 20%. These securities, which would total £34.3m, would be buildings such as the Geoffrey Pope building and Devonshire House, that had a high locked in value and had little if any alternative use. The assets would only be available to the ERBS Trustees if the University became insolvent or went into administration or receivership.

The Committee noted that the recommendations in the paper, if implemented, would not affect the University's annual accounts, and that they would give a good use of assets that sat on the University's balance sheet, whilst also meeting the commitments to the pension scheme. The contribution range discussed with the ERBS Trustees would help maximise the availability of investment funds critical to top 20.

The Committee **APPROVED** the recommendation that University assets be used as security, at the discontinuation level, against the ERBS scheme in the event of the failure by the University to pay its ERBS contribution for six months or in the event the University is put into administration.

It was noted that negotiations with the Trustees should thereby be enabled to conclude:

- (a) Such security assets being released by the Trustees when the Scheme's deficit position improved.
- (b) ERBS Trustees agreeing to a contribution rate of 19% to the next actuarial valuation, subject to major events leading to the necessity of a higher rate.
- (c) ERBS Trustees reassuring members of the nature of the agreement and its substantial benefits to members.

#### 06.87 **University Strategy & Top 20 Metrics**

The Committee **CONSIDERED** a report on the University strategy and Top 20 metrics (SPRC/06/77 attached for Senate). The report gave an update to the Committee on how the Top 20 by 2010 work programme had been taken forwards since the last report in June 2006.

15 metrics had been selected and defined to assess current performance and measure performance changes in the period to 2010. The comparisons would be against a group of 15 universities that Exeter was competing with for the few places in the top 20 that were likely to be available by 2010. The group selected was, on average, placed 17<sup>th</sup> in the 2006 *Times* league table, and so was a challenge group. Comparisons would be made to national rankings where possible, but a proxy for 20<sup>th</sup> place was to be at the median point in the comparator group.

The Committee **APPROVED** the means of assessing top 20 performance overall, which would be firstly on the basis of Exeter's mean performance across the 15 metrics being at or above the median, and secondly with the condition that research performance was strong. The precise definition of this condition would be drawn once the external funding/research assessment environment was clearer. For timing, Council would have 2008/9 data available to it in calendar year 2010, and could also make use of the 2009/10 Exeter data to ensure its assessment captured Exeter's most recent performance. It would be important to continue cross-referencing to league table positions, so that the risk of a perception gap between Exeter and external methodologies was minimised.

On the basis of 2004/5 performance which was the most recent year for which full comparative data was available, Exeter was 9-10<sup>th</sup> in the comparator group, and below the median in all 3 research related metrics, and so looking back to that year Exeter was outside the top 20. Although the *Sunday Times* ranked Exeter 18<sup>th</sup>, the perception was that on internal methodology Exeter was probably just outside top 20 on 2005/6 performance. There was evidence of improving performance in a number of metrics, and the direction of travel towards and into top 20 was very encouraging. The *Times* showed Exeter as 28<sup>th</sup>, but this table used some relatively old data, and the Director of Planning and Performance Review's assessment was that increases in the next two years in Exeter's ranking in that important table would take place, possibly to as high as about 20<sup>th</sup>. Steps were being taken to encourage the *Times* to reduce the lags built-in to parts of their methodology.

Targets had been agreed for most of the metric areas, and School planning this year would be informed by those targets, with 11 of the 15 metrics being aggregations of School performance. DVCs would ensure that the targets agreed for Schools were ambitious, but achievable, to ensure that planning led to credible targets. There would then be an exercise during the Spring and Summer terms to connect plans at School-University levels. The development of costed strategies (notably Education, Estate, Information Services and Science) would inform SPaRC's decision-making on how to invest in them to deliver and/or underpin improvements in performance.

A performance report would be generated towards the end of each term, to be provided to SPaRC and Council. The Autumn term report would go direct to Council, with a copy to SPaRC members.

It was noted that the metrics did not directly cover student:staff ratios or contact time, but that this could well emerge as an important measure and potential driver of student choice. It was **DECIDED** that the Planning Services team should take forwards a project to evaluate internally but with reference to external information the current position by subject/School at Exeter, for report back to the Committee. The Committee would be given briefings on recent information from the National Student Survey and a recent report from the Higher Education Policy Institute (HEPI) on related matters.

#### 06.88 **Strategic Partnership with ANGLE plc for IP Commercialisation**

[Paul Tiltman in attendance for this item]

The Committee **CONSIDERED** a paper on the strategic partnership with ANGLE plc for IP commercialisation (SPRC/06/78 attached for Senate and Council).

The paper summarised the ongoing negotiations with ANGLE plc regarding the creation of a strategic partnership for the commercialisation of University Intellectual property. Key competitor Universities were now completing on similar deals and with a relative lack of resource internally at Exeter it made sense to look to an external partner to facilitate this work. It was noted that this area had been highlighted as a risk area for the University, coupled with the requirement to address the trend towards increasing 'translational' research. Within a post-Stern world and with projects like Cornwall Phases 1-3, Eden and the Met Office gathering critical mass for the University and the region around this agenda, there were strong prospects for a steep increase in the University's prospects here.

It was confirmed that for unencumbered research, ANGLE plc would have exclusivity of rights to the commercialisation of these in the first instance.

The Committee was supportive of the general thrust of the proposals. It was recognised that this path was not without risk, but the Committee's view was that the University should move swiftly on this matter, subject to clarification on a number of key points, which were:

- The desirability of negotiating a 'termination without cause' break-out point after five years
- Completion of due diligence, overseen by the Director of Finance and the Registrar and Secretary
- Looking at the shareholding percentages, to ensure that the Exeter share was optimised
- Reviewing the relationships and their successes or otherwise between ANGLE plc and its current partner universities, and including
- Consultation with key academics, involving ANGLE plc staff, to ensure that there was confidence in the academic community on this proposed partnership.

It was **DECIDED** that the Registrar and Secretary, the Director of Finance and Mr Tiltman should agree how to take forward the points raised by the Committee, it being anticipated that Council would receive a final proposal at its December meeting.

#### 06.89 **Cornwall Campus Management Group**

The Committee **RECEIVED** a report from the Cornwall Campus Management Group meeting held on 7 November 2006 (SPRC/06/79 attached for Senate and Council). Points highlighted were:

- The Wave Hub project was moving forwards, and in the post-Stern era and with strong linkage to Phase 3 plans it could be a valuable element of the strategy for Cornwall

- Plans for Phase 1 and 2 showed that they were financially sustainable and now contributing to top 20, which was an important start point for negotiating Exeter's strategy for Phase 3
- The Phase 2 build programme was on time and on budget
- Negotiations with the RDA over the Tremough Innovation Centre were currently at a critical state.

#### 06.90 **Education Committee**

The Committee received a report from the Education Committee meeting held on 31 October 2006 (SPRC/06/80 attached for Senate and Council).

#### 06.91 **Human Resources Committee**

The Committee **RECEIVED** a report from the Human Resources Committee meeting held on 8 November 2006 (SPRC/06/81).

The Committee noted that the first proposal to it (on a draft Learning and Development Policy) had been withdrawn, to permit more consultation with SMG. The Committee **APPROVED** the recommendations for strategic training goals for the period 2006-2009 be adopted.

#### 09.92 **Information Services Committee**

The Committee **RECEIVED** a report from the Information Services Committee meeting held on 30 October 2006 (SPRC/06/82).

#### 09.93 **Physical Resources Committee**

The Committee **RECEIVED** an oral report from the meeting held on 10 November 2006. It was noted that the Capital Planning Group process was being amended, with DVC Resource chairing and the other DVCs no longer required as members, two School Managers were being invited to join the Group, and its meetings would be more frequent to ensure the Group was fleet of foot and kept a strong grasp on emerging issues and the management of overall capital resources. The Registrar also noted the recent survey of the condition of the Estate. Some £65m of maintenance backlog was apparent, with circa £24m of that relating to residences (some of which were scheduled for demolition) and £7m relating to St Luke's. Over a ten year period the backlog should be met. The Vice-Chancellor and the Registrar would be meeting with City Council planning committee members next week to have a strategic discussion on university plans and their relationship to developments for residential accommodation.

The Committee also **CONSIDERED** a report on HR and Payroll Systems Replacement (SPRC/06/84). Capital Planning Group had approved, subject to SPaRC confirmation, that the replacement project proceed as per the paper. As the project was above £1m this was referred to SPaRC. This was a major investment, but to be taken in the context of the replacement of such a business-critical system costing less than 1% of the University's annual turnover. This was an important project in itself, and also one more broadly, as it was the first systems replacement under the new approach – this would be based on a robust and professional project management approach, seeking to procure a best of breed system, and one where the University moulded its processes to the abilities of the software, led by business process review, customer-focused and web-enabled.

The Committee **CONFIRMED** the recommendation from Capital Planning Group, noting the budget envelope had been agreed at £1.12m. The project was to be funded from the Infrastructure Fund, which had benefited from a large injection of funds from the previous Professional Services balances (at at 31 July 2005). Most of the costs would be capitalised.

It was noted that project management could benefit from a regular 'external review' of progress, perhaps undertaken by the internal auditors.

06.94 **Research Committee**

The Committee **RECEIVED** a report from the Research Committee meeting held on 26 October 2006 (SPRC/06/85 attached for Senate and Council). It was noted that the Autumn Term Performance Report would include an assessment of performance on research income.

06.95 **Safety Committee**

The Committee **RECEIVED** a report from the Safety Committee meeting held on 19 October 2006 (SPRC/06/86). The Committee looked forward to receiving suggestions from the Safety Committee on pro-active steps the University could take to improve its management of health and safety.

06.96 **Science Strategy Board**

The Committee **RECEIVED** a report from the Science Strategy Board meeting held on 25 October 2006 (SPRC/06/87 attached for Senate and Council). Firm investment proposals would be generated in the Spring Term for consideration initially by the Strategy Co-ordination Group, then for VCEG to make recommendations to SPaRC.