

STRATEGY, PERFORMANCE AND RESOURCES COMMITTEE

A meeting of the Strategy, Performance and Resources Committee was held on Monday 25 June 2007 at 10.00am in Committee Room A, Northcote House.

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

Mr D J Allen
Mr C J Allwood
Dr J Barry
Dame Suzi Leather
Professor J A Littlechild

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
Director of Academic Services, Ms M I Shoebridge
Executive Officer to the Registrar and Secretary, Ms Gillian Weale

APOLOGIES: Professor R J Hawker, Mr P Lacey, Professor M Macnair

The Vice-Chancellor thanked those members retiring from the Committee at the end of this session – Dr Jonathan Barry, Ms Jemma Percy, Professor William Richardson and, in particular, Professor Ruth Hawker, who had made an outstanding contribution to the work of the University over many years.

07.46 **Minutes**

The minutes of the meeting held on 21 May 2007 were **CONFIRMED** (SPRC/07/48).

07.47 **Matters Arising**

M06.83 Commentary on Financial Statements 2005/06: it was agreed that minute 06.83 contained an inaccuracy – the final sentence in the minute would be reworded to replace “...review the internal loans position...” with “...review the historic cost reserve deficits position...”.

M07.35 Financial Forecast 2006/07: it was reported that the demolition costs of Duryard were now projected to be £1.6m, with at least some of the costs to be capitalised. The Director of Finance’s view was that the year-end position would be a historic cost surplus in the £3 - 4m range.

07.48 **Vice-Chancellor’s Report**

The Vice-Chancellor’s report was **RECEIVED** (SPRC/07/49). The following matters were also **REPORTED:**

- RAE – the intensity measure debate continued, and the 94 Group was still working to ensure that HESA data would be available in sufficient time to enable league table compilers to use percentage of staff returned as one of the drivers.
- Changes in Government – it was anticipated that some major structural changes would take place with the change in Prime Minister.

It was also **REPORTED** that the Vice-Chancellor had been invited by the Prime Minister Designate to look at how schools, colleges and universities could, by working more effectively together, generate improved levels of educational performance in the UK. Announcements on membership of a new Council of Excellence in Education reporting to Mr Brown, were expected in the next few days. The Chair of Council expressed his pleasure at seeing the University of Exeter recognised in this way, and in particular the recognition that the Vice-Chancellor was personally receiving.

07.49 **Report on Applications for 2007 Entry**

The Committee **CONSIDERED** a report from the DVC Education on applications for 2007 entry (SPRC/07/50 attached for Senate and Council).

The highlights in the report were that:

- Applications for undergraduate study were up by 21% compared to the previous year
- For postgraduate taught programmes applications were up by almost 16%
- Applications for postgraduate research study were up by almost 24%
- International applications were up on last year by 34%, 18% and 35% for UG, PGT and PGR respectively.

In terms of undergraduate home/EU applications, the University had seen greater application growth than many other pre-1992 institutions, including all the universities in our Top 20 competitor group. The University was therefore in a strong position for 2007 entry in terms of applications received per place, although it was still relatively early in the postgraduate admissions cycle, and so the data on postgraduate admissions should be treated with some caution at this stage. Applications for PCMD and INTO were encouraging, and both were expected to be on or above plan.

The critical factor for the University would be to maximise conversion of offers to firm acceptances, so that target numbers were met. For a limited number of programmes, this would mean some recruitment through open clearing. It was noted also that the University had decided not to use the newly available UCAS data on parental background (participation in HE) for selection purposes. This field was an optional one for applicants, and there were no assurances on the quality of the data received. The data might have some validity as a monitoring tool.

It was **DECIDED** that for the report to Council the data shown in Table 1 should include a longer time-series, to include comparison to 2005 applications data at minimum.

07.50 **Institutional Performance Report**

The Committee **RECEIVED** a report on institutional performance (SPRC/07/51 attached for Senate; revised copy attached for Council). The report provided an update on institutional performance for the Top 20 metrics relative to the established competitor group, and provided more detail specific to each of the 10 metrics that had been updated thus far.

Of the 10 updates, Exeter had improved its ranking in 6, with a marginal decrease in 1. Improvements in research income per staff fte, PGR students per staff fte and in graduate employability were especially welcomed, being areas that had proven stubbornly difficult to move in recent years. The other improvements were in degree classifications, sport and

wellness and IT/Library/Learning spend per student fte. The decrease in student facilities spend per staff fte was small, but the Committee noted that taken together with the other spend metric performance was still above the group median. Further data review work in this area would be conducted this year. Review work was currently taking place for other areas of reported performance, in particular student:staff ratios, and consideration of this and other performance areas for treatment within the top 20 framework would be made at the beginning of the next session.

Overall, this update showed a measurable improvement, with Exeter's performance in the group up to 9th, based largely on 2005/06 data. This analysis suggested that Exeter's performance was on the cusp of or possibly already at top 20. Performance in the RAE was obviously going to be central to consolidating our overall position, in addition to consolidating our progress in other key areas, especially the student experience. The 2007 National Student Survey results were expected to be published in early August, and the results would be important in driving future league table positions, in particular the September 2007 *Sunday Times* rankings.

07.51 **Proposed Budget 2007/2008**

The Committee **CONSIDERED** a report proposing the 2007/08 budget from the Deputy Vice-Chancellor (Resources) and the Director of Finance (SPRC/07/52 attached for Council).

Professor Overton made the following contextual points prior to detailed consideration of the budget proposals:

- The University's turnover was expected to grow to £171.5m in 2007/08, and if that position was achieved the University's turnover would have doubled.
- All revenue streams had more than doubled in size since 2000, except Funding Council Grants which had increased by 75%.
- The 2007/08 RAE year was a peak period for investments, with staffing costs projected to grow to more than £100m, up £22m since 2005/06, with the majority of this being new staff costs (rather than inflation and other changes).
- Long-term maintenance spend in 2007/08 would be double that for 2006/07, this investment was vital in securing a sustainable physical environment.
- The Strategic Development Fund was mostly being spent, with little SDF monies unutilised in the near-term.
- There was more accurate forecasting in the system, and Schools had arrived at income plans that were considered to be generally more realistic.
- Research income was budgeted to grow by £2.5m over 2006/07 (13%), with £1.8m of this being in earnings through additional fEC awards coming through.
- Tuition fees were projected to grow by £10.5m over 2006/07 - £6.7m for UK/EU undergraduate programmes, £1.4m for UK/EU PG programmes and £2.4m from increased international student numbers.

In previous years Council had set the financial target at the historic cost position, which included asset sales. The Committee welcomed the proposal that in order to look at the underlying performance of the University the target to be met in order to release University bonus payments should in future be set at the operating level. The paper had proposed a target level of £0.5m, but it was agreed that a slightly higher margin from a break-even at operating level should be set for 2007/08, i.e. at £0.75m. It was noted that this figure could be amended if Council approved the adoption of elements of the Education, Science and Infrastructure strategies in the budget year 2007/08.

The proposed consolidated University historic cost budget for 2007/08 was for a £4.8m surplus. With exceptional items removed this represented a £1.6m operating surplus, which provided VCEG with latitude of £0.85m to fund strategic investments in the budget year without impacting on the target surplus (for the release of the University bonus) of £0.75m.

The following points were noted in discussion:

- The Peninsula College of Medicine and Dentistry continued to be a significant risk for the University, at over 15% of total turnover and with a quite different set of governance and reporting arrangements in place at present. The total financial risk would increase with the Dental School now going live, and recent events in the NHS environment had shown how quickly financial constraints could be applied to medical training. It was important that PCMD governance arrangements appropriately reflected levels of risk. Discussions would be held with Plymouth and PCMD once the identity of Plymouth's new Vice-Chancellor was known.
- The budget for the School of Business and Economics (SoBE) included significant growth in PGT and International fee revenues, which were viewed as ambitious but achievable. Provisions had been made within the School budget to manage the position should the budgeted income not fully materialise. The School had also agreed to make a significant reduction to its costs to improve its result from 2006/07.
- It was important in agreeing the budget for 2007/08 that there was confidence in the planned position for 2008/09 also. The Director of Finance was able to give that assurance on the basis of the current provisional School/Service plans.

The Treasurer and the Chair of Council confirmed that they were content with the proposed budget and target surplus position. They noted that the budget continued the investment path and gave considerable scope for returns in the RAE and in earned income generally. However, the budget was not without risk and through the monitoring processes VCEG and the Committee would need to keep a close view on income and expenditure to ensure the delivery of the target result. The Treasurer was particularly pleased to note the improvements in the University's liquidity.

The Committee **RECOMMENDED TO COUNCIL** that:

- (i) Council approves the budget for 2007/08,
- (ii) Council approves with effect 2007/08 the revised basis for the University target surplus to be at the level of *operating historic cost surplus* rather than *historic cost surplus*,
- (iii) Council sets the level of operating surplus necessary to release general University bonus payments for 2007/08 at £0.75m; and that
- (iv) Council notes that it will receive recommendations for the financial plans to 2010/11 at its October meeting, ahead of their submission to HEFCE on 3 December.

07.52 **St Luke's**

The Committee **CONSIDERED** a report on St Luke's (SPRC/07/53 attached for Senate and Council).

The final version of the St Luke's Campus Feasibility Study Report by King Sturge was received by the University at the end of April 2007. The University's Estates Strategy had previously identified that the anticipated increase in research, learning and teaching and outreach activity in the Schools is very likely to exceed the capacity currently available on the St Luke's site. The feasibility study had been commissioned to address this issue and ensure that the Schools were not consequently restricted in their development. Three options had been considered: all 3 Schools remaining on the campus, all of Sport and Health Sciences (SHS) moving to the Hatherly Building once vacated and refurbished following the consolidation of Biosciences in the Geoffrey Pope building, or all 3 Schools moving to the Streatham campus. The Report was discussed by the Vice-Chancellor's Executive Group (VCEG) at its meeting on 8 May and was issued for formal consultation on 9 May. At its previous meeting the Committee had endorsed the direction of travel, namely VCEG's preference at that stage for the strategy of relocating SHS to the Hatherly Building on the Streatham Campus.

In introducing the item, the Registrar and Secretary made the following points:

- The status quo was simply not viable if School's current aspirational growth was to be delivered, and the evidence for medical schools in particular was that they tended to grow more swiftly than forecast. PCMD itself had potential development opportunities on adjacent and nearby sites, and would be expected to develop using its own capital resources. The option of all Schools remaining would also leave open the issue of what to do with a vacant Hatherly Building.
- The move of all Schools to the Streatham campus was problematic, with the likely capital receipt from the sale of the site being insufficient to fund the new build requirements, and with the very formidable issues that would be presented by local planning issues.
- If the VCEG recommendation was approved by Council, it would be important to ensure that investments followed in the 2 remaining St Luke's Schools to support their own strategies for growth.
- There was the need for communications and collaboration in both directions, i.e. the onus and initiative for inter-campus work should come from colleagues at Streatham as well as at St Luke's.
- That there was a need to fix policy for now to ensure that planning could proceed, and on the basis of the future not changing radically. The timetable was such that if the future did begin to look very different before implementation then it would be important to take the opportunity for review.

The Vice-Chancellor especially thanked the Schools based at St Luke's and the Guild of Students for their reflections and responses, as well as the responses received from other members of the University and from other parties also. 21 individual responses had been received, in addition to 6 collective responses. A very significant majority of the responses received to the consultation process had been supportive.

The President of the Guild confirmed that she thought the consultation process had been conducted properly, and had been constructive and helpful. The views of current students had shown that they had felt that the 3 Schools should remain at St Luke's, and the Guild's Executive Summary had very usefully identified a number of concerns that required careful attention should the VCEG's preferred option go ahead. Should that decision be confirmed by Council, it was **DECIDED** that the Registrar and Secretary should meet with the Guild to take those issues forwards. There should be reflections, for example, on the needs of the professional (medical, teacher training) students based at St Luke's, to ensure their needs were understood and planned for.

The Committee was content that at this stage the other two options were significantly less attractive, and endorsed VCEG's recommendation. If this option were taken forward then Sport and Health Science would be unlikely to move to Hatherly until circa 2013. There was a time-lag that would take place from decisions taken to actual moves. None of the options however could be resolved in the very short term. It was possible that in the intervening period events might occur that would give cause for a review of options available at that time. It was important, however, that planning blight was avoided and that decisions were taken now on the basis of what we knew and what we projected. In practice there were a number of 'quick wins' that could be achieved for the St Luke's campus, a number of which were of modest cost. There were also elements in Tranche 1 of the draft Infrastructure Strategy, to improve the St Luke's campus. Independent of the strategic issues, there were current 'connectivity' issues for the St Luke's and Streatham campuses, and steps to address these, for example improved transport links, would be identified. To help stimulate input and interest in the plans, exhibitions and plans for developments for the two campuses would be created and displayed through a variety of presentational media.

There were clearly many practical issues and concerns that had been raised during the consultation by both the Schools at St Luke's and by the Students' Guild that must be taken into consideration. VCEG was confident however that the vast majority of the issues raised can be addressed and resolved during the planning process.

The Committee **RECOMMENDED TO COUNCIL** that:

- (i) Council approve the strategy of moving the School of Sport and Health Science to the Hatherly Building on the Streatham Campus and investing in the St Luke's Campus to provide fit-for-purpose facilities for the School of Education and Lifelong Learning and PCMD, subject to ongoing review during the intervening period to ensure that it remains the most appropriate solution post 2010,
- (ii) Council notes that a costed proposal for implementing this strategy, including short term benefits for the St Luke's campus, will be incorporated into the University's Infrastructure Strategy, which will proceed for approval by SPaRC and Council through the new dual assurance process, in the event that dual assurance is approved by Council,
- (iii) Council thanks the consultants and consultees for their work, and that
- (iv) Positive steps are taken to address the points that the Guild of Students and other consultees have indicated would arise in the implementation of the strategy.

Council would also benefit from the Senate's receipt of this paper at its 2 July meeting.

07.53 **Geoffrey Pope Building - Investment Appraisal**

The Committee **CONSIDERED** an investment appraisal for the refurbishment of the Geoffrey Pope Building (SPRC/07/54 attached for Council). This paper had been prepared with the new capital planning processes in mind, and provided the Committee with a broader appraisal of the options, and of the outputs that would be generated from the capital project beyond the actual building works themselves.

An investment appraisal had been undertaken to assess options to enable the complete modernisation of laboratories for the School of Biosciences on the Streatham Campus. The School was currently situated in the Hatherly Laboratories, the Geoffrey Pope Building and a smaller modern annex to this building – the Henry Wellcome Centre for Biocatalysis. The investment appraisal evaluated a proposed move of all existing activity from the Hatherly Laboratories to newly refurbished laboratories in the GP Building by the end of April 2010. The paper also considered and appraised two other options – 'do nothing' or 'new build'.

The Committee was strongly supportive of the overall aim of co-locating all Biosciences research activity on the campus at a single site and providing uniformly high, HSE-approved, containment level 1, 2 and 3 laboratories. Co-location of Biosciences research was essential for increasing collaboration, sharing resources and promoting inter-disciplinarity, and for enabling the School to grow its research income. One of the key outputs of the investment was to build on well-funded areas of research which would significantly enhance the competitiveness of response-mode applications, facilitate large-scale interdisciplinary projects, intellectual property generation and commercial exploitation. This would place the School well to a new focus on systems biology. The scientific case for the refurbishment of the GP Building had been made within the Systems Biology Research Theme Bid to the Science Strategy Board. This has been submitted for external review and had resulted in very supportive feedback.

The Committee concurred with the paper's assessment of the options. The refurbishment option was the only one that provided a positive net present value (NPV), and although this was modest it was consistent with experience elsewhere in the scientific/academic community. The refurbishment option also built on works completed to date, and avoided the massive disruption that would be incurred with the new build option. The risks and their mitigation were also noted.

The following points were made in discussion:

- The report to Council should include a more explicit assessment of the annual return for the Biosciences' business plan
- The assessment of returns from this investment for Biosciences should be separate to those from any subsequent investment through the Science Strategy

- Input from a review of how peers had managed or were managing similar projects should be taken at an early planning stage in the project
- The Head of School would be the Project Sponsor, with the School Manager as Project Director and working with a professional Project Manager in Buildings and Estate. There would be a VCEG oversight lead for this project. These arrangements were subject to confirmation through the review of capital planning process, the outcomes of which would be proposed to SPaRC's October meeting

The Committee **RECOMMENDED TO COUNCIL** that it approve the proposed refurbishment of the Geoffrey Pope Building as described in SPRC/07/54, and with the costs to a total of £17.8m to be met by the Infrastructure Fund.

The Committee also **RECOMMENDED TO COUNCIL** that its decision to fund the project centrally should not set a precedent for future projects, the sources for which would be assessed on a case by case basis and taking into account the income earnings potential of the School(s) concerned.

07.54 **Cornwall Campus Management Group**

The Committee **RECEIVED** a report from the Cornwall Campus Management meeting held on 5 June 2007 (SPRC/07/55 attached for Senate and Council). The Registrar and Secretary brought the on-time and on-budget completion of the high quality new residential accommodation to the Committee's attention. It was noted also that the new academic building was likely to be named the "Daphne Du Maurier" building. Communications with the family of Daphne Du Maurier regarding this would take place.

07.55 **Education Committee**

The Committee **RECEIVED** a report from the Education Committee meeting held on 22 May 2007 (SPRC/07/56 attached for Senate). The DVC Education **REPORTED** that the University and the Guild were preparing 'briefing documents' for the Quality Assurance Agency, as part of the preparations for the Autumn 2007 QAA Institutional Audit (which take place every 4-5 years). Comments from Committee members would be welcomed, and the document was available at:

<http://www.admin.ex.ac.uk/ppr/qrs/qaa/briefingpaper.shtml>

07.56 **Ethics Committee**

The Committee **RECEIVED** a report from the Ethics Committee meeting held on 29 May 2007 (SPRC/07/57 attached for Senate and Council). Professor Kain explained that a working group to develop the University's draft Ethics Policy was being convened, and he would invited others to join it. It was expected that the Guild of Students would want to be included in the membership.

07.57 **Performance and Risk Steering Group**

The Committee **RECEIVED** a report from the Performance and Risk Steering Group (SPRC/07/58 attached for Senate and Council). The overall message coming through the review work undertaken during 2006/07 was that the risk profile for Exeter was showing an increase – partly this was a function of the inherent growth in risk for the sector as a whole with the RAE, new research funding methodology, long-term demographics and variable and post-variable fees all featuring prominently. It was also to a significant degree related to the University's ambitions – i.e. that to continue swift momentum did mean taking the initiative, making investments and looking taking opportunities to make positive change.

It was noted that there was some audit work taking place in two Schools at present, and the outcomes of this work would inform the development of good practice in Schools and Services generally. The current risk registers in Schools and Services would be analysed and aggregated over the summer for review by the PRSG in October 2007. One key issue for the Group and indeed colleagues more generally was to keep thinking forwards about the internal and external environment and emerging risks, and consider how best these emerging risks might best be prepared for.

07.58 **Physical Resources Committee**

The Committee **RECEIVED** a report from the Physical Resources Committee meeting held on 10 May 2007 (SPRC/07/59). An oral report from this meeting had been received at SPaRC's previous meeting. The University's Carbon Management Plan (executive summary attached for Council, full copy available upon request) had been approved by PRC. This plan was welcomed and endorsed by the Committee, with it including a range of important steps that were to be taken as part of the drive to reduce the University's carbon footprint.

07.59 **Programme and Pricing Group**

The Committee **RECEIVED** a report from the Programme and Pricing Group meeting held on 11 June 2007 (SPRC/07/60). The Committee noted the 9% rise in the minimum PGT fee to the £4,000 level. This was part of a deliberate strategy to increase fees to a premium level.

07.60 **Research Committee**

The Committee **RECEIVED** a report from Research Committee (SPRC/07/61). The following matters were noted:

- Gross research income was projected to be £19.5m, compared to an original budget of £20.4m and total research income of £16.5m in 2005/06.
- School business plans to 2010/11 showed that the plans were generally for strong improvements in gross income, growing by 71% over the period to £33.5m for the year 2010/11. Nine of the eleven Exeter Schools were projecting to exceed the target income generated through national trends for 5/5* departments, with one School's plans showing an apparent decrease in research income. Line-managing DVCs would be discussing the exceptions with the relevant Heads.
- Work was being progressed to ensure that our current arrangements were optimised for managing research data, monitoring, forecasting and general research-related administration.

07.61 **Science Strategy Board**

The Committee **RECEIVED** a report from the Science Strategy Board meeting held on 25 May 2007 (SPRC/07/62). Progress towards completing the work programme ahead of Autumn Term decision-making meetings of SPaRC and Council was noted.