

STRATEGY, PERFORMANCE AND RESOURCES COMMITTEE

A meeting of the Strategy, Performance and Resources Committee was held on Thursday 27 January 2005 at 10.00am in Committee Room A, Northcote House.

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

Pro-Chancellor, Professor R J Hawker
Treasurer, Mr G A Sturtridge
Senior Deputy Vice-Chancellor, Professor R J P Kain
Deputy Vice-Chancellor, Professor J M Kay
Deputy Vice-Chancellor, Professor S R M Wilks

Mr D J Allen
Dr J Barry
Professor P R Draper
Mr T Edwards

Dr S Leather
Professor W B Richardson
Ms R King

Deputy Registrar & Academic Secretary, Dr P K Harvey
Director of Finance, Mr K R Blanshard

IN ATTENDANCE: Dean of the Faculty of Undergraduate Studies, Professor M Macnair
Permanent Secretary to the Guild of Students, Mr S N Fishwick

APOLOGIES: Professor P Webley, Mr K R Seal, Mr P J Kennedy

05.1 **Minutes**

The Minutes of the meeting held on 23 November 2004 were **CONFIRMED** (SPRC/04/21).

05.2 **Vice-Chancellor's Report**

The Committee **RECEIVED** an oral report from the Vice-Chancellor.

(a) Appointment of Director of Development

It was noted that Liz Smith, previously Director of Development at the University of Nottingham, had been appointed with effect from 7 March 2005. The appointment was for a period of five years in the first instance and was funded initially through the University of Exeter Foundation which had enabled the resource for fund-raising activity to be doubled for the next three years.

(b) Full Economic Costing of Research

The University had received notification from the OST Research Councils that full economic costing of research would be introduced at 80% which was higher than previously expected. The adjustment would lead to additional income of £937K in July 2005.

(c) Dangoor Scholarships

Following a private benefaction of £1m, the 94 Group institutions would be running a scholarship scheme that expected to release £1,000 bursaries to a total of 1,000 students in 2005/06. The University would be targeting its share of the awards expected to be in the region of 60 or 70 with a

view to widening participation and increasing student access from the south-west region.

(d) South-West Research Alliance

The proposals for establishing a south-west research alliance worth around £14.1m involving the Universities of Bath, Bristol and Exeter had been favourably received by HEFCE and the SWRDA. The Funding Council would formally consider the proposals at its main Board meeting in March after which it was hoped that announcements could be made.

(e) CUC Phase 2

As a result of a reduction in the likely amount available from Objective 1 funding for Phase 2 of the Combined Universities in Cornwall initiative, the CUC Steering Group had asked the Business Plan working party to formulate proposals for reductions in expenditure for Phase 2. The University had made plain that it could not countenance any reduction in its share of funded student numbers at the hub nor any reduction in working capital. Proposals would be made to GOSW by the CUC Steering Group in the near future. The results would be reported at the next opportunity to SPaRC and if necessary a meeting of the ad hoc working group established by Council to advise on the viability of Phase 2 would be called.

(f) House of Commons Science & Technology Select Committee

The Vice-Chancellor had been called to give evidence at a meeting of the Select Committee to be held on 9 March 2005 – the same date as the next scheduled meeting of SPaRC. Following a proposal made at the meeting, the Committee **DECIDED** to continue with its scheduled meeting on 9 March with the Deputy Vice-Chancellor (Resources) taking the Chair but to convene a special meeting on 16 March to consider the financial position of the University and the detailed proposals for budget for 2005/06 (see also 5.3 below).

(g) Post Qualification Admissions

The Vice-Chancellor reported on his attendance at recent meetings of the national working group considering proposals for the introduction of PQA. It was expected that a consultation document outlining proposals would be released to the sector after 11 March. Discussions to date revealed that issues such as the impact of proposals on time for academic research and on widening participation would be central to the consultation exercise.

(h) Teacher Education Advisory Group

The Vice-Chancellor reported his attendance at the recent meeting of the national advisory group on teacher education. It was anticipated that there would be an uplift from 2005/06 in the unit of resource for teacher education (PGCE) but at a much smaller level than that hoped for – possibly in the range of an additional £115 –140 per student. It was anticipated that this would not address the significant under funding of teacher education by the TTA which had been calculated at around 21% lower than the HEFCE Band D resource. TEAG was also informed of discussions taking place between the TTA and DfES regarding the ability for HEIs to charge variable tuition fees for PGCE courses from 2006 and the concerns within the sector that the DfES considered such courses as ‘end-on’ to undergraduate degrees and therefore excluded from the ability to charge. The Vice-Chancellor noted the significant of both these issues for the University and that UUK were active in lobbying DfES.

(i) Office For Fair Access

The University had received initial feedback on its Access Agreement from OFFA. The Office had requested further clarification on some elements of the University’s Access Agreement but overall the response had been favourable and without questioning the targets set for social inclusion or state-school proportion on entry.

(j) Young Participation in Higher Education

HEFCE had published a seminal report on Young Participation in HE in January 2005 following research commissioned to examine the participation of young people entering HE immediately after secondary education or following a gap-year during the period 1994-2000. The report was available via the HEFCE website. It provided a definitive analysis of differential access to HE according to area-based classifications rather than occupation of parents or parental income. Amongst the key findings, the report identified that problems of access from socially disadvantaged groups remained endemic and that the introduction of fees for undergraduate education in the UK seems not to have been a deterrent to entry from socially under-represented groups.

(k) RAE 2008 – Guidelines to Panels

Important guidance to RAE Panels had been published by HEFCE. The guidance vindicated the approach taken in the formulation of the University's strategy as set out in *Imagining the Future* in that it heralded further concentration of research resources towards fewer major research-led institutions. The guidance introduced a further uplift in the level of quality of output required to attain the highest quality profile for a Unit of Assessment with 4* publications equating to 'world-leading' research and 3* broadly mapping onto the previous 5* rating. Although funding outcomes would not be known until after the exercise it was thought likely that the new methodology would place further emphasis on research selectivity with institutions within the 'golden triangle' benefiting the most. Key elements of the proposals introduced by Sir Gareth Roberts in the review of RAE 2001 were components within the new guidance - metrics in the form of esteem indicators and the research environment (grants and contracts, PGR numbers) having a significant impact on the resultant quality profile awarded. Although the proportion of research active staff returned in RAE 2008 could not be a criterion in producing the grade assigned to a UoA in an institution it was likely that data could be drawn readily from HESA to produce league tables that took into account the volume of research activity. The 94 Group institutions continued to monitor the position closely and to reach common ground with the Russell Group universities wherever possible.

(l) Centres for Excellence in Teaching & Learning

It was noted that the recently published list of institutional winners securing CETLs (an initiative resulting from the Government's 2003 White Paper on Higher Education) did not support the notion of a split into R and T-led institutions. Many top research universities had secured a CETL and the failure of Exeter's proposals to go beyond the first round of the competition remained a significant cause for concern.

05.3 Resources

The Committee **CONSIDERED** the following papers from the Vice-Chancellor's Executive Group:

- 2004/05 Budget from the Budget Monitoring Group (SPRC/05/1)
- New Borrowing Facilities from the Director of Finance (SPRC/05/2), attached for Senate and Council
- Finance on Northcott Theatre Developments (SPRC/05/3), attached for Senate and Council

2004/05 Budget – Report from the Budget Monitoring Group

The Vice-Chancellor introduced this item in the absence of Professor Webley, as Chair of BMG. With regard to the present position against the 2004/05 budget, it was noted that paper SPRC/05/01 highlighted that the original planning timetable for the year had indicated for SPaRC's present meeting, the Committee should have been in a position to consider the outcome of the interim IDM – i.e. an assessment by Schools and the Professional Services and other operating units of their forecast progress against budget for 2004/05 and expectations for 2005/06. Given that it had proved impossible to produce an updated analysis for the meeting of BMG held on 18 January, the data and report would not now be available for SPaRC's consideration until March. A deadline of 11 February had been set on producing the data which was coincident with the deadline for decisions by staff on the ER/VS

scheme currently in place.

Secondly, paper SPRC/05/01 made clear that the cash forecasts for the 2004/05 out-turn were now better than at the time when in the Summer 2004 the University had finalised its covenants with the banks on its borrowings and had set the ceiling on an out-turn 2004/05 deficit of £1.5m. The paper proposed taking a more measured approach in bringing the University's finances into balance but with the end of 2005/06 continuing to be the target for break-even. It was noted that this revised approach would see the forecast deficit for 2004/05 rise to £3.522m. The approach held the advantage of offering a maximisation of sale of assets and should avoid further across the board cuts if savings or improvements in income generation could be made over a slightly longer term. The Vice-Chancellor noted the BMG's assurance to SPaRC that by the time the Committee met in March it would be in a position to provide both data and a detailed plan as to how to achieve a break-even position within 18 months together with milestones which would be used to monitor financial progress against the plan over the period.

Thirdly, the Vice-Chancellor highlighted the improvements in the catering accounts over last year with a forecast surplus of £475K by the year end split evenly between the central reserves and the Strategic Development Fund. Although the projected surplus was currently smaller than that budgeted for in 2004/05, the improvements were welcomed and augured well for the future. However, the report from BMG referred to a variance on the residences accounts for 2004/05 of £360K due mainly to a higher number of vacancies than that contained within budget.

Fourthly, the Registrar and Secretary clarified the intention in the paper regarding the repayment of borrowings of around £5m to be drawn down to cover the costs of the current ER/VS scheme. The option presented in the paper of Schools financing the restructuring costs through increased contributions to the Strategic Development Fund was only one option available to the University – another was to utilize any capital receipts from the sale of assets. The restructuring costs could therefore be considered as another form of capital loan which, had the capital programme gone ahead in full, would have been repaid by Schools with the long term aim of reducing the cross subsidy being extended towards those Schools currently involved in restructuring. The Vice-Chancellor made clear to the Committee that the options on repayment of restructuring costs would be brought to SPaRC for consideration in March and that the Committee was not being asked to take a decision on the matter at its present meeting.

The Committee noted the action being taken by BMG to address the financial position set out in paper SPRC/05/01, subject to the change regarding restructuring costs referred to above.

SPaRC reiterated that it remained a principal concern of the Committee that all remedial action was taken as soon as possible and that restructuring be undertaken as far as possible in a single significant step. Such a course of action would worsen morale and undermine the institution's progress in achieving its strategic aims which the Committee supported wholeheartedly. It remained a concern to the Committee that, for understandable reasons, up to date financial data was not yet available and that, in the absence of such information, the adverse financial forecast for 2004/05 could deteriorate still further. The Committee noted that its report to Council in April would need to be underpinned by sound financial and other management information. The Committee further recorded that it would not wish to see additional commitments on expenditure being entered into at this point in 2004/05 and that it was likely that the plan to accompany the budget for 2005/06 would be likely to include some form of holdback mechanism such that a proportion of income to Schools was only released on the basis of them achieving income targets at the start the next session. Due regard of provision for adequate contingency within the plan would also be required.

New Borrowing Facilities

In the light of the rationale for adoption of an overdraft facility to fund restructuring rather than a redirection of an element of the loan arranged for the capital programme, as set out in paper SPRC/05/02, the Committee **RECOMMENDED TO COUNCIL** that:

- (a) the £5m overdraft facility offered by Barclays Bank plc as set out in the Facility letter dated 20 December 2004 be approved.

Northcott Theatre Developments

In the light of consideration of plans from the Northcott Theatre Board of Trustees for the expansion and development of the Northcott Theatre and their associated legal implications, as set out in paper SPRC/05/03, the Committee **RECOMMENDED TO COUNCIL** that:

- (a) the proposal to lease the Theatre to the new Charity be approved.

05.4 Strategy

The Committee **RECEIVED** progress reports from Deputy Vice-Chancellors (and from Professor Richardson in the case of the School of Education and Lifelong Learning) on the implementation of plans approved by Council in December 2004 for the restructuring of the School of Biological & Chemical Sciences (SPRC/05/4); School of Education and Lifelong Learning (SPRC/05/5); School of Engineering, Computer Science and Mathematics (SPRC/05/6); School of Geography, Archaeology and Earth Resources (SPRC/05/7); School of Modern Languages (SPRC/05/8); and the School of Performance Arts (SPRC/05/9).

05.5 Planning Process

The Committee **RECEIVED** a report (SPRC/05/10) on the institutional planning process highlighting key dates in the remainder of the Committee's 2004/05 calendar which would lead to the finalisation in June 2005 of the University's Corporate Plan emerging from the strategic direction laid down by *Imagining the Future* as approved by Council.

05.6 Key Performance Indicators

The Committee **RECEIVED** a report from the Performance and Risk Steering Group (SPRC/05/11), it being noted that the annual review of Key Performance Indicators would be considered by SPaRC at its meeting to be held on 9 March for onward transmission to Council in April.

05.7 Student Numbers (Actuals) 2004/05

The Committee **RECEIVED** the 2004/05 census of student numbers as returned to HESA on 1 December 2004 (SPRC/05/12, attached for Senate and Council). The Deputy Registrar & Academic Secretary noted that the figures were broadly in line with the outcome of the preliminary census held in the Autumn, as reported to SPaRC in November. The resultant position for the institution with regard to the HEFCE funding methodology for FTE was satisfactory at +1.4% and well within the allowed – 5% to +5% tolerance band. The increase in holdback from the TTA on 2003/04 levels due to under-recruitment against contract was a factor being considered as part of the review by SELL of its activities currently underway during its restructuring. The Committee noted that at its meeting on 16 March financial plans from Schools for 2005/06 would make reference to actual student numbers achieved for 2004/05, as summarised in paper SPRC/05/12.

05.8 Report from UEC Management Group

The Committee **RECEIVED** a report from the meeting held on 13 January 2005, noting under Minute 05.06 the state of progress in joint development of incubation units and a science park on a site near to the UEC hub at Tremough, and under Minute 05.09, the options being considered by FCA and the University to fund additional student residences required by Phase 2 (SPRC/05/13).

05.9 Learning & Teaching Committee

The Committee **RECEIVED** a report from the Learning & Teaching Committee meeting held on 7 December 2004 (SPRC/05/14).