

STRATEGY, PERFORMANCE AND RESOURCES COMMITTEE

A meeting of the Strategy, Performance and Resources Committee was held on Friday 1 July 2005 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 J M Kay
Deputy Vice-Chancellor, Professor P Webley
- Mr D J Allen
Dr J Barry
Mr A Desmier
Professor P R Draper
- Ms R King
Dr S Leather
Professor W B Richardson
- Deputy Registrar & Academic Secretary, Dr P K Harvey
Director of Finance, Mr K R Blanshard
Senior Assistant Registrar, Mr P J Kennedy
- IN ATTENDANCE: Professor N Armstrong, Deputy Vice-Chancellor (Elect)
Dean of the Faculty of Undergraduate Studies, Professor M Macnair
Permanent Secretary to the Guild of Students, Mr S N Fishwick
Senior Assistant Registrar, Mr D F Batty
- APOLOGIES: Professor S R M Wilks

05.37 **Minutes**

The minutes of the meeting held on 27 May 2005 were **CONFIRMED** (SPRC/05/40)

05.38 **Recent Developments with Financial Implications**

The Committee **RECEIVED** a report from the Deputy Vice-Chancellor (Resources) on several important recent developments that would have positive effects for future financial planning (SPRC/05/41).

HEIs in the South West were now in the final stages of confirming the bid for additional student numbers (ASNs) to HEFCE, for the total of 1,800 places allocated by HEFCE to the region. The bid for the University of Exeter contained some 339 recurrent places, over 2006/07 and 2007/08, which including variable tuition fee assumptions would provide a recurrent uplift of around £2.2M once steady-state was reached. The places were in high-demand areas identified by Schools and approved by VCEG, and would enable Schools to increase their critical mass. HEFCE would confirm the final outcomes of the bidding process in November 2005, but the indications of a positive outcome looked highly likely at this stage.

Also, there were strong prospects of the University being allocated an additional 100 undergraduate places as part of its allocation for Phase 2 of CUC. This would be a very

positive outcome for those Schools who were part of UEC, as it would provide an opportunity to spread the relatively high costs of currently modest volumes across a bigger student population and income base.

Recently, it had also been confirmed by the Department for Education and Skills that universities would be able to charge variable fees for all PGCE students from 2006, even where students were progressing direct from a current undergraduate programme. PGCE students on shortage subject programmes would receive an enhanced bursary to pay for variable fees in full, with all students eligible for a non-means tested grant plus entitlement to student loans. The University would need to consider offering some bursaries to support students in non-shortage areas.

The financial benefits from these developments had not yet been factored in to the plans proposed to the Committee elsewhere on its agenda, with the gross benefits from these developments anticipated to provide a recurrent uplift of some £3.9M (in approximate terms and including tuition fees) as follows:

Development	2006/07	07/08	08/09	09/10	ALL
HEFCE ASNs (339)	£1.1M	£1.1M			£2.2M
UEC - extra 100 ASNs		£0.2M	£0.2M	£0.2M	£0.6M
PGCE variable fees	£1.1M				£1.1M
All	£2.2M	£1.3M	£0.2M	£0.2M	£3.9M

It was noted that there would be financial commitments necessary in particular for the uplift of 339 ASNs in order to deliver on teaching, and that some bursary payments would be required for the PGCE programmes, but that there was good scope for gaining major net financial benefits through these developments.

In addition to the three items reported in the paper, the Vice-Chancellor was also able to report that the HEFCE Board had at its June meeting approved the research alliance project, known as Great Western Research, a collaborative project to help foster research in the universities of Bath, Bristol and Exeter and other HEIs in the South West, with Exeter leading the project. Inclusive of some £2M contributions expected from the three main partner HEIs, the project overall was worth £14.1M over 5 years. One of the major benefits to Exeter was the funding of 130 research student places. The Vice-Chancellor thanked Professor Roger Kain and Mr Sean Fielding, who had worked tirelessly to bring this project to a successful conclusion.

The Committee welcomed this news, noting that the University would have an important opportunity to grow the student population at the start of the new variable fees regime, and with the Research Alliance helping to boost the research student population. As none of these funds had been assumed in current financial planning, they provided substantial assurance of additional contingency. The Chair of Council thanked all those involved in bringing these developments to what should prove highly beneficial outcomes for the University.

05.39 **Corporate Plan 2004/05 – 2008/09**

The Committee **CONSIDERED** the final draft of the Corporate Plan (SPRC/05/42 attached for Senate and Council). The Committee had previously endorsed the overall approach being taken to producing the new plan, including a structure significantly different to the previous Institutional Plan, and Committee members had also given valuable input having had the opportunity to comment on an earlier second stage draft.

The Corporate Plan would cover the period 2004/05 to 2008/09 – i.e. the baseline year plus a planning horizon of four years, consistent with HEFCE's requirements governing the submission of the University's Corporate Planning Statement. The Corporate Plan included a synthesis of the strategies for the 'core' business of the University in light of the driving principles laid down in *'Imagining the Future'*. The 'core' strategies were identified as Research, Education and Outreach, and with these key elements of policy the subject of support from the main service strategies: Finance, Human Resources, Estate and Information Services. The underlying strands to the plan had been subject to intensive

consultation through various means, in particular through the Vice-Chancellor's Open Meetings, meetings of SMG, and circulation of the '*Imagining the Future*' document to staff, although it was recognised that the final plan as a single document had not been the subject of specific consultation with all. The Committee was content that the key messages in the plan would be familiar to all staff across Schools and Services, and that the next cycle would give more opportunity for producing a plan that had been the specific subject of greater input from all staff and the Guild of Students. The plan would be placed on the internet and available to members of the public also, in a professionally produced format.

Specific points raised in discussion included:

- that the plan should better identify the mission-critical priorities, how these related to the aspiration to be a top-20 HEI, and of how resources would be deployed to implement the necessary plans;
- that the plan gave a very clear framework for monitoring progress and with good specification of near and long term targets;
- that the important role performed by the Guild of Students should be brought out more clearly in the Education section of the plan;
- that the Monitoring Progress section should refer more clearly to the ongoing review of committee operations;
- that a separate lens should be developed within the plan to view regional dimensions to activities;
- that the Research section should be amended in the next iteration to have RAE timescales as a key reference point for action-taking and progress monitoring, which were different to the University's broader planning period; and that
- league table issues should be brought out within the plan including how the University expected to climb in rankings once the data used in these tabled caught up with current and anticipated performance, bearing in mind that the competition was not standing still.

Subject to making agreed revisions, the Committee **RECOMMENDED TO SENATE AND COUNCIL** that:

- a) Council approve the Corporate Plan 2004/05 – 2008/09; and that
- b) Council note within the framework of the Plan the key issues for further enhancing the Corporate Plan to be addressed in the next planning cycle.

05.40 **Financial Planning 2004/05 – 2008/09**

The Committee **CONSIDERED** a report from the Deputy Vice-Chancellor (Resources) (SPRC/05/43 attached for Council). This paper brought together the financial plans for the University as a whole – Schools and Professional Services including Residences and Catering – and in doing so also aligned capital planning with revenue plans. Taken alongside the Corporate Plan and Benchmarked Activity Levels papers also on the Committee's agenda, this paper was the culmination of the University's planning in the current year.

Five essential conclusions had been reached by the Committee at its 16 March meeting in its assessment of the interim financial planning exercise:

- That an in-year deficit of £4M in Schools was envisaged for 2004/05, and that a further one-off deficit of some £5M was forecast from the implementation of the academic restructuring programme;
- That it would be essential to ensure, at worst, that a break-even position on the management accounts 'in-year' for 2005/06 was reached;
- That by the end of the plan period to 2008/09 in-year surpluses within Schools must reach at least 3%;
- That Schools with negative reserves balances would be required to eliminate those overdrawn positions within the planning period (a modified version of this parameter would be applied to two Schools – Biosciences and Geography, Archaeology &

Earth Resources); and that

- The University's balance sheet position more generally should be returned to a position of strength within the planning period and in compliance with financial covenants.

These conclusions, taken together with the full set of planning parameters approved by the Committee in March, provided SPaRC and Council with a framework for assessing and approving the financial plans presented to them.

The Committee had been advised earlier in the academic year that Schools would not meet their forecast income figures for 2004/05, and that this would result in an unplanned deficit of some £2.5M in addition to the planned £1.5M deficit approved by Council in July 2004. The current forecast position for 2004/05 showed a £4.113M deficit, compared with a deficit of £3.995M which was reported to the last meeting of the Budget Monitoring Group (BMG) on 31 May 2005. The adverse difference was largely on account of incorporating the additional teach-out costs for Chemistry and Music. The anticipated historical costs deficit for 2004/05 was expected to be £9.967M, made up of the £4.113 deficit, together with the costs of restructuring.

For 2005/06, Schools were projecting a surplus position of £1.692M, with surpluses in future years also projected as follows:

	Surplus or (Deficit)	
	£M	% of Income
2005/06	1.692	1.8
2006/07	1.970	1.9
2007/08	3.561	3.1
2008/09	4.364	3.5

In addition to generating surpluses of at least 3%, all Schools would have positive balances by the end of the planning period, with the approved exceptions of Biosciences and the School of Geography, Archaeology & Earth Resources.

The University's Strategic Development Fund for 2005/06 totalled £4.725M, and included £500k contingency, that if not required for contingency purposes would be directed into General Reserves. Professional Services 2005/06 plans (which based on the aggregation of individual Services' plans) totalled £27.492M, which was affordable within School plans, after Services had made the 1% efficiency gain required by Council. It was noted that Professional Services had applied a further 1% efficiency gain in order to generate an internal development fund that had been invested primarily in completing the centralised admissions process, in eCommerce developments and in boosting management accounting capacity.

Taking into account the financial predictions for the last three years of the plan period for the Professional Services and the SDF, the overall position was summarised as follows:

	2006/07	2007/08	2008/09
	£M	£M	£M
Schools – Estimated Surpluses	1.970	3.561	4.364
Professional Services –			
Expected Funding Headroom	0.028	0.080	0.200
SDF – Uncommitted Funds	<u>1.119</u>	<u>0.162</u>	<u>3.484</u>
	<u>3.117</u>	<u>3.803</u>	<u>8.057</u>

The improvement in uncommitted funds within the SDF was welcomed, as this would give planning headroom to the University for innovation and development. £500k per annum was incorporated within the SDF, from 2006/07, to provide support for staff retention and recruitment, although this fund would normally be provided on a loan as opposed to grant basis and in financial partnership with Schools to ensure that hidden cross-subsidies did not begin to emerge.

It was noted that UEC Phase 2 plans were not included within the paper's figures for Schools, the SDF and Professional Services, but had been included in the overall balance sheet projections. With the application of working capital, UEC Phase 2 plans would break even each year from 2007-2010 and, from 2009/10, when all student cohorts would be at steady-state, aggregated surpluses in School plans would reach £540k. Additionally, these plans would provide funds to the SDF and to Professional Services.

The Financial Accounts projections incorporated the capital expenditure and associated funding over the planning period to 2008/09, in line with the contents of the University's existing five-year capital programme. The Capital Planning Group would continue to report to the Committee on these activities, and in the Autumn Term 2005 the Committee would review the draft of a new Estate Strategy. The detailed programme attached at Annex I to SPRC/05/43 amounted in total to over £134M, including provision for:

	£M
Schools	48.4
Professional Services (including student facilities)	9.8
Student Residences	38.4
Combined Universities in Cornwall	<u>37.7</u>
	<u>134.3</u>

The bottom-line position in the Income and Expenditure Account for 2005/06 (the budget year) showed a surplus of £3.445M. This compared with the figure of £1.124M which resulted from the interim planning exercise undertaken earlier in the year. The £2.321M improvement was largely the result of the Schools' proposed budget surplus of £1.692M in 2005/06, as compared with the £371K deficit recorded in the interim planning exercise, consistent with Schools (with the two approved exceptions of Biosciences and SoGAER) being able to comply with the 2005/06 break-even planning parameter.

The forecasts for the final three years of the plan period give rise to the following surpluses (historical costs), prior to making additional expenditure for example through the Strategic Development Fund or through additional posts in Schools or Services.

	£m	% of Income
2006/07	7.592	5.2
2007/08	9.697	6.0
2008/09	13.860	7.0

The plans would enable a substantial re-strengthening of the University's Balance Sheet, giving rise to much improved positions in cash balances, net current assets and in a reinstatement of the General Reserves to a position around the benchmarked level by the end of 2006/07. Although some additional expenditure could be anticipated provided that income plans and expenditure controls were delivered, it would be important going forward to control the position carefully to ensure that financial covenant agreements could continue to be met and in order to maintain cash balances at acceptable levels. Some allowance for additional expenditure would be made in the revised report to Council and the onward report to HEFCE.

It was recognised by the Committee that the plans were not without risk, and a detailed assessment of risks and associated contingency plans for 2005/06 in particular was considered. Particular attention had been paid by Deputy Vice-Chancellors and the Registrar & Secretary to risks and contingencies within School and Services plans. The nature of the risk on income delivery in Schools varied, but was generally related to student recruitment, particularly in the international and postgraduate taught markets, and some £1.4M of income was assessed to be of a high-risk nature. It was also noted that a number of Schools had taken prudent estimates on income generation for the planning period as a whole but in particular for 2005/06. Although it was to be anticipated that some of the higher-risk income would not be attained, there were substantial contingencies available to ensure that a break-even position for 2005/06 was reached, and approximately £2.8M of contingencies were identified which could be applied if necessary by individual Schools. Within Professional Services, the major financial contingency that could be applied should University income be significantly less than forecast was a combination of bearing down

hard on non-pay and only filling essential new/replacement posts. Additionally, and as previously reported to the Committee in November 2004, there was scope to not make part or all of the £750k earmarked for Contribution Based Reward (CBR) payments to staff, should the University's overall financial position require such action. Risk assessments on longer-term plans, given their nature, had not been applied as yet with the same level of detail, but these assessments would be made in the next cycle. A disciplined approach to budget management would be vital to embed across all Schools and Services, and the Committee anticipated receiving regular reports through Budget Monitoring Group on performance against budget. In response to a question it was confirmed that the funding position of the ERBS was improving and that current actuarial advice was that an employee's contribution of 16% was adequate.

In reviewing the planned positions the Committee noted that all Schools met the core planning parameters applying to their activities for the period to 2008/09, with a small number of exceptions that the Committee was at this stage content to approve, subject to reviewing performance against planning parameters in the next cycle.

A number of points were identified for attention so that Council would receive the clearest possible presentation of the budget and longer-term plans:

- It would be important to give a fuller explanation and associated summary figures that would enable Council to track the key movements across the plans, and in particular from 2004/05 to 2005/06, to identify savings in staffing from the restructuring programme and the key features in income, and also to relate more directly the figures in the balance sheet section to Schools, SDF and Professional Services plans;
- An identification within the paper of what was 'self-help' as opposed to 'environmental' income growth would be important to make, enabling Council to see to what extent the University continued to rely on 'environmental' State funding and to what degree earned income ('self-help') featured in plans, noting that variable fees and new students won competitively would be in the latter category;
- A greater articulation of the cash position within the paper was necessary;
- The General Reserves descriptor used in the SDF Annex (Annex D) should be relabelled as Contingency; and that
- While recognising its joint governance structure with Plymouth, the reputational and financial risks associated with the Peninsula Medical School were such that the Committee needed a more transparent understanding of its income and cost flows.

It was also noted that what was now needed to emerge from this planning round was a structural framework to guide future resource allocation strategies, encompassing income and expenditure, reserves, cash balances, borrowings and capital spend. The Committee requested that this form of framework be considered by it in the next planning cycle.

The Vice-Chancellor acknowledged the tremendous efforts made by a number of colleagues across Schools and Services throughout the planning process. This work had ensured that their plans were completed to challenging timescales and presented to SPaRC and to Council. It was noted that there would be a review of the planning process for the next cycle, to be reported to the Committee's first meeting in 2005/06.

The Committee **RECOMMENDED TO COUNCIL** that:

- (a) Council be advised to approve the 2005/06 budget detailed in SPaRC/05/43, taking note of the assessment of risk and contingencies, and noting that the policy on not permitting expenditure from accumulated reserves in Schools/Services would remain in force until the position was reviewed by SPaRC in the Autumn Term 2005;
- (b) Council approves the financial plans to 2008/09 as summarised in Annexes B, C, D and G, subject to amendment of the financial forecasts to record anticipated additional expenditure from the SDF as surpluses were generated;
- (c) The Committee approves how these financial plans support the meeting of strategic aims and objectives set out in the current Corporate Plan;

- (d) Council approves the provision of £500k of uncommitted Strategic Development Funds in 2006/07, 2007/08 and 2008/09 to support staff retention, subject to those resources normally being provided on a loan as opposed to a grant basis;
- (e) Schools and Professional Services be advised of the budget proposals subject to approval by Council;
- (f) Schools and Services be advised to consider the creation of their own internal strategic development funds to follow good practice as, for example, shown by SELL;
- (g) Future capital planning be in accordance with the principles of robustness and transparency articulated in section 8 of SPRC/05/43;
- (h) PRARG be requested to review the approach to how the UEC Academic Support Unit is funded;
- (i) The planning and budgeting process be reviewed in the light of the experience gained in 2004/05; and that
- (j) Contribution Based Reward payments to staff would not be made until the University's ability to make such payments as indicated by its overall financial position had been reviewed by SPaRC with the £750k being held centrally prior to possible release.

05.41 **Benchmarked Activity Levels**

The Committee **CONSIDERED** a report from the Deputy Vice-Chancellor (Resources) evaluating the indicative implications from School plans on institutional performance and in the light of comparisons with benchmarked data where available or applicable (SPRC/05/44 attached for Council).

By way of structure, the report approached activity levels using the core strategies within the Corporate Plan (Research, Education and Outreach), and also examined Non-Core Income as a separate but collective theme. The Committee noted that in terms of process, the information coming up from School plans was to a large degree 'bottom-up' planning. There had been little opportunity in this transitional year to set out clear institutional targets across all activities, with the most notable exception being research. It was expected that the Committee would review the main messages coming from these School (and Service) plans in the next cycle, examine these in the light of performance elsewhere from peer group/aspiration group data, and through that process set institutional targets to guide the next iteration of planning at School/Service level. The framework for target setting would shift away from the previous focus only on longer-term targets to a combination of near and longer-term targets, so that monitoring the direction of travel would be related to more immediate goals.

Comparison of performance both current and projected (to 2006/07) against the research indicators (research output quality, grant and contract income, and postgraduate student numbers per academic staff fte) showed varying levels of projected performance across these indicators. Overall, the University appeared from research output monitoring data to be in good shape currently to submit around 90% of academic staff at 2* (RAE ranking) and above. Planned research grant and contract income, however, showed income per staff fte flatlining across the period, with the exception of Biosciences towards the end of the plan. It was thought that there was significant lag in income from awards and also some inherent conservatism in School plans that were explaining this performance. PGR student growth was expected to be significant with an increase of some 275 fte in PGR students across the planning period.

Within the education strategy area, intakes of undergraduate students from state schools and from lower socio-economic backgrounds showed improving performance, with the data showing that in 2004/05 the University was already complying with targets agreed with OFFA in the University's Access Agreement, although still somewhat under the benchmarks currently set by HESA. Growing the postgraduate and international student populations, when taken as percentage of overall students, appeared more challenging, and it was noted that it would be equally useful to evaluate actual growth *per se* given the ongoing growth in the undergraduate base. The benchmarks (upper quartile from the 94 Group) for PG and international students as a percentage of the total student population were currently 33%

and 16% respectively, compared to current performance and planned performance (2006/07) of 20%/22% and 11%/13% respectively. Significant work was required from Schools and Services if these aspirations were to be reached, and particularly so if the benchmarked positions were to be met.

For outreach, it was evident that School plans were showing projected income lower than that previously achieved, a message consistent with the Committee's general concern that this was an area of current under-performance and a strategic theme that it should dedicate significant time to analysing in the coming cycle.

Taking non-core income in aggregate terms, the plans suggested that the current over-reliance on State income sources compared to Exeter's competitors was not going to diminish significantly. For 2006/07 a slight decline was projected, with a minor recovery shown in the final years of the plan, so that the proportion of non-core income by 2008/09 would be 43%, compared with 94 Group median and upper quartile figures of 51% and 58% respectively.

The Committee noted how the key signals flagged within the report were largely consistent with other reports it had received during the session – in particular that there was much to do to diversify and increase the University's income from sources other than the State. The Committee would return to examine these key themes and decide on appropriate actions within the next planning cycle.

05.42 **Central Catering Operations – Budget 2005/06 and Financial Plan to 2008/09**

The Committee **CONSIDERED** a report from the Director of Finance (SPRC/05/45), noting that the financial data had been included in the main Financial Planning paper (SPRC/05/43).

The forecast outturn for the central catering accounts for 2004/05 showed a predicted surplus of £428k, which although slightly under the budgeted figure of £475k surplus, compared favourably with a deficit in the previous year of £21k. For 2005/06, the budget proposed would yield an overall surplus of £514k, made up of a £132k loss for staff/student catering offset by a £646k surplus on non-staff/student catering. The Committee noted that the former figure was not in compliance with agreed planning parameters, but **DECIDED** that the Director of Hospitality Services should report back to the Committee in the next session once he had completed his review of operations.

The financial plans to 2008/09 showed a growth in income of around 5.2% per annum, with profit margins expected to be at the levels used for the 2005/06 budget. If met, these plans would deliver bottom-line surpluses rising to £678k by the end of the period. The Committee also noted the budgets and plans for Crossmead Conference Centre and for the Shopping Centre lease/rentals.

The Committee **RECOMMENDED TO COUNCIL** that:

- a) Council notes the forecast outturns for 2004/05 for the Central Catering Operations, the Crossmead Conference Centre and the Shopping Centre leases; and that
- b) Council approves the budgets for 2005/06 for Central Catering Operations, the Crossmead Conference Centre and the Shopping Centre leases, and the financial projections to 2008/09.

05.43 **Student Residences – Budget 2005/06 and Financial Plan to 2008/09**

The Committee **CONSIDERED** a report from the Director of Finance (SPRC/05/46), advising the Committee of the estimated outturn for the Student Residences Accounts for 2004/05 and seeking approval of the proposed budget for 2005/06 and of the financial forecasts to 2008/09. The report also outlined the current positions in respect of longer-term financial projections to 2025/26 in order to ensure that both external and internal borrowing

commitments were being satisfactorily serviced.

The outturn for 2004/05 was projected to be a deficit of £905k, an adverse variance of £475k on the budget, primarily on account of increased vacancy rates and increases in salaries and wages. The budget proposed for 2005/06 was for an overall surplus of £52k, with the turnaround in position from the current year largely on account of an increase in rents approved by the University/Guild Liaison Group, an increase in the length of contracts for certain residences, a planned reduction in vacancy rates and an estimated increase in vacation-related and sundry income. In later years in the plans the student residences would eliminate the accumulated deficit and start to redeem the internal debts, which on current plans would be achieved in 2013/14.

Some risk within the 2005/06 budget proposals was identified, primarily should projected numbers of international and postgraduate numbers not materialise, which was an ever-present risk in student accommodation management. The main contingencies in place were controls that would be applied on both general expenditure and on staffing costs.

The Committee **RECOMMENDED TO COUNCIL** that:

- a) Council notes the forecast outturns for 2004/05 for the Student Residences accounts;
- b) Council approves the budgets for 2005/06 for the Student Residences account, the financial projections to 2008/09 and the steps to be taken to eliminate the internal overdraft by 2013/2014; and that
- c) Council notes that policy now is to err on the side of allocating too many rather than too few places in residences to ensure vacancy rates remained within the 3% tolerance band.

05.44 **Guild of Students – Budget 2005/06**

The Committee **CONSIDERED** a report from the Director of Finance proposing the budget for the Guild of Students for 2005/06 (SPRC/05/47). The decisive actions taken by the Guild to eradicate deficit positions within aspects of its business were praised by the Committee, as were the positive steps being taken to improve its trading position overall. The block grant provided by the University to the Guild had more than doubled since 2002/03, and it was evident that this investment was rewarded through improving services provided by the Guild to the student body, and in a spirit of partnership with other parts of the University community, notably Hospitality Services. Taking all income sources into account, the budget projected for 2005/06 showed a healthy £92.5k surplus prior to depreciation and profit on disposals. The Committee **RECOMMENDED TO COUNCIL** that it approve the 2005/06 budget for the Guild of Students as set out in SPRC/05/47.

05.45 **Further Development of Student Residences – Tremough Campus**

The Committee **CONSIDERED** a paper from the Director of Finance (SPRC/05/48 attached for Council).

Provision of additional residential accommodation was an integral part of the Phase II proposals previously approved in principle by Council, with authorisation now being sought to develop an additional 250 student residences required for the 2007/08 intake, to be managed by Tremough Campus Services. It was expected that permission from Council would be sought at a later stage for a further 250 student residences funded by the private sector, required for the 2008/09 intake.

An options evaluation had shown that the most economic option would be to borrow and build, using the available land on campus, and seeking to take advantage of the historically competitive rates of interest on offer at present. The borrowings would be subject to HEFCE approval, but this level of additional borrowings, which would appear on the balance sheet,

would not see the University breach HEFCE's 7% borrowing levels and therefore would not need HEFCE Board approval. It was noted that the second stage in residential accommodation provision (i.e. for 2008/09) would be likely to be managed through a partnership and be off-campus, to spread risk and as on-site land availability would be scarce.

The Committee **RECOMMENDED TO COUNCIL** that it authorise the University's nominated Directors of TCS to:

- a) enter into borrowing of up to £10m (plus rolled up interest during interest and capital holiday) with a preferred lender on terms at least equivalent to those outlined for Barclays in the Appendix A, the financial effects of which are modelled at Appendix B;
- b) negotiate the final loan terms based upon the best rates available when the loan arrangement is finalised and subsequently to approve and nominate two directors to sign the loan agreement and draw-down arrangements on behalf of the Company.
- c) The Committee is also asked to authorise the Treasurer and the Director of Finance to approve, subject to agreement with University College Falmouth, any interest hedging arrangements related to the residences loan, subject to appropriate legal advice

It was noted that a further report on the proposals for the procurement of the second 250 units for 2008/09 would be presented to the Committee in due course after consideration of available funding options involving third parties; the report would include financial comparisons with traditional loan funding.

It was further noted that in the intervening period between the July 2005 meetings of SPaRC and Council, the Chair of Council would take Chair's action on approving a borrowing agreement with banks, in the event that shifts in prevailing interest rates made swift action necessary to secure the optimum long-term deal for the University and its partners.

05.46 **Vice-Chancellor's Report**

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

- HEFCE Funding for Teaching – HEFCE had issued a consultation document on the future methodology for funding for teaching, exploring the issue of linkage of quality to funding. This was an important issue and one that the Committee would be kept informed on.
- Subjects of National Strategic Importance – HEFCE had referred to the University's management of its restructuring as an example of good practice and consistent with how it wished to see the HE sector respond. This reference was contained within its advisory document produced in response to the invitation by the Secretary of State to address this set of issues.
- Research Assessment Exercise – the criteria for the next RAE had been recently issued, and were in the process of being evaluated internally.
- Academic Restructuring – progress on restructuring in Chemistry and Music in particular was reported.

05.47 **School Merger Proposals**

The Committee **CONSIDERED** a paper from Deputy Vice-Chancellor Wilks making proposals for a merger of the Schools of English, Modern Language and Performance Arts into a single School (SPRC/05/49 attached for Senate and Council).

The benefits from the proposed merger, consistent with the policy of the University to move to a limited number of large Schools, would include:

- helping to create research synergies, and including the development of new research centres, and the enhancement of existing ones, with cross-disciplinary outlooks.
- the refreshment of existing School cultures and systems of management and administration;
- the establishment of a multi-focus graduate operation in both PGR and PGT;
- the exploration of new course and subject development;
- opportunities to invest strategically from a more substantial, and therefore more flexible, resource base;
- the opportunity for income growth from new activity in research and other areas;
- the pooling of skills, expertise and networks of national and international contacts for mutual benefit; and
- the optimisation of, and investment in, existing space, technical, social and IT facilities at Thornlea and in Queens where the School would be the main occupant of the refurbished building.

The merger process was being taken forward on the basis of a pragmatic extension and alignment of existing activities through the Merger Planning Group, chaired by the Deputy Vice-Chancellor, and through the involvement and constructive engagement of staff across the 3 Schools.

In welcoming this set of proposals, the Committee noted that this process continued the progress towards fewer, larger Schools better able to self-manage, gain efficiencies, liberate maximum academic staff time for research and teaching, and manage risks. The paper highlighted a number of areas where risks were evident, but associated contingencies had been identified to help mitigate those risks.

The Committee **RECOMMENDED TO SENATE AND COUNCIL** that:

- a) the principle of merger should be approved;
- b) a merger date of 1 August 2006 should be confirmed;
- c) the appointment of Professor Rick Rylance as Head of the new School should be confirmed;
- d) the title of the new School should be the 'School of Arts, Languages and Literatures' (SALL); and that
- e) The Chair of the Merger Planning Group should provide a quantitative articulation of the benefits of the merger to the Committee's October 2005 meeting.

The Committee did not support the proposal that the School Manager post only be advertised internally, and it was **DECIDED** that the Deputy Vice-Chancellor and the Director of Personnel ensure that the post be advertised externally also.

05.48 **Information Services Committee**

The Committee **RECEIVED** a report from the Information Services Committee meeting held on 26 May 2005 (SPRC/05/50). The Committee noted the generally positive results from the Library's user satisfaction survey, and commended this approach to Professional Services more generally. The Registrar & Secretary would take this matter forward. The Committee also noted the space issues to be considered as part of future capital planning, and of the need within School planning to provide for printed library materials and related electronic media.

05.49 **UEC Management Group**

The Committee **RECEIVED** a report from the UEC Management Group meeting held on 1 July 2005 (SPRC/05/51).

05.50 Learning and Teaching Committee

The Committee **RECEIVED** a report from the Learning and Teaching Committee meeting held on 24 May 2005 (SPRC/05/52). It was noted that the results from the first National Student Survey of final year undergraduates would be published nationally in September 2005, with quantitative data available for analysis in July. It was clear that Exeter had a high response rate from its finalists, in contrast with certain other research-intensive universities. Committee members would be kept informed on this important development which was likely to contain key messages to guide future strategy.

05.51 Human Resources Committee

The Committee **RECEIVED** a report from the Human Resources Committee meeting held on 14 June 2005 (SPRC/05/53). The Committee **DECIDED** to refer the key performance indicator issues identified within the report to the Performance and Risk Steering Group for consideration and action.

The Committee **APPROVED** Human Resources Committee's proposals for revisions to the Contribution Based Reward Scheme from 2005/06. The first payments under this new scheme would be made from autumn 2006, and would be conditional upon the University's overall financial position. An important distinction from the current approach was that half of the payments would be evenly distributed (i.e. not pro-rata to salary) to all staff, subject to satisfactory performance, with the remaining half distributed to individuals who had demonstrated excellent performance.

Human Resources Committee had also presented its conclusions to SPaRC from the review of Teaching Fellows. The HR Committee working group, chaired by Professor Paul Webley, had been commissioned to examine the steep rise in both the numbers and the costs of Teaching Fellow Appointments and the associated opportunity cost, to address why Heads of School were deciding to employ Teaching Fellows in considerable numbers and to make proposals for future policy. The Committee **APPROVED** the recommendations proposed by Human Resources Committee.

05.52 Research Committee

The Committee **RECEIVED** a report from Research Committee meeting held on 2 June 2005 (SPRC/05/54).

05.53 Business Community and Knowledge Enterprise 2004-2005

The Committee **CONSIDERED** an interim report from the Chair of the BCKE Committee, as requested by SPaRC at its 16 March meeting, covering activity in the period August 2004 to April 2005 (SPRC/05/55). The Committee welcomed the better performance in the year to date, with income levels by April comparable to the final position in 2003/04, but noted that the data did not suggest that a major step-change in performance was taking place in this area. A number of key developments in the current year were reported, including the establishment of the Research Development Office and the appointment of a new Head of Enterprise Development, Mr Paul Tiltman. The ongoing delay in Phase II of the Innovation Centre was also noted. The overall thrust of the report supported the conclusions reached earlier that there was much for the University to do in embedding Outreach as a fundamental component to the University's success.

05.54 Dates of Meetings 2005/06

The Committee **RECEIVED** a schedule of Committee meetings (SPRC/05/56). Subject to confirmation of certain specific dates, these dates would apply for 2005/06.

05.55 Retiring Members/Officers

The Vice-Chancellor, on behalf of the Committee, thanked Professor Wilks for his contributions to the University during his period of office as Deputy Vice-Chancellor. Dr Harvey, Deputy Registrar and Academic Secretary, was also thanked for his unstinting efforts since he had joined the University in 1997, and was wished well during his secondment as Acting Registrar at the University of Sussex.

Special mention was reserved for Mr Keith Blanshard, Director of Finance, who had been a loyal servant to the University since 1989 and who had made a vital contribution to the University's increasingly bright prospects. The Committee wished Keith well in his well-earned retirement.