

STRATEGY, PERFORMANCE AND RESOURCES COMMITTEE

A meeting of the Strategy, Performance and Resources Committee was held on Wednesday 15 March 2006 at 10.00am in Committee Room A, Northcote House.

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

Mr D J Allen
Dr J Barry
Professor P R Draper

Ms R King
Professor W B Richardson

Academic Secretary, Mr D F Batty
Director of Finance, Mr J C Lindley
Senior Assistant Registrar, Mr P J Kennedy

IN ATTENDANCE: Dean of the Faculty of Postgraduate Studies, Professor H M Lappin-Scott
Dean of the Faculty of Undergraduate Studies, Professor M Macnair
Permanent Secretary to the Students' Guild, Mr S N Fishwick

APOLOGIES: Mr A Desmier, Dr R Lawson-Peebles, Dame Suzi Leather, Sir Robin Nicholson

06.18 **Minutes**

The minutes of the meeting held on 10 February 2006 were **CONFIRMED** (SPRC/06/15).

06.19 **Matters Arising**

The following matters arising from the minutes of the 10 February meeting were noted:

Minute 05.68 – University of Exeter Cornwall Campus: the £24M contract for new build for Phase 2 was expected to be awarded to the contractor shortly. Contingency of £1.6M was still available within the project budget.

Minute 06.02 – Centre for Legal Practice: the Law Society had accredited the programme and the formal transfer to the University of Plymouth with effect August 2006 was now finalised. The remaining members of staff had all confirmed their intention to transfer to Plymouth. The Vice-Chancellor thanked Professor Webley for his work in completing this important piece of business.

06.20 **Vice-Chancellor's Report**

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

- **HEFCE Chief Executive** – Professor David Eastwood, currently Vice-Chancellor of the University of East Anglia and Chair of the 1994 Group, had been appointed as Chief Executive of HEFCE with effect 1 September 2006.
- **1994 Group Chairmanship** – The Vice-Chancellor had been elected as the new Chair of the 1994 Group (succeeding Professor Eastwood) for three years with effect September

2006. The Committee congratulated the Vice-Chancellor on his appointment, which should help ensure that Exeter was at the heart of guiding developments in the HE sector in the years to come.

- **HEFCE 'Single Conversation' Process** – HEFCE's overall purpose in moving to a 'single conversation' was to promote better regulation for HEIs through streamlined accountability linked to assessments of institutional risk, through the device of an annual 'single conversation'. Along with 9 other HEIs, Exeter was in the pilot study for this and would have the opportunity to shape this important development and to gain benefits from being in the early adopters from 2006. The Vice-Chancellor thanked the Registrar and Secretary for facilitating this.
- **Deputy Vice-Chancellor Resources** – interviews were being held today for the new DVC Resources, to succeed Professor Paul Webley from 1 August 2006.
- **Recruitment to New Academic Posts** – the early signs were generally encouraging with good numbers of high calibre applicants being attracted to lecturer and more senior posts. There were isolated pockets where initial recruitment was less successful, and alternative routes to recruit quality staff here were being pursued. The Vice-Chancellor reiterated his determination that we should not make any appointments where candidates did not meet our agreed criteria.
- **AUT Action** – as of today's date 71 staff had confirmed that they were on strike on 7 March, out of some 1,000 staff who were eligible to be a member of the AUT. Action short of a strike was now proceeding for some AUT members. The University was taking all steps possible to enable students to be assessed and graduate this summer. Salary costs had in fact been rising at above inflation levels in recent years, and the levels of increase being demanded by the AUT, in particular when set against the backdrop of funding pressures from the implementation of the Framework Agreement, could lead to pressures on universities to consider reductions in staff numbers to be able to afford pay increases.

06.21 **Corporate Planning Process**

The Committee **RECEIVED** a document summarising the process through which the Corporate Plan would be considered in the current cycle, culminating in consideration and approval by Council at its July meeting (SPRC/06/16). The approach was endorsed by the Committee, with Council taking an initial view of high level priorities at its April meeting, following which there will be consultation with SPaRC members and with SMG during May/June, with a final draft of the Corporate Plan considered by SPaRC on 28 June. The current overall structure to the Plan would be retained, but a number of enhancements would be made. It would be important for the Plan to clarify priorities and how resource plans aligned with these. It was also recognised that there were a number of underpinning strategies that were either currently under development or would be revisited in the near future, but the major themes in these areas were well known and could be addressed within the new Plan.

06.22 **Financial Forecast 2005/06**

The Committee **CONSIDERED** a report from the Director of Finance on the current financial forecast 2005/06 (SPRC/06/17 attached for Council).

The forecast outturn of the University was now £1.4m compared to the projected surplus reported to the Committee in February of £1.0m. This surplus included a £0.6m credit in relation to the one percent Contribution Based Reward (CBR) that would be payable provided the overall actual surplus at year-end enabled those payments. The movements from the previous position were on account of favourable variances of £0.1m recorded in both Schools and Professional Services, together with £0.3m of contingencies now released in a number of budget centres.

At present, it was not certain whether the position would further improve without active management. The Committee **DECIDED** that specific centrally-directed actions should not as yet be applied, as there was a reasonable probability of the position improving further in the next two months. Schools and Services would be encouraged to maintain their overall financial course, avoiding unnecessary expenditure whilst ensuring they did not miss investment opportunities within their current forecast positions. Those units that were able to improve their position beyond current forecasts would retain the additional income. The position would be revisited by VCEG on a monthly basis, and VCEG would decide ahead of SPaRC's 23 May meeting whether firmer directed action would be required of budget heads to produce the desired year-end surplus position so that CBR payments could be made in Autumn 2006.

It was noted that there were still a number of areas that were as yet not fully investigated, including certain Professional Services and the required contribution to the operations at the Cornwall campus, and there were ongoing discussions with regard to the £1m anticipated to come from the Camborne School of Mines trustees. It was also noted that the Director of Finance would provide further detail on the make up of the reserves shown in the headline financial figures.

It was agreed that while it would be important to release the 1% 'profit related' element of CBR in Autumn 2006, the £2m target surplus should not be achieved at the expense of damaging planned activity.

06.23 **HEFCE and TDA Grant Settlements 2006/07**

The Committee **CONSIDERED** reports summarising the HEFCE and TDA grant settlements for 2006/07 (SPRC/06/18, SPRC/06/19).

The University's provisional grant settlement from the Higher Education Funding Council for England (HEFCE) had been received recently, together with the overall settlement for the sector. The headlines were positive for the University:

- The University would receive an additional £3.7m (8.3%) in HEFCE grant funding compared with 2005/06. With the 2006/07 grant totalling some £48.3m, the income from this source had grown by nearly £11m since 2003/04.
- Funds for teaching had increased by nearly £3m (9.4%), comprised largely of uplifts for additional student numbers in PMS, UEC and for Exeter provision generally. The inflationary allowance covering core activities for the sector was 2.5% for the year 2005/06 – 2006/07.
- Research income had increased by £719k (5.6%).

Additionally HEFCE had recently announced a further allocation of £897k of capital funding. This funding would be added to the Infrastructure Fund, and although this was for Capital Planning Group to decide, it was likely that these funds would be directed to improving the information services infrastructure.

Two key themes were emerging from this data. Firstly that the University had been gaining significant critical mass in recent years, and with further additional student numbers projected across all campuses the core grant would continue to rapidly grow – this was important in providing for more opportunity to spread overheads and achieve efficiencies through scale. Exeter continued to be fourth largest in the 1994 Group for overall HEFCE funding, with 3rd largest in respect of teaching funds, but only 11th for research funding. Secondly, the comparative data emphasised the difficulties for the "squeezed middle" – under-performance in widening participation and in research exposed institutions from the concentration of resources in both. For Exeter, these data re-emphasised the importance of directing resources into preparations for the 2008 RAE.

The Training and Development Agency for Schools (TDA) had also confirmed the allocation of funding for 2006/07 for initial teacher training programmes. Consistent with the national direction taken by the DfES, Exeter had seen a marginal decrease in student places for

2006/07 (628 compared to 658 in 2005/06), but the funding per student place had increased by 5.3%. These PGCE places also attracted variable fees from 2006/07.

06.24 Planning Parameters

The Committee **CONSIDERED** a report from the Deputy Vice-Chancellor Resources and the Director of Finance on the parameters to guide planning in Schools and Services (SPRC/06/20 attached for Council).

Overall, the parameters aimed to provide the University, Schools and other budget units with clear instructions to guide the development of plans and to increase the effective and efficient use of resources and provide a framework which should improve the prospect of the University meeting its goals. They also aimed to recognise the need to adapt structures to meet varying requirements and to achieve the right balance between budget unit autonomy and institutional resourcing and accountability. Promotion of stability and sustainability was also important, as was embedding risk assessment and management, and the institutional capacity to manage volatility in performance (by identifying contingency sums) and adaptability to respond to the “best initiatives” that are coming forward (through the Strategic Development Fund) should be developed.

A five-year perspective was agreed (i.e. covering the period 2006/07 – 2010/11), although detailed budgets would only be required for 2006/2007 and 2007/2008 with trends to the end of the period used to inform projections, to recognise that planning must be maintained and developed. Schools would be only required to budget to breakeven in 2006/07 in recognition of the need for upfront investment to achieve top twenty status, and the need for corporate investment through enhanced contributions to the Strategic Development Fund and Infrastructure Fund to support adaptive growth, to pump prime the best strategic initiatives, and maintain and develop the University’s infrastructure. The paper established a number of other principles to guide planning.

It was recognised that there were some special features for this year’s planning to be considered. Significant pressures on cost were becoming apparent, most notably on staffing and on energy costs. For pay, the planning parameters assumed a provision of a 10% increase for 2006/07, with 5% thereafter. The make-up of the 10% figure was from a combination of incremental drift together with allowances for the cost of implementing the Framework Agreement and for the overall pay settlement. Whilst normal inflators were being applied for non-pay generally, there were considerable increases to be expected in utilities costs, and provision for this largely unavoidable cost growth was necessary. Additionally, some corporate stewardship pressures were building and which were also mostly unavoidable.

Within the Services, the planning stage for service development and delivery was nearly complete. Schools had confirmed a number of priorities for development in Services, in particular focusing on marketing and student recruitment both domestic and international, and the need to improve our employability position was also vital. Taken together these high priorities were of the order of £1m. It was evident from the data on cost that the Services would also need to contribute towards this development from their existing resources as well as from the additional revenues from variable fees, and the Registrar indicated that he intended to plan for vacancy savings of 2% of the pay bill in Services as well as applying an efficiency gain of 1% to most Services (Information Services would be a notable exception). For 2006/07, some of the investments could come in from January 2007 rather than August 2006 (although the International Office expansion was a likely exception to that if earlier improvements to market share retention and expansion were to be made) to save on cost next year.

The Committee **APPROVED** the following recommendations:

- (a) That the overall aims that underpinned the specific parameters were correct;
- (b) That the parameters at University level and for Schools, Services and including Hospitality Services as shown at Appendix A to SPRC/06/20 be used for setting the budget for 2006/07 and for planning to the period to 2010/11;

- (c) That the DVC Resources and the Director of Finance recommend to VCEG an overall quantum of resource for the Professional Services to be adopted in setting staff and student rates for planning in Schools and Services. The Committee would review that position at its May meeting, and any under-utilisation of resources within the Services at the planning stage would be redirected to the Strategic Development Fund;
- (d) That the Professional Services intended to make staff turnover savings of 2% in 2006/07, and that an additional 1% efficiency saving on most Services would also be applied in order to support investment in service development; and
- (e) That the Professional Services intention to make staff turnover savings of 2% in 2006/07, and that an additional 1% efficiency saving on most Services also be applied in order to support investment in service development be supported; and
- (f) That as part of the outputs from the process, a clear picture is provided from each School's plan that shows how its self-directed autonomy will develop over the planning period.

06.25 **Strategic Development Fund**

The Committee **CONSIDERED** a report on the Strategic Development Fund, reviewing current practice and establishing principles to guide future SDF development and use (SPRC/06/21 attached for Council).

It was evident from current use (Appendix A of the report) that there was a significant amount of activity currently funded from within the SDF that supported recurrent activity and these should be provided with recurrent budgets. The SDF also currently included the bank overdraft position, and this should be taken out of the SDF and which would have no impact on the University's income and expenditure position. There were a number of other anomalies on current treatment, and these would be addressed as part of budget setting for 2006/07.

Looking back, one of the University's key weaknesses had been a failure to provide itself with funds available to invest. The plans for the SDF would address this and create a £8.5m fund in 2006/07 growing to £11m by 2008/09. Within each year, the SDF account would have to be in surplus to avoid negatively impacting on the University's historical cost surplus or its cash position. Five identifiable elements within the SDF would create clarity and accountability, namely:

- Strategic priorities – managed through SPaRC and with proposals to it coming from VCEG.
- Contingency/Risk management – consisting itself of three strands: (a) supporting those Schools engaged in the higher risk (and higher reward) environments, especially in international recruitment markets – up to 50% of shortfalls compared to current performance would be met from the SDF to a maximum value of £1.5m and unspent balances of which would be released for expenditure at VCEG's recommendation in the Spring Term; (b) contingency of £300k to support Schools should the PSC allocation increase in-year and which otherwise would be released for expenditure at VCEG's recommendation in the Spring Term; (c) result support contingency to be used should the overall budgeted result be in jeopardy – which the General Reserve would support.
- Delegated sums for application at the discretion of DVC Resources and DVC Research/Research Committee.
- Contribution to General Reserves to underpin the plan to restore these to a sustainable position, but subject to the result support contingency requirement.
- Capital financing – to meet the costs of the University's capital programme and routed through the Infrastructure Fund.

It would be important for the SDF to be used to support major strategic projects, with Schools and Services operating within their own resources to manage their recurrent activities, and with them building up their own contingencies over time. The projects would be generated in

the main through VCEG and proposed to SPaRC within annual planning processes. A reporting and review process would accompany each strategic investment.

The Committee **APPROVED** the proposals in SPRC/06/21, and would take decisions on any initial investments in 2006/07 from the SDF in the Summer Term.

06.26 **Infrastructure Fund - Implementation Proposals**

The Committee **CONSIDERED** a report on the implementation of the Infrastructure Fund, which it had agreed in principle at its February 2006 meeting – minute 06.12 refers (SPRC/06/22). The Fund, to be created from 1 August 2006, would support long-term space requirements and capital needs.

The Committee **APPROVED** the implementation proposals in the report. For 2006/07, the Fund's first year, the funding provided from Schools would amount to £500k, and it was planned to increase these recurrent contributions by a further £500k per annum (i.e. School contributions growing cumulatively to £1m in 2007/08 and so on) until the provision matched that needed in a full economic costing environment. Capital Planning Group would make proposals to SPaRC where specific items were in excess of £2m, and processes for in-year monitoring and post project appraisal would be adopted.

06.27 **Research Committee**

The Committee **RECEIVED** a report from the Research Committee meeting held on 9 February 2006 (SPRC/06/23). It was noted that all but three ROM (research output monitoring) meetings had been held, with the overall picture being encouraging. The indications at this stage were that the University was on track to submit at least 90% of eligible staff in the next RAE. The Great Western Research initiative was proceeding well, and this would be important in helping to increase the numbers of research students. The creation of eight Interdisciplinary Thematic Networks supported through nearly £500k of University Research Fund monies was also welcomed, and Professor Kain confirmed that Research Committee was responsible for monitoring performance in the development of these important initiatives. Research grant awards continued to grow in number and in value; the Committee requested that it receive fuller briefings and management information on research grant activity in the future.

06.28 **Learning and Teaching Committee**

The Committee **RECEIVED** a report from the Learning and Teaching Committee meeting held on 7 February 2006 (SPRC/06/24). The Committee noted the development of the Education Strategy, which it would see in detail in the current cycle. For Phase 3 of CUC, there was a risk emerging that there would be significant numbers of academic staff appointments after the census date for the 2008 RAE, and these concerns would need to be addressed with funding bodies to avoid having insufficient resource to provide to Phase 3 academic developments.

06.29 **Human Resources Committee**

The Committee **RECEIVED** a report from the Human Resources Committee meeting held on 20 February 2006 (SPRC/06/25). The Committee welcomed the development of the tuition refund scheme, noting that it would address some of the issues raised in the recent staff survey, but also that it would need to be managed within School and Services budgets.

06.30 **Physical Resources Committee**

The Committee **RECEIVED** a report from the Physical Resources Committee meeting held on 21 February 2006 (SPRC/06/26). The report highlighted a number of significant areas of activity. The Capital Planning Group continued to make progress, and had recently confirmed long-term projections of growth in student and staff numbers, together with an assessment of centrally bookable space needs which suggested that current space provision was in fact under-utilised and could sustain further growth in use in the medium-term. Other major issues concerned the future of the St Luke's campus, and the development of a Sustainability Strategy. The Estate Strategy would be the subject of further consideration by the Committee in the current cycle. It was also confirmed that the Registrar would become Chair of the Capital Planning Group at least until the new DVC Resources had been inducted in post.

06.31 **Performance and Risk Steering Group**

The Committee **RECEIVED** a report from the Performance and Risk Steering Group meeting on 7 March 2006 (SPRC/06/27 attached for Senate and Council).

The recent assessments by the Performance and Risk Steering Group indicated that the overall profile of risk remained essentially as previously reported to the Committee, namely that the highest-level risks continued to be income related in particular concerning the recruitment of postgraduate and international students. The Committee noted that it had previously endorsed the Registrar's intention to seek to invest in these areas to support Schools' income generation plans. Emerging risks included 'Equality and Diversity' and 'Sustainability', and both were placed on the fundamental risk register. It was also noted that the new variable fees-bursary environment and the Kurdistan project carried potential risks for Exeter, and these would require active management.

This report also contained the Spring Term report on progress made against actions from the Corporate Plan. The Committee welcomed this report, and noted that it would be further developed to measure progress towards top 20 metrics. The major concerns that came through this report were on recruitment of postgraduate students and the downturn in PGR recruitment a particular issue to address, and on international student recruitment also, consistent with the risk analysis. A summative report would come to the Committee at its final meeting of the year.

06.32 **Ethics Committee**

The Committee **APPROVED** the recommendation for revised terms of reference and membership for Ethics Committee (SPRC/06/28 attached for Senate and Council). It was noted that most issues would be resolved at School level, with the Committee considering only the more serious individual cases.