UNIVERSITY OF EXETER SPRC/07/101

STRATEGY, PERFORMANCE AND RESOURCES COMMITTEE

A meeting of the Strategy, Performance and Resources Committee was held on Tuesday 27 November 2007 in Committee Room A, Northcote House.

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

Mr D J Allen
Mr C J Allwood
Professor J A Littlechild
Professor N J Talbot
Professor R Van de Noort

Director of Planning Services, Mr P J Kennedy
Director of Finance and Corporate Services, Mr J C Lindley

IN ATTENDANCE: Acting Permanent Secretary to the Students' Guild, Ms T M Costello
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 G Weale

APOLOGIES: Ms J J Dow, Ms V Gregory, Professor R J P Kain, Dame Suzi Leather, Professor M Macnair, Sir Robin Nicholson, Professor R Rylance

07.82 **Minutes**

The minutes of the meeting held on 12 October 2007 were **CONFIRMED** (SPRC/07/82).

07.83 **Matters Arising**

M07.66 Vice-Chancellor's Report and Institutional Performance:

(a) Exploitation of Intellectual Property: discussions with the Exomedica company were being held, in order to develop a partnership to better facilitate the University's future exploitation of intellectual property. Due diligence is now underway. Under dual assurance, this development would be overseen by the DVC Research, with Sir Robin Nicholson as the lay-lead.

(b) Dubai: a successful visit to the UAE, led by the DVC External Affairs, had recently taken place. Dubai had been the focal point for the visit, but meetings were also held in Sharjah and Abu Dhabi. The very warm and receptive welcome to Exeter was noteworthy. A number of steps were either discussed or agreed for the furthering of academic links with Exeter Schools, notably in the areas of Education, Leadership Studies, Law and Healthcare. It was evident that there were significant and timely opportunities for Exeter pursuing its international agenda in the Middle East. The Vice-Chancellor would be leading a visit to the region in Spring 2008.

M07.68 - Report from the Vice-Chancellor's Executive Group September Planning Meeting: Professor Kay reported on the satisfactory progress towards more effective working together in those Schools, particularly Physics and SECaM, that were discussing organisational development.

M07.77 - QAA Institutional Audit: The Vice-Chancellor reported that the University had been (subject to QAA Board approval) given 'confidence' - i.e. the highest level possible - by the QAA Institutional Audit review panel. This was an excellent result, and the signals coming back from the panel showed strong evidence of good practice in a number of areas. The panel had noted a small number of useful recommendations for improvements. The DVC Education thanked Mr David Gibson (Academic Services) in particular, as well as the Academic Registrar, the Guild of Students and staff in Schools, for their work towards this successful outcome, and the Vice-Chancellor recorded his thanks to Professor Kay.

07.84 **Vice-Chancellor's Report**

The Committee **RECEIVED** a report from the Vice-Chancellor (SPRC/07/83). In addition to his written report the Vice-Chancellor also reported on:

- The recent resignation of Simon Fishwick, the Permanent Secretary to the Guild. The Vice-Chancellor thanked Simon for his work over 14 years of service, and his professionalism and dedication to his work had been an important part of the Guild and the University working successfully together. Ms Tracey Costello would continue as Acting Permanent Secretary. Recruitment to the Permanent Secretary post was now being progressed and the appointee would be expected to start by May 2008.
- Admissions – this year's UCAS undergraduate admissions cycle was the first to feature the reduction in choices with applicants now able to make 5 as opposed to 6 choices, meaning that institutions could expect on average to see a decrease of around 16% because of this change. Exeter's applications for 2008 entry currently showed a decrease of 13% overall, ie consistent generally with the pattern that could be expected. Applications to programmes at Cornwall currently showed a higher decrease, which was being examined closely. It was clear that attention needed to be paid to ensuring that the student experience across all campuses was equivalent (if not identical) and this was being taken forward.

07.85 **Financial Statements 2006/07**

The Committee **RECEIVED** the financial statements for the year ending 31 July 2007, together with a commentary on the statements from the Director of Finance (SPRC/07/84, SPRC/07/85 attached for Council).

Subject to a small number of minor amendments, the Financial Statements for 2006/07 were now finalised and had been recommended for approval by Audit Committee on 15 November.

Early indications of the final outturn for 2006/07 had been reported to SPaRC in October and a number of key issues highlighted. Confirmation had been received from HEFCE that there will be no claw-back of Teaching grant (relating to issues first identified by HEFCE with respect to the 2005 HESES return of student numbers, which HEFCE was now satisfied on) and the final historic cost surplus had therefore increased by £0.2m to £5.7m, compared to the £5.5m previously reported. The sale of the property Elizabethan has not been included due to continuing uncertainty over completion of the sale.

The financial result for the year was an improvement of £2m over the £3.7m surplus reported in 2005/06; £4.9m of the improvement related to exceptional items (mainly asset sales), offset by a planned £2.9m deterioration at the operating level to enable further pre-RAE investment.

The final forecast for 2006/07 approved by SPaRC in May was an historic cost deficit at the operating level of £1.9m, compared to a surplus in 2005/06 of £3.3m. It was therefore particularly pleasing that an operating surplus of £0.4m had been achieved. The balance sheet continued to show a strong financial position, improved in particular by a reduction of £12.7m in the Exeter Retirement Benefits Scheme (ERBS) liability and an increase of £18.1m in fixed assets. Cash balances continued to increase and at year end £8m was held in short term investments. General reserves had increased to £5.7m, an improvement of £3.7m, and a substantial step towards the target of £8m.

The improvement to the level of general reserves and the strong balance sheet with overall net assets of £408.1m meant that the overall financial capacity of the University had grown considerably in the last two years. The level of long term loans (which had reached maximum) looked more sustainable than two years ago due to the growth in the University's assets (an increase of £227.9m) and turnover (an increase of £23.4m).

SPaRC **RECOMMENDED TO COUNCIL** that it approve the Financial Statements for the year ended 31 July 2007.

07.86 **Student Numbers - Provisional Report for 2007/08**

The Committee **CONSIDERED** a report on the provisional student numbers position for 2007/08 (SPRC/07/86 attached for Senate and Council). This paper provided an update of the student entrant numbers for the year 2007/8 and followed the report to the Committee's 12th October meeting. The revised registration figures were drawn on 6th November and although some additional registrations were expected, the rate of registrations was very much diminished.

The overall position was consistent with that reported to the Committee in October. Undergraduate recruitment was to target, with PGCE close to target. The recruitment to new undergraduate programmes at the Cornwall campus was below plan, although it was noted that the same pattern had been experienced in the first phase of expansion. Although Postgraduate Taught was below plan, and in financial terms circa £800k below plan, overall PGT numbers were up by some 13% on 2006/07. Postgraduate Research numbers, at best, would be at the same level as 2006/07.

The failure to deliver growth in PGR student numbers was a concern for the Committee, and would be subject to focussed review through VCEG. It was possible that short-term investments in supporting PGR recruitment were necessary, provided that these were temporary bridges to longer-term improvements supported through research councils and other means.

Following the census on 1st December 2007 there would be a full assessment of teaching fee income with Schools through the Teaching Income Review Process in December and January. Data will be interrogated at School, programme and module level and would include a more detailed analysis of returning students to provide a complete picture of student registrations and the financial implications arising. There was some evidence of an increase in students deciding not to return to study, and these data were being examined at present. Any significant trends or suggestions of a trend emerging would be reported to the Committee.

07.87 **Financial Forecast 2007/08**

The Committee **RECEIVED** the financial forecast for the year to 31 July 2008 (SPRC/07/87 attached for Council).

This was the first in-year monitoring report for 2007/08 and the focus had been on identifying key risk areas. Early indications were not as pessimistic on student recruitment as in 2006/07 but postgraduate numbers were again lower than planned, with tuition fee income projected to be circa £1m below plan (minute 07.86 refers). The Committee **APPROVED** the release of the £0.5m central contingency set aside against a shortfall in teaching income, together with the central provision of £0.3m for developing postgraduate programme portfolios, both of which were included in the £4.5m forecast surplus.

Early indications were that the shortfall in the School of Business and Economics might be as much as £0.6m, and the DVC for the School would be asking SoBE to make reduced savings of £0.35m against this teaching shortfall, as there are concerns within the School about delivering the full saving. The forecast for 2007/08 has not yet been increased to reflect this contingency release, pending further discussions with the School.

The approved budget already included a number of asset sales, expected to deliver a historic cost surplus of £3.4m. The forecast has been adjusted for the inclusion of Rowancroft and the removal of Belfield Road, which completed in 2006/07, increasing the expected surplus from asset sales to £4.1m. The revised forecast also included additional consultancy fees of

£0.2m relating to the estimated cost of the implementation of the Infrastructure and Finance Strategies.

The forecast historic cost surplus of the University was now £4.5m, compared to the budget approved by SPaRC on 25 June 2007 of £4.8m. The operating surplus had deteriorated by £1.0m to a forecast £0.6m surplus. The Committee **APPROVED** a revised target operating surplus of £0.55m, to take account of the infrastructure implementation costs. The target had previously been a £0.75 surplus.

Historically, the overall trend for in-year forecasts has been for a worsening position at the start of the year, followed by a generally improving position. The overall adverse variance in the forecast this year was not as material as at this stage last year and already reflected the impact of one the key risk areas of teaching income. A central contingency of £0.5m remained as a provision against any shortfall in the other key risk area of research, although the data suggested an improving profile of research income

The Committee noted the report. It was content that it did not need to take any drastic steps to address the current below-budget forecast, however it did expect Schools and Services to deliver improvements over the year in order that the overall budget position was met.

COMMERCIAL IN CONFIDENCE:

07.88 **Research Assessment Exercise**

07.89 **Infrastructure Strategy**

The Committee **CONSIDERED** the following papers:

(a) Infrastructure Strategy (SPRC/07/88 attached for Council).

(b) Infrastructure Planning Process (SPRC/07/89 attached for Council).

The Infrastructure Strategy paper set out the overall strategic vision which had led to the development of the strategy, and the drivers to delivering the improvements in infrastructure. It also established the scale of the overall strategy, and the distribution of resources to the various priority projects, together with the sources of funding. The Strategy identified the proposed capital expenditure, together with the integration of capital spend alongside revenue into an integrated set of University financial plans. Summary level details of those projects to take place in ‘Tranche 1’ were also provided. The Planning Process document provided, at a high level, an explanation of process and controls, how projects would be approved, managed, monitored and evaluated. It was noted that Tranche 1 represented committed or reasonably foreseeable and fundable projects up until 2012. Tranche 2 captured the University’s aspirations up until 2020 but, importantly, it being noted that the achievement of Tranche 2 was dependent upon the cap being lifted on student fees early in the next decade or on some other, as yet, unforeseeable new income streams. Income streams had been identified for Tranche 1 but the achievement of all the projects in Tranche 1 did depend on philanthropic fundraising of at least £15m (minute 07.90 refers).

The purpose of the Infrastructure Strategy was to create a campus environment which would attract and retain the highest quality staff and students within a framework that was environmentally and financially sustainable. The delivery of the plans associated with the strategy was, undoubtedly, one of the critical success factors to the University successfully consolidating its top 20 position, and driving further forwards nationally and internationally.

The plans would need to address a number of issues, including:

- the under-investment over many years in the University’s physical infrastructure
- the legacy of a failure to address IT infrastructure in a corporate way, meaning that services to Schools and students did not enjoy the high calibre IT capacity that they should expect, and with a particular need now to make major investments in the IT network

- the need to address the maintenance backlog identified in the recent condition survey
- that although the University had under-invested over the long-term, there had been some recent major investments in the academic and student infrastructure, and including developments at our Cornwall Campus and for PCMD, and that the University rightly enjoyed a reputation as one of the most attractive campus environments to work and study in, it being important also in ensuring that, over time, the environments across our 3 campuses should meet equivalent standards
- the need to develop a masterplan so that development was guided by an overall vision, and that would engage our staff, student and alumni communities, as well as our partners, it being critical also to deliver the strategy in an open and transparent way, consulting with our communities at all the key stages, and recognising and planning for the inevitable shorter-term operational disruptions to operations as the major projects are delivered.
- whilst we developed, there was an imperative that we do so mindful of our carbon footprint and of the need to ensure that what we built and refurbished was done so only where sustainable financially in the long-term
- that there were capacity issues in delivering such a major programme, and that re-organisation of service delivery would be necessary within Corporate Services in order that this programme was delivered – fit for purpose, on time, and on budget

There were some significant risks associated with the programme. Perhaps one of the highest risks was a failure to gain planning permission, either outright or in the sense of major delays to permissions, and steps were being taken to ensure that planning officers and members of the local planning committee were well briefed on our plans, so that they could see how the University's plans would support the development of a thriving city and regional economy. In addition to ensuring that Corporate Services was resourced so that it could deliver the major programme of new build, refurbishment and maintenance, similar assurance would be necessary for the delivery of the IT infrastructure and systems projects by Academic Services.

The plans were ambitious, and left little headroom for the insertion of additional projects. Tranche 1, ie projects being delivered in the period to 2011/12, was already very full, and current proposed projects would have to be scaled down or withdrawn if any additions to Tranche 1 were made. The current projects, either approved or proposed, included Geoffrey Pope, Business and Economics, IT networking (which would be circa £6m) and the implementation of certain IT systems, together with the Forum project which would see the redevelopment of the central campus. It was noted that those projects yet to be approved would be managed in accordance with the new infrastructure procedures. It was expected that the investment appraisal for the Forum Project would be received by SPaRC and Council not later than June/July 2008.

The scale and importance of the projects required a process framework that was fit for purpose, and the key principles and their implementation around project approval, management, monitoring and evaluation were established in the papers. A much more detailed set of guidance for staff had been developed, and these procedures were being placed on the intranet for colleagues to consider and comment upon, before they were made operational from January 2008.

The Committee welcomed these proposals, which built upon previously discussions at SPaRC and Council, and that had enjoyed input from Senior Management Group over the past year. The Committee **RECOMMENDED TO COUNCIL** that it approve the overall strategy and implementation framework, subject to major individual projects being progressed through the new capital procedures.

07.90 **<u>Finance Strategy</u>**

The Committee **CONSIDERED** the Finance Strategy (SPRC/07/90 attached for Council).

The key elements of the Finance Strategy had been reviewed and endorsed previously by SPaRC, in February 2006 and October 2007, with this paper summarising and concluding this work, now that the strategic investment goals for the period to 2011/12 were being finalised (minute 07.89 refers). As previously agreed by SPaRC and Council, the key goals of the Finance Strategy, in order of priority, were:

(a) Maintaining the financial sustainability of the University

(b) Funding the University's strategic goals

(c) Encourage entrepreneurialism in the University by devolving decision making.

The Finance Strategy had been prepared on the assumption that the major elements of the first Tranche of the Infrastructure Strategy, together with the Science Strategy, would be approved. Taken together these would represent commitments of circa £126m in the period to 31 July 2012. The Strategy was extrapolated to 2019/20, although as Tranche 2 of the Infrastructure Strategy would be sustainable only if there were significant new income streams, for example from the raising of the cap on undergraduate tuition fees, the costs of Tranche 2 (£165m) were not addressed in the Strategy.

Four fundamental financial parameters were proposed, which should not at any time be breached:

(a) Net liquidity days in excess of 40

(b) Current ratio in excess of 1:1

(c) Maximum payroll as a percentage of turnover of 62%

(d) Cash and liquid resources headroom of at least £15 million at all times

It was noted that whilst the plan was ambitious, the Finance Strategy projections suggested that these breach points were not approached in the period to 2019/20, and as part of due diligence the Chair of Council would meet with the Director of Finance to assure himself that the breach points were correctly calibrated. It was noted that these had been drawn up with reference to benchmark data from peer institutions. If the Strategy were approved, then a termly report through SPaRC to Council on these four fundamental parameters together with the additional financial key performance indicators established in Appendix 1 of SPRC/07/90 would be introduced as part of the monitoring system. These KPIs included assessments of levels of debt.

The investment levels presented in the Infrastructure Strategy, in particular, required the University to make provision for a major injection of capital resources. There were a number of sources of funding, including the expected continuation of HEFCE capital funding, the use of self-generated funds (from the increasing Infrastructure charge), the University's share of the surplus funds from the INTO partnership, the receipts of asset sales and working capital released from improving utilisation of cash. An important additional planned income stream was the targeted minimum of £15m from fundraising, through DARO. Taken together these funds would not be sufficient to resource in full the University's plans for investments in Science and Infrastructure, and so the Director of Finance had been exploring the University's options to generate an additional capital receipt.

The options were to either lease a number of existing bed spaces (together with the new build of additional spaces), or to generate the same capital sum of around £34m through raising a loan on the security of future income streams from those residences. In either scenario there would be controls established to calibrate the growth of rents in line with other University accommodation. Additionally, the proposal was to raise a total of £50m in debt, £30m of which would be accessible only where needed on a revolving credit basis to address temporary shortfalls of cash, the £20m debt being necessary to fund the Infrastructure Strategy (notably the new Business School). The third element was to replace current arrangements for £80m of existing debt with a new loan (to the same value) but, over the period of the loan, to a significantly more preferential footing. The loans would be a mix of fixed rate and variable rate as part of the risk management strategy.

There was discussion on to what degree the prevailing adverse credit market conditions would impact upon the strategy. Whilst there was a possibility of the market making this strategy more challenging to secure, the long-term (at least 30 years) nature of the loans sought and the sound business plan that the University (and universities in general) presented to banks suggested that the risk was low. The Performance and Risk Steering Group would be taking an in-depth review on this issue and on risk management for the Strategy more generally. It was noted also that HEFCE had been briefed on these plans, and they had made useful suggestions, in particular for identifying alternative options to the leasing transaction through a benchmarking exercise. HEFCE would be briefed at regular intervals on the development and implementation of the Strategy. The Committee also noted that, following its agreement at the October 2007 meeting of SPaRC, the first five years of the Finance Strategy (as set out in appendix 2) would be submitted to HEFCE as the University's five year forecast.

The Committee welcomed this critical piece of work, and which would enable the University to make the strategic investments in its future success articulated in the Infrastructure and Science Strategies.

The Committee **RECOMMENDED TO COUNCIL** that it:

(a) approve in principle, subject to receipt of the detailed proposals by its April 2008 meeting, the leasing and loan transactions identified in paragraph 148 of the Finance Strategy as follows:

  (i) Facility 1: To raise £50 million of debt to provide £30m of revolving credit and £20 million of new debt to fund the Infrastructure Strategy (mainly the new Business School). The aim being to raise this loan by April 2008.

  (ii) Facility 2: To raise £80 million to redeem existing debt on a negative pledge basis. The aim being to raise this loan by April 2008.

  (iii) To aim to lease 981 existing student bed spaces and new build a further 444 ensuite student bed spaces. The transaction will raise £34 million for the delivery of strategies and will lead to work to the value of £56 million on residences.

(b) authorise the benchmarking exercise noted in paragraph 149. This action had arisen following a meeting with HEFCE on the issues surrounding the leasing transaction.

(c) approve the monitoring processes for the Finance Strategy as noted in paragraphs 154 to 157. This monitoring was aimed at ensuring the University retains control over these large financial transactions and the roll out of the strategies as well as setting the University net present value discount rates.

07.91 **Science Strategy Implementation Plan**

The Committee **CONSIDERED** proposals from Professor Kay, Chair of the Science Strategy Board, for the implementation of the Science Strategy (SPRC/07/91 attached for Senate and Council).

It had been previously agreed in principle by SPaRC and Council that in order for the University to consolidate its top 20 performance and improve further, it must have high quality Science, and that investing in the five themes articulated in the Science Strategy was integral to delivering that aim.

The five themes, which had subjected to both independent peer review and assessment by an external expert panel with both processes concluding that, scientifically, Exeter was right to pursue these themes, were summarised in the paper. These should present opportunities to attract high quality academic staff and research income/earnings. They were the basis for Top 10 Science, and an integral part of the University's new and evolving research strategy, which was currently being developed.

The proposals were as follows:

(i) That investment in all five themes of the Science Strategy be taken forward;

(ii) That a Science Strategy Executive Board (SSEB) be established to develop an implementation plan and distribute pump-priming funding up to a limit of £3m a year for the next three years (starting 08/09) and that SPaRC delegates authority to the SSEB for this purpose;

(iii) That release of funding by the SSEB be contingent on demonstration of financial sustainability for each of the five themes and specific investment proposals within them, with sustainability encompassing both capital and revenue requirements;

(iv) If further funding were to become available, the University may allocate additional resource to the SSEB following agreement with SPaRC and Council;

(v) That the proposals in Appendix 1 of SPRC/07/91 relating to research governance were endorsed.

It was noted that Sir Robin Nicholson (the lay lead for Science under Dual Assurance), who was unable to attend the meeting, had registered his strong endorsement of these proposals.

The importance of allocating resource to pump-prime the planned activity in these themes over the next three years was recognised, and it was noted that the University had already taken significant steps to secure, strengthen and build science at Exeter, involving considerable investment and resource. The resources available for investment in the period to the end of 2010/11 were constrained, given the other strategic investments that were planned, to £3m per annum. Milestones for delivery of outputs would be established, and if these were achieved then there was potential for that success to lever out additional investment resources, in particular from external sources.

The governance arrangements were discussed at some length. Whilst the University had sought to avoid the accretion of costly and inhibiting process around the arrangements for setting up and running institutes, it was recognised that the size and complexity of the Environment and Sustainability Institute (ESI) would require a new approach to governance and management, if the gains from the inter-disciplinary institute were to be achieved, and to ensure accountability for the Institute to both VCEG and to Heads of School. It would be important to make these new arrangements fully fit-for-purpose, and Heads of School would be asked to inform this work. The Committee supported the proposal for a management board to oversee the Institute, with a Director appointed who was accountable to the Board and who was supported by a professional manager reporting to the Director. Funding arrangements would need to be discussed and agreed by the Heads of School, with it being possible that both income and costs were attributed to the Institute, but always on the basis that income flowed through the resource allocation model to Schools initially.

The Committee **RECOMMENDED TO COUNCIL** that it approve these proposals for investing in the development of Science at Exeter.

07.92 **Investment Appraisal for the Laver Building**

The Committee **CONSIDERED** an investment appraisal for the refurbishment of the Laver Building (SPRC/07/92 attached for Council), together with associated works in the Queen's Building and Northcote House.

The paper proposed infrastructure investments to enable the Services to continue to improve the delivery of support to Schools. Taken alongside the recent relocation of Hospitality Services staff to Lafrowda House to free up space for the Guild and for INTO, these works would be the first significant investment in services infrastructure for at least 15 years. Overall, the plans would deliver accommodation for circa 150 staff in Laver building, including the conversion of space previously occupied by Mathematics. This would enable the move of Communication and Partnership staff (Admissions, International Office) from Northcote House and 40 Academic Services staff from the Library and Queen's (Academic Systems, Educational Enhancement Unit), as well as bringing together the new Academic Services teams together. These works would also enable the move of the Health and Safety team, who have recently released space for Physics' expansion in the Physics building, to the Queen's building. In addition to the works in Laver there were associated (although relatively minor) works in Northcote House and Queen's.

Overall, these projects would:

- Provide fit-for-purpose accommodation for Academic Services and Communication & Partnership (CaP) teams in Laver, enabling teams to work in greater proximity and also close to many of their School customers, and thus better deliver on support for key student experience and research metrics.
- Address the chronic over-crowding of staff in certain areas within Northcote House, providing better working conditions for staff. At the same time, some re-organisation of space within Northcote House would be implemented to better align student-facing services and other service groupings to improve services provided.
- Contribute towards the University's sustainability strategy by the re-use of vacant space and avoiding the alternative of new-build, whilst the optimisation of space use in the Library would improve the student experience.

Three options had been evaluated – do nothing, refurbishment and new build. It was accepted that doing nothing, given the current and projected staffing numbers, and also the reorganisation of Academic Services, was not a viable option. The new build option, whilst it had the attraction of enabling a less constrained approach to design, was significantly more expensive in capital expenditure, and the Net Present Value. Including the first five years of space charges, the refurbishment costs represented 56% of the new build costs. The budget for the refurbishment works was £3.5m. The risk assessment in the paper was noted.

The Committee **RECOMMENDED TO COUNCIL** that it approve the proposal to refurbish the Laver Building and associated works in Queen's and Northcote House, up to a maximum cost of £3.5m.

07.93 **ELQs (equivalent and lower qualifications) - HEFCE Consultation and Key Issues at Exeter**

The Committee **CONSIDERED** a report on the withdrawal of funding for equivalent and lower qualifications (ELQs) (SPRC/07/93 attached for Senate and Council).

HEFCE was consulting on the approach to generate the savings required by John Denham, the Secretary of State, so that ELQ funding was withdrawn over time, generating at least £100m savings by 2010/11. From current intelligence the likelihood of a U-turn on the overall policy was low. It was probable that the HEIs most severely affected by the policy would see reallocations of funding through one vehicle or another, potentially through the allocation of ASNs or through some new or additional funding allocation stream (targeted allocations rather than in mainstream grant).

Exeter was right at the median-point in impact incurred. 3.1% of the University's T grant was projected to be withdrawn by the end of 2011/12 – in real terms (assuming income inflation at 2.7%) that was £1.139m. Some £150k of that amount related to areas that were either NHS funded or were transferred to another HEI, and an appeal to revoke that loss of T grant was being made.

As advised to SPaRC in October 2007 the impact generated by the ELQ policy, by the end of the planning period was almost identical to the effect of our own planning parameters where we were assuming a cautious below-inflation growth in HEFCE funds. Because of the uncertainty of the re-allocation within the sector of the £100m savings, and in particular because of the overhead that would be incurred by trying to apply the HEFCE method through to Schools, the Committee **DECIDED** that the savings required for 2008/09 would be achieved through a minor adjustment in the IDM to HEFCE Teaching grant rates to address this shortfall. For 2009/10 and later years, it was **DECIDED** to retain the current planning parameters, noting that as yet no assumption of a RAE divided had been built into revenue plans. There were potential issues for the market position of some programmes, in particular the lifelong learning programmes in SELL, and these would be discussed with the School.

It was already possible in principle to charge a non-regulated fee to undergraduate students in the ELQ category (this would not apply to exemptions such as medical, teacher training students), and once the HEFCE policy was implemented, it might become much more commonplace for HEIs to charge, or at least to seek to charge, a higher fee, presumably to at least the level of HEFCE T grant + the £3k fee. For 2008 entry the Committee endorsed the recommendation that no adjustment to the standard £3k fee be made, with the DVC Resources being asked to take forward consideration of this fee-setting policy for the medium-term.

07.94 **University Bonus Scheme**

The Committee **CONSIDERED** a proposal to refine the University Bonus Scheme (SPRC/07/94 attached for Senate and Council) with effect 2007/08.

The introduction of the University Bonus in 2006 had proved universally popular, with the second payments to staff scheduled for December 2007, and with the scheme retained for 2007/08. It was generally acknowledged that the University bonus had helped to create a greater sense of belonging and contributed to a "feel good factor" as staff were recognised for having played a part in the success of the University. There was, however, no suggestion as yet that the Bonus motivated employees to work harder or to focus on particular goals.

The proposal from VCEG was that for 2007/08 the following refinements should be made to the scheme:

(a) The single, binary, financial target should be replaced by a range of financial and non-financial measures which staff felt more able to identify with and have some influence over;

(b) The amount paid through the University Bonus should fall within a pre-determined range, with payment varying according to the achievement of declared targets; and

(c) That, as soon as possible after the University's financial results have been declared, the Strategy, Performance and Resources Committee should apply a "Balanced Scorecard" approach to determine how much should be paid through the Bonus Scheme.

For this year, the proposed target areas of performance were:

- Maintenance of our position as a leading full service university in the 2008 National Student Survey (conducted for a 5 week period from 4 February 2008, with results anticipated to be published in August 2008)
- Achievement of earned income of £111m for 2007/08 (ie achieving School/Service income targets)
- Meeting the Postgraduate Research Student 2008 entry targets (it was noted that the paper had suggested PG numbers more generally, but there was strong support from Heads of School and the Committee as a whole for specifying PGR, which was proving to be an area of stubborn under-performance)
- Achievement of the planned operating surplus of £750k for 2007/08

The contingency budgeted for 2007/08 for the University Bonus scheme was £715k, which it was proposed should be increased to £1m, this level of reward to only be released in full if all financial and non-financial targets were met. The decisions on the amount of resource to be released would be for SPaRC to make, consulting Remuneration Committee.

These proposals were **APPROVED** by the Committee, which viewed them as a necessary and important stage between the previous system and the ultimate direction, which should be a system relating directly to performance in Schools and Services.

For staff to have confidence in the use of the balanced scorecard approach it would be important to have a transparent process of evaluation in place and to ensure that this was clearly communicated and well understood throughout the University. Where possible, staff should be provided with regular updates on progress against targets: this would help to manage expectations by removing the element of surprise out of the final decision on bonus payments. It will also help to remind staff why the bonus is being paid – that is for the achievement of some clearly defined "stretch" targets.

07.95 **Annual Operating Plan: Progress Report**

The Committee **RECEIVED** a progress report on the annual operating plan for 2007/08 (SPRC/07/95 attached for Senate and Council). As the report was early in the yearly cycle, reports on specific actions were presented on an exception only basis. Reports for the Spring Term and Summer Term would be in full and on the normal "traffic-light" basis, cross-referring also to progress reports on performance on metrics as and when these were available.

07.96 **Cornwall Campus Management Group**

The Committee **RECEIVED** reports from meetings of the Cornwall Campus Management Group as follows:

(a) 4 October 2007 (SPRC/07/96)

(b) 6 November 2007 (SPRC/07/97)

07.97 **Education Committee**

The Committee **RECEIVED** a report from the Education Committee meeting held on 23 October 2007 (SPRC/07/98 attached for Senate). Professor Kay drew attention to the roadshows for Schools that she was planning, to take forward the development and implementation of the Education Strategy.

07.98 **Safety Committee**

The Committee **RECEIVED** the following:

(a) A report from the Safety Committee meeting held on 18 October 2007 (SPRC/07/99).

(b) The annual report (SPRC/07/100 attached for Council).

The annual report suggested an ongoing strong performance in Health and Safety, as evidenced by the comparative data, a significant body of work delivered during 2006/07 and a set of important actions underway for the current year.

PJK/JAL/27 November 2007
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