

STRATEGY, PERFORMANCE AND RESOURCES COMMITTEE

A meeting of the Strategy, Performance and Resources Committee was held on Monday 17 November 2008 in Conference Room 2, Xfi Building.

PRESENT: Deputy Vice-Chancellor, Professor M Overton (Chair)
Pro-Chancellor, Mr K R Seal
Pro-Chancellor, Mr P Lacey
Senior Deputy Vice-Chancellor, Professor R J P Kain
Deputy Vice-Chancellor, Professor N Armstrong
Deputy Vice-Chancellor, Professor J M Kay

Mr D J Allen	Professor D A Myhill
Mr C J Allwood	Professor R Rylance
Mr J Cox	Professor N J Talbot
Dr E Isayev	Ms S Wilcox

Director of Planning Services, Mr P J Kennedy (Secretary)

IN ATTENDANCE: Pro-Chancellor, Mr R Hughes
Dean of Taught Programmes, Dr J Barry
Chief Executive of the Guild of Students, Mr J Hutchinson
Director of Finance and Corporate Services, Mr J C Lindley
Dean of Graduate Research, Professor R Van de Noort

APOLOGIES: Vice-Chancellor Professor S M Smith, Sir Robin Nicholson

08.75 **Minutes**

The minutes of the meeting held on 10 October were **CONFIRMED** (SPRC/08/111).

08.76 **Matters Arising**

There were no matters arising.

08.77 **Vice-Chancellor's Report**

The Chair **REPORTED** on the tragic death of a University student at the Cornwall Campus. Further details were not available at this stage.

The Committee **RECEIVED** a report from the Vice-Chancellor (SPRC/08/112). Particular attention was drawn to the following points:

- **DIUS announcement regarding Additional Student Numbers (ASNs)** – the Secretary of State had announced that only 10,000 ASNs would be available to the sector in 2009/10, and it was expected that these would be restricted to those either allocated already or to those 'under consideration'. This category would include the University's final cohort of places for Cornwall Phase 2 – some 280 student ftes. The pressure on the public purse also meant that allocations beyond 2009/10 were not currently being considered and process could not be confirmed until the Secretary of State wrote to HEFCE in January 2009, and so Phase 3 proposals were at risk, despite the strong prospects of public funding for capital investment in Cornwall. The Vice-Chancellor had written to HEFCE on this matter and a good deal of co-ordination work with colleagues in HEFCE was now in train to manage these risks.

- **Forum** – Wilkinson Eyre has now been confirmed as the Design Team for the Forum Project. The Ruler of Sharjah had seen the plans and was excited by them.
- **Schooling** – in addition to the report on renaming Education and Lifelong Learning to become the Graduate School of Education, it was confirmed that with effect 1 August 2009 SECaM and Physics and Earth Resources would be forming a new School, under Professor Ken Evans' leadership. The School would take advantage of the investments in the Science Strategy and the Environmental Sustainability Institute (Cornwall Campus), and facing EPSRC more directly should give better prospects for major grant awards. Professor Mark Goodwin would head up the new School of Geography, with Archaeology becoming part of Humanities and Social Sciences.
- **RAE** – it was likely that an intensity-driven measure of the RAE in December was unlikely, given HEFCE's position that the relevant data were no longer robust. It was expected that league table compilers would, by the time of the next iteration of tables, have sufficient data to evaluate research taking intensity into account. Whilst Exeter's intensity was very high and so this risk was unhelpful, it was expected that our quality grade profile would be strong and place the University well in most approaches to RAE rankings.

08.78 **Financial Statements 2007/08**

The Committee **RECEIVED** a report from the Director of Finance and Corporate Services, together with the Draft Financial Statement itself (SPRC/08/113, 114). The Financial Statements for 2007/08 were now in final draft and had been presented to Audit Committee on 4 November. It was noted that the staff costs shown were subject to change prior to finalisation.

The Committee welcomed the new approach to the Financial Statements, with a clear view from the Director of Finance and then with the governance statement, followed by the report from the External Auditors. This structure gave better clarity to the document. It was noted that the External Auditors had expressed their satisfaction with the Financial Statements.

The historical cost surplus for 2007/08 was £2m, compared to the £1.3m forecast previously reported. The final operating position for 2007/08 was £6.9m, £2.9m favourable against the May 2008 forecast.

The balance sheet continued to show a strong financial position, despite a decrease in total net assets of £17.1m. Cash balances had increased by £2m to £23.2m and at year end £21m was held in short term investments. It should be noted that no adjustment had been made in respect of the Icelandic deposits at risk. At this point the position as to the recoverability of these deposits was unclear. As required by Accounting Standards, the cash deposits had been recorded at full value in the financial statements as at 31 July 2008. A loss may be recorded in the current financial year. General reserves had fallen from £6m to £4.2m. The loan breakage costs of £4.4m and other central provisions had been set against general reserves, but were offset by transfers of £3.2m from the Strategic Development Fund. The overall net reduction would delay progress towards the target level for general reserves of £8m.

The Committee noted that there have been changes to the Principal Accounting Policies previously adopted for the preparation of the accounts (pages 17 to 22 of the Financial Statements). A new policy (policy note 12) had been inserted in relation to the treatment of charitable donations following implementation of the new Higher and Further Education Statement of Recommended Practice (SoRP) which took effect from 1 August 2007. There had also been a minor change to the land and buildings accounting policy (policy note 8) to clarify the basis of the valuation of land and buildings and to the policy in relation to the expected useful life of computer equipment and IT infrastructure (policy note 10). Regarding the latter, the useful life of a PC was set at 4 years; this would be reviewed for future years and may be reduced to 3 years.

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

- (a) the Financial Statements for the year ended 31 July 2008, and
- (b) the changes to the Principal Accounting Policies (specifically notes 8, 10 and 12) shown in pages 17 to 22 of the Financial Statements.

08.79 **Student Numbers – Provisional Report for 2008-09**

The Committee **RECEIVED** a provisional report on student numbers from the Director of Planning Services (SPRC/08/115 attached for Council).

The data showed strong improvement across both undergraduate and postgraduate and UK/EU and International categories over 2007. Critically, the data overall showed performance on or above plan. It was also noted that recruitment comparisons with peers were favourable, and suggested that the University's performance by way of percentage growth from last year would be one of the strongest in the sector. This was an important achievement, doubly so given the recent news from HEFCE that it might need to somehow control growth in undergraduate places given the strain on the Treasury from student support arrangements. The growth in international student numbers was particularly welcome, although there was some undershoot on undergraduate places, on account of below plan progression rates from INTO – this was now being addressed in planning for 2009.

Although there was a strong possibility that the results would be that HEFCE and TDA teaching grant conditions would be met in full, and that overall teaching income would be on or above plan, given the early status of the data and the challenging financial landscape, contingency should not be released at this stage (minute 08.81 refers).

08.80 **Financial Plans 2009/10 – 2011/12**

The Committee **RECEIVED** a verbal report from the Director of Finance and Corporate Services, in which it was confirmed that a break-even position for the final year of the plans would be adopted for presentation to HEFCE, subject to Council approval at its November meeting.

08.81 **Financial Forecast 2008-09**

The Committee **RECEIVED** a report from the Director of Finance and Corporate Services (SPRC/08/116 attached for Council).

The forecast historic cost position of the University for 2008/09 was now a deficit of £1.3m, compared to the budget surplus approved by SPaRC on 25 June 2008 of £1.7m. At the operating level, the forecast operating position had deteriorated by £3m to a deficit of £3.6m, some 1.8% of University total income. SPaRC had set a target of £1m operating surplus.

The forecast operating position was at this point below the £1m target and it was assumed for the forecast that it would not rise to a level sufficient to trigger the bonus payment. The University bonus of 1.5% (£1.3m) of pay had therefore been released to the forecast income and expenditure account. It was noted that the University bonus trigger was after the bonus was paid. As such if the University did improve the result sufficient to allow a bonus payment, sufficient surplus would be needed to exist to make the payment and still have an operating surplus of £1.0m.

Additional points from this first forecast of the year were highlighted as follows:

- The pay increase payable from 1 October 2008 had been confirmed at the September RPI rate of 5%.
- As noted earlier in the agenda, early indications were optimistic on student recruitment, but the final outcome was not yet certain and a prudent approach had been taken in this report, and at this stage the central teaching-related contingency of £0.6m had been retained.

- Utility costs were expected to increase in excess of the planned position for 2008/09. The latest forecast included a total of £2m in additional utility costs; these might see some reduction with the downward pressures on prices but a longer-term view on utility rates should not be taken until mid-2009.
- In the light of the budgetary pressures from utility costs, steps had been taken to make reductions in planned long-term maintenance. The original forecast of £4m had been reduced by £1.1m of revenue spend and £0.5m of capital expenditure.
- Interest receivable had fallen by £1.3m. This fall was primarily as the expected level of interest to be earned on the circa £40m of cash balances was lower by 1% (£0.4m) and the later than expected receipt of the residences premium (£0.4m).
- Because of the recent turmoil in the financial markets, £2m of University short-term investments and £1m of PCMD short-term investments in Icelandic deposits were at risk. These amounts were excluded from cash balances in the forecast but no provision for this potential loss of £2.5m (including 50% share of the PCMD deposit) was reflected in the income and expenditure outturn. If it were necessary to provide for these losses at the year-end the forecast result would worsen by £2.5m. It was likely that some level of provision will be required.
- The budget for 2008/09 included a central contingency of £1.8m (£0.6m teaching, £0.7m research and £0.5m general). The revised forecast retained the full provision. The release of the provision, should it not be required, would improve the operating position to a deficit of £1.8m and an overall University surplus of £0.5m.

Contextually, the Committee noted that the first forecast of the year had tended to generally be a relatively negative one, with the position normally improving over the year. However, it was evident that the external environment had now changed quite dramatically – continuation of an active management of the position would be required to ensure the University's financial position remained strong both in-year and looking forward.

The fundamental financial parameters were not breached in any case, but there were warning levels now reached or almost reached on net liquidity days, current ratio and payroll as a % of turnover. Para 42 of the report proposed an amendment to the calculation of the current ratio and net liquidity day parameters so that they were shown both with and without the revolving credit facility impact.

Steps had been taken from April 2008 to ensure that cost controls were being applied by Schools and Services, so that as the economic context worsened later in 2008 and into 2009 the University was well prepared, and would not need to suddenly decelerate on its key lines of pay and non-pay expenditure. The Chair of Council requested that VCEG continued to ensure that Schools and Services keep a close view on pay costs in particular, so that the in-year position would improve and to provide a strong platform for future years, and to retain flexibility for the post RAE environment. VCEG was asked to look at whether in year savings should be sought to mitigate the effect of unplanned pay rises and other cost pressures.

The Committee was confident that the position was being well-managed, and should improve over the coming months as active management yielded improvements by Schools and Services, and the results of teaching and research income evaluations were incorporated in the results. The Committee endorsed the forecast, and **RECOMMENDED TO COUNCIL** that it approve the adjustments to the current ratio and net liquidity day parameters as set out in para 42 of SPRC/08/116.

08.82 University Bonus Scheme 2008/09

The Committee **RECEIVED** a report from the Vice-Chancellor proposing the basis for awarding any bonus for the year 2008/09, should the financial position make bonus payments possible (SPRC/08/117 revised, attached for Council).

The Committee **APPROVED** the recommendations, subject to the following points being addressed:

- For the current year, at least, there should be a single fixed trigger point for payment of the bonus, which should be £1m surplus at the operating position (after the payment of the bonus).
- The NSS criterion should be sharpened to Top 10 performance at minimum.
- The balanced scorecard approach should clarify that the evaluation would look to performance in each of the four performance metrics against the target, and then across those four criteria overall.

08.83 **Student Residences Plan**

The Committee **RECEIVED** a report from the Director of Finance and Corporate Services on how the Student Residences Plan would impact on Hospitality Services (SPRC/08/118 attached for Council). The paper showed the impact of the transactions on the Hospitality Services financial position and plans, and there clearly was a forward pressure until circa 2014. There would need to be further attention paid to the cost base and potentially to income also to ensure that the position was an acceptable one. The Director of Finance and Corporate Services would bring this work forward through summer 2009.

08.84 **Sustainability**

The Committee **RECEIVED** a report from the Sustainability Manager (SPRC/08/119) which summarised the achievements for the last 18 months, including a successful reduction in carbon dioxide emissions, improved standing in the Green League as well as being short listed for national environmental awards. The report also highlighted the key priorities for environmental sustainability and provided an overview of the key factors that will influence sustainability over the next few years and the likely impact these would have on the University. The University was developing robust foundations for embedding environmental sustainability within its academic and support activities. These included the appointment of Sustainability Manager, VCEG's direction and commitment, and the publication of the Sustainability Plan.

The Committee welcomed the opportunity to comment, and the following observations were made to be taken into account in developing the approach:

- HEFCE was likely to place a new priority on environmental sustainability, and performance therein would probably become a trigger point for the release of funding, entry into various competitive funding streams etc. From HEFCE and other public policy perspectives this area would become mission-critical.
- The issue of how to ensure that Exeter would play its part towards the 80% reduction in CO2 needed further evaluation.
- The application for the Carbon Trust Standard was a real opportunity to place Exeter in the vanguard of this work.
- There should be a financial return, most obviously through cost savings, from the sustainability initiatives.
- A good deal of good practice was already in place within individual areas, and this should continue to be captured for overall best effect.

08.85 **Top 10 Performance Review and Reporting – the Balanced Scorecard**

The Committee **RECEIVED** a report from the Director of Planning Services on the development of performance reports to SPaRC and to Council (SPRC/08/120).

Council had previously approved the overall ambition to aim for Top 10, integral to which was a revised set of KPIs and an extension of supplementary performance measures that together

form a 'balanced scorecard' reporting system. Work had been progressed since to deliver that system to Council, so that from November SPaRC/Council receive reports on this new basis. This paper provided both the conceptual approach and also relevant data where available.

The following comments were made in discussion:

- The 10 KPIs were about right, and should not increase to any significant degree, but that to reflect the Research Excellence Framework (REF) and Internationalisation agendas might need some further review during 2009. When the review of KPIs was undertaken, the DIUS 'strategy map' for HE should be taken as one of the inputs.
- HEFCE were not in an advanced stage for the REF, and the University's performance reporting should seek to get one step ahead of the system on this.
- The proposal for reviewing the basis for calculating PGR and Research income comparative data was supported, and should be taken to VCEG for decision.
- The PGT metric should continue to include PGCE in its definition, but with the reports also showing the position without PGCE for clarity of comparison, given Exeter's weighting in this subject.
- The mapping of measures needed some further and final work to ensure it captured all the relevant indicators and grouped them appropriately.

Overall, the Committee was comfortable with the approach set out in the paper, and looked forward to receiving reports to this new format.

08.86 **Investment in PGR (postgraduate research) student numbers**

The Committee **RECEIVED** a report from the Dean of Graduate Research, which proposed investments to support a major uplift in PGR numbers (SPRC/08/120a).

Support from the Committee was sought for the allocation of £250K from the SDF in 2009/10 (only) for investment in PhD studentships and bursaries, an agreement (in principle) to allow Academic Schools to hypothecate up to £1M Q-R income from the RAE 2008 dividend for investment in PGR activity in 2009-10. Schools would be invited to lever out the SDF funded PhD studentships and bursaries by allocating expected RAE dividend, and advertising for '100 PhD studentships and 100 PhD bursaries' in January 2009.

The Committee registered strong endorsement for this proposal, as it would create an opportunity for the University to make a major statement of intent following the RAE results in December 2008, and should make a major contribution towards the PGR growth target of circa 450 fte.

There was a need for further discussion at SMG and the scheme was conditional upon a strong set of RAE results but, further to those steps and any final authorisation if necessary from VCEG, the Committee **APPROVED** the Dean's recommendations.

08.87 **Dual Assurance Reports**

The Committee **RECEIVED** reports from the Dual Assurance areas (SPRC/08/121).

08.88 **Safety Committee**

The Committee **RECEIVED** a report from the Safety Committee meeting held on 23 October 2008 (SPRC/09/122), together with the Safety Committee's Annual Report (SPRC/08/123). From the former, it was noted that there was a recommendation for Safety to be brought under the Dual Assurance model – this was welcomed provided that the legal and statutory requirements for the University would still be met in this model.

The Annual Report ran through the University Incident/Accident statistics (1995 – 2007) which closely match those of other Universities. Overall there had been an increase in reported

accidents for staff, however this rate was the fifth lowest of all the '94' Group of universities who reported and could probably be attributed to increased communication and reporting.

The following points were registered in discussion:

- The report should in future provide an assurance that Schools and Services were working to the necessary corporate Health and Safety norms.
- Some peers might be under-reporting incidents, but we should aim to capture all such incidents at the University and also in the Guild.
- The issue of contractor management of these issues would become especially important over the next 3-4 years, given the multi-project dimension to the Infrastructure Strategy.

08.89 **Cornwall Campus Strategy Group**

The Committee **RECEIVED** a report from the meeting of the Cornwall Campus Strategy Group held on 22 October 2008 (SPRC/08/124), together with the Terms of Reference and Revised Membership for the group (SPRC/08/125). The Committee noted the over-recruitment issues specific to 2008, and welcomed the confirmation from the DVC Education that these would be tackled within the current admissions cycle.

PJK/CG
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