

## STRATEGY, PERFORMANCE AND RESOURCES COMMITTEE

A meeting of the Strategy, Performance and Resources Committee was held on Thursday 13 October 2005 at 10.00am in Committee Room A, Northcote House.

PRESENT: Vice-Chancellor, Professor S M Smith (Chair)  
Pro-Chancellor, Mr K R Seal  
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	Ms R King
Dr J Barry	Sir Robin Nicholson
Mr A Desmier	Professor W B Richardson
Professor P R Draper	

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 Undergraduate Studies, Professor M Macnair  
Dean of the Faculty of Postgraduate Studies, Professor H M Lappin-Scott

APOLOGIES: Mr S N Fishwick, Professor R J Hawker, Dr S Leather

05.56 **Minutes**

The minutes of the meeting held on 1 July 2005 were **CONFIRMED** (SPRC/05/57)

It was noted with reference to minute 05.39 that the regional dimensions to the University's activities would be a particular focus for the DVC (External Affairs) in the current cycle. It was also noted that, with reference to minute 05.40, the Committee would be receiving reports that would incorporate Peninsula Medical School activity.

05.57 **Terms of Reference and Membership**

The Committee **RECEIVED** the Terms of Reference and Membership of the Committee for 2005/06 (SPRC/05/58).

05.58 **Governance Effectiveness Review 2005**

The Committee **RECEIVED** the summary of feedback from 2004/05 SPaRC members (SPRC/05/59). Overall, the feedback provided evidence that the Committee had been effective in the previous year, but that there was still some room for improvement. In particular, the survey reiterated the need for papers, in particular regarding financial reports, that captured all University activity and that avoided excessive detail. The relationship between SPaRC and Council was vital to get right, and it was important to ensure Council had early input to key strategic decisions, so that consideration of the issues by either SPaRC or other committees or officers benefited from Council's views, ahead of the final stage of formal decision-making by Council.

05.59 **Vice-Chancellor's Executive Group Arrangements**

The Committee **RECEIVED** a report informing the Committee of changes to the membership of VCEG, the advisory group to the Vice-Chancellor, and proposing revised reporting arrangements on financial performance to SPaRC (SPRC/05/60). The Committee **APPROVED** the revised reporting arrangements, with BMG (Budget Monitoring Group) being stood down and with the Committee receiving regular reports on financial performance from VCEG.

05.60 **Vice-Chancellor's Report**

The Vice-Chancellor **REPORTED** on early intelligence he had received on the Government's Comprehensive Spending Review. The main message that was clearly coming through was that the unit of resource for HE could be expected to come under pressure during this review, in particular as universities started to benefit towards the end of the decade from increased revenues through "variable" undergraduate fees. The Committee would need to re-assess these prospects later in the cycle when (in March 2006) it set the parameters for School and Services financial planning for the period to 2009/10.

05.61 **Report from the VCEG Residential Planning Meeting**

The Committee **CONSIDERED** a report from the VCEG Residential Planning Meeting held on 27 to 29 September 2005 (SPRC/05/61).

The report established a number of themes and issues for special attention in the current planning year, set within two overarching priorities: to embed a culture of excellence that would define what top 20 performance was and which would guide activity within Schools and Services towards that end; and to pursue a path of self-directed autonomy, seeking to reduce overall reliance on State funding. Issues that would be the subject of particular attention throughout the current year included: physical resources/estate planning, information services planning to staff and students, employability, a focus on Science and especially building provision with the Peninsula Medical School, and preparations for the RAE through a Pilot RAE exercise in 2006 that would include external assessment.

In terms of resource planning, it was already evident that there would be a number of competing demands for investment, in particular towards resources for improving the physical infrastructure and towards developing further the University's learning/information services resources. These investments would be important to plan for if genuine top 20 status was to be secured, and the requirements were likely to be significant. At a more detailed level, the Vice-Chancellor stressed his commitment to ending 'moderation' or the cross-subsidy of loss-making activity. The budgets for 2005/06 had been built on the basis of zero moderation, and that principle would be adhered to. The Strategic Development Fund could, if the Committee wished it and if supported by Heads of School, be used to temporarily invest in activity to move it onto a sounder financial footing, but ongoing cross-subsidy would not take place. This was an important cultural shift: it was to be hoped that over time this change would be seen to be permanent and that improvements in income would benefit the Schools directly and hence incentivise further income-generating activity.

At his annual briefings that had already commenced, the Vice-Chancellor was discussing these themes and issues with staff, but although it was evident that colleagues were supportive of this agenda for change, there was a major role for Heads of School and Services to ensure that all of their colleagues were clear on the University's intended direction of travel. For some, there would need to be further articulation of performance indicators and relevant benchmarks so that their own specific areas of activity were recognised as directly related to that direction of travel. Deputy Vice-Chancellors had each been assigned various activity areas to lead and the Committee could expect to receive update reports as these items were progressed by DVCs.

#### 05.62 **Financial Position 2004/05**

The Committee **RECEIVED** a report from the Director of Finance on the financial position for the year to 31 July 2005, a report that had previously been received by Council at its 4 October meeting (SPRC/05/62).

Initially, Council had approved a £1.5m deficit budget for 2004/05 but during the first half of the year a number of adverse variances had been identified in four Schools in particular. The University's decisions to disinvest from loss-making activity and to focus on its strengths required the investment into one-off restructuring (£5.8m); at the same time additional investments were made into Anniversary Chair professorial appointments (£1.4M). A combination of expenditure controls within Schools and Professional Services, re-phasing of discretionary expenditure to future years and additional income had all contributed to an improvement in the previously reported position, and current estimates suggested that the out-turn would see a deficit of approximately £7m, a £3m improvement on account of these cost control/additional income factors, and including the investment-led costs noted.

The Committee would receive the final report for 2004/05 at its 22 November meeting. The Committee also noted the Director of Finance's plans for process improvements that would underpin more robust reporting arrangements to the Committee. The Committee also reiterated its support to seeing a modest surplus position generated in 2005/06 as a milestone towards achieving more substantial surpluses in future years.

#### 05.63 **Student Numbers – Preliminary Report for 2005/06**

The Committee **CONSIDERED** a report from the Assistant Registrar (Planning) on the student intake position, based on preliminary data (SPRC/05/63). The Committee welcomed this early presentation of data based on registrations as at 11 October, noting that this was an earlier snapshot than it had previously received, and one of the positive benefits of the implementation of on-line registration facilities to students.

The caveats placed on the data were noted, given the still early stage in the registration process, but it was evident that a number of conclusions could already be drawn:

- Undergraduate – the UK/EU numbers were currently some 80 below aggregate quota, but the final figures should be much closer to target; the International data showed that the final position was likely to be close to but just under the 2004/05 position and thereby also significantly under the assumed figures in business plans; the Channel Islands data was slightly above both 2004/05 and business plan positions,
- PGCE – the data across all categories was encouraging, with domestic recruitment up on 2004/05, and with no major resource shortfalls anticipated,
- Postgraduate Taught – in both UK/EU and International categories the signs were that recruitment would be at or slightly above 2004 intakes, but in both cases significantly below business plan assumptions,
- Postgraduate Research – the International figures would be close to the intake for 2004, but the UK/EU intake looked set to be somewhat below 2004 actual and below 2005 business plan positions.

These data gave cause for some encouragement, but also gave rise to concerns. It was evident from information coming from a range of sources that PGT and International recruitment was particularly challenging, with some HEIs suffering major shortfalls compared to previous years. In the context of its being close to or slightly above its intake last year, Exeter's performance was reasonable. However, the data also suggested that there would be the need for the application of significant amounts of contingency in Schools in order to manage positions that were below those budgeted for. The shortfall in Business and Economics' international recruitment was likely to have a particular financial impact, and this was a matter for the Head of School and DVC to address.

The DVC with responsibility for student recruitment (Professor Kay) had already identified a number of issues to be reviewed ahead of the main cycle for 2006 intake commencing, including for example encouraging progression of Exeter students from UG to PGT to PGR, refreshing portfolios as swiftly as possible, and addressing process also, for example ensuring that accommodation offer processes were working smoothly. Additionally, there was a need to clarify arrangements for postgraduate recruitment, where responsibility at present appeared to be diffused. The Committee looked forward to seeing the draft International Strategy, and noted that it would be through that process that the DVC External Affairs would bring forward plans for gearing up for international student recruitment. The steps that were being taken by the Students' Guild and the DVC External Affairs to ensure that their efforts were mutually supportive towards future student recruitment were also welcomed as highly positive.

VCEG would be receiving regular briefing reports from the Planning and Management Information team as the registration data continued to settle, and members of the Committee would receive an update position in early November, ahead of a further report to SPaRC's 22 November meeting.

#### 05.64 Financial Position and Contingencies 2005/06

The Committee **RECEIVED** a report from the DVC (Resources) on the planning and management processes being put in place for 2005/06 to ensure effective financial management (SPRC/05/64).

These new arrangements, that would provide a formal financial monitoring framework, were welcomed by the Committee, and would complement the more strategic planning intentions for the School/Service Planning Groups. There would be monthly meetings of management accountants and budget holders at planned points throughout the year, and with formal sign-offs and proposals for business plan changes to VCEG. Through reports from VCEG, SPaRC would receive reports describing income/expenditure, cash including adherence to financial covenants, borrowings, reserves and balances together with analyses of budget pressures and opportunities and accompanying risk/contingency reviews. Line-managing DVCs (Registrar in the case of Professional Services) would be given authority to release contingency and propose changes to business plans within the need to achieve the required summary position for Schools/Services. The Committee **APPROVED** the revised arrangements for budget monitoring. The Committee also strongly supported the move away from "worst case" that had characterised in-year reporting towards the end of 2004/05, and welcomed the drive towards "best estimate" reporting. Cautious planning had its role, but there were dangers in losing valuable investment opportunities through an overly prudent approach.

It was also noted that subsequent to the Committee's 1 July meeting, Schools had re-evaluated their assessments of high-risk income and contingencies available to them to manage their financial position. In aggregate, and including projected in-year surpluses of approximately £1m, the revised contingency available to Schools totalled £2.5m. In the context of the earlier report on student intake, the early assessment was that most Schools were not expected to face substantial difficulties in managing a break-even position at worst, but that the extent of the downturn in the international market for Business and Economics was likely to cause some difficulty in particular. The Committee would be kept updated on this position as the data became more robust.

In order to avoid unplanned deficits, the £750k set aside for Contribution Based Rewards (CBR) for staff in 2004/05 had been included as part of the contingency against income in 2005/06 net meeting forecasts. At its meeting in July 2005, Council had resolved that CBR could only be released by SPaRC in the light of the financial position. It was **REPORTED** that VCEG had considered the matter and proposed that the full 2% should not be allocated but that 1% should be released to reward top performing staff. This view had been arrived at prior to the report to the Committee on international and postgraduate recruitment. Heads of School indicated that they would not favour CBR payments for 2004/05 given the financial position. On balance, the Committee supported this view since it would not be safe to release contingency in the light of the shortfall in planned income from postgraduate and international students. The Committee **DECIDED** that Contribution Based Reward payments for 2004/05 should not be made. It was further noted that this decision would improve the out-turn figures to be reported for 2004/05.

#### 05.65 **Planning Process 2005/06**

The Committee **CONSIDERED** a report from Professor Webley, Chair of the Planning and Resource Allocation Review Group, PRARG (SPRC/05/65).

The papers set out the overall aims for the process, and the details by way of timing and committee involvements through which plans would be generated and brought through to SPaRC and to Council. There would be a greater emphasis on performance review, and with the KPIs framework now established it would be through that means and related to the definition of what is necessary to be within the top 20 HEIs that SPaRC/Council would receive progress reports. It was recognised that there was a risk within any planning process that creativity might be stifled and that planning "fatigue" could set in. It was hoped that the approach to planning for Schools and Services would reduce that risk, but it would be carefully monitored through the year. In order to clarify the timing of planning business for SPaRC, members of the Committee would also receive a simple summary of what the key items of business would be for 2005/06 and when it could expect to consider those.

#### 05.66 **Investment Committee**

The Committee **RECEIVED** a report from Investment Committee (SPRC/05/66). It was noted that the membership of Investment Committee now included Mr Tim Walker, a director of Brewin Dolphin Securities.

Matters of note for the Committee included:

- Total cash funds under management amounted to £19.9m at 30 June 2005, an increase of £3.4m over the position six months earlier, and returns continued to be satisfactory at just over the LIBID rate of 4.62%.
- Total funds under investment management amounted to £19.2m at 30 June 2005, a net increase of £1.7m over six months, and represented a total return of 21.4% for the year to 30 June 2005, and above that reported for "unconstrained" charities. The current contract with the investment manager would terminate on 31 July 2006 and, although performance to date had been very satisfactory, in the interests of sound governance a tender process would be followed for the appointment of the University's investment managers from 1 August 2006.

#### 05.67 **Business, Community and Knowledge Enterprise Committee**

The Committee **RECEIVED** a report from the meeting of Business, Community and Knowledge Enterprise Committee held on 8 July 2005 (SPRC/05/67). The Committee noted changes to staff terms and conditions in respect of consultancy and supported the view that academic staff should be encouraged to undertake consultancy work routed through Exeter Enterprises.

#### 05.68 **UEC Management Group**

The Committee **RECEIVED** a report from the UEC Management Group meeting held on 19 July (SPRC/05/68), together with a verbal report from the UECMG meeting held on 6 October.

The following points were noted by the Committee:

- A number of excellent academic staff appointments had recently been made, and the emergence of the conservation biology group at Tremough was particularly exciting
- Student intake data showed intake to be generally at or close to planned, but with a significant shortfall in recruitment to CSM's undergraduate programmes
- Assuming that HEFCE approve Phase 2 plans for CUC, including 800 undergraduate ftes for Exeter, then by 2009/10 the accumulated deficits in

the start-up phases would be eradicated and in-year surpluses of £650k per annum would be generated on current plans

- The costs of supporting the Academic Support Unit (ASU) operation at Tremough were substantial, and these costs were to be reviewed by the PRARG group within its Autumn 2005 review of the Income Distribution Model
- Phase 2 – now that the building costs had been properly subjected to quantity surveys, it was evident that these were some £1m higher than planned to date. Although contingency of £1.2m was available, it should not be committed at this stage for this purpose; steps were being taken to identify how best to make this saving, which would be likely to be through reducing the costs of the learning resources area in a way that would be compatible with expected future learning resource trends. There were also more general issues on maximising the most efficient use of space to address with University College Falmouth, who as yet did not charge for space in their resource allocation processes.
- There were some signals that the market was finding the title “University of Exeter in Cornwall” confusing. The campus would need to be re-branded in the light of the Vice-Chancellor’s new visual identity and this would be a good opportunity to consider a new name, e.g. “University of Exeter - Cornwall Campus”.

#### 05.69 **Dates of Meetings**

It was noted that all members would be receiving a final schedule of meetings for 2005/06, and in particular that the final meeting of the year would be held on 28 June 2006.