

## STRATEGY, PERFORMANCE AND RESOURCES COMMITTEE

A meeting of the Strategy, Performance and Resources Committee was held on Friday 10 October 2008 in the Upper Lounge, Reed Hall.

- PRESENT: Vice-Chancellor, Professor S M Smith (Chair)  
Pro-Chancellor, Mr K R Seal  
Pro-Chancellor, Mr P Lacey  
Deputy Vice-Chancellor, Professor N Armstrong  
Deputy Vice-Chancellor, Professor J M Kay  
Deputy Vice-Chancellor, Professor M Overton
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|----------------------|----------------------|
| Mr D J Allen         | Sir R Nicholson      |
| Mr C J Allwood       | Professor R Rylance  |
| Mr J Cox             | Professor N J Talbot |
| Dr E Isayev          | Ms S Wilcox          |
| Professor D A Myhill |                      |
- Director of Planning Services, Mr P J Kennedy (Secretary)
- IN ATTENDANCE: Pro-Chancellor, Mr R Hughes  
Dean of Taught Programmes, Dr J Barry  
Ms T Costello, Guild of Students  
Director of Finance and Corporate Services, Mr J C Lindley  
Dean of Graduate Research, Professor R Van de Noort
- APOLOGIES: Mr J Hutchinson, Professor R J P Kain, Ms M I Shoebridge

08.59 **Minutes**

The minutes of the meeting held on 25 June were **CONFIRMED** (SPRC/08/96).

08.60 **Matters Arising**

There were no matters arising.

08.61 **Terms of Reference and Membership**

The Committee **APPROVED** the Terms of Reference of the Committee for 2008/09 (SPRC/08/97 attached for Senate and Council), subject to editorial amendments to the list of members.

08.62 **Timetable of Key Events/Reports for SPaRC 2008/09**

The Committee **RECEIVED** a report from the Secretary outlining the schedule of business for the year (SPRC/08/98). Particular attention was drawn to the phasing of discussions on strategic matters, commencing with Sustainability at the Committee's November meeting, and then a summative session across the strategies, probably for the May meeting.

08.63 **Institutional Performance**

The Committee **RECEIVED** a report from the Director of Planning Services (SPRC/08/99) providing an update on the recent NSS results, on recent league table outcomes and on development work for the new 'balanced scorecard' approach to be used with effect from SPaRC's November meeting.

The Vice-Chancellor drew particular attention to the outstanding NSS results, and offered his thanks to colleagues in Schools, Services and the Guild for their contributions to the student experience. There was, however, a major disparity between the NSS outcomes for the University and those for University College Falmouth – with UCF ranked at circa 100 in the UK for overall satisfaction. These data supported the case for continued attention to the student experience for Exeter students – in particular the degree to which growth of UCF student volumes on the campus might negatively impinge, without careful planning interventions, on the Exeter student experience.

The Sunday Times UK league table ranked Exeter as 14<sup>th</sup> in the UK, confirming earlier rankings this cycle from the Times (13<sup>th</sup>) and the Guardian (14<sup>th</sup>). The Independent had placed Exeter at 19<sup>th</sup>.

Less positively, the Times Higher Education global ranking placed Exeter at 237<sup>th</sup>, down from 220<sup>th</sup> in 2007. Although it was thought that there was some lagging effect, there was a need for an in-depth analysis on how Exeter could improve its positioning, and which linked to the Internationalisation strategy. The DVC External Affairs and the Director of Planning would take this analytical work forward – which should include the citation index method, and whether at present Exeter's citation scores benefited how PCMD activity was reported.

#### **Commercial in Confidence:**

##### 08.64 **Financial Position 2007/08**

The Committee **RECEIVED** a report from the Director of Finance and Corporate Services (SPRC/08/100). The purpose of this report was to give early indication to SPaRC of the headline figures for 2007/08. A full analysis of the outturn would be reported to SPaRC in November following a review by the Audit Committee and of course after the external audit work had been completed.

##### 08.65 **Vice-Chancellor's Report**

The Committee **RECEIVED** a report from the Vice-Chancellor (SPRC/08/101), and new members to the Committee were welcomed.

The Vice-Chancellor reflected on the tragic death of Professor John Usher, Head of the School of Law. He was a world-class scholar and a truly kind and gentle man, and deeply missed by all those that knew him. A memorial service for friends and colleagues was being planned. The School was establishing a John Usher Memorial Fund for students in the Law School in his memory.

It was reported that Professor Ann Barlow had been appointed Acting Head of School pending the appointment of a permanent Head.

The School of Psychology had recently received confirmation that its proposal to the Wellcome Trust had been successful – leading to £3.6m in funding for the Mood Disorders Centre. Work was also proceeding well for the Centre for Additive Layer Manufacturing (CALM), led by Exeter and as part of a consortium of EADS, Airbus and SWRDA – this centre was part of SECaM. News of Professional Services' success in attracting external funding of circa £400k primarily through Academic Services was also reported, and congratulations were expressed to Professor Hilary Lappin-Scott, who had been appointed as DVC Research and Enterprise at Bangor University with effect January 2009.

The Vice-Chancellor then turned to the economic context. Overall, it was evident that there were major implications for HE from the aggregation of: the stresses now evident in the financial markets, the Government's commitment to support the banking system, and more generally the prospects for the economy and the Government's financial constraints. Specific implications of that context and the views shared by the Committee were noted under minutes 08.64, 08.66, 08.67 and 08.68, with the following points also noted:

- Whilst the next few years would surely be more challenging than the past decade, the University should continue to seek competitive advantage, and indeed that it was well placed strategically to out-perform its peers on a relative basis. The restructuring work undertaken in 2004/05 had given a solid foundation for this next period.
- The difficulties facing the HE and other sectors could see the stresses manifest in at least partial failure, and the implications of any such scenario for one or more of our partners should be well understood.
- There should be a particular focus on cost control, protecting ourselves through good contingency provision and planning, and above all careful attention to our payroll costs. With pay increases for 2008/09 likely to be circa 5%, and with pension costs rising, managing overall pay costs would be vital. Schools and Services had already begun preparing for this environment, with only business critical posts being appointed to in recent months.
- There was the potential for a wide range of scenarios to unfold, and these needed careful evaluation – these should address HEFCE and TDA core funding, budgets for science, the risk of funded numbers being phased out and also HEFCE capital funding. This work would be brought back to SPaRC and summarised for Council.

The Vice-Chancellor re-iterated his determination that we should continue to thrive in this new context. In absolute terms we would probably see certain income streams less secure, but with the drive to build capacity and reduce our reliance on the state, and with an intelligent approach to our cost base, we would be very well placed to do well relative to our peer universities.

#### 8.66 **Report from the VCEG September Planning Meeting**

The Committee **CONSIDERED** a report from the VCEG annual planning meeting held on 15-16 September 2008 (SPRC/08/102 attached for Senate). Senior Management Group had considered this report at its Residential Meeting in early October, and had endorsed its conclusions.

The report identified, within the University's strategic themes, the priorities for the current year and beyond, with clear direction provided for research, education, external affairs, and sustainability. Across these individual strategies three overarching issues were identified for action:

- Building capacity – it was increasingly clear that size matters. Whilst we should continue to look to partnerships to enable us to bring critical mass to bear on research collaborations and infrastructure developments, for example, we needed to ensure we continue to grow. That growth, in particular from outside of state sources, would provide us with the ability to better navigate choppy financial and policy waters, whilst enabling us to better from economies of scale – spreading overheads across a greater income base to reinvest in our core research and education activities. Size would be particularly important in science, technology, engineering and medicine (the STEM areas), and ensuring we face the major research councils in a joined-up way. The development of our Environment and Sustainability Institute in Cornwall would be vital to growing capacity at Cornwall and for the University as a whole. There were, clearly, infrastructure implications and many of which are currently being addressed or planned for – at the same time we needed to ensure that we make the very best use of what we had, and connect that need with our environmental and HR strategies.
- Creating an international university – it was evident that the global rankings might suffer from methodological issues, but equally clear that our international profile was not strong as yet. Our internationalising agenda should now be prioritised at the highest level, and would be a focus going forward. This was not simply about recruiting more students from overseas, but was about a cultural shift to internationalise the University as a whole. The development of the partnership with INTO, the investments into the Business School and the Forum plans would support this thrust. We should be clearer on what 'beacons' we had or could reasonably plan to have and ensure these continued to be supported – ones that would be recognised internationally as amongst the few very best such areas in the world.

- Succeeding in the new financial and HE funding contexts – the public funding environment was obviously set to deteriorate. Higher Education was an area that made great sense for the government of the day to invest in, as a counter-cyclical measure, and a strong case should be made for that. The likely reality in the short-term was that hospitals and schools would be protected, and with the public purse now so stretched there was a much higher risk of reductions to funding for HE. As seen recently with the ELQ policy, there was the probability of such changes being introduced at quite short notice. Three particular points were noted. Firstly that growing income from non-state sources was now even more important, as governments would only become more unreliable as partners over the next 3-5 years. Secondly that we must pay more attention to careful control over our costs – stopping doing the things that added little value, and looking creatively both within and across our Schools and Services to become more cost-efficient and effective – in many cases we should find this work gives other benefits, such as on our environmental impacts. Thirdly, and critically, that the cross-over point of funding for research was fast approaching – RAE funding would very quickly be replaced by the metrics-driven Research Excellence Framework model. If as academics we wished to continue to pursue research then that would only be on the basis of it being paid for through research councils. It was also apparent that the translational impacts of research were going to see a higher profile.

The Chair of Council endorsed the overall ambition and strategies, and agreed with the VCEG view that the priorities set out by the Vice-Chancellor were the right ones to take Exeter forward to top 10, and sustainably so.

#### 08.67 **Planning Parameters 2009/10-2011/12**

The Committee **RECEIVED** a report from the Director of Planning and the Director of Finance and Corporate Services on draft planning parameters for the period 2009/10 to 2011/12 (SPRC/08/103).

The context for these parameters had, in recent weeks and indeed days, shifted to a very significant degree. With the financial market conditions rapidly deteriorating and with public interventions into the banking sector, there was now a growing uncertainty of just how stable the HE funding environment would be from 2009. Whilst some of the parameters should prove stable, the extent of the volatility was such that (a) the current parameters could become rapidly outdated and not reflect the reality of the new economic circumstances and (b) the parameters might be better expressed through a scenario-based approach so that the extent of risk would be made clearer. These parameters would be subjected to further iterations, with final approval for the March meeting, at which point HEFCE funding decisions would be known.

#### 08.68 **Financial Plans 2009/10-2011/12**

The Committee **RECEIVED** a report from the Director of Finance and Corporate Services (SPRC/08/104).

The full five-year forecast for the years 2007/08 to 2011/12 was due for submission to HEFCE in December. SPaRC and Council had already approved a University budget for 2008/09 of £0.6m operating deficit and £1.7m overall historic cost surplus. The final three years of the forecast were presented to SPaRC in this report for approval. The University was currently forecasting (for the Committee) a broadly break-even position in 2009/10 and 2010/11 and a historic cost surplus of £3.9m in 2011/12. No fixed asset sales were included in these three years and the historic cost position was therefore the same as the operating position.

The forecasts had been prepared against the background of a rapidly changing economic climate. School and Professional Service plans prepared in the summer formed the basis of the forecasts, but central adjustments had been made to reflect the most recent information in respect of pay costs. Although the budget for each year included a central contingency of

£1.8m, there were a number of future uncertainties – with as yet no provision made for the RAE, the potential lifting of cap on tuition fees, or the impact of Phase 3 in Cornwall.

The University's planned performance from 2009/10 onwards demonstrated the financial benefit financially from the drive to increase student numbers to gain critical mass. In the past this had generally been from low risk sources associated with variable fees and ASNs. However substantial increases in international students were built into plans and this income stream was less certain and largely dependent on the success of the partnership arrangement with INTO. Research income was always a source of risk; however, the investment in high calibre staff ahead of the RAE combined with the new investment in the Science Strategy was expected to deliver increasing returns. The main areas of concern related to payroll cost pressures and utility increases. These areas would be the subject of close monitoring in 2008/09 and the impact of these budgetary pressures taken into account during the new planning round for 2009-2013.

However, as noted earlier in the meeting, with the economic context now changing even more rapidly, it was likely that assumptions previously made were now being out-dated but equally it was not possible to re-generate sound forecasts as current assumptions themselves would be in flux, at least until HEFCE Grant settlements in March 2009. It was clear that the level of surplus projected for 2011/12 should be brought back into line with the break even positions in earlier years, given this context. Subject to that revision, the Committee **RECOMMENDED TO COUNCIL** the proposed forecasts for 2009/10 to 2011/12 for approval. The revised forecasts would be presented to Council's November meeting.

#### **Commercial in Confidence:**

##### 08.69 **Student Residences**

The Committee **RECEIVED** a Commercial in Confidence report from the Director of Finance and Corporate Services (SPRC/08/105). The paper, for information, was noted as highly confidential and copies were returned by members to the Secretary.

#### **COMMERCIAL IN CONFIDENCE:**

##### 08.70 **Forum/Library Investment Appraisal**

The Committee **RECEIVED** a Commercial in Confidence report on the Forum Design Project (SPRC/08/106).

##### 08.71 **Infrastructure Strategy Group**

The Committee **RECEIVED** a report (SPRC/08/107) from the Infrastructure Strategy Group meeting held on 30 September 2008. The Registrar & Secretary drew particular attention to the work of the Impact Management Group, chaired by the DVC (Resources), to co-ordinate the forthcoming construction projects taking place in the central campus area, and to lead on mitigating the negative effects on the student experience of the disruption caused. Key tasks for the Group would be to maximise the look and feel and operational functionality of the campus during the period, and develop a communication plan for staff, students, visitors and neighbours. The Group would also consider, for recommendation to ISG, any remedies or palliatives which might be required where students are inconvenienced by the building works.

**08.72 Student Numbers - Preliminary Report for 2008/09**

The Committee **RECEIVED** a preliminary oral report from the Director of Planning on the student intake numbers for 2008/09. There was a good deal of flux in the numbers as yet given the data related to early in the first week of term; a further note would be circulated to SPaRC members in October once clearer outcomes were available. The early indications were that overall numbers were up on 2007, with a particularly notable growth in International postgraduate taught numbers. PCMD and INTO intakes looked similarly strong. However, with an ambitious business plan for 2008 entry, it was likely that use of the central fees element of the contingency would be needed, and the Committee would be updated on this position at its November meeting.

**08.73 PCMD Joint Board of Management**

The Committee **RECEIVED** a report (SPRC/08/109) from the PCMD Joint Board of Management meeting held on 7 July 2008.

**08.74 Cornwall Campus Strategy Group**

The Committee **RECEIVED** a report (SPRC/08/110) from the Cornwall Campus Strategy Group meeting held on 30 July 2008. The following points were noted:

- Phase 3 – that the prospects of the Environment and Sustainability Institute (ESI) being funded now looked strong, but also that the present national financial circumstances were elevating the risk of the RDA's ability to provide matched funding.
- Gatsby Funding – that confirmation had now been received of further funding via the Gatsby Charitable Foundation for a CEO for UEC Enterprises Ltd, and for a Business Mentor's Apprentice. This was important for Convergence as a main route through which outputs are delivered.
- Exchange Rate Windfall – that significant fluctuations to the euro-sterling exchange rates meant that further resource from Objective One might be available to CUC projects; the DVC Resources and Cornwall Provost were taking forward.