

## STRATEGY, PERFORMANCE AND RESOURCES COMMITTEE

A meeting of the Strategy, Performance and Resources Committee was held on Wednesday 27 May 2009 in the Council Chamber, Northcote House.

PRESENT: Vice-Chancellor, Professor S M Smith (Chair)  
Mr D J Allen  
Mr C J Allwood  
Deputy Vice-Chancellor, Professor N Armstrong  
Guild President, Mr J Cox  
Dr E Isayev  
Deputy Vice-Chancellor, Professor R J P Kain  
Senior Deputy Vice-Chancellor, Professor J M Kay  
Pro-Chancellor, Mr P Lacey  
Professor D A Myhill  
Sir R Nicholson  
Deputy Vice-Chancellor, Professor M Overton  
Professor R Rylance  
Pro-Chancellor, Mr K R Seal  
Ms S Wilcox

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

IN ATTENDANCE: Dean of Taught Programmes, Dr J Barry  
PA to Patrick Kennedy, Miss C Gleed  
Pro-Chancellor, Mr R Hughes  
Guild Chief Executive, Mr J Hutchinson  
Director of Finance and Corporate Services, Mr J C Lindley  
Director of Academic Services, Ms M Shoebridge  
Dean of Graduate Research, Professor R Van de Noort

APOLOGIES: Professor N J Talbot

09.25 **Minutes**

The minutes of the meeting held on 18 March 2009 were **CONFIRMED** (SPRC/09/24).

09.26 **Matters Arising**

It was noted with respect to SPaRC minute 09.19 that at its April 2009 meeting Council had approved the Forum Project with a total budget of £48M.

09.27 **Vice-Chancellor's Report**

The Committee **RECEIVED** a report from the Vice-Chancellor (SPRC/09/25). The Vice-Chancellor drew particular attention to the following points:

- **Trip to China** – in addition to the points registered in the written report, a pan University agreement was to be drawn up with the prestigious University of Hong Kong, which the DVC Internationalisation would be taking forward.
- **Research Excellence Framework (REF)** - following extensive lobbying by the sector, it had been agreed that the use of metrics was now considered unreliable (in comparison to the 2008 RAE outcomes) and had resulted in the proposal that their use was to be significantly scaled back as a feature of REF. This was because it was apparent that bibliometrics did not correlate strongly with other measures of quality. It now looked likely

that the REF would resemble the RAE more closely than previously envisaged. This represented a major reversal on policy and was a very good result for Exeter and the sector. Once the details were officially confirmed, we would be in a position to customise our research monitoring processes accordingly for future monitoring rounds. The need to build capacity in research, however, remained an imperative.

- **Budget 2009/10 and beyond** – the Government's budget for 2010/11 looked challenging already, but it was expected that an emergency budget would be announced following the general election and so the public funding situation for 2011 and onwards should be expected to deteriorate rapidly and to a marked extent. Both main political parties acknowledged this situation.

**COMMERCIAL IN CONFIDENCE:**

- **Building Research Capacity**

09.28 Financial Forecast 2008/09

The Committee **RECEIVED** a report from the Director of Finance and Corporate Services (SPRC/09/26), showing the forecast historic cost surplus of the University for 2008/09 to now be £4.3m, compared to the forecast deficit approved by SPaRC on 18 March 2009 of £0.9m. The operating profit had increased by £4.3m to a surplus of £4.9m. SPaRC had set a target of £1m operating surplus and the latest forecast indicates this target will be reached. For forecast purposes it had been assumed that the University bonus of 1.5% would be paid in full and a bonus payment of £1.3m had been included in the income and expenditure account. The exceptional result of the University had been improved by the write back of a proportion of the Icelandic deposits, which it was expected would be recovered at least in part.

Consideration was being given to identifying opportunities to take advantage of the improved operating position, especially given the concerns for future years and the current economic environment. A significant sum was due to be expended on electronic journals, which would be helpful to academic colleagues and students. A further £0.5m of long-term maintenance expenditure might be completed before year-end. This would reduce the operating surplus to £4.4m and the historic cost surplus to £3.8m. It was anticipated that the operating performances of Schools and Services would continue to improve to the year end except where adjusted for opportunistic pre year end expenditure plans to ease pressure on future years. Of the improvement recorded so far, some £3.6m was on account of improvements in the PCMD accounts. A strong cash position was noted, which gave the Committee confidence that the University was entering the more challenging times ahead in a reasonable shape, and far better prepared than it would have been 5 years ago, and that placed it well to manage the growing capacity agenda. The opportunity had also been taken to draw-down a £10m loan, fixed at a very preferential rate for the next 25 years.

It was **DECIDED** that the Committee would consider the University bonus issue at its October meeting. Ahead of that time and through SMG, discussions would be held between managers and staff on this issue.

09.29 2009/10 Budget and Longer-Term Financial Planning

The Committee **CONSIDERED** a report from the Director of Finance and Corporate Services (SPRC/09/27a), outlining the main issues in respect of the budget for 2009/10.

Individual units had been preparing budgets for 2009/10 within agreed parameters and these would be consolidated into the overall University budget, to be presented to SPaRC on 1 July for approval and recommendation to Council. The full five-year forecast for 2009-13 was due for submission to HEFCE in December 2009, and further work would continue over the summer to refine the forecasts for 2010/11, 2011/12 and 2012/13, taking into account appropriate amendments to planning parameters in the light of the financial modelling currently being carried out and the latest information in respect of external factors. Further work continued to model a number of scenarios for the years 2010/11 onwards. This work would inform the final planning assumptions for the HEFCE five year forecast.

The original plan for 2009/10 was a broadly break-even position, but it was expected that efficiency savings targets should deliver an improvement of £10m. This would however be offset by approved strategic investments and in year cuts in government funding. At present that reduction was estimated to be around £1m by the Director of Planning – confirmation would be received in July from HEFCE.

Colleagues in Schools and Services were thanked for their work to find efficiency savings in their areas, and it was clear that over the lengthy period of growth enjoyed by Exeter and much of HE over the past 10 years that some inefficiencies had inevitably become ingrained over that time. Heads of School at the meeting reported that they were taking the opportunity to look differently at what they currently did and also think about how they might deliver future plans differently also.

The Committee also **RECEIVED** a report from the Director of Planning Services (SPRC/09/27b), regarding DIUS and HEFCE funding in future years. The Government's Budget for 2010/11 required significant efficiency savings of its Departments. The Department of Innovation, Universities and Skills had not been immune from this need, and in the next year needed to find some £520 million of efficiency savings. In reality that equated to a budget cut, which impacted on HEFCE year 2009/10 given the overlap of four months of the DIUS and HEFCE financial years.

The key issues drawn out from the letters from the Secretary of State to HEFCE and from HEFCE to the sector were noted as:

- This was but the first stage in pressure on public funding that we should anticipate to see accelerating beyond this coming year.
- Any significant increase in pay to the sector would be viewed very negatively within government – in essence above expectations pay awards would lead to future corresponding cuts in public resources.
- Contestability – i.e. competition – for the retention of existing resources as well as for growth in resources would become an integral part of allocations from HEFCE.
- More positively, there were some funded student numbers available for allocation in 2010/11, and this should prove helpful in securing revenue investment for Phase 3 of our Cornwall project. The science-facing ESI project would be well placed to receive funded numbers given the STEM priority for the allocation of these places.

#### 09.30 Pay Settlement 2009/10

The Committee **RECEIVED** a report from the Director of Personnel and Staff Development on the pay settlement for 2009/10. It was noted that the employers had now made an improved offer of 0.4%. Given that RPI (the retail price of inflation) was now at -1.2% and was projected to decrease further, the current offer represented a real-terms increase.

It was noted in the report that the University and College Union's (UCU) had served notice in late April of its decision to ballot for industrial action in support of its claim for an 8% general increase. On 18 May 2009 the UCU then informed employers that the ballot was to be postponed until the autumn due to a software problem with their membership database. The unions had yet to respond to the improved offer, but an agreement had been made for dialogue to continue. [Post meeting note: the offer has been rejected and negotiations are continuing.]

The Registrar & Secretary reported that VCEG had suggested to Remuneration Committee that VCEG members' pay should not increase in 2009/10, and also that they should not be eligible for any bonus in that year.

The Committee was concerned to ensure that the pay discussion and debate both internally and across the sector took pensions directly into account. The Universities Superannuation

Scheme, a defined benefit scheme, was in the group of less than 20% of such schemes that were still open to new members and hence exposed to a number of risks. The combination of recent pay increases (and the future risk of any further above inflation increases), increased longevity and investment under-performance were all placing a major stress on the scheme. The additional 2% employer contribution that would take effect from October 2009 could be superseded in later years by further increases – the extent of which and the threat to jobs and institutional finances placed this risk in the very top group of sector/institutional risks. The politics around public pensions provision versus under-provision or absence of provision amongst private sector employees suggested that pensions would become a high profile issue following the general election.

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

##### 09.31 Student Residences Plan and Loan Arrangements

The Committee **RECEIVED** a report from the Director of Finance and Corporate Services (SPRC/09/29).

##### 09.32 2009 Admissions Update

The Committee **RECEIVED** a progress report from the Deputy Vice-Chancellor (Education) on the current situation with admissions for 2009 entry (SPRC/09/30). Professor Kay advised that across the undergraduate/postgraduate and UK/International markets both applications and acceptance rates were strong and suggested that where permitted, the University should see a significant further growth in intake. It was noted that in some cases (notably postgraduate research) the data reflected a relatively early position in the cycle. An assessment of those projections against School Business Plans would be provided to the Committee at its July meeting alongside the proposed budget for 2009/10.

Recruitment of full-time UK/EU students represented a particular risk for 2009, as it was vital to avoid exceeding quota given the national cap on student numbers, whilst ensuring also that the intake position was on or close to target. A conservative approach to offer-making had been necessary to take due to the risk of financial penalties, and various strategies would be deployed to ensure that the correct student intake was reached. VCEG had requested given the risk that additional controls on admissions were introduced this cycle. It was possible that in this new national control environment that some Schools that were under target in August would have to remain so in order to ensure the University as a whole did not over-shoot, and the potential resourcing implications of this issue would be resolved by VCEG in consultation with Schools. At this stage in the cycle it looked likely that there would be a further improvement in the quality of the intake as measured by tariff points. The University's strengthening brand/reputation was thought to be a direct driver of the improving demand and quality for our programmes.

##### 09.33 Cornwall Campus Strategy Group

The Committee **RECEIVED** a report from the meeting of the Cornwall Campus Strategy Group held on 24 February 2009 (SPRC/09/31), together with an oral report from the Group's 19 May 2009 meeting, and a progress report on Phase 3 planning.

The Registrar & Secretary **REPORTED** to the Committee that under minute 09.16 of SPRC/09/31 that the appointment of a Chief Executive to Tremough Campus Services (TCS) was not being progressed at present, pending confirmation of arrangements for TCS residences. The key Operations Manager of Estates and Facilities post was being progressed to recruitment.

Under the Phase 3 planning report the Committee noted that there was a potential gap between the need for general infrastructure spend (for the Tremough Campus) and current funding availability. A letter expressing concern at this potential had been sent to the SW Regional Development Agency.

09.34 Safety Committee

The Committee **RECEIVED** a report from the meeting of the Safety Committee held on 6 May 2009 (SPRC/09/33).

09.35 Dual Assurance Reports

The Committee **RECEIVED** reports from the Dual Assurance areas (SPRC/09/34 – SPRC/09/46). It was noted that reports for Planning and Resource Allocation, Education and Information Services would come to the Committee at its 1 July meeting.