

## STRATEGY, PERFORMANCE AND RESOURCES COMMITTEE

A meeting of the Strategy, Performance and Resources Committee was held on Wednesday 17 March 2010 in the Council Chamber, Northcote House.

PRESENT: Vice-Chancellor, Professor S M Smith (Chair)  
Registrar and Deputy Chief Executive, Mr D J Allen  
Mr C J Allwood  
Deputy Vice-Chancellor, Professor N Armstrong  
Professor T Dunne  
Senior Deputy Vice-Chancellor, Professor J M Kay  
Pro-Chancellor, Mr P Lacey  
Professor D A Myhill  
Deputy Vice-Chancellor, Professor M Overton  
Sir R Nicholson  
Pro-Chancellor, Mr K R Seal  
Professor N J Talbot  
Ms S Wilcox

IN ATTENDANCE: Dean of Taught Programmes, Dr J Barry  
Director of Personnel and Staff Development, Mr S Cooper  
Pro-Chancellor, Mr R Hughes  
Guild Chief Executive, Mr J Hutchinson  
Director of Planning Services, Mr P J Kennedy (Secretary)  
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  
  
Phase 3 Project Manager, Mr S Trotter (for item I/7)  
Director of Research & Knowledge Transfer, Mr S Fielding (for item I/8)  
Director of International Exeter, Mr S Curtis (for item I/9)

APOLOGIES: Deputy Vice-Chancellor, Professor R J P Kain, Professor J Love, Guild President, Mr R Stearn

10.16 **Minutes**

The minutes of the meeting held on 11 February 2010 were **CONFIRMED** (SPRC/10/14).

10.17 **Matters Arising**

Minute 10.10 – the Registrar and Deputy Chief Executive reported that discussions were continuing to reach a satisfactory resolution to HEFCE's proposed changes to the current Financial Memorandum.

10.18 **Vice-Chancellor's Report**

The Vice-Chancellor drew particular attention to the work of Professor Roger Kain, who was leaving the University after 38 years of outstanding service. Roger had made a vital contribution to the University's success, especially in his time as Deputy Vice-Chancellor and leading the University to its 2008 RAE success. The Committee joined the Vice-Chancellor in thanking him for all his work at Exeter, and in wishing Roger further success in his new role leading the School of Advanced Study, at the University of London.

The Committee **RECEIVED** a report from the Vice-Chancellor (SPRC/10/15). The Vice-Chancellor drew particular attention to the levels of interest and discussion at his current Open Meetings, which thus far had drawn in some 600 staff and which were taking place across all campuses.

#### **COMMERCIAL IN CONFIDENCE**

##### 10.19 Financial Position 2009/10

The Committee **CONSIDERED** a report from the Director of Finance and Corporate Services (SPRC/10/16).

##### 10.20 HEFCE Grant Settlement 2010/11

The Committee **CONSIDERED** a report from the Director of Planning Services (SPRC/10/17) regarding the University's provisional 2010/11 grant settlement from HEFCE. At the outset the Committee noted that with the four month overlap of the HEFCE and Government financial years, there was a risk HEFCE would reduce funding depending on the outcomes of a post-election budget, and it would be important for the University's planning to take this into account.

The University expected to receive a total grant of £66M, which was a 3.5% increase from the previous settlement. There had been a 5.5% increase for research funding, a 3% increase for teaching funding, and a 15% increase in the HEIF (Higher Education Innovation Fund). This was the highest percentage increase in teaching/research grants for all English 1994/Russell group institutions. Approximately 2% points of the increase was generated through additional student numbers, and the balance on account of increasing research volumes and the HEIF uplift (to the maximum £1.9m level). HEFCE's application of efficiency savings from 2009/10 were now embedded, and 2010/11 now saw the withdrawal of targeted allocations worth some £76m to the sector – this particular means of HEFCE applying cuts worked to Exeter's relative advantage compared to a proportional cut. Exeter's relative improvement therefore was driven by the combination of increased revenues and lower exposure levels to targeted allocations cuts. The outcomes were now being compared against the position prepared for the University overall and in Colleges' plans, so that planning for the budget year 2010/11 could now commence in detail.

The Committee also noted the commercial in confidence data for other institutions. It was evident that the difficulties now being observed at a number of HEIs would become more widespread, given the levels of cash reductions, and with inflation taken into account most HEIs in the sector were now seeing real-terms reductions. A number of HEIs which had seen moderation applied following the RAE outcomes were now seeing an adverse recurrent position, and a further tranche of HEIs that were in receipt of moderation for 2010/11 would see that support fall out from 2011/12. The inflationary perspective served as a reminder to continue to keep payroll costs under control.

##### 10.21 IDM Review

The Committee **CONSIDERED** a report from the Director of Finance & Corporate Services (SPRC/10/18), which proposed changes to the income distribution model (IDM) in order to align it more closely with the University's strategic objectives. The exercise to revise the IDM commenced in September 2009 and involved a group including Heads of Schools (two of which will now be College Deans) School Managers (two of which will now be College Managers) and Directors of Services. The Group's proposals had been agreed by both SMG and VCEG.

The IDM Group proposed that the current existing IDM be adapted, so that both the Professional Service Charge (PSC) and the Strategic Development Fund (SDF) would be calculated on an income tax basis rather than on a student or staff "poll tax" basis as was in the current IDM. In addition, an Infrastructure Charge (IC) was proposed to provide resources for the Infrastructure Fund; this would also be calculated on an income tax basis.

The revised IDM would provide four key benefits:

- a. It was simple and less costly to operate, which made it a robust tool to use. Its source data was the income categories calculated each month as part of the normal University financial monitoring processes.
- b. As the process used readily available and currently published data it was very transparent. As such it would be more predictable and hence useful for planning purposes.
- c. It improved the link between the taxes to be paid and the capacity to pay the taxes.
- d. The model was adaptable and could be flexed according to the nine income categories with different tax rates (see table below for PSC tax rates) to encourage some activities and not others. This would enable it to adapt to the future strategic goals of the University.

It was noted that the recovery of the PSC would become potentially more volatile, as Colleges may seek to vire from UK/EU undergraduate activity to other areas. It was possible also that research volumes would increase quickly, without direct parallel support for growth in the PSC infrastructure. The incentives for growth could also see a growing pressure on spatial capacity, and these issues should be evaluated through the Infrastructure Co-ordination Group.

#### Professional Services Charge Taxations Rates

Tax category	2010/11	2011/12	2012/13
Home / EU UG	41%	41%	41%
Other income*	41%	41%	41%
HEFCE T Grant	30%	30%	30%
Home / EU PGT	30%	30%	30%
International PGT	30%	30%	30%
International UG	20%	20%	20%
Research QR	0%	5%	10%
Research PGR	0%	0%	0%
Research other income	0%	0%	0%

\* subject to a £500k threshold before tax applied; all income from philanthropic and endowment income would be zero tax rated.

The Business School would be adversely affected by the introduction phase of the IDM, given its current income/costs/PSC & SDF recovery positions, and some level of support is needed for the period to 2011/12. This is based upon a temporary level of support from the major gaining College (Humanities) on the reserve movement line, which has been agreed with the relevant Deans. The proposed transitional subsidy for the Business School will be revisited after the business plan period is over, to ensure that no strategic adverse impact is experienced by the Business School that has been unavoidably caused by the new IDM.

The Committee **APPROVED** the revised IDM for use in the current business planning round i.e. with effect budget year 2010/11, **AGREED** the supporting proposal for the Business School, and **APPROVED** the creation of a Space Group to look at how space is charged in the University for the 2011/12 business planning round.

**COMMERCIAL IN CONFIDENC/LEGALLY PRIVILEGED**

#### 10.22 ESI and Cornwall Shared Services investment appraisals

The Committee **RECEIVED** a commercial in confidence report from the Senior Project Manager on the Environment and Sustainability Institute (SPRC/10/22a).

The Committee then **CONSIDERED** a second commercial in confidence report from the Senior Project Manager on the Shared Service Investment (SPRC/10/22b).

#### **COMMERCIAL IN CONFIDENCE**

#### 10.23 Research and Knowledge Transfer Strategy

The Committee **CONSIDERED** the commercial in confidence strategy from the Director of Research and Knowledge Transfer (SPRC/10/19).

#### 10.24 Internationalisation Performance Review

The Committee **CONSIDERED** the Internationalisation Performance Review (SPRC/10/20 attached for Senate).

There had been significant progress towards implementation of the Internationalisation Strategy that was approved in July 2009. Prof Neil Armstrong became DVC (Internationalisation) in August 2009 and Dr Shaun Curtis was appointed Director International Exeter in September last year. Against the backdrop of an outstanding year for international fee recruitment a number of initiatives had taken place to help drive forward the Internationalisation agenda across the three campuses: the International Office had launched a series of Fellowships enabling faculty to travel to partner/prospective partner institutions in the pursuit of joint research; Oxford Economics had been commissioned to assess the economic impact of international students on the city and the region, the results of which would be announced at the launch of International Exeter at the University on 12 April; new guidance to Schools in respect of partnership development had been issued; new representative offices would be established in Beijing and Shanghai in June, while partnerships with key institutions continued to grow in strength. Performance had been good to date, and there was still a long way to go, but throughout guidance had come from the International Strategy Advisory Board (ISAB), membership of which included senior figures within the University.

Understandably a large part of the Internationalisation agenda in the past year had been concerned with international student recruitment, an activity which would always carry a number of risks: for example, the UK Government's Points Based System (PBS) in respect of immigration regulations continued to baffle and frustrate, while the increasing contribution made by international fees to University turnover in itself constituted a potential risk, as success raised the prospect of reliance upon this income stream.

The Dual Assurance lay-member lead (Mr John Allwood) stressed the importance of the Internationalisation Strategy being seen at the same level of strategic equivalence to the other two core strategies – Education and Research & Knowledge Transfer. He also emphasised that whilst we should celebrate the growth of students from China and the success of the Business School in recruiting international students, the major challenge for student recruitment and indeed other aspects of the Strategy was in the diversification of activity across all of our Colleges and across parts of the world other than China. The Committee endorsed these points. In particular the potential for the Engineering, Maths and Physical Sciences College to do more internationally was highlighted. The work with INTO to widen their recruitment of students on to Foundation Programmes should help, but other initiatives would need to be taken by Colleges. The revised taxation rates through the introduction of the new IDM (minute 10.21 refers) should be of considerable assistance in encouraging the student recruitment element of the Strategy.

Considerable resources were being dedicated now to the implementation of the Strategy, including student welfare, supporting student exchanges, and in the provision of fellowships for incoming academic staff as well as outgoing.

Prof Armstrong thanked Dr John Withrington and colleagues in the Planning Services team for an outstanding set of management information and analyses that accompanied the report.

#### 10.25 University Performance

The Committee **RECEIVED** the regular termly report on general University performance (SPRC/10/21 attached for Council), which updated the previous report from October 2009. A more detailed report would be provided to SPaRC in late June, as at that point the University's performance for 2009/10 would be more definitive, and there would also be access to financial data for other HEIs from HESA/HEIs' financial statements for the year 2008/09.

Taken together our 'Top 10' KPIs showed Exeter to be just at/around top 10 according to the agreed criteria – i.e. an overall assessment of our performance relative to our peer group, and which is consistent with our overall UK league table performance (12th according to the THE's 'table of tables' and 9th in the *Times*). Half of our KPIs were above median, with significant improvements apparent in some of the metrics that were currently below median. Employability remained a concern, although it was hoped we could look back to 2008 as a low-point.

The review of the Strategic Plan was also noted. With the 3 core strategies (Education, Internationalisation and Research & Knowledge Transfer) now either approved or nearing approval, then it was timely to review the current Strategy document. This review would include consultation with academic and professional services staff as well as with SMG and SPaRC.

#### **COMMERCIAL IN CONFIDENCE**

#### 10.26 Requests for Authority (RFA)

The Committee **CONSIDERED** a Request for Authority (RFA) regarding James Owen Court (SPRC/10/23a) and a Revised Request for Authority (RRFA) regarding Mitigation - Leaseholders (SPRC/10/23b attached for Council).

#### 10.27 Risk Management Committee

The Committee **RECEIVED** for information a report from the Risk Management Committee meeting held on 10 December 2009 (SPRC/10/24).

#### 10.28 Ethics Committee

The Committee **RECEIVED** for information a report from the meeting of the Ethics Committee held on 8 March 2010 (SPRC/10/25).