

STRATEGY, PERFORMANCE AND RESOURCES COMMITTEE

A meeting of the Strategy, Performance and Resources Committee was held on Wednesday 26 May 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
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
Guild President, Mr R Stearn
Deputy Vice-Chancellor, 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
Dean of Graduate Research, Professor R Van de Noort

APOLOGIES: Professor N Armstrong, Professor J Love, Ms M Shoebridge

10.29 **Minutes**

The minutes of the meeting held on 1 March 2010 were **CONFIRMED** (SPRC/10/26).

10.30 **Matters Arising**

Minute 10.17 – it was noted that HEFCE's work to adjust the Financial Memorandum was being informed by sector input, and there was good prospect of a sensible outcome that recognised the need for clear institutional autonomy within an overarching framework of light-touch regulation.

Confidential and legally privileged: Minute 10.22

Minute 10.25 – it was reported that the University was placed 12th in the *Times Good University Guide*, and 23rd in the *Independent Complete University Guide*.

[Secretary's post meeting note – the University was placed 14th in the latest league table published on 8 June by *the Guardian*.]

10.31 Vice-Chancellor's Report

The Committee **RECEIVED** a report from the Vice-Chancellor (SPRC/10/27). The Vice-Chancellor drew particular attention to the following points:

- Professor Andrew Hattersley had been appointed as a Fellow of the Royal Society – this was a tremendous accolade for Prof Hattersley, and indeed to his team and the Medical School.
- The Wolfson Wellcome combined clinical research initiative had indicated funding of at least £4.75m to support new build facilities for Professor Hattersley's clinical research work. The University and PCMD would be provided supporting funding for this £20m total project.
- The Government's emergency Budget, to be announced on 22 June, would be likely to presage much more difficult times for bodies dependent in full or part on public funding. We should expect a challenging settlement for HEFCE, and our plans now being implemented to prepare for this 'age of austerity' were going to prove vital. The sector was now facing a potential 'valley of death' ahead of a potential rise in undergraduate tuition fees, during which time substantial cuts were likely but prior to the benefits of market-oriented fees, which would take 3 – 4 years to have full impact as the fees would not be charged to existing students. This represented a serious political risk, if cuts were to be applied but higher fees not be delivered. The challenge Exeter should meet, and was in fact well placed to meet, was to continue our improvement agenda relative to our peers at a time of probable absolute difficulty for the sector. It was noted that in the medium-term we would start to see as much reliance (and associated risk) on Chinese and other governments as we did on the UK Government. Income growth and diversification would continue to be crucial.

10.32 Financial Position 2009/10

The Committee **CONSIDERED** a report from the Director of Finance and Corporate Services (SPRC/10/28).

The forecast historic cost position of the University for 2009/10 was now a surplus of £16.8m, compared to the surplus previously approved by SPaRC on 17 March 2010 of £17.8 m. The forecast surplus represented 7.4% of University total income. The operating profit had improved by £1.5m to a surplus of £11.6m. SPaRC had set a bonus payment target of £7.0m at the operating surplus level; with a forecast £11.6m operating surplus the target was reached. As a result the forecast included the payment of £0.9m staff bonus. Full payment of the bonus would be dependent on other targets being met.

A general contingency of £0.3m would remain, as SPaRC approved the payment of £150k to TCS. Additionally there was an infrastructure impact mitigation provision of £2.5m, to be treated as an exceptional item. One emerging external risk was the potential for in year claw back of government funding, given the likelihood of cuts in the HEFCE 2010/11 financial year, which would overlap the University financial year by 4 months.

The Committee **APPROVED** the revised forecast.

10.33 2010/11 Budget

The Committee **CONSIDERED** a report from the Director of Finance and Corporate Services (SPRC/10/29) which outlined the main issues in respect of the budget for 2010/11, and hence positioned the discussion for SPaRC/Council for their final meetings this session.

The overall University budget would be presented to the Committee at its meeting on 25 June for approval and recommendation to Council on 8 July. The full five-year forecast for 2010-14

would be due for submission to HEFCE in December 2010. Further work would continue over the summer period to refine the forecasts for 2011/12, 2012/13 and 2013/14.

The aim was that the budget would deliver in the short term an acceptable overall historic cost position and operating position and would provide a sound basis for the longer term financial sustainability of the University, and in a continuing uncertain and harsh economic and funding climate. The delivery of planned efficiency savings would continue to be of prime importance, balanced with continued investment in support of the University's strategic objectives. This period was likely to prove to be a transformational moment for the sector and the University was well placed to thrive in this new era.

Nonetheless, a number of uncertainties would impact upon the budget for 2010/11 and the plans for later years. The main uncertainty surrounded the detailed outcome of the general election and the level and phasing of cuts. These would be in addition to the usual issues such as the robustness of forecast student numbers and the level of risk in research forecasts. Critical to the budget position for 2010/11 would be delivery by Colleges of the financial targets set based on school plans prepared in 2009. Further work would continue to model a number of scenarios for the years 2011/12 onwards. This work would be undertaken in parallel with the re-drafting of the Finance Strategy and would inform the final planning assumptions for the HEFCE five year forecast.

Thanks were recorded to College Managers and to colleagues in Finance for their excellent work in reconstructing what were previously School income/cost positions to help construct draft College budgets for 2010/11.

10.34 Finance Strategy

The Committee **CONSIDERED** a report from the Director of Finance & Corporate Services, prepared in consultation with the Pro-Chancellor (Finance) and endorsed by VCEG (SPRC/10/30) on the revised Finance Strategy. Council had commented on the early direction of the Finance Strategy and noted that they were content at this stage with the guiding objectives contained in this report. They identified that the key issues surrounded the priorities of the University's strategies and establishing the level of risk associated with the target growth for research income. They also discussed the appropriate levels and the potential setting of a cap on external borrowings. The Committee was invited to comment on these issues.

Comments made during the discussion included:

- It would be important to reset the financial metrics, and develop the appropriate financial key performance indicators for Colleges and Services.
- The overall risk profile was important to analyse and understand, so that Council could set the appetite at the appropriate level – this analysis would need to include the various income areas, how our reducing dependence on government funding could be further trimmed, pay and pensions issues and how we moved from a period of very rapid growth to a more organic growth phase.
- Debt needed a clear and sophisticated understanding, and if used wisely was not in itself a bad thing. Investments in research needed to see further supporting income streams, as research activities did not generally meet full life costs (i.e. including capital).
- Cash would continue to be king.
- In our benchmarking we should look beyond HE and into other sectors, to better understand how to manage our cost base, and this should include sharing of costs.
- The earlier discussion, in the context of HE funding ahead of a probable growth in the fees cap, was crucial – i.e. understanding how Exeter would work through a sector 'valley of death' scenario so that we did in fact profit, at least relative to our peers, during such an era.

The Committee **ENDORSED** the current development stage draft Finance Strategy. Work would continue over the next few months to draw together the funding requirements of all the University's strategies and the Finance Strategy for delivery would then be presented to the Committee and to Council in October.

10.35 Infrastructure Strategy

The Committee **CONSIDERED** a report from the Director of Estate Development Services (SPRC/10/31). Council had previously approved the Infrastructure Strategy, Tranche One, in December 2007 as £117.6m, to be invested during the period 2007/8 – 2012/13. Considerable progress had been achieved with project delivery and the tranche one fund was now almost fully committed. The Committee were asked to consider options which would support the University's mission for the period to 2015.

The December 2007 paper CNL/07/85 had set out the Infrastructure Strategy and included aspirations for tranche two projects which required funding of £164.2m. However the proposed tranche two funding was dependent on the lifting of the cap on student fees. Whilst in 2007 an increase in variable fees was a reasonable assumption, the prevailing economic and political climate gives no certain indication of these events occurring in this period to 2012, therefore the issue of financial risk will need to be considered when discussing the future investment programme in the University's infrastructure. The prospect exists that fees may rise either in 2012/13 or perhaps 2013/14.

The draft Finance strategy anticipated funds in the region of £60-65m, which could be available to deliver the Infrastructure Strategy tranche 2, and this may be increased through fund-raising and future grant awards. This is clearly dependent upon events, future Government cuts and the current review of student variable tuition fees chaired by Lord Browne. The total order of cost for the options outlined in his paper is £113m – £173m.

Regardless of the outcome of the Browne Review, it is clear that prioritisation of projects will be necessary, and some difficult choices may be required. Colleges will need to ensure that their capital priorities are articulated during the summer and thus informing the prioritisation process. The prioritisation will need to be evidence-based and lead to outcomes that are in clear support of the University's priorities for the period to 2015 and beyond.

An understanding of how not doing some of the projects would impinge upon our future success will be crucial, as will an associated plan to mitigate any such risks. The pressures overall suggest that as well as some new facilities, we must continue to ensure we make the most of our current physical and IT infrastructure assets. Space utilisation and the associated cultural norms that will need to drive up more efficient use of space, together with better processes will be necessary conditions of future success, as well as environmentally the right thing to do, and which will in any case be a likely condition of future HEFCE capital funding, if that continues to exist. The work to optimise the alignment of teaching plans/student numbers/space was being progressed by the Chair of ICG and the Director of Planning Services.

Self-help to ensure that we are able to contribute as much as we can to our own capital needs will be crucial. It was noted how, prior to tranche one, just how much of a gap there initially was between our capital ambitions and our ability to fund, and we should look to our own creativity and ability to lever in funds and solutions so that we can do as much as possible/feasible for 'tranche two', bearing in mind the balance of opportunity and risk.

The Committee **ENDORSED** the current development stage draft Infrastructure Strategy. Work would continue over the next few months and the Strategy for delivery would be presented to Council in October.

10.36 Browne Review

The Committee **RECEIVED** the University's management response to the Browne Review (SPRC/10/32). Lord Browne was seeking proposals from universities and colleges to ensure international competitiveness, financial sustainability, and fair access to all.

This was a crucial debate, and one that would, as discussed earlier in the meeting, have a fundamental impact on the prospects for the sector for the long-term, especially as education continued its journey towards much fuller internationalisation. Universities UK had been seeking to clarify a core communications point about the costs being a graduate contribution, rather than students paying. It was telling to observe that politicians were now actively addressing this point and the wider issue of the relative contributions of individuals and the state.

It was noted that the President of the Guild of Students wished to put on record his objection to the University's response, in particular the proposal that the cap on fees should be lifted substantially, and ultimately that no fees cap should remain in force once the market and families/students had had time to adjust to the initial higher fees conditions. The President of the Guild also noted that he thought a higher cap would drive a wedge between successful and less successful universities, and would do little for widening participation in the best universities as higher fees would be a disincentive for poorer students.

The Committee noted the University's response and looked forward to further discussions as the debate was concluded and brought to Parliament for debate and decision.

10.37 Strategy 2010-15

The Committee **RECEIVED** a progress report for information from the Director of Planning Services (SPRC/10/33), which provided an update on the work of the Strategy 2010-2015 Task & Finish Group.

It was noted that the current Strategic Plan was for the period 2007-2011. With the University's core strategies (Education, Internationalisation and Research & Knowledge Transfer) it was timely to revisit the overall Strategy document. With the current Plan looking very dated by the University's own performance levels and by the passage of time, and with it also not of the professional quality levels we now work to, there were other drivers also to change it. Over the same time period, significant changes in the external environment have taken place, with a new set of changes now coming into view. Finally, a new Strategy document will help frame the strategic planning work that Colleges will commence later this summer.

10.38 Transition to Colleges

The Committee **RECEIVED** a progress report from the Change Manager (SPRC/10/34). Since the last report that the Committee received in February, a lot of work had been undertaken to lay the foundations for the Colleges. A detailed template for College governance had been drafted and approved by Council. In addition consultation was taking place with the academic community around academic leadership and management signalling the creation of the new role of Academic Lead through which leadership will be distributed in the College. A common structure for professional services in Colleges had been developed and the appointment process of staff to the new structure is underway. The Committee recorded its thanks to all the colleagues involved in the change programme.

10.39 2010 Admissions Update

The Committee **RECEIVED** a progress report on the current Admissions position from the Deputy Vice-Chancellor (Education) (SPRC/10/35). The overall prognosis for 2010 entry was strong by way of volumes compared to targets, and on quality. There were some issues specific to categories and campuses, which would be the subject of particular attention during the period through to the August confirmation period.

10.40 Revised Request for Authority

The Committee **CONSIDERED** a revised Request for Authority (RRFA) regarding James Owen Court (SPRC/10/36a). The Committee **APPROVED** the request. (Paper SPRC/10/36b was withdrawn.)

10.41 Cornwall Campus Strategy Group

The Committee **RECEIVED** for information a report from the Cornwall Campus Strategy Group meeting held on 5 May 2010 (SPRC/10/37).

10.42 Safety Committee

The Committee **RECEIVED** for information a report from the meeting of the Safety Committee held on 5 May 2010 (SPRC/10/38).

10.43 Assessment of Institutional Risk

The Committee **RECEIVED** for information a letter from HEFCE regarding institutional risk (SPRC/10/39). HEFCE's assessment was that Exeter was 'not at higher risk', meaning that they thought Exeter was a well managed and governed university.