

Council Away Day

Notes of the Meeting

26 April 2013

Present: Judith Evans (Chair)
Anthony Bicknell
Professor Adrian Clark
Michael Draper
Professor Barry Gusterson
Professor Patricia Hughes
Kea Horvers
Professor Peter Kopelman
Dr Andy Kent
Chris North
Mathew Owen
Professor Fiona Ross
Christopher Smallwood
Mike Stevens
Catherine Swarbrick
Mr Graham Turner
Professor Julius Weinberg
Cathy Wilson
Professor Sir Nicholas Wright

Observer: Don Kennedy

In attendance: Mark Bery, Chief Operating officer
Sophie Bowen, Secretary and Academic Registrar
Wendy Brewer, Joint Director of Human Resources
Professor Nigel Brown, HoD, BMS
Anne Fillis, Independent Member of Audit Committee
Professor Paul Jones, HoD, Clinical Sciences
Susan Trubshaw, Clerk to Council
John Unsworth, Commercial and Financial Director
Tim White, Director of Strategic Planning

Apologies were received from Ms Gemma Hobcraft

Introduction

Financial Landscape

The Finance and Commercial Director explored the factors currently affecting the funding landscape. It was explained that all aspects of HEFCE (Government) Funding were falling and future student numbers were uncertain. At the same time NHS budgets were volatile having implications for bursaries and commissioned numbers. In addition research funding was also reducing nationally and being concentrated in fewer major centres.

SGUL, like many HEIs, faced a number of challenges including the short-fall between the reduction in government funding and the implementation of student fees which would not reach steady state for five to six years. SGUL had implemented a number of income generating measures

including INTO and the UNic franchise, but it would also take some years for these initiatives to come to full fruition.

SGUL was undertaking an academically driven re-structuring programme, and although there might be cost savings, this was not the original purpose of re-structuring. SGUL had not been in a deficit position in recent years, and was generating good cash balances, although these were not enough for investment.

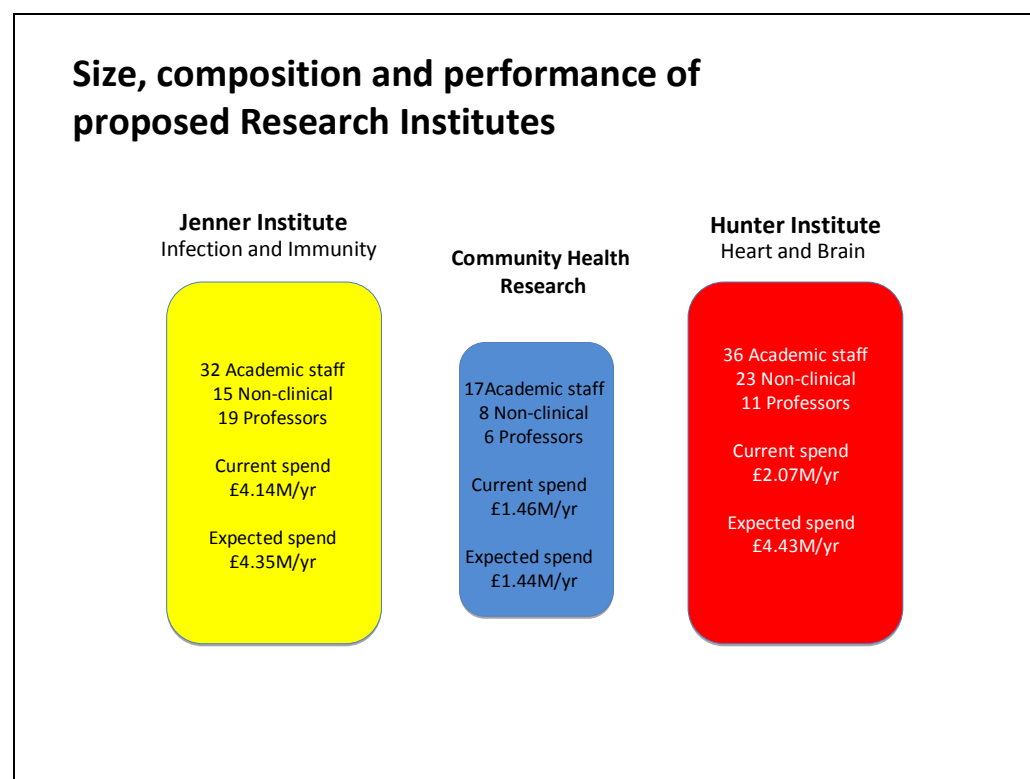
The forecast surplus for 2012-2013 was £350,000 with revenue reducing from £85 million to £83 million. The forecast for 2013-2014 was breakeven but this depended on a number of assumptions.

Strategic Futures

Research Strategy

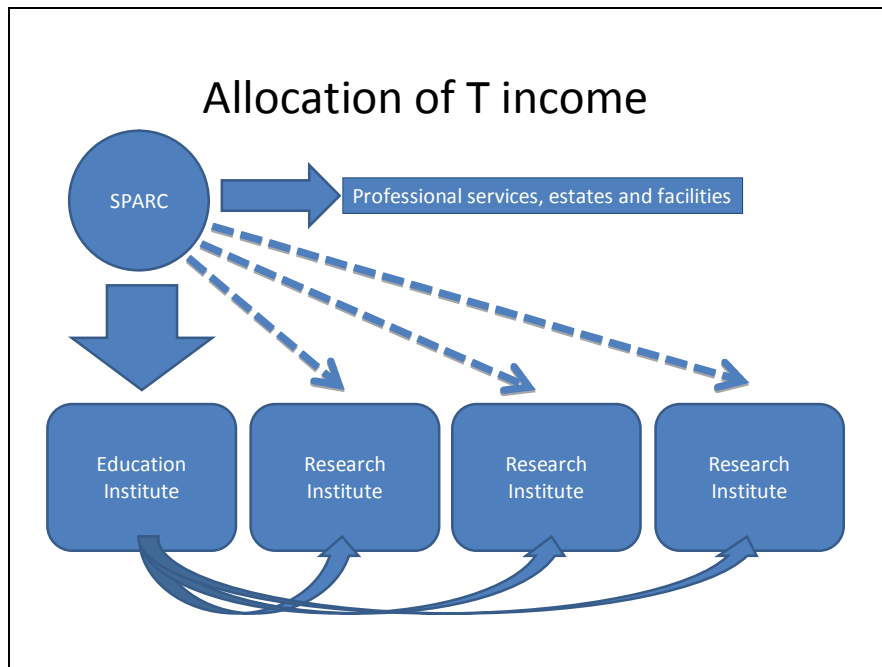
It was noted that SGUL had seen its research performance decline over the past few years with research grants dropping from £20 million to £15 million. Although at the same time overhead recovery had improved, SGUL needed to improve its research performance. As well as increasing the number and size of research grants, it needed to be more visible in national fora, have a prominence in NHS structures, replace the loss of its research stars and capitalise on its proximity with SGHT.

It was proposed to restructure SGUL into Institutes, two (or three) of which would be Research Institutes and one would be an Education Institute. These would be formed around the themes of stroke/cardiovascular (Hunter Institute) and infection/immunity (Jenner Institute). Epidemiology and public health would also remain as either a research centre or small institute.



Education Institute

The Education Institute would be the home of the MBBS, BMS programme, the Graduate School and Education Research. It was expected that there would 95 teaching only staff including 16 professors. The Education Institute would be responsible for the allocation of 'T' funding as set out below.



Research Institute - Challenges

Research Institutes would have a number of targets to achieve including increasing research grants that bring full economic costing (fEC) overheads, increasing the number of graduating PhD and MD students to 85% qualifying in four years, and increasing the number of staff within research institutes by 10% over the next five years. It was expected that in time the majority of staff within the Research Institutes should be REF returnable.

Objectives for Research Institutes


Funding
Increase the share of Research Council funding

Develop a plan for strategic research funding

Increase Research Income and FEC recovery by 10% per annum

Postgraduate Students
Increase numbers of PhD students by 10% per annum

Attain 85% 4 year completion rate for students



Staff
Increase numbers of academic staff by 10% per annum

Develop leadership skills and succession plan

All academic staff REF returnable in 2020

Increase numbers of external Fellowships

What will SGUL's Research look like in five years time

Annex A below sets out the vision for each Institute, but overall it was expected that SGUL would:

- Be internationally leading in Infection, Cardiovascular & Stroke and Public Health
- Be the 'place to train' for clinicians and applied health scientists
- Have high quality PhD graduates
- Have a voice on national funding and policy panels
- Have substantial media presence in our areas of excellence
- Have research income greater than £20 Million per year

Risks for Research

It was felt that there were significant risks to achieving the research targets outlined above including:

- Staff morale/excessive staff loss/poor recruitment
- Costs underestimated
- Poor leadership/succession failure

Discussion points

The following points were noted:

- (a) That it was an exciting vision for the future and should help current and future recruitment.
- (b) That becoming centres of excellence should improve staff morale.
- (c) That it was suggested there should also be cross-cutting themes which should be technologically driven rather than system driven. It was noted that the proposed institutes would align with SGHT strengths, and would enable both organisations to exploit their location.
- (d) That it was possible some redundancies would arise from the process.

Student Perspective

Mathew Owen, the Students' Union President, explained that he was not representing all students but expressing his views as a student governor and a member of Council.

Mr Owen felt that the formation of the Education Institute would bring the most benefits for students. He felt that the system of contracting teaching from the research institutes would help to ensure high quality teaching, and also improve the management of programmes. Mr Owen felt that there would be some impact on staff morale once it was known that there could be possible redundancies. Mr Owen felt that the Education Institute would provide an environment that would help SGUL to respond quickly to initiatives and improve interdisciplinary learning. SGUL needed to maintain its reputation as small and specialist, as to lose this reputation would affect student recruitment.

Mr Owen noted number of concerns including:

- (a) The timing of the restructuring take place and how would SGUL ensure that it did not affect normal business?
- (b) Would a Project Manager be appointed to lead on the restructuring? Current members of staff were all working very hard and there seemed to be little spare capacity.
- (c) Would it be better to leave the project until the INTO numbers had grown, and reassess the necessity for restructuring after this?

- (d) The restructuring was based around research when teaching was a profit earning activity. It was suggested that research should be undertaken to see why students applied to SGUL. Mr Owen did not feel it was because of the quality of the research.
- (e) SGUL had only just restructured in 2009-2010, and perhaps it should be explored why this re-structure had not achieved its goals before undergoing a further restructure.
- (f) Any further loss of staff would impact on the 'Student Experience'.
- (g) There had been little consultation with the student body about the restructuring, and there was also little understanding of the INTO project.

Comments

The following comments were noted:

- (i) A branding exercise was currently being undertaken and a number of focus groups had been convened. One of the key questions for the focus groups was why students applied to SGUL.
- (ii) Despite the NSS scores going down in 2012, many students were happy with their programmes of study, and assumptions should be better informed by the student body as a whole.
- (iii) It was noted that a forum had been held for students to discuss the proposals and only eight students had turned up. If the Case for Change was accepted by Council, then further consultation would be undertaken with both staff and students. It was also felt that the benefits of research led teaching had not been explained properly to the students. It was also noted that there was a considerable amount of student led research within SGUL, and this should be publicised more widely.
- (iv) Following the allocation of staff to Institutes it was suggested that a rigorous system of Performance Management would need to be put in place to ensure the success of the restructuring process, and to achieve the goals set out earlier.

The Dean of Education thanked Mr Owen for his thoughts on the restructuring process which would be considered during the process. The Dean of Education felt that the new model would deliver better teaching, and that the staff in the Education Institute would be of the highest calibre and would engage with a continuing professional framework to ensure the high quality of teaching.

Case for Change

The following points were noted:

- (1) This was not the final stage of a process.
- (2) Consultation would follow as set out in the document.
- (3) Restructuring was being undertaken in order to achieve SGUL's strategic objectives.
- (4) Restructuring would result in an increased external profile and visibility in a number of areas.
- (5) Restructuring would allow SGUL to meet the challenges in the post REF2014 environment and position SGUL to meet the increased challenges of the 2020 REF.

Comments

- (a) It was felt that the introduction of the Education Institute would help to improve the Student experience but the real challenge was in research and achieving the goals that had been set.
- (b) It was noted that there were two possible strategies to employ with regard to the REF either enter as many people as possible to maximise the return and possibly increase

HEFCE funding (although how funding would be allocated had not yet been decided, and could change at any point in the process), or be highly selective and improve ranking and reputation, but possibly achieve less funding. SGUL was currently likely to follow the latter strategy.

- (c) It was noted that the criteria for membership of the Institutes were clear, and the main difficulty would be allocating staff who were both good teachers and good researchers. Care would also need to be taken to ensure that there were enough staff to offer student projects which were a key component of the BMS degree programme.
- (d) It was felt that the restructuring must be linked to cultural change, and that strong performance management with an emphasis on achieving targets would have to be implemented if the objectives of the restructure were to be achieved. Otherwise morale would be sapped by the continuous change which did not achieve its goals.
- (e) There was general agreement around the vision, and that it should be implemented on a 'once and for all' basis.

Financial Sustainability

The Finance and Commercial Director explored the following questions in his presentation;

- Why do we need to make a surplus?
- Where do we want to be?
- How do we bridge the financial gap?

Making a surplus

Making a surplus would ensure SGUL's long term financial security and sustainability. It improved SGUL's ability to borrow, and supported a stronger (implicit) credit rating. It would generate investment for the development of the estate, IT, equipment and laboratories, and it would also generate capacity for investment in research, new ventures and seed-corn funding.

It was noted that the banking covenants did not allow for two years of deficit and that even a single year of deficit in an uncertain environment brought unacceptable risk of a lending default.

There was no right answer with regard to the level of surplus. It was suggested that in the range of 4-5% would be appropriate but how to achieve this was the key question. For SGUL this would be in the region of £3.5 million to £4.5 million and it was felt that it could be achievable by 2016-2017.

It was noted that cash balances were adequate with a forecast of £13 million in July 2013. This was the equivalent of 60 days of operating costs. However, SGUL's HEFCE peer benchmark was 90-100 days which was the equivalent of c£19 million for SGUL. Currently SGUL had sufficient funds for security but limited resources for investment.

Bridging the Financial Gap

It was suggested that rather than always seeking to cut costs that SGUL should try to grow its business and find more ways of generating income. It was suggested that SGUL should use its academic capabilities for financial benefit and be more business like. It was noted that the restructuring programme was not financially driven, and in fact there were significant costs to making redundancies particularly for staff in the 50-59 age bracket because of the need to make up pension payments under the USS pension scheme. For someone aged 50 this could amount to c £200k in pension costs.

The issue of the bank covenant was noted, and it was suggested that it might be possible to ask the bank to rewrite the covenant. It was noted that breaching the covenant could result in SGUL having to repay all its loans.

The following were felt to be important to SGUL's future financial health:

- Continued growth of INTO
- Continued focus on Cyprus and the development of similar franchises
- Development of FHSCE
- Development of stronger links with industry and commerce

It was also suggested that staff vacancies should be managed carefully given that two thirds of SGUL's costs related to staff.

It was noted that SGUL had capacity to grow some student numbers, but that it was restricted on the numbers it could recruit to medicine. In fact due to current changes to counting student numbers implemented by the Government, SGUL would lose 45 of its current medical student numbers.

It was agreed that there needed to be a vision for the future that focussed on strategies for growth and that SGUL should develop short, medium and long term goals. There were opportunities, but it was difficult to guarantee anything within the HE and NHS funding environments under the current economic challenges and the Government's responses to these challenges.

The following points were noted:

- That it was not possible to predict the outcome of the REF in financial terms, for the reasons mentioned above (that the funding allocation had not yet been agreed by HEFCE).
- That redundancy costs and savings would need to be modelled when there was a clearer picture of the number of possible redundancies.
- That the level of surplus would need to be considered carefully, including how this would be achieved without jeopardising the overall future of SGUL.
- That more should be done to maximise income, and longer term planning should be undertaken.

Feedback from Groups

Finance

The following points were noted:

MUST

- Additional recruitment of overseas students
- Ensuring the right people were recruited to run the Institutes
- Move quickly on restructuring
- Costs to be analysed (internally) to ascertain as far as possible if cost savings could be achieved within one year.
- Assess the need for support staff in Institutes
- Make more use of surplus property
- Move FHSCE into SGUL space
- Improve the Student Experience (IT, sports ground etc). At the same time the student body needs to appreciate what they have at SGUL compared to other universities.

SHOULD

- More shared services with SGHT
- Full-time manager for International activities
- Consider the roles of Associate Deans
- Improve the International admissions office
- Recruit more postgraduate students
- Raise the PR profile
- Appraise Institutes at regular intervals to ensure they operating appropriately and to targets
- Refurbish Jenner Wing to attract and retain researchers

MIGHT

- Take over training of medical professionals in other areas
- Appoint a Development Director
- Obtain more Enterprise Funding from Government
- Develop better relationships with industry

Risk

The following points were noted:

- Reviewed the risk register and upgraded most risks
- More resources required for project management
- Opportunity risk - need to get on with restructuring and do it quickly
- New Structure - performance management would need to be applied rigorously going forward or the benefits of restructuring would be lost
- Performance management needs to be driven by the senior management team led by the Principal. Performance management was not the responsibility of the HR department.

People

The following points were noted:

MUST

- Develop criteria and staffing plan for each Institute
- Appoint leads for each institute
- Strengthen internal communications
- Strengthen performance management and ensure that it is clearly embedded
- Strengthen programme management processes and team
- Focus on restructuring and do it quickly.

SHOULD

- Engage change champions

MIGHT

- Introduce an appeals process

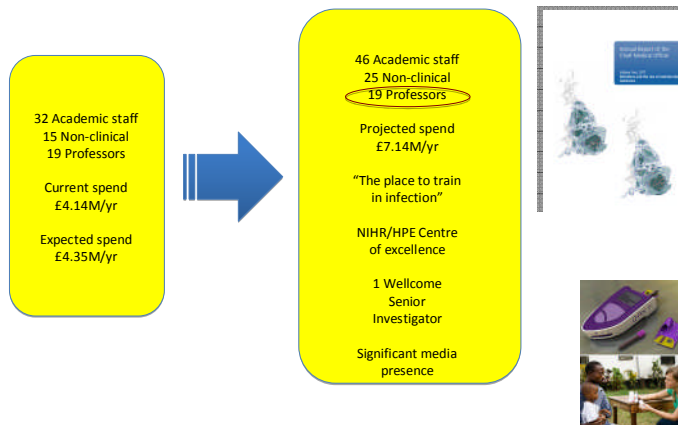
Interface with Partners

The following points were noted:

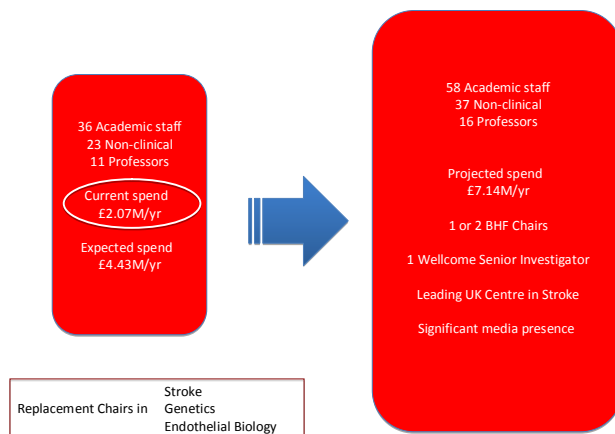
- Knowledge, influence and explain partnerships
- Impact of partnerships on each partner and tailor messages for each partner
- Prioritise, strategise and externalise - have the courage to say no to proposals as well as yes
- Look laterally at partnerships - might need to reverse out of some of them
- Think vertically - grass roots institutional partnerships.

Annex A

What will Institutes look like in 5 years – Jenner Institute



What will Institutes look like in 5 years – Hunter Institute



What will Institutes look like in 5 years – Community Health Research

