UNIVERSITY OF EXETER

JCCN/23/05

Joint Committee for Consultation and Negotiation: Minutes of meeting held on 27 March 2023

PRESENT

Sir Richard Atkins (Chair)

University Representatives
Vice-Chancellor, Professor Lisa Roberts
Registrar & Secretary, Mike Shore-Nye
Executive Divisional Director of Human Resources, Imelda Rogers
Chief Financial Officer and Executive Divisional Director of Finance, Infrastructure and Commercial Service, Andrew Connolly

Trade Union Representatives
UCU, Alex Prichard
UCU, Joao Florencio
UCU, Professor Brian Rappert (until 2.30pm)
Unison, Tim Hortopp
Unite, Michael Worth

Also in attendance
Assistant Director of Human Resources, Andrew Johnson
Human Resources Business Manager, Gail Reeves

Apologies
Unite Branch Secretary, Chris Forrest
UCU Regional Officer, Alison Chapman
Provost, Professor Janice Kay

1. Minutes

The Committee agreed the minutes of the meeting held on 17 October 2022.

2. Vice-Chancellor's Update

The Vice-Chancellor advised the Committee of the following HE sector updates:

Lifelong Loan Entitlement

- Earlier this month the government set out further details on the Lifelong Loan Entitlement.
- The new financing model will give students access to four years of tuition funding to use flexibly on full and part-time study at levels 4-6.
- In addition, maintenance support will be expanded to more technical and part-time courses, and also modules.
- The Government has confirmed that the new model will be introduced from 2025. The idea is that people will be able to access short periods of study throughout their working life, as a way of continually upskilling themselves.
- Tim Quine, our DVC Education and Student Experience, is leading a group to look at how we respond to these changes.

Horizon Europe

- There is potential positive development on UK membership of Horizon Europe, the EU's funding programme for research and innovation, following the Windsor Agreement.

Funding model for UK HE

- Universities UK is reviewing the sustainability of the sector's funding model. The Vice-Chancellor is a member of a Funding Task and Finish Group reviewing this issue. UUK launched a 'national conversation' on the future of funding for UK higher education last December to encourage public debate on university funding and to build a consensus between students/graduates, universities and parliamentarians on a future approach to university funding.
- There is a public perception that universities are not offering value for money, with many parents and students becoming increasingly focussed on employability outcomes. A recent survey showed that 47% of parents now recommend their children undertake apprenticeships compared to 34% favouring university degrees.
- This is a challenging period for the sector's finances as the £9k fee continues to depreciate in value and universities become more reliant on deregulated fee and other types of earned income.
- The current financial model is also negatively impacting students. A recent survey of nearly 9,000 Russell Group students showed that the average student is living below the poverty line, with one in four going without food and other necessities because they cannot afford it, and one in five considering dropping out of university for financial reasons. Maintenance loans have risen by 2.8%, which is below inflation, meaning that since 2021, a student studying outside of London has received £1,529 less than they would have received had the loan increased along with inflation. Additionally, the household income threshold has been frozen at £25,000 since 2008, so in real terms, fewer people are getting the help they need to access university. This is having an overwhelmingly negative effect on students – 72% of Russell Group students are reporting that their mental health has suffered during the cost of living crisis, and there are anxieties around student life, the ability to afford course related material, extracurricular activities and rent.
- There is a need for innovative thinking to develop positive policy suggestions ahead of the next general election. However, it is unlikely that Government will increase funding to universities or increase fees. The sector must develop new ways to increase income to the University and control costs and become more efficient.

3. University Financial Update

The Chief Financial Officer shared a presentation with the Committee, providing an update on the current financial position:

- Projected outcome for the current year 2022/23: projected income of nearly £620M representing an 6% year on year increase. Most of this increase has come from research and an increase in interest rates. In 2022/23 a 9% increase in staff costs is expected (excluding USS pensions) to £343M – 2% above budget. Cash generation is forecast to be £38M, £3.3M above budget, with an operating surplus of £3M (0.5% of total income). The published surplus is difficult to predict but is currently at £14M and includes valuation changes and capital grants that are not available to support recurrent spending.
- Staff costs 2022/23: the staff cost ratio is calculated by dividing staff cost by total income. In 2020/21 the ratio fell as expenditure was held back due to the pandemic and income from student fees was maintained due to an 'A-level intake' bulge. 2021/22 saw the second consecutive year of teacher assessed grades and an international fee income increase of 33%. As a result staffing costs were understated in 2021/22, but this ratio was not sustainable given the increase in student numbers. The staff-cost ratio is now expected to return to its pre-pandemic trend with staff costs increasing at a faster rate than income, a reflection of higher pay awards and the fixed £9,250 tution fee. Compared to the Russel Group we are above median staff cost ratio. If our staff cost ratio were at the median they would be £5M per year lower. We spend more of our income stream to staffing than 16 of our Russell Group peers.

- Our cash balances are higher than pre-pandemic levels - £177M at 31 July 2022. Adjusting for size, Exeter has average levels of cash holdings (equating to 4.5 months of spending). It is necessary to hold higher cash balances, reflecting external risks. Cash balances can only be spent once – for example on projects and capital, not on recurrent costs like staffing.

- Our capital expenditure as a percentage of income in 2021/22 was one of lowest in the Russell Group. We need to get the balance right between spend on capital and staffing to be competitive. Our currently level of cash balances will allow us to expand capital expenditure without the need to borrow in the medium-term.

- We have average levels of debt compared to the Russell Group – currently £210M with £5.5M per year in interest.

- Impact of rising interest rates – there is no impact on debt servicing costs (fixed long-term rates). Higher interest rates have improved pension fund valuations but have had an adverse impact on the West Park project (95% funded by debt). We have seen an increase of £5M in interest earned and there will be higher future borrowing costs - 4.6% compared to 2.64% now.

- USS 2023 valuation – from the £14 billion deficit at the March 2020 valuation, the December 2022 snapshot indicated a £5 billion surplus. (The deficit is the difference between assets and liabilities.) While asset values are on trajectory, the liability valuation is better than the expected trajectory as a consequence of higher interest rates. Liabilities would have been higher without the recent benefit changes. This is a positive development as we head to next valuation.

- Looking ahead to 2023/24: this will be the 11th year of the £9K fee. Inflation will continue to impact on staff and operating costs. In 2022/23 the 18-month pay offer will add £14m to our pay base. An improved USS 2023 valuation may result in lower costs. There are opportunities to grow international fee income, but there is strong competition. Overall, Exeter is in a very strong position to face these challenges but is not immune from them.

UCU representatives commented that the staff cost ratio at the University of East Anglia was 45% of expenditure, one of the lowest in the sector, but they were still experiencing significant difficulties.

[Note of clarification: UEA’s staff cost ratio for 2021/22 was 59.5%, compared to Exeter’s 52%. The 45% figure quoted above refers to staff costs as a proportion of expenditure which includes a large USS accounting provision, which inflates total expenditure, but excludes research expenditure, including staff costs funded from research.]

UCU representatives asked about the payment of USS deficit recovery costs and whether an improvement in the valuation of the scheme would release these funds. In response, the Chief Financial Officer advised the Committee that it was necessary to show the University’s share of the deficit in the balance sheet as an accounting charge, but this was not a cash payment. If the next valuation shows the scheme is in surplus, this will reported in the financial statement as an accounting reversal of the deficit. There will not be more money to spend. The next valuation may however result in a reduction in employer contributions which would save money.

UCU representatives asked the management of the University to consider hosting a joint conversation to prompt discussion on the future funding of higher education.

UCU representatives asked the Vice-Chancellor to clarify what the meaning of “unfunded research”. In response, the Vice-Chancellor advised the Committee that the University provided £26M from tuition fees for staff to carry out research – this is “own funded” rather than funded from grants. (Specifically, total income for research less total costs.) The question is whether the University is getting value from that £26M investment. For example, if this investment results in impact case studies or 4* papers or pump priming of future research then it is good value. We need to have that conversation at Exeter. As a research intensive institution so we want people to do research, but we need to measure impact. All academic staff should be publishing, creating impact or working in the policy arena.

UCU representatives raised concerns that the UK funding model may lead to colleagues leaving the higher education in the UK to work abroad for a more rewarding career. The Vice-Chancellor commented that the UK funding model for higher education was a challenge. Our only income is home UG fees, which were not increasing, and international fees. To attract international students and increase international student fee income. it is necessary to invest and the student experience – hence the capital investment needed to develop good spaces, attractive programmes and a great research reputation. It is necessary to find solutions ourselves rather than rely on government.

4. Prevent Update

The Registrar and Secretary advised the Committee that an independent review of the Prevent strand of the government's counter-terrorism strategy has now been published. Following an internal review of its recommendations, no significant policy changes are expected within the University since we already provide Prevent training and conduct risk assessments for events.

5. Joint Statement JCCN/23/02

The Director of HR advised the meeting that an update on the joint statement would be considered as regular agenda item going forward. This would also be considered in the monthly meetings.

UCU representatives advised the Committee that they welcomed the progress on USS and other developments to resolve the national disputes.

UCU representatives asked that UCU be represented on Faculty workload groups. The Director of HR advised the meeting that this would be considered as part of the implementation of the recommendations of Professor Alex Gerbasi's working group.

6. Joint Trade Union Claim

UCU representatives commented on the joint trade union claim (JCCN/23/03). The view of UCU is that education is a public good. Pay has been declining in real terms and trade unions regard an increase of 16%, including the recent UCEA settlement, is realistic. The proposal included shorted spines for progression so that staff can progress more quickly, with fewer contribution points. This is especially important for junior colleagues.

The Director of HR advised the meeting that the management of the University would respond once the claim had been costed and clarified how the joint TU proposal sits with the national negotiation on pay.

The Vice-Chancellor commented on the arguments regarding spending on salary rather than buildings, noting that Exeter is one of the lowest in the Russell Group in terms of capital spend. The University receives many emails from staff and students about the quality of our space If we do not keep up with the competition we will not be able to attract students and we will not be able to pay staff. It is not one versus the other: we need to invest in both.

7. Facilities Agreement (UCU item)

UCU representatives advised the Committee that they did not consider trade unions were being supported by the University to recruit new employees and PGR students. The JCCN agreement does not cover PGRs currently.

In response, the Registrar and Secretary advised the Committee that it was not appropriate for trade unions to use University communications platforms during periods of industrial action. At other times, the University would continue to consider occasional requests to publicise in the Weekly Bulletin and Doctoral College newsletter reminders about the role of trade unions and the opportunity to join, as well as trade union social events (subject to editorial control by the Internal Communications Team). Trade unions would be expected to use their own communication channels.

In response to a question from UCU regarding consultation on pay increases in the autumn term of 2022, the Director of HR advised the meeting that trade unions were briefed on the changes in advance of staff being informed, but the need on this occasion to communicate and implement immediately did not allow time to consult with trade unions.

8. Trade Union Engagement Report

The Committee noted the report from the Assistant Director of HR (JCCN/23/04).

9. Date of next meeting:

The Summer Term meeting will be held on 9 May 2023.