

The year's review

The financial year that ended 31 July 2002 saw forecasting the future become even more difficult. The budget for the year was based on the assumption that there would be little change; government funding would continue to decline in real terms, other income sources would increase but at a rate barely able to keep pace with increases in costs. 2001/02 could thus be seen as an interim year pending the outcome in March of the Research Assessment Exercise (RAE), and the announcement in July of the government's spending plans for the next three years. It was also the first year in which the changes in the governance structure were fully operational in respect of financial management. The new academic and service divisions drew up their own budgets which were then aligned to take account of the level of centrally allocated resources available. During the year, the divisions were responsible for the management and monitoring of these budgets, of which some two-thirds is now made up of direct income.

However, events proved to be less straightforward than had been hoped. The results of the RAE for Oxford were generally good, but the financial consequences were serious. The Funding Council did not have enough money to finance the overall improvement in grades across the sector or to protect the value of funding provided for any but the highest rated departments. The consequent squeeze resulted in Oxford losing some £3 million from its forecast income for 2002/03, and the need to develop a longer-term financial strategy that addressed the increasing deficits projected in the future. The announcement by the government in

July of their three-year spending review included a number of plans to improve the funding of higher education, including RAE-related funding levels. Welcome though this news was, much of the indicated additional funding will not be fully available for some years, whilst other parts of the announcement were opaque, making it impossible to be certain how far the review would directly benefit any individual institution. A further difficulty for a university like Oxford, with great strength in the humanities, is that virtually all the additional resources are aimed at improving the science research base. Our internal planning has therefore had to seek ways of redressing this imbalance through investment in the non-science subjects and teaching infrastructure.

As a result of these financial pressures, exacerbated by increases in pension costs due to the collapse of the investment market, increases in national insurance from April 2003, and the increase in insurance premiums following 11 September 2001, financial planning was focused on a particularly uncertain future. The outcome for 2001/02 itself was very close to forecast, and although certain areas, such as investments in spin-out companies, yielded disappointing results, the University has taken measures to protect its overall position by building up reserves from non-recurrent income, and avoiding additional forward commitments.

The current building programme includes projects totalling more than £250 million, with funds drawn from a variety of sources, including SRIF, JIF, research sponsors and external benefactors.

A major campaign is raising funds for enhancement of the Bodleian and other libraries, towards which the University has committed a substantial amount of its own scarce capital resources.

The growth in real terms of non-government income continues to provide some compensation for reductions elsewhere. Oxford's external research income continues to grow steadily, increasing by a further 5 per cent in 2001/02.

A major project running through the year has been the development of a comprehensive financial management and information system, which will, for the first time, embrace all activities within the University and provide a basis for consistent and timely information to management at all levels. This will go live on 1 August 2003.

The first ever operating deficit of £1.6 million experienced last year proved to be a foretaste of the future, when the University began its budget round for 2002/03 and beyond. Due to the deteriorating financial position, the University has forecast increasing deficits. Council has adopted a robust and positive plan to finance these deficits from accumulated reserves, and to make funds available to progress a restructuring and investment programme aimed at improving the net outcome by some £20 million a year by 2006/07, through restructuring, rationalisation and income generation. A government announcement on the future funding of the sector is expected and it is to be hoped that the future can be viewed with more confidence after its publication.

| Income | 2001/2 | | 2000/1 | |
|---------------------------------|----------|-----|----------|-----|
| | £million | % | £million | % |
| 1 HEFCE/TTA Grants | 135 | 32 | 129 | 32 |
| 2 Academic Fees | 47 | 11 | 43 | 10 |
| 3 Research Grants and Contracts | 150 | 35 | 142 | 35 |
| 4 Other Income | 65 | 15 | 58 | 14 |
| 5 Investment Income | 29 | 7 | 36 | 9 |
| Total Income | 426 | 100 | 408 | 100 |

| Expenditure | 2001/2 | | 2000/1 | |
|-------------------------|----------|-----|----------|-----|
| | £million | % | £million | % |
| 1 Staff Costs | 210 | 51 | 193 | 50 |
| 2 Depreciation | 20 | 5 | 16 | 4 |
| 3 Other Operating Costs | 181 | 44 | 178 | 46 |
| Total expenditure | 411 | 100 | 388 | 100 |
| Transfer to Reserves | 15 | – | 20 | – |

College accounts for 2001–2 were not available at the time of going to press. Summary information will be included in the web edition of this publication at the University website on www.ox.ax.uk/aboutoxford/annualreview

Heads of house

Lady Margaret Hall

Dr Frances Lannon took up her appointment as Principal of Lady Margaret Hall on 1 October 2002. Before that she had been Fellow and Tutor in Modern History at LMH since 1977, and was Vice-Principal from 1992 to 1997. She was an undergraduate at LMH and then pursued doctoral studies at St Antony's College, Oxford, before becoming a Lecturer in Modern History at Queen Mary College in the University of London. She held a Fellowship at the Woodrow Wilson Centre in Washington, DC, and has taught in the United States and in Spain. Her research interests lie in the history of 19th- and 20th-century Spain. She has published on the relationship of religion and politics in modern Spain in the period before, during and after the Spanish Civil War. She has also published on the history of women and gender in 20th-century Spain and is currently concentrating on this area. The Basque country has been a focus of her research interests, and she has maintained close links with the University of the Basque Country.

St Catherine's College

Roger Ainsworth took up his appointment as Master of St Catherine's on 4 October. An expert on aerodynamics and turb-omachinery, he has been Professor of Engineering Science at Oxford since 1998. His research concentrates on the measurement techniques used to diagnose aerodynamic flows in jet engines. As an Undergraduate Apprentice to Rolls Royce, he went to Jesus College to take a BA in Engineering Science. He stayed at Jesus to complete a DPhil, conducting research into turbomachinery. He then moved to AERE Harwell to lead a group in the Engineering Sciences Division. In 1985, after nine years in industry, Professor Ainsworth returned to Oxford as a Tutorial Fellow at St Catherine's and a University Lecturer. He has sat on a number of external panels and advisory boards, including the Engineering and Physical Sciences Research Council and the British Association for the Advancement of Science.



Dr Frances Lannon



Dr Diana Walford

Mansfield College

Dr Diana Walford, CBE, MA (MD BSc Liverpool; MSc London) FRCP FRCPath FFPHM, formerly Director of the Public Health Laboratory Service, took up her appointment as Principal of Mansfield College on 1 October 2002. Following an intercalated year reading for a BSc in Physiology, Dr Walford graduated in Medicine from Liverpool University. She worked as a clinical haematologist in the NHS with a research interest in the thalassaemias before joining the Department of Health in 1976 to work on the safety of medicines. After a series of posts she was appointed Deputy Chief Medical Officer for England and Director of Health Care on the NHS Management Executive. She was appointed Director of the Public Health Laboratory Service in 1993. She is a member of the Court of Governors of the London School of Hygiene and Tropical Medicine and is a Governor of the Ditchley Foundation. She was awarded a CBE in the Queen's Birthday Honours List in 2002 for services to public health.

St Hugh's College

Andrew Dilnot, CBE, took up his appointment as Principal of St Hugh's on 1 October 2002. Mr Dilnot has been Director of the Institute for Fiscal Studies (IFS) for the past 11 years. He attended Olchfa Comprehensive School in Swansea, before studying PPE at St John's College (1978). He joined the IFS in 1981 and in the early 1980s wrote the Institute's computer model of the tax and benefit system. During this time he also taught economics to PPE students at Lady Margaret Hall and Exeter College. His main research interests lie in general government taxation and public spending policies, and in the impact of taxation and spending on incomes and behaviours. He is a presenter of two BBC Radio 4 programmes: *Analysis* and *More or Less*. He was awarded the CBE in 2000 for services to economics and economic policy.



Professor Roger Ainsworth



Andrew Dilnot