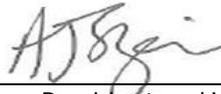


SUBJECT	EXCELLENCE FUND / ACADEMIC FUNDS TERMS OF REFERENCE
MEETING DATE	APRIL 18, 2019

Forwarded on the Recommendation of the President

**APPROVED FOR
SUBMISSION**



for Santa J. Ono, President and Vice-Chancellor

DECISION REQUESTED	IT IS HEREBY REQUESTED that <i>approval be granted for proposed amendments to the Terms of Reference for the Strategic Investment Funds (also known as the 'Excellence Funds' with respect to UBC Vancouver only as set out in Attachment 1, and to rename the Strategic Investment Funds the 'Academic Funds'.</i>
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Report Date	March 20, 2019
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Presented By Andrew Szeri, Provost and Vice-President Academic
 Peter Smalles, Vice-President Finance & Operations
 Deborah Buszard, Deputy Vice-Chancellor and Principal, UBC Okanagan
 David Shorthouse, Executive Director, Academic Initiatives
 Pam Ratner, Vice-Provost & AVP, Enrolment & Academic Facilities
 Jenny Lum, Provost Portfolio Finance Director

<p><i>If this item was previously presented to the Board, please provide a brief description of any major changes since that time.</i></p>	<p>The establishment of the Strategic Investment Funds, and its Terms of Reference, was submitted to and approved by the Board in February 2016.</p>
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EXECUTIVE SUMMARY

In February 2016, the Board of Governors approved the terms of reference for the 'Strategic Investment Funds' – one on each campus – to support strategic initiatives that would ensure 1) the recruitment and retention of exemplary faculty members, students, and staff, 2) the conduct of innovative, cutting-edge research, and 3) an excellent student learning experience for domestic and international students, at the graduate and undergraduate levels, inside and outside the classroom. The terms of reference for these Strategic Investment Funds (currently known as the 'Excellence Funds', to be renamed the 'Academic Funds') specified the funds be reviewed on a three year cycle to ensure the realization of its strategic goals.

The first three-year review has been completed; in addition to its expected outcomes, four key observations were noted. These observations informed the proposed amendments to the terms of reference outlined in this report. The amendments recommend the creation of five categories of funding within the Vancouver campus Academic Funds to align the goals of the funds and address the limitations of the 2016 terms of reference.

Attachments

1. The University of British Columbia Academic Funds Terms of Reference

STRATEGIC CORE AREAS SUPPORTED

People and Places Research Excellence Transformative Learning Local / Global Engagement

DESCRIPTION & RATIONALE

In adherence to the current terms of reference for the Excellence Fund, a review was conducted to ensure that the goals of the initiative are realized. As a result of this review, four observations were noted:

- Hiring commitments usually take more than a year to realize the cost attached to the commitment. Fiscal savings are identified each year through this hiring process that can support the principle of strategic nimbleness; therefore, no specific contingency is required to be set aside, as was specified in the 2016 terms of reference. Staff appointments usually have a six-month window, while faculty appointments can take up to two years to recruit depending on the unique requirements of the field of research.
- Strategic faculty appointments require competitive support and world-class facilities to enable these faculty members to reach their full potential. Academic buildings and IT needs on campus vary greatly by age and functionality of existing facilities. To be able to support and enable these faculty members, we will need to invest strategically in infrastructure, including technology, to support them.
- Attraction of a diverse body of outstanding students requires unique supports to enable their success on campus. Intercultural understanding and support, financial support, mental health and wellbeing support, academic support, and career and experience support are some of the needs that students have to ensure their success at UBC and beyond as they look to establish their careers.
- Not all faculties are alike. Faculties that have opportunities to attract international students and benefit from international tuition are more financially sustainable than other faculties. Lack of opportunity to admit international students prevents these faculties from being able to fully support strategic hires or support them in their research aspirations. Some smaller faculties do not have the resources to diversify and create financial opportunities that larger faculties have. This creates inequities across our academic units. Historically, UBC has provided support to underfunded faculties through the central budget mechanism, but there may be opportunities to redirect some of the Excellence Funds to support these faculties on a bridging basis so that they can be sustainable into the future.

Based on these observations, the new terms of reference for the Academic Funds (previously the Excellence Funds) will stratify the funds into five categories:

1. Strategic Excellence Funds (SEF)
2. Revenue Sharing Fund
3. Academic Capital Fund
4. Student Financial Aid Fund
5. Integrated Renewal Program Fund

The funds will be ring-fenced within the University budget and the allocations proposed from the Funds will be presented to the Board of Governors annually, as part of the budget approval process. Some non-targeted funding will be held to capitalize on opportunities, as they arise, in keeping with the principle of strategic nimbleness. Investment made for these purposes will be reviewed annually. Annual growth year-over-year of the Academic Funds is tied to the rate of tuition increase for new-to-UBC international students.

Previous Report Date February 15, 2016

Decision The Board of Governors approved the creation of the Vancouver and Okanagan Strategic Investment Funds to support the University's 'excellence' goals as outlined in the circulated Terms of Reference, to be amended to include a requirement for review on a three-year cycle.

Action / Follow Up N/A

The University of British Columbia

Academic Funds Terms of Reference

APRIL 2019

Context

In December 2015, the Board of Governors approved increases in international student tuition fees. At that time, the administration proposed that a share of the revenue (two-thirds of the incremental revenue after deductions for financial aid and bad debt) would be allocated to *Strategic Investment Funds* to support the University's 'excellence' goals and the ambition to become Canada's best university over the next decade. In February 2016, the Board of Governors approved the terms of reference for the 'Strategic Investment Funds' – one on each campus – to support strategic initiatives that would ensure:

- (1) the recruitment and retention of exemplary faculty members, students, and staff,
- (2) the conduct of innovative, cutting-edge research, and
- (3) an excellent student learning experience for domestic and international students, at the graduate and undergraduate levels, inside and outside the classroom.

The Terms of Reference discussed here, including the observations and amendments, pertain only to the UBC Vancouver campus at this time. The UBC Okanagan campus would benefit from more time to build their resource base to implement fully their Academic Fund in a manner that is aligned with the approach outlined here.

This document outlines the progress made since the establishment of these Funds and recommends an updated terms of reference and a renaming of the Funds. Outlined here is a refined process for determining allocations for funding, and the accountability for both spending allocations and outcomes as well as a recommendation to rename the Funds the *Academic Funds*.

UBC is a globally recognized centre of research and educational excellence, and our goal is to enhance this excellence through targeted strategic investments on both campuses, which will enable the University to leverage its existing intellectual and fiscal potential to become the preeminent university in the country.

'Excellence'

There is one characteristic, among the factors that could be considered, that inarguably distinguishes world-class universities from all the others: having outstanding students, researchers and teachers, and staff. To achieve our ambitions, we must create an environment that draws the very best undergraduate and graduate students from across the country and internationally. These are the leaders, the discoverers, the creators of tomorrow, and they will come to UBC if we provide an outstanding research and learning environment – one that employs pedagogy that research has shown to be most effective and that supports learners in realizing their full potential. Similarly, we must attract, support and retain outstanding faculty members – those researchers, teachers, scholars, and artists who, by never failing to question, analyze and create, change lives and society for the better.

In the research arena research-intensive universities (and their funding agencies) have seen the expansion of teams of cross-disciplinary and cross-institutional researchers benefiting from multiple perspectives and scaled-up research investments. In Canada, the Canada First Research Excellence Fund (CFREF) is the most recent incarnation of this approach and has led to significant financial support for a few research teams. This approach has required a more strategic method in support of research. In the current environment, scaffolding for success is critical – awards at the regional level can precede national awards and small team grants precede successful applications for larger ones.

Research infrastructure, from grant-writing facilitation to advanced research computing, matters. UBC must continue to build upon its track record of excellence in research upon which to leverage new cutting-edge opportunities in order to discover and compete successfully, for example, in the third CFREF competition (expected to be launched in 2021-22). The world of higher education is changing and we must continue to learn from the science of how students learn and to invest in research supported innovation. To further advance the supports provided to students, and to ensure that they are provided the opportunity for transformative learning through outstanding teaching and enriched educational experiences, we will invest in more experiential learning opportunities. This includes community and international service learning and work-learn opportunities, employ more teaching and learning fellows, and establish more attractive funding packages for outstanding graduate students.

These are but a few of the important and innovative activities that could further support our research, teaching, and learning endeavours, understanding that not all learning takes place within the classroom. The Academic Funds are an important contribution to the realization of our goals. Broad consultation with the University community and ongoing evaluation are critical to ensuring that the funds are allocated appropriately and effectively such that our goals, for the years ahead, are met. Strategic nimbleness is essential in a fast-changing environment. We want to be proactive so that we can respond when opportunities arise.

Review

Continuing the practice introduced with the establishment of the initial Strategic Investment Funds (informally now known as the Excellence Funds), the specified terms for the Academic Funds will be reviewed on a 3-year cycle to ensure that the goals of this initiative are realized.

The first three-year cycle has been completed. We have been successful in attracting and supporting top academic students and research faculty to UBC. We opened the School of Biomedical Engineering and successfully secured all four Canada 150 research chairs that UBC was awarded – the most in Canada. This would not have been possible without the creation of the Excellence Fund. We have helped launch the UBC Strategic Plan through funded pilots and open calls for proposals. To utilize the funds more effectively to achieve UBC's goals, and to inspire people, ideas and actions for a better world, the following observations were noted:

- Hiring commitments usually take more than a year to realize the cost attached to the commitment. Fiscal savings are identified each year through this hiring process that can support the principle of strategic nimbleness; therefore, no specific contingency is required to be set aside, as was specified in the 2016 terms of reference. Staff appointments usually have a six-month window, while faculty appointments can take up to two years to recruit depending on the unique requirements of the field of research.
- Strategic faculty appointments require competitive support and world-class facilities to enable these faculty members to reach their full potential. Academic buildings and IT needs on campus vary greatly by age and functionality of existing facilities. To be able to support and enable these faculty members, we will need to invest strategically in infrastructure, including technology, to support them.
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- Not all faculties are alike. Faculties that have opportunities to attract international students and benefit from international tuition are more financially sustainable than other faculties. Lack of opportunity to admit international students prevents these faculties from being able to fully support strategic hires or support them in their research aspirations. Some smaller faculties do not have the resources to diversify and create financial opportunities that larger faculties have. This creates inequities across our academic units. Historically, UBC has provided support to underfunded faculties through the central budget mechanism, but there may be opportunities to redirect some of the Excellence Fund to support these faculties on a bridging basis so that they can be sustainable into the future.

As a result of these observations, and the limitations of the 2016 terms of reference, the following amendments are proposed. Five categories of funding within the Vancouver campus Academic Fund will be established to align to the goals outlined above:

a) Strategic Excellence Funds (SEF)

The 2016 principles for the Strategic Investment fund will still apply to the Strategic Excellence Fund (SEF) category of the newly-named Vancouver campus Academic Funds. However, not all commitments will have a maximum funding term of seven years. This limit is not feasible for some initiatives that have longer-term impact; the risk of stopping these initiatives bears higher risk than continuing them. Some of these opportunities take longer to reach a steady state and for some, the opportunity to bridge to other sources of funding takes time (i.e., donor opportunities). It should be noted that the more long-term commitments there are, the more constrained is the potential to fund other initiatives. Consequently, it is proposed that the SEF be capped at \$50m per annum with no more than 40% of the funds committed against longer-term initiatives (i.e., funded greater than 7 years). Annual assessments will be made to review the longer-term commitments and some will be moved to other recurring sources of funding, when possible. Ten percent of the fund will be available for the Provost and Vice-President Academic, in consultation with the Vice-President Research and Innovation, to invest opportunistically. A *post hoc* review of such expedited uses of the fund will be provided along with other reporting, detailed below. The cap of \$50m will be reviewed after three years.

b) Revenue Sharing Fund

The Revenue Sharing fund will provide support to the faculties and academic units that have limited access to international tuition or have other restrictions that affect their budget sustainability. Allocations that will be applied to this Fund include unfunded salary increases, new initiatives that are campus wide, and other cost pressures affecting smaller faculties/academic units. As is the case with the SEF, funding here is not meant to be ongoing but to assist in bridging or start-up situations. Longer-term commitments (greater than seven years) can be made; however, this will constrain the ability to fund new initiatives.

Similar to the SEF, no more than 40% of the funding will be committed against longer-term commitments (greater than seven years). This fund, year over year, will be the residual of the total Academic Funds, once the SEF, Academic Capital Fund, Student Financial Aid Fund, and IRP Fund, described below, have been allocated. Ten percent of the fund will be available for the Provost and Vice-President Academic to invest opportunistically. A *post hoc* review of such expedited uses of the fund will be provided along with other reporting, detailed below. The initial allocation to this fund will be \$13m.

c) Academic Capital Fund

To support UBC's Strategic Plan, UBC needs to provide state-of-the-art teaching and learning space, research space, and up-to-date equipment. Several academic buildings are in need of seismic retrofitting to bring them to current building code. Some academic programs are severely constrained because their current facilities are not sufficiently large or appropriate. The Academic Capital Fund will be used to assist academic units with their capital projects by taking on a larger share of central debt, which normally is in the range of hundreds of millions. The funds can be used as matching funding to incentivize donors, or with faculty and government resources. This will enable capital projects to move forward to address campus needs and to address the unprecedented inflation of capital costs associated with delays in construction. Escalating capital costs have limited UBC's faculties'/academic units' ability to expand or renew because they are unable to absorb the additional costs. Upgrades and new development of academic infrastructure will have a positive benefit for years to come.

d) Student Financial Aid Fund

Due to changes to the Canada Student Loans and Grants Program (CSLP) and StudentAid BC, which include the following:

- The introduction of a Fixed Student Contribution Policy, which limits the resources expected to be contributed by both independent students and their spouses for the cost of education.
- The exclusion of pre-study assets and study-period income from various sources from the government's assessment of students' available resources.
- Increases to the estimated 'moderate standard of living' and childcare costs with no associated increases in grant or loan limits

UBC students have assessed unmet financial need that is placing greater demand on UBC's bursary system. In complying with UBC's **Policy #72, Access to the University of British Columbia**, wherein it is stated that no eligible domestic student will be prevented from commencing or continuing their studies for financial reasons alone, the administration has identified the need for more funding to alleviate an operating shortfall of student financial aid for domestic students. Currently, the gap in funding is estimated to be \$6.3m, which will be funded through an allocation from the Academic Fund. A review has been conducted of the tuition bursary model to ensure that the program is sustainable with the existing funding envelope identified.

e) Integrated Renewal Project Fund

In alignment with Shaping UBC's Next Century (Strategy 5 – Systems Renewal), the IT systems supporting the UBC community need to be upgraded. Administrative systems at UBC are at least 20 years old and have not been updated to reflect the advances of technology in the past decades. This has resulted in reliance on paper-based processes that are inefficient and not sustainable. Demands from students, faculty and staff require our systems to better support them.

A fixed envelope of \$10m has been identified as an ongoing funding requirement to supplement operational funding to advance and maintain our technology platform to match current requirements. The amount identified will be reviewed in intervals of three years to assess its effectiveness in enabling UBC to keep up-to-date with technological changes.

Governance of the Academic Funds

Budgeting

The funds will be ring-fenced within the University budget and the allocations proposed from the Funds will be presented to the Board of Governors annually, as part of the budget approval process. Some non-targeted funding will be held to capitalize on opportunities, as they arise, in keeping with the principle of strategic nimbleness. Investment made for these purposes will be reviewed annually. Annual growth year-over-year of the Academic Funds is tied to the rate of tuition increase for new-to-UBC international students.

Proposal development and prioritization

In developing the President's annual recommendations to the Board of Governors, the Provost's proposals will be shared and input considered from:

- Annual meetings of the Provosts, VP Students, and AVP Students, with the elected student leadership to discuss priorities for their portfolios and constituents,
- The VP Research and Innovation, who will consult with Associate Deans Research
- The Committee of Deans/Deans' Council,
- The Senate Budget Committees,
- Academic Heads and Directors,
- Senior administrative leadership, and
- UBC Executive Committee

Principles

The key principles underlying the allocation of the funds are:

Excellence – funds must support UBC's Strategic Plan 2018-2028, *Shaping UBC's Next Century*.

Sustainability – in most cases funds may not be invested in permanently recurring expenditures; many approved allocations (for faculty hiring support) will be for a 5-7 year term, while others will be shorter term (e.g., PhD support) or one time. Consideration for longer-term expenditure may be appropriate if the initiative is a centrally-managed program that is campus-wide and does not exceed 40% of the specific envelope.

Strategic nimbleness – the allocation process will recognize the need to capitalize on new opportunities and changing circumstances.

Effectiveness – funds may be used to leverage additional funding; for example, donations or grants that require matching funds.

Openness – all members of the academic community will be invited to give, and be given forums for providing, advice to the Provosts on strategic uses of the funds and prioritization of initiatives.

Accountability – metrics will be developed to measure the impact and outcomes of all allocations.

Transparency – the Provosts will report annually to the University community and especially to the Board of Governors and Senate Budget Committees on the impact and outcomes of the Funds.

Approvals

Following consultation, and working with the Vice-President, Finance and Operations, the Provosts will develop budget plans for the Funds, aligned with the goals above. Metrics will be identified to monitor progress toward the University's goals. The budget recommendations will be presented to the Senate Budget Committees, the Executive, the President, and then to the Board of Governors for final approval. Each year, the Provosts will present annual reports to the Executive and the Board of Governors on the Academic Funds, including the actual expenditures, impact, and variances to budget allocations.