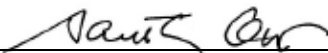


SUBJECT	ACADEMIC FUNDS - UBC VANCOUVER TERMS OF REFERENCE
MEETING DATE	JUNE 5, 2019

Forwarded on the Recommendation of the President

**APPROVED FOR
SUBMISSION**



 Santa J. Ono, President and Vice-Chancellor

DECISION REQUESTED	<p>IT IS HEREBY REQUESTED that <i>the Committees jointly recommend that the Board of Governors approve:</i></p> <ul style="list-style-type: none"> <i>i. revised Terms of Reference for the Academic Funds (formerly known as the Strategic Investment Fund or 'Excellence Fund') for UBC Vancouver, as set out in Attachment 1 to the report; and,</i> <i>ii. the name 'Academic Funds'.</i>
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Report Date	May 15, 2019
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Presented By Andrew Szeri, Provost and Vice-President Academic, UBC Vancouver
 Peter Smalles, Vice-President Finance & Operations

<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>A proposal to establish the Strategic Investment Funds, and the Terms of Reference of the Funds, was submitted to and approved by the Board in February 2016. The established funds became informally known as the 'Excellence Fund' and were established on both campuses. At the Board of Governors April 2019 meeting, Governors provided direction for revision of the Terms of Reference for the Funds.</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 for each campus – to sustain strategic initiatives that would support the University's 'excellence' goals and the ambition to be Canada's best university over the next decade. The Funds will be invested in 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 (informally known as the 'Excellence Fund') specified that the funds be reviewed on a three-year cycle to ensure the realization of their strategic goals.

The initial three-year review has been completed; four key observations were noted in the review. These observations have informed the proposed revisions to the terms of reference outlined in this report. The recommended revisions include the renaming of the UBC Vancouver Fund to the 'Academic Funds' and the creation of five categories of funding within the Academic Funds to align the goals of the funds with the University's Strategic Plan 2018-2028, *Shaping UBC's Next Century* and to address the limitations of the 2016 terms of reference. It is proposed that the 2016 terms of reference and the name of the fund (i.e., the Strategic Investment Fund ('Excellence Fund')) remain unchanged for UBC Okanagan.

Attachments

1. Academic Funds - UBC Vancouver | 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 Strategic Investment Funds, a review was undertaken to ensure that the goals of the initiative are being realized. Four observations were noted in the review of the UBC Vancouver Strategic Investment Fund:

- 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 (i.e., funding is committed but not spent in the first year or two, once an allocation is approved). New staff appointments usually have a six-month window, while faculty appointments can take up to two years to accomplish, depending on the unique requirements of the field of research. In the 2016 terms of reference, a contingency was specified as a set aside, to support the stated principle of strategic nimbleness. The review concluded that this set aside is not required. The hiring commitment allocations that are unspent in the first year or so can be used to support this practice.
- Strategic faculty appointments require competitive support and world-class facilities to enable these highly talented faculty members to reach their full potential. Academic buildings and IT needs on the Vancouver campus vary greatly by age and functionality and may not be able to support the requirements of these faculty members. To be able to befittingly support and enable these faculty members, UBC Vancouver will need to invest in infrastructure, including sophisticated technology.
- 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. UBC must invest in these services and supports to ensure students' success at UBC and beyond as they begin 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 the academic units. Historically, UBC Vancouver has provided support to underfunded faculties through the central budget mechanism; it is proposed that some of the Academic Funds be allocated to support these faculties on a bridging basis so that they can be sustainable into the future.

Based on these observations, the revised terms of reference for the proposed Academic Funds for UBC Vancouver would stratify the Funds into five specific funds:

1. Strategic Excellence Funds
2. Revenue Sharing Fund
3. Academic Capital Fund
4. Student Financial Aid Fund
5. Integrated Renewal Project Fund

The five specific Funds would be ring-fenced within the University budget and the allocations proposed from these Funds would be presented to the Board of Governors annually, as part of the budget approval process. Some non-targeted funding would be held to capitalize on opportunities, as they arise, in keeping with the principle of strategic nimbleness. Investments made for these purposes would be reviewed annually.

Previous Report Date April 18, 2019

Decision At the April 18, 2019 meeting of the Board of Governors, the Administration was asked to provide additional context around defining ‘excellence’ and how the investment of these funds would support the margin of excellence that the University is pursuing.

Action / Follow Up Revised Terms of Reference for the Academic Funds, UBC Vancouver

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

UBC Vancouver
Academic Funds
Terms of Reference
JUNE 2019

Context

UBC is a globally recognized centre of educational and research excellence. Through targeted strategic investments on both campuses, UBC will be better able to leverage its intellectual and fiscal potential as it embarks on its next century and inspires people, ideas and actions for a better world.

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 for 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.

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 the ambitions set out in the 2018-2028 Strategic Plan, *Shaping UBC's Next Century*, 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 choose to study at UBC if they are provided with an outstanding learning environment – one that employs pedagogy that research has shown to be most effective and that supports learners to realize 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.

There is one characteristic, among the many factors that could be considered, that inarguably distinguishes world-class universities from all the others: having outstanding students, researchers and teachers, and staff.

Goals

The three goals are inextricably linked. Great faculty and students will enable cutting-edge research while top students will only come for an excellent student learning experience. And, the quality of a university's faculty and the strength of its academic programs are influenced by the research environment. The quality of students' learning experiences is dependent upon their interactions with scientists and scholars who are focused on discovery and knowledge dissemination. Students are best positioned to achieve their full potential when provided appropriate advice, support, and facilities, and a range of learning opportunities inside and outside the classroom. Outstanding faculty acquire substantial research funding, which attracts other excellent faculty members, and then they attract the best students – students who yearn to be exposed to the best minds. With outstanding faculty, UBC has the ability (and privilege) to yield a diverse class of exceptional graduate and undergraduate students – intellectually curious, academically gifted, and socially engaged.

In the research arena, research-intensive universities (and their funding agencies) have seen the expansion of teams of interdisciplinary and cross-institutional researchers benefiting from multiple perspectives and scaled-up research investments. In Canada, the Canada First Research Excellence Fund (CFREF) and the New Frontiers in Research Fund reflect this trend. 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 to discover and to compete successfully for emerging opportunities such as the new streams anticipated for the New Frontiers in Research Fund.

Success depends on depth and breadth – we must ensure that all our scholars have the support that they need to succeed, and we must support excellence. To do so, the University is investing in research collaborative clusters in various stages of development, from those that are emerging to those that become world-leading. In addition, UBC must have the flexibility to recruit distinguished faculty members and to recognize and retain our current complement of excellent faculty members. We must celebrate our success and lay the groundwork for more to come. Consistent with UBC's Strategic Plan strategies, we are strengthening UBC's shared infrastructure and resources to support research excellence and we are broadening access to, and enhancing, student research experiences. We are improving the ecosystem that supports the translation of research into action and we are strengthening a strong and diverse research culture that embraces the highest standards of integrity, collegiality, and service.

Outstanding students seek out universities such as UBC because they have exceptional learning environments, excellent teachers, and opportunities to engage in research, service learning, and other forms of experiential learning. Over the past decade, UBC has – perhaps more than any other large public research university – focused on developing an outstanding learning environment for undergraduate students. We are facilitating sustained program renewal and improvements in teaching effectiveness and expanding experiential, work-integrated and extended learning opportunities. Working closely with student government, we are strengthening undergraduate and graduate student communities.

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 are investing in experiential learning opportunities, including work-learn opportunities, employing more teaching and learning fellows, and establishing attractive funding packages for outstanding graduate students.

While ‘Canada’s best university’ is difficult to define, there are several distinguishing features. The University would boast that it:

- Is ranked highest among Canada’s universities (e.g., by the Times Higher Education World University Rankings or the Shanghai Jiao Tong University Academic Ranking of World Universities)
- Is a financially accessible university that attracts and retains the best students in Canada and from around the world – graduate and undergraduate – and provides an outstanding student learning experience
- Offers an exceptional learning environment characterized by evidence-based and technology- enhanced program delivery
- Offers a wide range of experiential learning opportunities to all students, inside and outside the classroom, including an international experience
- Attracts the best scholars in the world because it provides access to world-class research resources and infrastructure, including laboratories, advanced research computing, and libraries
- Claims the greatest share of award-winning researchers and teachers (e.g., Fellows of the Royal Society of Canada, the Canadian Academy of Health Sciences, The Canadian Academy of Engineering, and 3M National Teaching Fellowships)
- Attracts the greatest amount of research funding per researcher
- Enables hundreds of companies to utilize technology developed at the University
- Is the “go-to” locus of informed and expert opinion and analysis on issues of national importance. Its faculty members are sought by the leading social, political and economic think tanks
- Has alumni who are notable leaders, nationally and internationally, in government, industry, and not-for-profit organizations,
- Has a pre-eminent academic press with worldwide reach, and
- Is a desirable international partner that has strong ties with the leading universities and research institutions of the world.

Strategic investment is an important contribution to the realization of our goals. Broad consultation with the University community and ongoing evaluation are critical to ensuring that funds are allocated appropriately and effectively such that our goals, for the years ahead, are met.

Evaluation of the first three years (UBC Vancouver)

The first three-year cycle of the initial Strategic Investment Funds 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 Strategic Investment Fund.

We have launched the UBC Strategic Plan through funded pilots and open calls for proposals. In reviewing the process of allocation and effectiveness of the funds, the following observations were noted:

- Hiring commitments usually take more than a year to realize the cost attached to the commitment. Fiscal savings achieved each year through a prolonged hiring process 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. Existing academic buildings and IT capacity on campus vary greatly by age and functionality. To support and enable these faculty members, we need to invest strategically in infrastructure, including technology.
- Attracting 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 are opportunities to direct funds from the Academic Funds to these faculties, often on a bridging basis, so that they achieve fiscal sustainability and advance their strategic goals.

Terms of Reference

The Terms of Reference described within pertain to UBC Vancouver. UBC Okanagan would benefit from more time to establish their resource base before fully implementing a strategic investment fund. Consequently, UBC Okanagan will retain the original name of the Fund, approved by the Board of Governors in 2016, and the original terms of reference.

Continuing the practice introduced with the establishment of the initial Strategic Investment Funds, the specified terms for the Academic Funds will be reviewed on a 3-year cycle to ensure that the university's goals are realized.

Five categories of funding within the UBC Vancouver Academic Funds will be established to support the goals outlined above:

1. Strategic Excellence Fund

The Strategic Excellence Fund (SEF) category of the newly-named Vancouver campus Academic Funds, is very similar to the original Strategic Investment Fund. Going forward, 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, the Strategic Excellence Fund will be capped at \$50m per annum with no more than 40% of the funds committed against longer-term initiatives (i.e., funded greater than seven 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, UBC Vancouver, in consultation with the Vice-President Research and Innovation and the Vice-President Students 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.

The key principles underlying the Strategic Excellence Fund are:

- Excellence – funds must support UBC’s goal of being Canada’s pre-eminent university.
- Sustainability – funds may not be invested in permanently recurring expenditures;
- 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 given forums for providing, advice to the Provost and Vice-President Academic, UBC Vancouver on strategic uses of the funds and prioritization of initiatives.
- Accountability – metrics will be applied to determine the impact and outcomes of all allocations.
- Transparency – the Provost and Vice-President Academic, UBC Vancouver will report annually to the community and especially to the Board of Governors and Vancouver Senate Budget Subcommittee on the impact and outcomes of the allocations

2. 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 Strategic Excellence Fund, funding here is not intended to be ongoing, but will assist in bridging or start-up opportunities. Longer-term commitments (greater than seven years) can be made; however, this will constrain the ability to fund new initiatives. Similar to the Strategic Excellence Fund, 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 Strategic Excellence Fund, 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, UBC Vancouver 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.

3. 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 Vancouver’s faculties’ and 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. A \$5m funding allocation will become available in FY 2020-2021, with annual growth of \$5m per year until the fund reaches \$25m in FY 2024-2025.

4. Student Financial Aid Fund

Because of changes to the Canada Student Loans and Grants Program (CSLP) and StudentAidBC, 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, and
- 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 Student Financial Aid Fund. A review of the tuition bursary model determined that the program is sustainable with the funding envelope identified.

5. 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 in technology. 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 change.

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.

Budget prioritization and development

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

- Annual meetings of the Provost and Vice-President Academic, UBC Vancouver and the Vice-President 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,

- The Vancouver Senate Budget Subcommittees
- Academic Heads and Directors,
- Senior administrative leadership, and
- The UBC Executive Committee.

Approvals

Following consultation, and working with the Vice-President Finance & Operations and the Provost and Vice-President Academic, UBC Vancouver will develop budget plans for the Funds, aligned with the goals above. Metrics will be tracked to monitor progress toward the University's goals. The budget recommendations will be presented to the Vancouver Senate Budget Subcommittee, the Executive, the President, and then to the Board of Governors for final approval. Each year, the Provost 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.