

Dear Colleagues,

I am writing to update you on our strategic and financial planning for the next financial and academic year, as we continue to navigate the University through the immediate challenges caused by the COVID-19 pandemic, and prepare for the potential longer-term impact.

While there remain many uncertainties, my aim is to be open and transparent in letting you know the context of decisions that have been made already and which may be required in coming weeks. This remains an ever-changing landscape, in which we are dealing with some of the most complex issues and greatest uncertainties that the University has ever faced. This also means there is no precedent from which to get firm evidence as to what will actually happen ahead. I will, however, aim to keep our university community informed as our understanding of the financial implications and their impact becomes clearer.

As we entered lockdown three months ago, I set out the [principles](#) which would guide us through our immediate decision-making ahead. Guided by those principles, our strategic and financial planning comprises three core elements: a **Bridging Strategy** to set our course for the next 12 to 18 months; **scenario planning** to map out the major risks we may face and model their likely impacts; and the development of a range of potential **mitigation actions** we may need to introduce as a response to the risks, and opportunities, we will face ahead.

Bridging strategy:

Next week our governing Council is discussing a short-term Bridging Strategy which re-affirms our commitment to the University mission and our long-term ambitions - and sets out the guiding principles that will inform our risk assessment, decision-making and action planning over the next 12 to 18 months. Once approved by Council, we will immediately share it with our community.

There are many organisations, large and small, which now face a fight for their very survival due to the impact of the pandemic. Ours is not a survival strategy, it is a *recovery* strategy, and that is a crucial distinction. That should be the source of some confidence for our community, but certainly not complacency.

Scenario planning:

Although we are actively planning to have our campuses open for new and returning students in September, our single biggest uncertainty surrounds the number of UK and international students we will be able to recruit for 2020/21, and therefore the amount of tuition fee and residences income we will receive. There is also considerable uncertainty around the level of research income we will receive with the UK in recession, and in the context of Brexit. You will have seen a number of media headlines about this in recent weeks including a report by London Economics commissioned by the Universities and College Union (UCU) warning of a potential £2.5 billion black hole in universities' funding ahead.

As a result, in discussion with our Faculties we have drawn up a number of possible scenarios for student recruitment and other income streams, and modelled their likely impact on the University's finances over the next three years. In discussion

with our governing Council, our planning for 2020/21 will move towards a principal scenario which would see a 15% reduction in new UK undergraduates (more significant at international level) and a significant 40% reduction in international starters at PGT level – where the bulk of our international tuition fees come from.

However, I must emphasise that this is simply a scenario. It has a large degree of uncertainty associated with it, which makes planning difficult. The level of uncertainty and pace of change was exemplified only last Saturday by an announcement from the Government about support for university research which, whilst welcome, will take some time fully to understand and assess.

We will start to get clarity around student numbers at three key checkpoints: after Confirmation and Clearing in August, when students actually enrol in September, and when some PGT students enrol for the new January-start courses in the New Year. The principal planning scenario will of course be tested and revised against each of these checkpoints.

We need to strike a very careful balance between taking major action now, which could prove premature and unnecessarily damaging, and waiting for the three checkpoints to provide clarity, which would be too late to take action to protect our finances. This is at the heart of the dilemma all institutions face, and it will be a matter of choice and judgement rather than informed certainty where to strike that balance.

Financial impact and mitigating actions:

Our financial challenges started immediately lock-down began in March, when our first estimate was that we were facing a potentially very significant reduction in revenue from various sources during the current financial year, ending 31st July. However, we did not immediately base all our planning on the worst estimate as we knew we needed more evidence and certainty as to the actual number before we made long-term decisions. It was immediately clear we would need to be extremely careful, and that is still very much the case.

At the time I was clear that because of our strong financial management over previous years, for us this would be primarily a leadership challenge, rather than a financial challenge. Other institutions were forced to take more immediate action, as you will have seen in the media.

In the end, it now looks as though this year we will lose £30M in budgeted income, but through your determined approach to cut all non-essential expenditure, and to exercise strict control over recruitment, I am pleased to tell you that we are succeeding well in limiting the impact and we are protecting our cash, which will help support us next year.

For the financial year starting 1st August 2020 the financial challenges are quite likely to be more severe. Based on a moderate to severe scenario outcome, we could see a drop in budgeted revenue from tuition fees, residences income and other income in 2020/21 of more than £70M. This would leave us with the potential need to achieve savings of £70M or more during the 2020/21 financial year. We would also need to

consider whether we would expect an immediate recovery in 2021/22, or whether recovery is likely to take longer.

This loss of income would need to be mitigated in three ways: through significant reductions in our **planned operating expenditure** by maintaining the same level of rigorous control and scrutiny as we have done since March, including scaling back our planned capital expenditure; through reducing our **staff costs** – our single largest investment; and through careful use of our **cash reserves**. Our intention will be to use a balance of all three in order to maintain our prospects for recovery, which is likely to take more than a single year

Implications for staff:

Over the coming weeks more details will be provided about the range of mitigating actions we will need to consider to achieve those savings, but I do want to address now the issue of staff costs, which I know will be an area of some anxiety and speculation.

As a people-focused institution, our £25M a month salary bill is by far our single biggest investment, and we simply have no option but to include this as a major focus of any cost-reduction plan. However, I am equally clear that we must do all we can to protect and support our people during this pandemic and to ensure we achieve our goal of emerging with our high-quality research intact, and that we are able to continue to provide the quality and breadth of education that our students expect, all of which largely depends on our staff.

Our approach is two-fold. Firstly, we need to take immediate action to ensure we do not *increase* our monthly salary bill ahead. That is why we have had to make swift early decisions, without the wider consultation we would normally wish, that the 2020/21 promotion and re-banding processes will not take place, and that sabbaticals will be suspended for 2020/21.

These decisions were not taken lightly. I am aware of the inevitable disappointment caused by temporarily suspending the promotion process, especially as some staff who are working tirelessly on our COVID response will be directly affected. It would be unwise to undertake processes that add to the salary bill in future years, as one of the many uncertainties we face is the scale and length of the impact from this pandemic.

Similarly, for sabbaticals: if we are going to need to make savings on the staff budget, it seemed inappropriate for the University to continue with the discretionary investment associated with sabbatical leave. We need an intense collective approach to prepare for 2020/21 and it is only equitable to spread that load fairly across our whole staff body. Moreover, it is quite possible we may see periods of significant staff absences due to self-isolation if there is a second wave of the pandemic, and it seems only prudent to ensure we have the maximum number of staff available should that happen. This week we will also be announcing that we are centralising and capping staff achievement awards, whilst ensuring we can continue to reward some of the great work that is going on.

All of these measures can and will be quickly reversed if things turn out better than currently modelled, and I sincerely hope that will happen.

Secondly, we need to look at ways of *reducing* our monthly salary bill in 2020/21 through voluntary measures. In addition to continuing rigorous control of all our recruitment over the coming months, next week we will start discussing with our campus trades unions as part of our partnership agreement a number of options which we believe could help reduce the monthly salary bill and also provide choices and flexibility to staff, particularly at a time when we are all adapting to new ways of working.

No decisions have been made, but possible options for exploration could include: a University-wide enhanced Voluntary Severance (VS) Scheme; and on a temporary basis the opportunity to take unpaid career breaks, the opportunity to reduce working hours to create a different work-life balance, and the opportunity to buy extra holidays.

I am hopeful that all these measures, taken together, will be sufficient to meet our financial challenges ahead, and indeed that we may not need to use them all. However, it is only prudent, given the evidence we have, to be prepared for difficult circumstances, and for recovery to take more than one year. Faculties and Professional Services Directorates have been asked to look at the scale and impact of the savings they may be able to achieve using these measures along with extensive recruitment controls. We may have to go further, especially if the pandemic worsens over a prolonged period. However, we would not want to do so unless in direct response to COVID-19 or if overwhelming business needs made it absolutely necessary, and we will ensure that we are transparent on the basis for the need for any future such decision.

Next steps: We have been keeping our Council, especially the Finance Committee, in close touch with our scenario modelling. Council formally meets next week to discuss the proposed Bridging Strategy and scenario planning, and at the end of next week we are due to meet with our campus trades unions to start discussing some of our options ahead.

I recognise this is a lengthy email, but I know there is a considerable appetite for information and detail. I want to be open with you about what we are doing, and why. The levels of uncertainty are immense, and I know that is frustrating for all of us. However I am confident that our approach is sensible, and that we will ensure we regularly test our assumptions against what turns out to be reality and adapt our planning accordingly, and that we will neither take action before we need to, nor leave it too late to take action. The situation is more testing for universities than for many other organisations as our collegial ethos and governance processes can make decision-making cumbersome at times, which is not helpful in fast-moving and uncertain situation. That is why UEB is having to reach conclusions very swiftly and without the level of consultation colleagues are used to.

At the start of lockdown I expressed my confidence in our collective ability to ensure we emerge strongly from this crisis. Everything I have seen about our individual and collective response since then has served to strengthen my confidence, given how

we have responded and what we have already achieved in this extraordinary period. I know the pace of work for many of you is still increasing as we prepare for a very different return to campus for our staff and students, alongside a completely new digital education offer. I am deeply grateful to you for all you are doing. I of course very much hope you do get some quality down-time to recharge over the summer.

Best wishes,
Mark

Professor Mark E. Smith
Vice-Chancellor