

Subject: Action to reduce staffing and other costs
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To: Multiple recipients of list STAFF <staff@sheffield.ac.uk>

Dear colleagues,

Today I want to share with you the latest information on the University's financial position, and let you know about some important staffing policies that have been agreed by the University's Council, including a Voluntary Severance scheme.

The financial position of the University

We are currently part-way through the annual budget-setting process. However, it is already evident that, like many other UK universities, we will have a very significant gap between our predicted income and our predicted costs, not only next year (2009/10) but in subsequent years. To remain viable in the future, we will need to bridge a gap totalling around £25M per annum by the year 2011/12, when further UK public spending cuts are probable.

This figure is an estimate and may change when we finalise our current five year financial forecasts in July. However, it is already clear that we do face an unprecedented set of circumstances and we will have exceptionally challenging times ahead. I believe that it is best that I share the details with you now so we can all understand the complex situation and work together to preserve what we value about our University.

Background to the current financial challenge

Faced with this difficult financial situation, it is natural to ask: how has this happened?

So let me state clearly that I do not believe that we are in this situation because of decisions or activities particular to this university. The University of Sheffield is a very successful university. People work hard and are rightly proud of what they achieve. We had very good results in the recent Research Assessment Exercise (RAE), have very strong recruitment of students, and good feedback from our students on their time here. Our national and international standing is high. Colleagues have also been very good at obtaining value for money and controlling our costs.

But there are several national and global factors that have serious consequences for this university along with the rest of higher education in this country:

- average research funding per active researcher received from the funding council is down significantly across the 'Russell Group' research intensive universities following the RAE
- there is a newly imposed government cap on UK and EU student numbers because of the costs to the public purse if the sector over-recruits – in fact, we are likely to lose significant money in penalties for every student we recruit over our cap
- pay and pensions costs across the sector have risen rapidly and are set to rise further – meaning that it will take more of our budget to employ the same number of staff
- the global economic downturn means less research funding from research councils, industry and charities; though there will still be some areas of growth
- the public sector savings announced by the government will affect universities in 2009/10 and beyond - this may mean a reduction of around £1M in our funding council grant, with further and larger cuts in funding in subsequent years.

What is being done?

In my last update I gave you my commitment to doing all we can to continue to provide an excellent student experience, preserve our research environment, and to protect jobs. I repeat that commitment. However, I believe it is responsible for us all to plan prudently and consider every possible option to bridge the predicted gap of £25M each year. These options are being discussed with the trades unions and with members of the University's Council, which is the governing body ultimately responsible for the financial position of the University. The University is fully committed to consultation with the trades unions when reviewing the situation and considering the different options.

The University Executive Board (UEB) is looking at all possible ways to increase income and reduce costs. However, I do not believe we have a lot of excess capacity – so cost-saving measures will inevitably cut into our core activities and will be tough. It is imperative that we do generate income in areas where we can. To do so will minimise the savings required and help protect jobs. To thrive in the future I believe it is vital that we make the necessary savings now in order to retain the ability to invest selectively in future academic developments.

Increasing our income

The UEB is looking systematically at all income streams to see if more income can realistically be achieved. This includes:

- overseas fee income – looking specifically at more ambitious, but achievable, student numbers for the next few years
- growth in international activity – renewed efforts to increase international research collaborations that further our academic goals and are income generating
- scoping a bid to the funding council for additional undergraduate student numbers (and funding) in science and engineering
- increased targets for fundraising.

Reducing our costs

The UEB is also looking systematically at reducing costs. This includes:

- looking at 'shared costs' (for example, estates costs, external advisers fees, scholarships)
- reviewing the scope for savings in operating costs in professional services (bearing in mind the crucial role these play in supporting income generation and academic activity) and in faculties
- reducing complexity and increasing flexibility: for example, reviewing course structures and assessment methods, and seeing whether we can simplify our processes and regulations
- considering carbon reduction measures and more intensive use of our buildings both to meet green targets and also save costs
- seeking ways of reducing staffing costs.

Reducing staffing costs

While all possibilities are being explored, the scale of the gap between predicted income and predicted costs means that it is inevitable that a significant sum, currently estimated at £15M over the next two financial years, will be sought from savings in staffing costs across the University.

The Lay Officers of the University's Council have agreed that the following measures should be taken with immediate effect:

- a Voluntary Severance Scheme, which will open on Monday 15 June and close on Friday 24 July 2009;
- cessation of paid overtime;
- very restricted recruitment of new staff.

Details of these measures, and Frequently Asked Questions about them, will be made available on the HR web pages. You will receive a message about this from Rosie Valerio, Director of Human Resource Management, on Friday 12 June. Please note that the Voluntary Severance scheme is not a voluntary or compulsory redundancy scheme, and its sole purpose is to reduce expenditure on staffing costs.

Next steps in budget-setting

Over the next few weeks the UEB will continue to work on budgets for recommendation to the Council in July. All parts of the University are directly represented around the UEB table, and UEB members are taking a 'whole University' approach to the budget-setting process. We are benefitting from greater transparency on budgets and costs, including more scrutiny than ever before of professional services budgets and 'shared costs'. The Senate Budget Committee is receiving the same information as UEB about the draft financial forecasts and will provide its comments and views to both UEB and the Senate in June before budgets for next year are finalised.

There is more information about the budget-setting process, and some Frequently Asked Questions about the University's finances, available on the Finance Department webpages:

<http://www.shef.ac.uk/finance/staff-information/howfinanceworks/index.html>

What next?

After my last Update message to you all, I was pleased to receive ideas and proposals from staff about increasing income and reducing costs. These have all been considered by the University Executive Board. I would very much like to hear more of colleagues' ideas and concerns, so please do write to me at VC@sheffield.ac.uk with any suggestions you may have.

I am also holding a series of open meetings where staff from any area of the University can talk to me informally about any issue. Details of these are on my webpages:

<http://www.shef.ac.uk/vc/>

Finally, while we face a very tough time ahead, I am confident that by working together we can remain successful and sustainable. As a leading University with a well-deserved international standing and reputation for quality we can be confident that, with the right approach now, these values can be sustained and built upon even in the face of significant economic challenge.

Thank you for your ongoing work and support.

Professor Keith Burnett
Vice-Chancellor