

Council

20/43 An exceptional meeting of the Council was held online on Monday 15 June 2020 at 11.00 am.

The President
The Vice-Presidents (Mr R.E.R. Evans and Mrs K. Owen)
The Vice-Chancellor
The Deputy Vice-Chancellor
The Pro-Vice-Chancellor (Professor M. Fellowes)
The Pro-Vice-Chancellor (Professor E.M. McCrum)
The Pro-Vice-Chancellor (Professor D. Zaum)

Mr T. Beardmore-Gray	Mr J. Magee
Professor J. Board	Ms S. Maple
Miss M. Cleaver	Mr P. Milhofer
Mr K. Corrigan	Mr S.C.C. Pryce
Mrs P. Egan	Mr N. Richards
Professor C.L. Furneaux	Dr C. Shaw
Mrs H. Gordon	Mr J. Taylor
Professor Uma Kambhampati	Ms S.M. Woodman
Miss G. King	

In attendance:

The Chief Strategy Officer and University Secretary
The Chief Financial Officer
Professor J. Gibbins
The Director of Quality Support and Development

The President welcomed Professor Gibbins, who was attending prior to becoming a member of Council in the Session 2020/21.

20/44 Report from the University Executive Board on the post-Covid-19 response and a proposed restructuring process (Item 2)

The Council received:

Report from the University Executive Board (UEB) on the post-Covid-19 response and a proposed restructuring process (Item 2.1)
Phase 1: Short-term financial position (Item 2.2)
Phase 2: Task Force and Workstreams (item 2.3)
Minutes of the Strategy and Finance Committee on the UEB Report (Item 2.4)
Oral report from the Senate on the UEB Report (Item 2.5)

Report from the University and College Union (UCU) for Council on the UEB Report (Item 2.6)

Report from the Staff Forum for Council on the UEB Report (Item 2.7)

The Vice-Chancellor introduced the discussion by setting out the context of the impact of the Covid-19 pandemic on the University finances. Modelling pointed to a 50% reduction in international students and a 10% reduction in Home/EU students, leaving a potential income shortfall of approximately £106m over the next three financial years starting in 2020/21. The Vice-Chancellor noted that a number of recent studies and surveys had produced a range of different forecasts at national level, but that these were in the main in line with the original model.

The Vice-Chancellor explained that the University had developed proposals for a restructuring process, comprising three phases, to address the consequences of the Covid-19 pandemic and to ensure the long-term financial sustainability of the University. The Chief Financial Officer outlined for Phase 1 of the process a set of proposals to mitigate the financial impact of the pandemic over the next three years, while the Pro-Vice-Chancellor (Academic Resource and Planning) explained plans to consider the shape of the University, given the emerging new environment, in the longer term through Phase 2. These two pieces of work were co-ordinated to ensure that the process of restructuring and rationalisation was informed by the University's strategic objectives. Implementation of the restructuring would constitute Phase 3 of the process.

In response to a range of questions from Mr Corrigan on the timescale, external consultancy and realisation of assets, the Vice-Chancellor explained that it was necessary for the University to plan for a three-year period given that the majority of programmes operated on a three-year cycle and that the impact of changes in recruitment therefore continued for three years. This also allowed the University to adopt a more strategic approach to the current problems and create the basis for the University's long-term sustainability. While the assumptions which had informed the financial modelling were reasonable and consistent with those adopted elsewhere in the sector, there were many contingencies which could affect the University's position (adversely or favourably) in the coming few months. It was therefore prudent to review the level of the University's recruitment and consequent financial position in August/September, and to be ready to take action at that point. He confirmed that the University, in developing its approach, had not sought advice from external consultants (with the exception of the Southern Universities Management Services, a not for profit consortium owned by a group of universities), but that groups of Vice-Chancellors were sharing intelligence and approaches. The Chief Financial Officer advised that many of the University's assets could not be readily monetised: the University's heritage assets mostly had limited sales value and were a diverse collection which would need to be dealt with on an individual basis; [redacted, section 43].

A number of Council members asked questions in relation to the data and assumptions which underpinned the financial modelling. In response to a question from Mr Magee, the Chief Financial Officer acknowledged that several weeks had elapsed since various of the key papers had been prepared, but confirmed that, while there would necessarily now be some minor variance, there was no reason to believe that the quantum of the numbers used in the modelling had changed significantly. The survey evidence in relation to student attitudes and recruitment remained broadly the same, although the position could change for better or worse depending on the course of the pandemic in this country and internationally. She indicated that, if the financial situation improved, fewer cost savings may need to be sought, while there would need to be further

discussion about how to proceed if the position significantly deteriorated. In response to a question from Ms Gordon, the Chief Financial Officer explained that the model assumed that the student number control imposed by the government this year would be lifted for 2021/22, but that this was by no means certain given the pressures on public finances; if the student number cap was not lifted, the University would be slower to recover financially.

The Council noted the full discussion held at Senate and the variety of views reported. It also noted the areas of agreement, and was assured that these would be reported to the consultation group.

The Council noted that UCU had proposed that the University explore more fully the opportunities to increase its borrowing. The Chief Financial Officer explained that the University's borrowing was [redacted, section 43], and that if gearing exceeded 50% the University would be obliged to seek permission from the Office for Students; increased borrowing would put the University's current covenants with its lenders at risk and might lead to more stringent conditions. Moreover, the University would require funds in the future for repayment of the additional debt. In response to a question from Mr Corrigan, the Chief Financial Officer confirmed that the University's lenders had very different attitudes to risk. She noted that the government's various loan schemes offered little or no advantage beyond the University's established lenders. [Redacted, section 43]. The Council was strongly of the view that increasing the University's borrowing would be extremely unwise.

Equally, the Council considered that UCU's suggestion that the University draw down more of its reserves to address the current problems would be unwise and endorsed the University's undertaking to retain £50m in reserves as a liquidity buffer, particularly given the uncertain development of the pandemic.

In response to a question from Ms Gordon, the Vice-Chancellor confirmed that he wished to minimise redundancies as far as reasonably possible. He shared the concern of Senate that the potential 500 FTE redundancies, which would be necessary if no other salary-savings were not realised, would compromise the University's ability to maintain the quality of its student experience and of its research. He believed that the University was adopting a distinctive approach in the sector by engaging the University community and in seeking a strategic solution rather than proceeding directly to significant redundancies.

Mr Magee noted in response to questions the concern of the Staff Forum that a number of the suggested measures would have a disproportionate impact on lower paid staff. The Vice-Chancellor shared this concern and the University Executive Board would explore with UCU and with the Staff Forum how this issue might be addressed.

The Council welcomed the commitment of both UCU and the Staff Forum to work constructively with the University Executive Board in seeking a solution to the current issues. The Council, while applauding the UEB for its exposition of the financial position and the options available to the University, recognised at the same time the difficulty of explaining them, and as a consequence asked whether it might be possible to facilitate a constructive conversation with UCU and with the Staff Forum to outline the data and modelling, and bring about a shared understanding of the University's future financial position and the risks which needed to be managed. The Council wished to assure UCU and the Staff Forum that it was committed to transparency and openness, as were the Vice-Chancellor and the University Executive Board.

The Council thanked the University Executive Board for the careful thought and clarity of the proposals, and for the thoughtful commentaries by the Senate, UCU and the Staff Forum. The Council considered that the process proposed offered a constructive way forward in the circumstances, based on consultation and the development so far as possible of a consensus within the University community. It had confidence that the analysis and modelling on which the proposals were based were reasonable, and that the judgements about the retention of reserves, the avoidance of further borrowing, and the balance between cost-savings and draw-down from capital was appropriate.

Resolved:

1. 'That the Report from the University Executive Board (UEB) on post-Covid-19 response and a proposed restructuring process, together with related papers, minutes and reports, now submitted, be received.'
2. 'That, in order to address the University's financial position consequent on the Covid-19 pandemic:
 - (a) a minimum sum of £50m be held in accessible reserves at all times to protect the liquidity of the University; this can be managed from within the RET, consulting the Trust Committee as appropriate;
 - (b) further borrowing not be pursued;
 - (c) a sum of c. £18m be utilized from reserves, which along with grants from the National Institute for Research in Dairying (if approved), provides a total sum of £48m to support the University's operational costs over the period of the financial years 2020/21-2022/23;
 - (d) to address the remaining financial shortfall, a total sum of c. £60m be realized through savings on operating costs, principally pay-related costs;
 - (e) the proposed process for restructuring the University be approved. The process comprises three phases:
 - Phase 1** Options for achieving pay-related cost-savings, which may include a temporary pay freeze and a temporary reduction in hours or other measures identified as part of consultation with recognised employee representatives, are explored and consulted upon in accordance with the University's Restructuring Policy.
 - Phase 2** Strategic consideration is given to the shape of the University and its staffing profile.
 - Phase 3** Decisions arising from Phases 1 and 2 are, or continue to be, implemented;
 - (f) in fulfilment of the University's legal obligations the establishment of a formal Consultation Group, with the following membership, be approved to engage in statutory consultation with UCU and the Staff Forum concerning pay-related cost savings as part of Phase 1:

The Vice-Chancellor (Chair)

The Deputy Vice-Chancellor (alternate Chair)
A lay member of Council (Mr John Taylor)
A member of the Academic Staff nominated by the Senate (to be confirmed)
A Head of School (Professor James Devenney)
A Head of Function (Ms Karen Henderson)
The Director of Human Resources (Mr John Brady)

Right of attendance:

The Director of Legal Services (Ms Julie Rowe)
The Assistant Director of HR (Ms Claire Rolstone);

- (g) following the consultation process set out in (f), new temporary contractual terms will be referred by the Consultation Group to the Council for approval. The Council shall delegate this approval to the President of Council and no less than two of the Vice-Presidents of Council;
- (h) following the approval required by (g), the University's officers are instructed to implement such contractual changes either by agreement or by a process of dismissal and re-engagement of staff;
- (h) the creation of a Task Force with subsidiary workstreams to inform proposals on the future shape of the University be endorsed;
- (i) the indicative timeline for the restructuring process, now submitted, be endorsed.'

20/45 National Institute for Research in Dairying: request for grants

Acting in its capacity as the Trustee of NIRD, the Council considered a request from the University for a grant of £10m per annum for three years to contribute to the University's research in food and agriculture. The Council was mindful that, acting in this capacity, it was considering the best interests of the Trust and that its decisions were decisions which the Trustee would have made had it had not also been a beneficiary of those decisions. Following an oral report from the Chief Financial Officer the Council noted that the NIRD Trust Committee had satisfied itself that the purpose of the grant was consistent with the objects of the Trust, and had recommended that the grant be approved, subject to a number of conditions. The Council, acting in its capacity as the Trustee of NIRD, was similarly content and approved the recommendation.

Resolved (by the Council acting as Trustee of the National Institute for Research in Dairying Trust):

'That the Trustee, having had regard to the views of the NIRD Trust Committee, and subject to any comment made as part of the required consultation with the Biotechnology and Biological Sciences Research Council (now part of UKRI), agrees to make a grant to the University of £10m per annum for a period of three years, commencing August 2020, provided always that:

- (a) such grant is used exclusively for the objects of the National Institute for Research in Dairying Trust, being research in food and agriculture; and
- (b) the appropriate arrangements are in place to enable the NIRD Trust Committee to review and confirm the use of such payments and to report back to the Trustee; and

- (c) in the academic years 2021/22 and 2022/23, the NIRD Trust Committee and the Trustee remain satisfied that the grant is needed and can continue to be paid in cash from NIRD funds/assets.'