

This message has been sent to all Lancaster University staff.

Dear Colleagues,

I am writing today to share an update on our current analysis of Lancaster University's financial position with respect to the Covid-19 pandemic and to outline the responses we are considering. The impact on other aspects of University life including our research, our teaching and the wider student experience is equally important but not the subject of this letter.

Our financial year closes at the end of each July and it is important our finances are in good shape then because it can impact the terms under which we have borrowed money for academic investment. The most significant financial issue that has arisen so far is from our decision to refund a large fraction of student accommodation fees for the summer term. Through the accessing of the Government furloughing scheme, by cutting non-pay spending and reducing staff recruitment we will finish this financial year close to where we anticipated we would be in January. This is still short of the financial target set by Council (our governing body) for our long-term sustainability. Nevertheless, in the light of the changes we faced at short notice because of Covid-19, this is a good result and I would like to thank you all for your help, inventiveness and co-operation in achieving this.

We must now address next year and beyond. Here we can no longer be precise about what will happen but the risks are potentially very high and mainly derive from the uncertainty around the number of students we will recruit or who will return to study next term. International students make up half the University's student fee income and it is hard to predict the behaviour of this diverse group. If students do not choose or are not able to come to study at Lancaster in the autumn, then there are financial implications beyond fees as accommodation and other campus income derives from their presence. We are of course working hard to provide an attractive educational and social offering for students to encourage them to come to Lancaster. However, we will not know until October how successful we have been and how much income we will have. If we wait until then to make plans we will have lost three months of the financial year. We need to act now in a way we can row back from if our position is better than expected.

The plans we are formulating with our Council assume a middle risk scenario. This is one that projects a drop in the total income to the University of 20%. We plan to mitigate this £66m loss by making savings of roughly equal value in three areas: in capital projects (buildings and equipment), in non-pay costs, and in the payroll bill. We have already halted the vast majority of the capital programme and this leads to one-third of the savings needed. The next step is for Faculties, Departments and Professional Services to come forward with recommendations for how to meet the savings target in non-pay. In the next week or so I will be writing to you setting out some voluntary options we could all take to reduce the pay costs. This will set out a range of voluntary options such as buying additional leave or taking a voluntary pay cut for a limited period.

As I have stressed, none of this is exact and by choosing a middle range scenario, the position could end up being better than expected...but it could also be worse. On balance, I believe these are prudent and proportionate plans to be making now which enable us to adapt as the next academic year unfolds. Our position is mirrored by many other universities in the UK. Compared to some we are somewhat more exposed in that we have a high fraction of our income coming from international fees which has helped support our research across the whole University. There are some universities who will be more vulnerable and some are taking more precipitous action now. It is unlikely that the Government will wish to provide a bailout of the university sector and any intervention they do make is almost certain to come with strings attached which may not be aligned with our own vision and values for Lancaster. It is in our best interest to do all we can to meet the challenge ourselves and that is what we are planning.

Thus, we face a potentially very tough year in 2020-21 and perhaps beyond that. However, this University has faced such challenges in its past and come back more successful than before and I am confident that it will prove so again. Above all, I am encouraged by the resilience and dedication I have seen in Lancaster since my arrival and with that spirit, we will face whatever may come as a united and collegial team.

Yours sincerely,
Professor Andy Schofield, Vice-Chancellor