



# What other RG Universities say about the measures they took.....

(extracts from 2019/20 report and accounts)

The impact of Covid-19 has, obviously, caused us to delay some of our capital plans and some research projects, which has had an impact on our forecasted income and expenditure for the year. The impact of the Covid-19 pandemic on our future finances is still uncertain. To mitigate risks, decisions on spending and investment are currently being made according to revised priorities, with

priority given to maintaining the health and safety of our students and our colleagues, and developing our digital capabilities. Some planned capital and revenue projects have been paused and will be reviewed in line with further assessment of the budget during the next academic year.

However we remain extremely confident in our continued financial sustainability over the years ahead. Our recruitment of UK and international students for 2020/21 has remained strong and will continue to sustain our financial position. Efficiency saving measures have been introduced and Council will continue to support senior management to consider further opportunities for investment.

Overall staff numbers have reduced during the year reflecting the impact of the previous year's voluntary severance scheme and recruitment controls put in place during the year.

To offset these falls in income and to fund the additional costs of dealing with the effects of the pandemic, operating costs were tightly controlled and efficiency savings, coming from our investment in systems, were identified and implemented. Overall, we generated £72 million of cash from our operating activities which, despite everything, was only £4 million short of our budget and consistent with what we achieved in 2018/19. Our financial strategy is

The main top-line impact of the pandemic has been on residences, catering and conference income, in particular our decision to waive our contractual right to collect final term rents (and to refund the last 2 weeks of term 2). The cost of this has been partly offset by budget mitigations, including reductions in costs relating to travel and utilities, along with external funder support such as increases in our quality-related research grant. The net result of reductions in some income streams, offsetting expenditure savings, along with some additional unavoidable COVID related costs, has been a modest £3m reduction in the level of EBITDA to £42m.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and institution's ability to continue as a going concern.

- In response to COVID-19, controls on non-pay, capital spend and staff recruitment have been actioned.



# What other RG Universities say about the measures they took..... (extracts from 2019/20 report and accounts)

The income shortfalls of c£10m have been offset in part by savings measures that we put in place across the institution, including a freeze on all non-essential non-pay expenditure, a pause on capital expenditure where possible, ceasing of all travel and a pause on staff recruitment. These measures remain in place as we move into 2020/21. In addition, we accessed the Coronavirus Job Retention Scheme in order to support the University to protect jobs where possible. Finally, we launched a voluntary severance scheme in order to help reduce pay costs in future years as we face the expected significant income shortfalls in 2020/21 and beyond.

The University established measures to contain costs. Any spending on new staff recruitment has been restricted to business critical only; operating costs have been limited to business critical only and our campus development programme has been reviewed and paused. In addition we launched a **Voluntary** Options Programme, which allowed staff to work reduced hours, take unpaid leave, start career breaks or leave the University via **voluntary** severance or retirement.

As part of our **financial sustainability** plans, in response to Covid-19, we are looking at a range of voluntary measures to achieve savings on our staff costs which avoid, or reduce, any potential compulsory redundancies. Measures include a voluntary severance scheme; unpaid career break/sabbaticals; purchase of additional annual leave; voluntary reduction in hours; voluntary salary reduction scheme and early retirement.

and make judgements based on these. Provisions includes £14.9m in relation to termination costs as a result of a **voluntary** severance (VS) scheme. The provision is calculated on the basis of the individual employee liabilities for those who have applied for and have been accepted for VS.

*Due to actions taken in reaction to the Covid-19 pandemic, we were able to deliver a strong EBITDA result and preserve healthy year end cash balances and job security for colleagues at a time when many other universities were considering redundancy programmes.*

*We have confidence that our strategy and implementation of tight cost control measures will protect the University's financial position and enable delivery of the best possible experience for students under the current conditions.'*



# What other RG Universities say about the measures they took..... (extracts from 2019/20 report and accounts)

The cost saving mitigations which we introduced from the end of March 2020 included a pause or deferral of new staff recruitment and new non staff expenditure commitments (unless critical to support our response to COVID-19), as well as pausing or deferring any new capital commitments that may have been in the pipeline.

donations rose by £2.1m. Total expenditure, excluding pension adjustments, fell 1% in 2019-20 as tight cost controls around recruitment and non-pay costs were implemented from March 2020 to preserve cash balances and protect the existing staff base.

million. As part of the response to the financial impacts of the global pandemic, the University put in place an ‘essential spend only’ policy, which helped to deliver a reduction in expenditure to mitigate against revenue decreases. All University staff played their part in managing costs whilst developing and maintaining high quality teaching, research and enterprise activities.

Expenditure has been closely controlled given the uncertainty of the short- and medium-term impact of the pandemic on University finances with new expenditure and staff recruitment protocols being put in place in March 2020.





# What other RG Universities say about the measures they took..... (extracts from 2019/20 report and accounts)

The Covid-19 pandemic has brought a new **liquidity** risk to many, as well as a more cautious approach to the short-term outlook. Our initial response to the pandemic was the introduction of more stringent cost controls. As a precautionary measure and given the underlying uncertainty facing the University these controls remain in place despite the substantial headroom on covenant compliance and healthy cash positions that we forecast over the next twelve months.

The University has taken several actions to conserve cash by reducing discretionary expenditure. These actions included the following:

- Furloughing employees – £9.7m received in relation to the Job Retention Scheme
- Slowing down of discretionary capital spend, saving over £70m
- Controls over recruitment to posts
- Other cost savings mainly from reduced estates maintenance projects, a reduction in halls and sports operations running costs and reduced expenditure on equipment and field trips.

We have curtailed non-essential spend. Capital projects have been restricted to projects with contractual obligations only. We offered a voluntary severance scheme and launched a number of voluntary cost-saving options available to staff. We accessed government support through the Coronavirus Job Retention Scheme, advance payments from the Student Loans Company, and the Quality Research payments. We have not needed to apply for the Covid-19 Corporate Financing Facility.

As a result of these collective actions our financial position at the end of 2019–20 is strong and contributes to controlled expenditure in 2020–21. As well as being able to identify considerable cost savings, we have bolstered our available cash balances and have made progress in protecting our University finances. We have been able to put ourselves in a position where we can now access more of the government support available and could borrow more if needed.

- Data and commentary is drawn from the 2019/20 annual financial statement and accounts for the Universities of Sheffield, Durham, Leeds, York, Birmingham, Cardiff, Manchester, Newcastle, Exeter, Bristol, Liverpool and Southampton.
- There is evidence that 50% of these universities ran a voluntary redundancy scheme in the year.



# What are other universities say about their financial strategy..... (extracts from 2019/20 report and accounts)

We ensure we are financially sustainable by securing sufficient funding to deliver our plans. Specifically, we aim to achieve annual earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) of at least 6% of income, with a minimum in any one year of 4%. This will be very challenging to achieve in the year ahead given the impact of Covid-19 but we remain confident for our long term sustainability.

Our financial strategy is based on funding our capital investment from cash flow generated each year, supplemented by capital grants and philanthropy, as well as a planned drawdown of cash balances to enable the

Recognising the immediate and likely longer-term financial impacts of COVID-19, in May we instigated measures to make significant savings. We also made major non-pay savings because most activities on campus ceased, though many of these costs are deferred to later.

#### Severance payments

During the year the Institution undertook significant restructuring which resulted in £6,424k in compensation for loss of office being paid to 349 employees.

we achieved in 2018/19. Our financial strategy is based on achieving a cash surplus of at least ten per cent of income to fund our strategic objectives, so it was particularly gratifying that we remained on track in 2019/20 despite the financial headwinds and were able to continue to invest for the future. During the

Our financial strategy has two key objectives. The first is the generation of sufficient cash resources to fund the University's operations and to provide funding to invest in strategic initiatives. Significant strategic

Our financial KPIs that we report internally in order to assess longer term financial sustainability include EBITDA (earnings before interest, tax, depreciation and amortisation) and closing cash. For 2020/21 onwards we will move to operating surplus as our key performance measure with a target of 4%, alongside cash generation and cash

#### COVID-19 Voluntary Severance Scheme – non-adjusting event

In July 2020, the University announced that it was launching a COVID-19 Voluntary Severance Scheme. In August 2020, applications for VSS from staff were accepted, with scheme costs totalling £740k.



# Liquidity – a comparison

Out of the 13 RG universities looked at, UoN is 9<sup>th</sup> for liquidity and well inside the OFS requirements for 30 days liquidity. UoN achieves this while paying significantly less interest.

	Cash	RCF	Total Liquidity	Turnover	Interest Paid	Liquidity as a % of Turnover	Days liquidity (based on
	£m	£m	£m	£m	£m	%	Days
Birmingham	145	50	195	741	17.3	26.3	96.1
Exeter	112	50	162	477	7.7	34.0	124.0
<b>Nottingham</b>	<b>40</b>	<b>155</b>	<b>195</b>	<b>710</b>	<b>2.0</b>	<b>27.5</b>	100.2
Leeds	375	100	475	794	8.3	59.8	218.4
Liverpool	164	0	164	583	13.2	28.1	102.7
Southampton	520	0	520	583	20.2	89.2	325.6
Newcastle	140	0	140	544	7.6	25.7	93.9
Durham	163	0	163	385	10.4	42.3	154.5
Sheffield	121	60	181	737	18.9	24.6	89.6
Bristol	329	0	329	706	22.8	46.6	170.1
Manchester	210	250	460	1064	25.0	43.2	157.8
Cardiff	339	30	369	568	13.5	65.0	237.1
York	165	0	165	376	11.1	43.9	160.2



# Oversight of decisions – no scope for panic!

