

Vice Chancellors and Principals

26 May 2010

Dear Vice Chancellors and Principals,

You will have seen that the Government announced this week plans to make £6 billion of savings this year, with £836 million contributed by our Department. We are writing to the Vice Chancellors and Principals of all universities and colleges in England to set these plans in context, and set out how we hope we can work together in future.

It is the Government's highest priority to rebuild the economy and secure sustainable growth. Universities and colleges have a central role to play in that. Our future prosperity depends on the creation, transmission and application of new knowledge, ideas, creativity and innovation. One of this country's greatest assets is the strength of our university and college system. We are committed to sustaining and building on that strength.

At the same time, it is critical that all of us who receive public funds to provide public services play our part in reducing the burden of public debt and restoring financial health. We must adapt swiftly to these necessary constraints in public finance, with a need to think carefully about what we do and how we operate. It will require strong leadership from all of us.

This Government strongly believes in the value of education, training and skills. As our Coalition Agreement makes clear, we will continue to invest in further and higher education. But of course further and higher education cannot be exempt from the wider need for reductions in public spending.

Starting now and in the years ahead we are all going to have to do more with less and stop doing some of the things we currently do. This Government is fully committed to respecting your autonomy and freedom to decide your own mission, structures and strategies. We recognise that one of the reasons why we have a world class system of further and higher education is because of the diversity of providers and learners, and your freedom to manage your own affairs. Universities rightly prize their autonomy to make their own decisions, and we will respect that. We will of course study carefully the findings of Lord Browne's review. We have also promised that we will remove unnecessary regulation and bureaucracy from colleges and we will be making practical plans to do this quickly. So we will not prescribe

how savings should be made, nor will we expect every institution to adopt the same practices. You will need to respond to change in different ways reflecting your individual circumstances. Nevertheless, there is a wider context to bear in mind.

In BIS, we are putting our own house in order first. Of the £836 million contribution from this Department, we have decided to offer £100 million in running cost savings from the Department and the NDPBs and Agencies who are our partner organisations. This equates to approximately 11% of the overall running costs.

We are keen that we work to minimise the impact of this saving on the delivery of our front line services, including universities and colleges. We are expecting BIS and all its NDPB and Agency partner organisations to apply restraint to all aspects of pay and bonuses with a lead being given by senior staff. We expect universities and colleges will wish to do the same. We are also asking our NDPB and Agency partner organisations to take further steps to make immediate savings, including recruitment freezes and reductions in discretionary spend such as IT projects, building projects, consultancy, travel and subsistence, hospitality and marketing and communications.

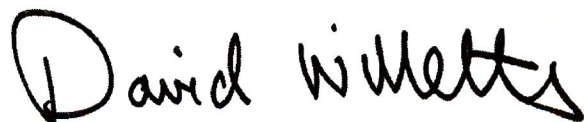
As universities and colleges, you have the right and responsibility to make your own decisions on all these matters, determining how best to achieve cost effective delivery of your own activities. Nonetheless, we hope you will bear in mind these expectations that we are applying elsewhere across publicly funded agencies and services.

The drive to control public finances will remain with us and there will be a need within the next Spending Review, to look again at options for further savings. We expect further acute financial pressures over the next spending period, and the Department will work in close partnership with the sector funding agencies and your representative organisations in determining the way forward. With our Ministerial colleagues, we also plan to visit as many universities and colleges as possible in coming months, to meet staff and students and listen to their concerns and ideas.

We are confident that, even faced with tough spending decisions, we are in a strong position to deliver this Government's objectives together. We are committed as a Government to continuing investment to support our universities and colleges, recognising the excellence you have achieved, and your critical role in building our economic future.



**VINCE CABLE**  
**SECRETARY OF STATE**



**DAVID WILLETTS**  
**MINISTER OF STATE FOR**  
**UNIVERSITIES AND SCIENCE**