

Trying to Achieve Excellence by Aiming for the Average?

A briefing on the University of Leicester's financial position prepared by Leicester UCU Finance Action Group, 1 August 2016.

This briefing draws on figures publicly available in the University of Leicester's Financial Statements, published here (<http://www2.le.ac.uk/offices/finance/statements>) for the years 2003-04 to 2014-15 and from a document entitled 'Draft Financial Forecasts 2015/16 to 2019/20', dated 4 July 2016 and prepared for University Council, which the University has made available to the Leicester UCU Committee. (The University has stated that this latter document is confidential to the UCU committee, but we believe that, given the importance of the decisions being made on its basis, this should not prevent us from sharing more widely our briefing.)

A manufactured 'crisis'

The University claims that an unforeseen and unforeseeable financial crisis has forced it to adopt another voluntary severance scheme and inflict 150 compulsory redundancies on its staff. The UCU disputes this scenario and suggests that the University's financial position is secure – according to its own figures. For this reason, the UCU has declared a dispute with the University. We call for the threat of redundancies to be lifted and for the University to fulfil its social responsibilities.

Far from facing a financial black hole, the University is in a strong financial position. It has enjoyed a financial surplus each year for the last decade. Although it is predicting a deficit in 2016/17, in all subsequent years it predicts – even in its most pessimistic scenario – a robust surplus.

The deficit for 2016/17 is predicted to be £12.2m (£12,239,000). It is important to note, however, that this figure includes a contingency component of £5.1m:¹ in other words, a more accurate representation of the University's financial situation is that next year's deficit will be £7.1m.

Almost all of this expected deficit for 2016/17 would in fact be avoided by abandoning the current redundancy programmes: in its 'staff costs analysis' (Annex 3) the 'additional costs of staff restructuring' are estimated to be £6.5m.² We also highlight two other categories of staff costs in this analysis. 'Movements in colleges staff (including transformation staff reductions)' is predicted to grow by £3.2m in 2016/17, but then to contract by £4.8m the

¹ 'The Financial Forecasts include lower student number intake targets (most notably for international PGT students) and include a higher level of contingency to allow for uncertainty in the student market (of £5.1 million each year).' (Para. 33, p. 10) Note, this is not standard accounting practice, in fact, it is quite irregular. The 'contingency' allowances included in the University of Leicester's financial forecasts are *not* the customary 'contingent liabilities'.

² We might expect the ULT to respond that these savings are "necessary" to break even in future years. This requires us to look critically at the future capital expenditure plans to counter this inevitable response. See below

following year. More strikingly, 'movements in corporate services staff costs (including savings)' is predicted to rise by £4.1m in 2016/17, with an overall increase of £5.1m over the four years to 2019/20 – *with pay inflation for this category of employee assumed to be 14%*.

Over the ten years to 31st July 2016, the University made a surplus of almost £80million. Over the next four years the University expects to make a surplus of almost £30million after spending almost £150million on capital projects.

Even with its pessimistic scenario (scenario 3), the University only expects to make a total loss of around £10m over the next four years (less than 0.8% of its income over the period) and no loss over the next five years. Even this small deficit would be avoided by reducing the capital investment programme by less than six per cent.

It is also worth noting the new accounting rules (FRS102), which universities must follow (effective for accounting dates following 1 January 2015). These Accounting changes can bring significant uncertainty to models because they shift evaluation of the University's finances away from trusted metrics to newer ones. The impact of this change is forecast to be £1.5 million in 2016/17. This means that the goalposts have been shifted significantly: we feel the response is to try to correct for this immediately, rather than acknowledge it as an accounting shift rather than based on "real money" and move on. In other words the ULT is aiming for immediate adjustment which is not necessary.

The University has *manufactured* a 'financial crisis' in order to implement its planned strategy. This is the standard approach which Naomi Klein described in her 2007 book *The Shock Doctrine*. This strategy appears to be to achieve a robust surplus each year by concentrating on those areas where the University is able to make a 'profit'. Or in other words, to manage the University as if it was a private company.

In contrast, we believe a university should be a social institution which provides excellent teaching and research facilities for the benefit of the local and wider community. A university is provided with public funding each year – obviously it has to manage its affairs within these financial constraints – but it should aim to spend these funds on providing a public benefit. So its financial target should be to ensure that it breaks even over the medium term (say three to five years). Unlike a private company, a university should not plan to maximise its surplus (profit) but to maximise the benefit and services it can provide to the public with the funds that are provided.

In the University's strategic plan it states that: *We will focus on our social responsibilities and the positive impact that our staff and students can have on the lives of others, emphasising a culture of responsible citizenship that has local as well as global dimensions.* In contrast, one of the few initiatives that the University has made public is to close the *Vaughan Centre for Lifelong Learning*. Earlier this year, the Centre received a national award which recognised *its contribution to the promotion of lifelong learning in the higher education sector, its sustained contribution to lifelong learning in the region over the last 25 years, and its innovation in curriculum development and teaching.* Opposition to the closure has been shown by the City Council which voted unanimously against the proposal and by the local newspaper.

Unforeseen, but foreseeable

The University identifies two reasons for the decline in (international) student recruitment in 2016 that has triggered its 'financial challenges'. First, Home Office's tightening of the visa requirements for 'international' (i.e. non-EU) students. Second, worsened NSS scores leading to a fall in league tables. The University Leadership Team claims that it 'could not have seen [this 'significant drop in international student recruitment'] a year ago' and that, moreover, it 'identified the risk on 2016 recruitment early'.

We suggest that, although unforeseen by the ULT, neither development was *unforeseeable*.

The discourse and economics of international migration has been highly contentious for many years. In 2010, for example, then prime minister David Cameron pledged to reduce net migration into the UK to 100,000; in March 2011, the then home secretary Theresa May announced a curb resulting in 80,000 fewer students coming to study in British higher education institutions each year; tensions between the Home Office and the Department for Business, Innovation and Skills on the question of international students have been well-reported. In such an uncertain environment the government's 2014 clampdown on international student visas should not have come as such a surprise to the University's Leadership Team.

Regarding the National Student Survey (NSS), we note that its methodology is highly contested. (See, for example, <https://www.theguardian.com/higher-education-network/2015/aug/13/the-national-student-survey-should-be-abolished-before-it-does-any-more-harm> for just one report.) Relatively large falls (or rises) in league tables are common and 'even a very slight dip in results can see a university drop a long way down the league tables'. In this situation, why did University Leadership Team not prepare for such an eventuality?

We are concerned by other failures on the part of the ULT.

The 'Draft Financial Forecasts' anticipate a major capital programme, with a total spend of £146m over the forecast period, with £10m each year to come from predicted surpluses. The ULT has failed to make a case for this investment in the University's infrastructure. In their June 2 presentation on the University's financial position, Provost Mark Peel and Director of Finance Martyn Riddleston announced a 'significant retooling of our estate — which is not particularly attractive or competitive'. But no evidence for this lack of attractiveness or competitiveness has been provided. In fact, this assessment directly contradicts that made by the incoming vice-chancellor in March 2014, who claimed then that 'he was inheriting a "strong estate" where much work had already been done to ensure it was highly-attractive to students. ... "There may be buildings that require refurbishment or replacement but, on the whole, it's in great shape."' (*Leicester Mercury*, 6.3.14; <http://www.leicestermercury.co.uk/university-leicester-professor-paul-boyle-new/story-20770290-detail/story.html>)

The 'Draft Financial Forecasts' also make predictions that are unsubstantiated. This is concerning given the present 'financial difficulties' are the result of the ULT's failure to forecast accurately – or to make appropriate contingency plans for plausible scenarios.

For instance, income from tuition fees and education contracts is predicted to grow by between 4 and 6% pa between 2016/17 and 2019/20. It is unclear how these figures have been derived: it is asserted only that they are 'realistic and achievable'! Particularly worrying is that while the ULT recognises that '[g]rowth at the expense of quality will impact on the tariff scores and have negative implications on league tables' – an impact which will undermine future successful recruitment – it offers no solution to this contraction, noting only that 'this requires further thought as part of the rolling strategic plan.' The 'student experience' (and associated NSS score) – not to mention the University's goal of *also* achieving 'excellence' in research – is further threatened by the predicted rise in student-staff ratio, from 12.7 in 2015/16 to 14.8 in 2019/20.

Finally, we note the predicted high growth rate of research grant and contract income – 11% between 2016/17 and 2017/18, and 17% between 2017/18 and 2018/19. As with tuition-fee income, this prediction has not been substantiated; it is predicated only on the success of 'the University's "discovery enabling research" strategy'.

Targeting the norm

The key argument for the need for redundancies at the University is the need to move to a position where the University's spending on staff is '*much more in line with the sector*'. We question the ULT's implied 'strategy' of attempting to adopt sector norms as the best way to achieve and sustain excellence (University's Principles for Change). Surely the level of staffing across the University should result from the bottom plans of each school and department to provide high quality and imaginative teaching and research.

Another example of a lack of clear, sensible, but imaginative, strategy appears to be the ULT's attempt to unmake a successful, pioneering School of Management; instead the preferred model is a typical, run-of-the-mill Business School. (And this at a time when hundreds of thousands of young people are turning to Jeremy Corbyn for inspiration, a wave of enthusiasm for heterodox thinking the former School of Management would have been well placed to tap into!) Since splitting from the Economics department in 1989, then as the Management Centre, the School of Management has grown into a major provider of distance learning internationally, and enjoys an international reputation as a focus of 'critical management studies'. How will the new Business School, formed from the reunification of these two departments, build on this success? There was no consultation with affected staff, and no argument has been made to suggest how School of Business will contribute to increased income for the University, especially as it has to compete with so many other business schools.

Capital dreams

We note that projected capital projects total £428m! The ULT needs to make business and pedagogical cases for all of these projects. Without this it's very difficult to judge. But three projects jump out:

1. Multi-disciplinary teaching lab – total cost £35 million. What is the 'multi-disciplinary teaching lab' and who wants it? Feasibility studies are due to take place in 2016/17, but the University Leadership Team appears to have ignored the fact that the Toxicology Unit (the

old Medical Sciences building) will become available in 2018. This building has six floors with four laboratories on each floor.

2. IT equipment -- £17m. Is this to enable lecture capture? Or other equipment? Many seminar rooms in Ken Edwards building, for example, are now equipped with four LCD screens around the walls, in addition to main projector screen at front. But we have *never* seen these LCDs used independently of the front screen; nor can we recall any consultation or training regarding their installation and use; a complete waste of money!

3. A relatively small sum, 'only' £479,000 — refurbishment of FJB reception and exec corridor — but how does this contribute in any way to the 'student experience'?

A more general point about capital spending relates to the worsening student-staff ratio — and of course the ULT's aim to reduce staff costs. There are only two possibilities here:

EITHER, staff workloads will intensify.

OR, teaching will become more 'automated', 'capitalised' — i.e. more capital equipment used relative to living breathing lecturers. We should insist that the ULT says which of the two and justifies its strategy — beyond its appeal to sector 'norms'.

We believe both would severely weaken the University's market position, by denuding it of its key resource: staff.

Conclusion

Far from the University facing significant financial challenges that necessitates immediate action, its financial position appears to be secure. We call on the ULT to abandon its plans for further redundancies which will only lead to further uncertainties and demoralisation for all staff. We want to work with the University Leadership Team to further improve the quality of teaching and research that we undertake. But this has to be undertaken in a cooperative and consultative manner. We want to work for an institution that really is elite without being elitist. However, the University Leadership Team is currently behaving in an elitist fashion by claiming that 150 staff will have to pay with their jobs to transform the University, especially as these plans include the closure of the *Vaughan Centre* which provided a second chance for so many local people.

We might characterise the University Leadership Team's strategy as 'shock and awe'. It is attempting to *shock* staff with extent of the financial 'crisis' and thus the necessary restructuring — redundancies and intensification of workload. It is simultaneously attempting to *awe* us the scale of its ambitions.