Financial narrative for University of Roehampton – 15 June 2020

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#Vision4Roehampton

#StandWithRoehampton

#PeopleBeforeBuildings

#FairPayHE

#FundTheFuture

Sources

- HESA open data
- University of Roehampton website and annual reports
- USSbriefs95 report 'Institutions at risk due to Covid-19'
- Management proposal 'Time-limited FTE and pay reduction' (4 June 2020)

Summary

This report was written by members of University of Roehampton UCU and the grassroots campaign Vision for Roehampton. It is designed to help colleagues understand how to respond to management proposals to cut staff and pay. Roehampton UCU does not accept that the university currently faces a financial emergency, which is management's stated justification for cuts. There are widespread financial uncertainties following the global pandemic, and income has already been lost this year. However, University of Roehampton should be in a relatively secure position to weather this period, and in any case the decision to make cuts now is premature. While universities face the likelihood of major reductions in fee income due to reductions in Overseas student intake, these students account for only 5.6% of income (compared with 11.47% sector average). At the time of writing USSbriefs analysis projects only a 1% reduction in Home fee income, and 10% reduction in EU and Overseas fee income for Roehampton. Interestingly, April 2020 Council minutes stated that '[student] applications were ahead of 2019'. Growth in Home students would be in keeping with known patterns that university student numbers tend to increase following economic

recession. In the medium and longer-term known demographic changes will yield further growth: as numbers of 18 year olds will continue to rapidly rise over the next decade, so will demand for quality Higher Education and the staff needed to deliver it.

Of course, there will inevitably be short-term income loss as a result of the pandemic, and the university has already sustained losses (for example, in conference income). The government has brought forwards the scheduled payment of student fees for Autumn, and Roehampton UCU have already identified further solutions which would alleviate short-term funding pressures (which the authors will return to). Ultimately, as the precise impacts of the pandemic are not yet known, management's announcement on 4 May of an unformed proposal to cut jobs and pay was not only premature, but also understandably stoked mistrust in management, and raised questions about what is driving decision-making. An email to staff from Anna Gough-Yates on 21 May 2020 announced that a restructure to create a new School of Arts would be implemented by 1 August 2020 (and on 15 June the appointment of Head was confirmed). As restructuring of any kind inevitably has financial cost,[1] and the new School would be comprised of departments among those targeted for voluntary severance, this further intensified staff questioning of the credibility and transparency of management's approaches.

While the university should be well-placed to withstand financial impacts arising from the pandemic, important questions need to be asked at this time about decision-making processes at the university, the values of senior management which inform them, what universities are for, and how they should be run. Decisions propelled by executive pressure and the detachment of governing bodies from front-line university work seem to have weakened Roehampton's financial resilience in recent years. Roehampton's borrowing has

[1] Management have stated that the Head of the new School of Arts would be internally appointed; however, the Arts Review report also recommends new managerial positions which may be externally advertised. Restructuring inevitably has administrative, marketing, website, and relocation costs, in addition to demands on academic and professional staff time.

been above average for both the sector as well as comparable universities.[2] Pay for managers has consistently risen and been above average compared to similar London post-92 universities, in a context in which the real terms value of staff pay has declined by a massive 20.8% since 2009. Significantly, University of Roehampton spend on staff (expressed as a percentage of income) has been below average every year since at least 2015-16 (at which point standardised HESA data is available thus enabling reliable comparison). The evidence suggests that borrowing has been for buildings and capital investment, which may not directly advance the staff teaching and research which together comprise the central purpose and function of the university. However, only enhanced access to university financial information would enable thorough scrutiny, but management are not providing this to all staff (despite asking for individual consent to pay cuts).

A full month after management first announced their intent to make cuts, on 4 June 2020 they delivered details of their proposals for a 'Time-limited Full-Time Equivalent and pay reduction for staff employed on grade 7 and above' to staff and UCU negotiators. The proposal that staff would reduce their hours (with a corresponding reduction in pay i.e. fractionalisation) necessarily depends on individual consent to a variation of contract, and in the context of a trust deficit would be unlikely to have significant impact on university finances. Furthermore, the proposal to reduce working hours is at odds with workload planning for 2020-21, not in the least because inventing socially distanced methods of excellent teaching and research requires increased (not reduced) labour.

While the ethos of University of Roehampton is grounded in principles of advancing equality, community, and care, this sits sharply at odds with management's relative lack of care of staff during a moment of global crisis.[3] Serious damage to staff morale brought

[2] Those selected for comparator data were all London region post-92 universities of comparable size: London Metropolitan University, London South Bank University, University of East London, University of Greenwich, and University of West London.

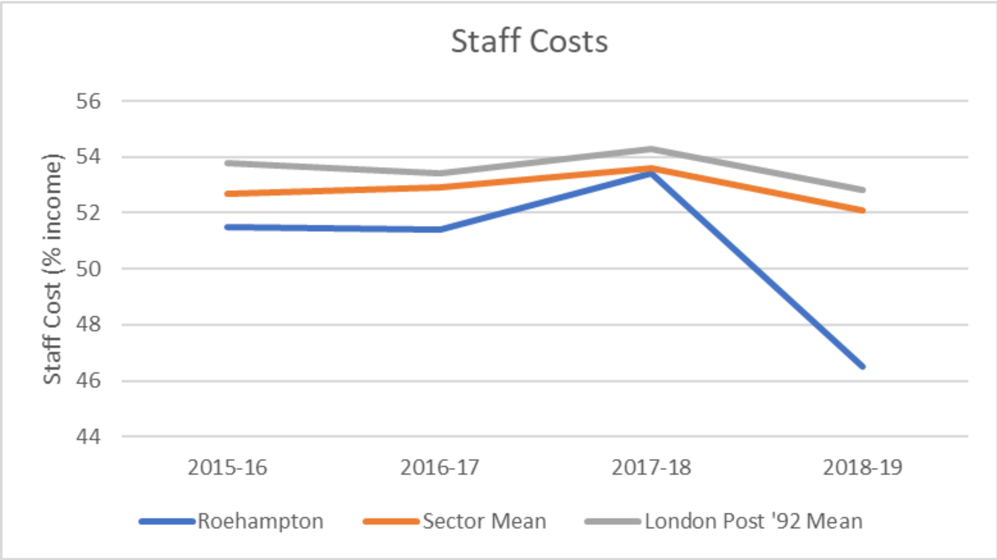
[3] While University of Roehampton has carried out a number of student care initiatives during the crisis, staff have been required to work more than ever to create socially-distanced teaching methods and resources, learn new technologies, attend to academic and pastoral care of individual students (which takes far more time and labour in the context of social distancing), rapidly create new teaching programmes, and develop grant applications, in addition to their ongoing research and administrative duties. Many staff work from home

about as a result of management approaches and the proposal to cut pay during this time will have already disincentivised staff, thus irrevocably impacting the university's good functioning and sustainability in ways that are difficult to measure. The costs of this are likely to exceed the £4.5m in staff savings currently pursued by management in the longer term. The authors of this report recommend a fair and sustainable co-operative model for University of Roehampton in the long-term, and support the motion passed by UCU members on 3 June 2020 which provides the basis for a possible response to financial shortfall, should this arise in the future. While management were served this offer from staff to strengthen university finances on 4 June 2020, at the time of writing there has been no response, which should be noted should management pursue redundancies at a later stage. The authors of this report look with great interest at the next steps in management decision-making, and note the range of possible industrial actions that may be taken, should union members opt for a local dispute.

Background

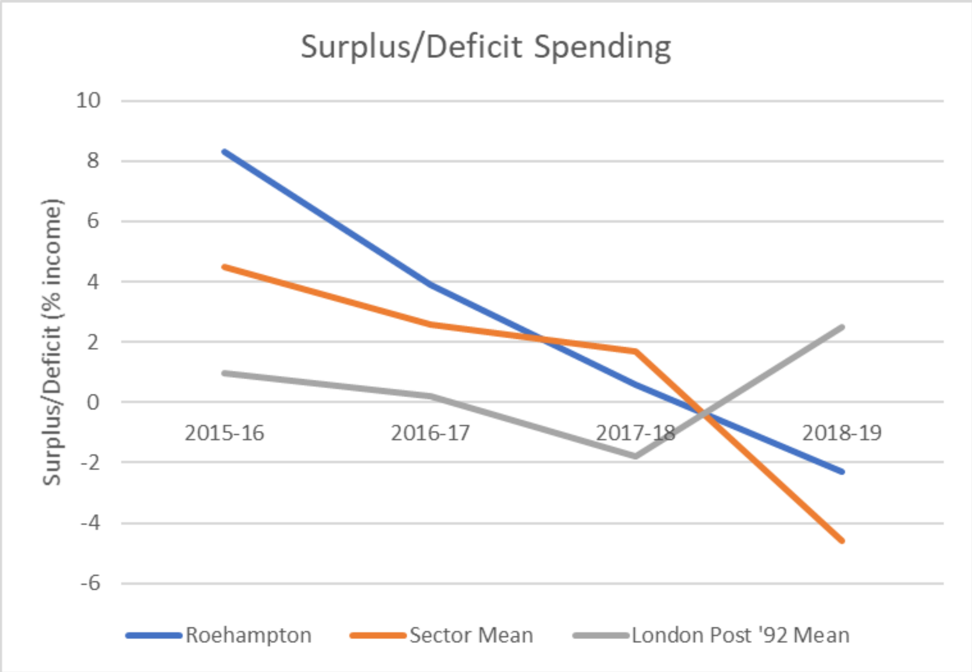
University of Roehampton has a consistently below average spend on staff. In 2018-19 its staff spend (expressed as a percentage of income) was 46.5%, among the very lowest in the sector. This places the university as 18th lowest out of 178 HE providers, with mostly only small specialist colleges having a lower spend.

with inadequate work space and set-up, juggling care responsibilities and their own ill health, and the announcement of severance and proposals to cut pay on top of this has understandably pushed stress levels even higher. In May, University of Roehampton was seen to advertise that campus would be open in Autumn, and leadership on how teaching will be delivered has not met clear safety standards and guidelines. Staff may feel pressurised to come to campus (which for many requires navigating public transport) and risk their own health due to the threat of staff cuts.



The low staff spend can be understood in conjunction with other pressures on staff time and cuts to administrative and research resources. In May 2020 management announced the suspension of research sabbaticals, and changes to the workload model which (like the previous workload model) were not negotiated with UCU. University of Roehampton also has in place a policy (again, not negotiated with UCU) in which decisions about access to research time correspond with internal pre-assessment of REF outputs, and many individual staff have had research time entirely withdrawn on these grounds, which is extraordinary for the sector. In this context of the erosion of resources for staff (and for research in particular with management's fractionalisation proposal), decisions made by senior management about how the university should invest funds takes on greater significance. What are the values of senior management and the governing bodies? What kind of university is being pursued through their decisions? What criteria and processes are in place, and what are the effects of their decision-making?

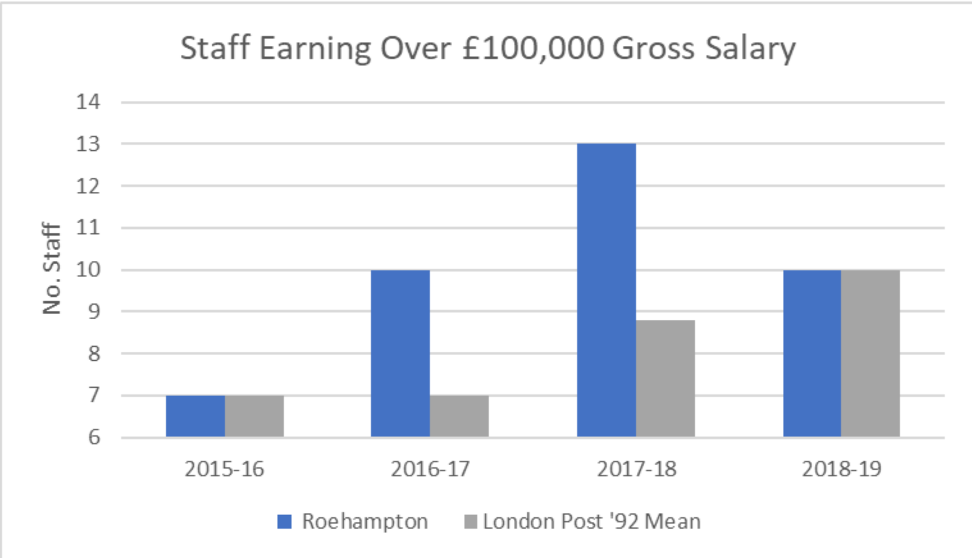
University of Roehampton spending has outpaced income over the last five years. The following graph shows the decline of income surplus.



A possible contributing factor in the national downwards trend may be that there has been a demographic dip in 18 year olds in the UK leading to reduced income in some teaching programmes. However, management would have had over a decade to plan for this, and University of Roehampton moved into a deficit while comparable universities are increasing their surplus, which again raises questions about strategic planning. While there are national trends to be taken into account, the prudence of management decisions must also be scrutinised. While income surplus has diminished and moved into deficit, high pay for managers has risen. University of Roehampton Vice-Chancellor basic salary has risen from £238k to £278k over the past five years.[4] Taking into account RPI inflation rates and the national pay settlement for staff, staff have taken pay cuts in real terms over this period while Vice-Chancellor pay has risen by around £40k. Over the last decade, the value of staff pay has declined in real terms by 17%, or (as UCU argues) over 20%. Of course there are other financial perks for managers not shown here, which are grossly out of step with the decline of real term value of staff wages. For instance, when the former Vice-Chancellor resigned on 30 April 2020, he continued in the role of University President between 1 May and 31 August 2020. For these three months he received remuneration of £86,886 and, at

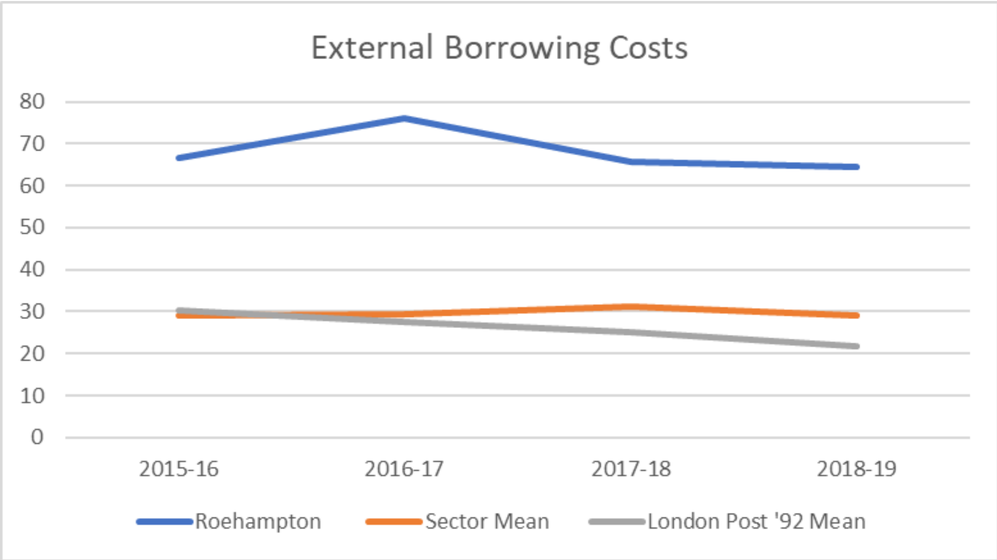
[4] Vice-Chancellor's pay for 2019-20 has not yet been published, and so this figure relates to pay 2014-15 to 2018-19. The 2018-19 figure of £278k is the combined sum of what the previous and the current Vice-Chancellor were paid in basic salary for this year (£216k and £62k respectively). The former Vice-Chancellor's remuneration of £87k for his subsequent role as University President in this year is in addition to this sum.

the same time, the salary of the current Vice-Chancellor was also being paid (£62,000 for three months May-July). During his tenure the former Vice-Chancellor was provided with living accommodation, pension payments made by the university in addition to standard scheme membership, and both the former and current Vice-Chancellor receive substantial taxable benefits in the form of private medical insurance. This pattern feeds into a clear narrative about values: while resources for most staff dwindle, resources for management seem to increase, and thus inequalities widen.



This graph shows University of Roehampton managers earning over £100k rising higher than comparable universities. While this levels out in 2018-19, this rising pattern is nonetheless useful for understanding the background for the present financial situation. A motion for a long-term commitment to a maximum pay ratio of 6:1 (meaning that the highest pay cannot exceed six times the lowest full-time salary) has already been passed by Roehampton UCU members for a fairer and more sustainable model.

Here, the authors consider the question of what kind of return highly paid managers provide in terms of good, strategic leadership for the university. While surplus has diminished in recent years, borrowing (expressed here as a % of income, as per HESA data) has consistently been far above average.

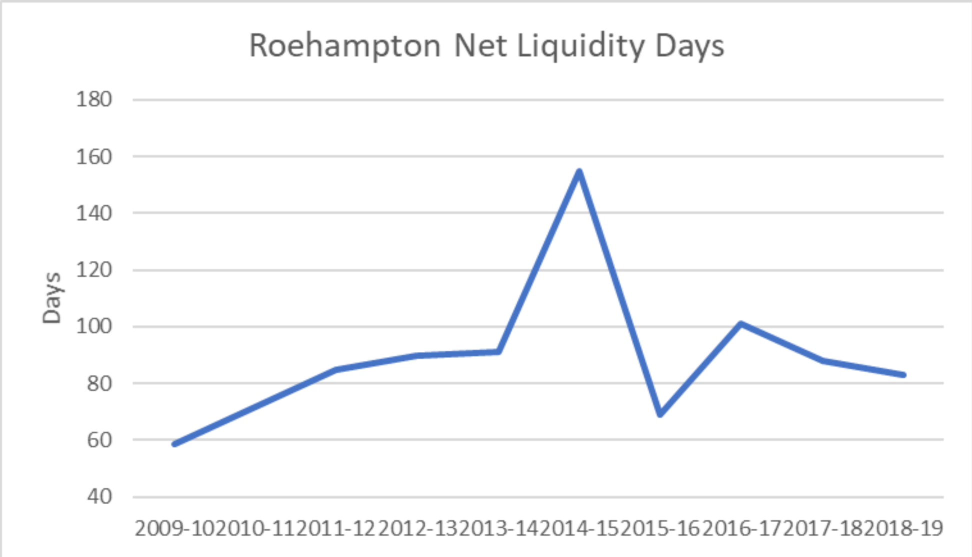


As management argue the university is now in a financial emergency, this raises the question of how accumulated surplus of previous years has been spent, and what high external borrowing has been for. The evidence suggests these funds tend to be spent on capital investments and large building projects which have been committed to at an overly rapid pace, and this has now weakened University of Roehampton's financial resilience. While borrowing is not in itself a bad decision, the most important question to ask is the values and the criteria of decisions about investment, and their relation to university core values and function. Scope for detailed analysis is reduced due to lack of access to the relevant financial information; however, the November 2019 Council report states that the Harvey Building and Romero Court redevelopment (c.f. David Bell Media Centre project) was funded at least partly from reserves (accumulated from past surplus), which – following other developments such as Elm Grove *and* the £35m new library completed in 2017 – contributes to the evidence that University of Roehampton has invested in buildings at an unduly rapid pace. If this is the case (as the available evidence suggests), this may be questioned in the context of diminished direct investment for staff to deliver excellent teaching and research – particularly as existing teaching buildings are not fit for purpose due to inaccessibility (e.g. Cedar, Downshire House, Fincham, Howard, Jubilee, and Michaelis Buildings).

There is a clear inconsistency between the stated ethos of the university, and cuts to staff care, resources, and livelihoods in the context of the global pandemic. Financial and strategic planning also appears to be at odds with the stated impetus for savings. For instance, management push ahead with a restructure to create a new School of Arts by 1 August 2020 when negotiations about staff cuts are ongoing, and when details of the next academic year are unknown in the context of the pandemic. The speed of implementation of the restructure, lack of scope for discussion at Senate, and absence from Council minutes implies executive pressure has propelled decision-making. Staff have already raised concerns about the transparency of the Arts Review, which seems to have been commissioned to support a restructure planned prior to the pandemic. Questions about governance may be raised here: as the majority of Council members are entirely removed from front-line work within the university, the processes and criteria of informed decision-making are not entirely transparent. The backgrounds and interests of those that make up the governing bodies and lead committees are also relevant to understanding decision-making processes which have informed rapid investment in building projects (such as links with the construction industry). While increasing proximity between universities and corporate modalities or interests is of course a national pattern arising from the marketisation of HE, this may nonetheless be taken into account when considering the values and interests of university directors and managers. Furthermore, this line of enquiry is not unrelated to quality assurance in the university (in the past and moving forwards), and the implications of practices such as outsourcing and use of casualised labour – particularly for the lowest paid.

Short-term Future

At the beginning of the academic year in October 2019 Council minutes stated that financial performance for the previous year and net cashflow had been strong, that there were 'no liquidity or loan covenant issues', and that external borrowing had now peaked and was declining. November minutes show less confidence in the university's financial position, as they stated that net liquidity was lower than target due to reserves being used to fund the redevelopment of Harvey Building and Romero Court. Later, in April 2020 the minutes stated that 'to date [student] applications were ahead of 2019', and other evidence shows there may even be scope for growth in Home student numbers, and so there are various dimensions to the stability of the university's present position. Subsequently, however, management have affirmed that their grounds for claiming a financial emergency is due to net liquidity. The following graph shows University of Roehampton's net liquidity over the previous decade.



While the present net liquidity is unknown (as management have not released details of the relevant information), net liquidity was stronger at the beginning of this year than it has been in the past. This evidence is not offered in order to suggest there is no financial issue at all; rather, it is offered as a way of contextualising the present situation in relation to the university's history, and affirming that management's approach to target jobs and pay now is a drastic one. There will certainly be substantial losses as a result of the pandemic. However, while many universities are planning for the likelihood of major reductions in fee income due to reductions in Overseas student intake, these students account for only 5.6% of income (compared with 11.47% sector average). The management proposal refers to the London Economics '[Impact of the Covid-19 Pandemic on University Finances]' report as core evidence for its projections of the impact of the pandemic on student numbers and fee income. However, [the accuracy and reliability of this report has already been strongly critiqued] on the grounds that it 'assumes a uniform impact across pay grades, and it assumes that any reduction in tuition fees directly translates into job losses', as USSbriefs analysis points out. While University of Roehampton management predict a 15% reduction in Home, and a 40% reduction in EU and Overseas students, the USSbriefs analysis which is specific to Roehampton suggests (at the time of writing) projected reductions of 1% in

Home fee income and 10% in EU and Overseas fee income. As university predictions are therefore based on highly generalised, national projections this raises questions about the detail and credibility of management's modelling.

If the worst case scenario were to occur, and there were drastic losses in income in 2020-21, a key driver of staff debate is whether staff accepting pay cuts would help prevent compulsory redundancies, thus protecting each other's jobs. Management have stated they have planned for £5.3m in non-staff savings next academic year, and have proposed a temporary pay cut (with a corresponding cut in contracted hours) of an undefined term for all staff at Roehampton Grade 7 and over, through which they aim to yield £4.5m. This would require individual consent to a variation in contract, and at the time of writing there were no significant incentives offered to staff to take up the scheme.[5] There is no assurance on when staff would return to their current contracts, and furthermore a reduction in hours contradicts current planning for teaching next year and the known labour required to deliver it (in addition to administrative and research duties). In its present form, and in the context of a deficit of staff trust in management, the proposal would be unlikely to be taken up in significant numbers, and is therefore ineffective as a proposal to improve university finances. If management were to escalate their approach they could possibly make staff redundant and then ask them to re-engage on new terms, however if this affected 20 or more employees management would be required to serve redundancy notice (Section 188, Trade Union and Labour Relations Act) which they have not done. This would be a drastic action which would in turn dramatically escalate the response from staff (as well as local communities), who may pursue local industrial action or legal challenges if the grounds for dismissal are understood as not fair. By contrast to such a catastrophic approach, Roehampton UCU have provided management with an alternative viable pay loan offer from staff, which is far more likely to be taken up by many (thus likely to have significant financial effect), but at the time of writing this had no response. Additionally, Roehampton

[5] Management cannot legally change contracts without individual staff consent. Staff cannot collectively agree to an across the board pay cut per se for a number of reasons, including because this would take University of Roehampton out of the nationally agreed pay spine. Incentives offered to staff to agree to change in contract include flexible working and incremental progression which staff will have in any case and are therefore insignificant as incentives.

UCU have proposed savings which would meet the £4.5m, which include the possible sale of the house previously occupied by the former Vice-Chancellor; savings in travel, subsistence, capital expenditure, utilities and consumables; and repurposing funds management set aside (but no longer require) to cover severance costs this year and next year. There are therefore options for savings which Roehampton UCU have proposed, but at the time of writing management have not responded to the staff offer of pay loans, and stated that the identified savings cannot be pursued instead of staff cuts.

While the precise impacts of the pandemic are unknown, the government have already announced that tuition fee payments will be brought forwards to stabilise finances over Autumn 2020, which further alleviates concern about short-term net liquidity. The decision to cut staff at the beginning of May 2020 was therefore premature. As the announcement was made at the same time as a restructure was being planned, this adds to evidence which suggests that management may not have been entirely forthcoming about agendas driving their decision-making. The broader shortfall in transparency of university finances and negotiations makes it very difficult for staff to be in a position to suggest savings for the future of the university of which they are part; for instance, details of indirect costs ascribed to departments is presently unclear. What is clear, however, is that staff will be needed to invent and deliver socially-distanced methods of teaching and research in 2020-21, and that (in contradiction with management's proposal to cut hours) more time and resources will be required to maintain good functioning of the university. There is concern that management's proposal to reduce pay and hours would require staff to work more for less remuneration, and that this will add further pressure on workloads and ways of working which are already unsustainable in the context of the pandemic. Furthermore, that management are pursuing the rapid introduction of new teaching programmes and administrative structures during this time makes little practical or financial sense in the context of the pay cut proposal.

Cutting staff should always be an absolute last resort because hiring and training new staff to the level of expertise of previous staff is costly, inefficient, and drastically damages trust in management. Given that a substantial demographic boom in 18 year olds over the next decade is certain, this exacerbates the sense in which cutting staff at this time is a questionable decision. The authors of this paper note that staff at universities facing such situations may opt for industrial action and may consider a vote of no confidence in key management or Vice-Chancellors should they deem this to be necessary.

Long-term Future

As previously stated, with the known rise in 18 year olds over the next decade, universities will see demand for Higher Education rise, and appropriate staff will be required to meet that demand. If the worst were to happen in relation to university finances in the short-term, and management agreed to the pay loan offer from staff to stabilise university finances, the new co-operative university model would make for a more fair and sustainable university in the long-term. For instance, the authors of this paper note the proposal to strengthen democratic governance, to commit strongly to advancing equalities, and invest in staff research, therefore enabling broad access to the latest knowledge and ideas, and improving social mobility for staff and students. This vision of the university would involve replacing an unsustainable, top-down corporate model, with a sustainable co-operative model, which has clear benefits, and is in keeping with the long-standing ethos of University of Roehampton. It is also clear that changes in funding of the Higher Education sector are required from government, and UCU has launched a Fund The Future campaign which addresses this.

Data Appendix

https://www.hesa.ac.uk/data-and-analysis/finances/kfi	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Net liquidity days	58.7	71.7	85	90	91	155	69	101	88	83

https://www.hesa.ac.uk/data-and-analysis/finances/kfi	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Surplus/deficit % income Roehampton			8.3	3.9	0.6	-2.3
Staff cost % income Roehampton			51.5	51.4	53.4	46.5
Staff paid over £100k			7	10	13	10
VC basic salary £000 (excluding benefits)	223	238	262	262	276	278
VC basic salary % increase		6.7	10.1	0	5.3	0.7
National staff pay settlement %		2	1	1.1	1.7	2
RPI inflation %		2.4	1	1.8	3.6	3.3
Reserves as % of income (excluding pensions)			70.5	68	62.8	64.1
External borrowing as % of income			66.6	75.9	65.8	64.6

https://www.hesa.ac.uk/data-and-analysis/finances/kfi	2015-16	2016-17	2017-18	2018-19
Surplus/deficit % income Roehampton	8.3	3.9	0.6	-2.3
Surplus/deficit % income sector mean	4.5	2.6	1.7	-4.6
Surplus/deficit % income London post-92 comparator mean	1	0.2	-1.8	2.5
Staff cost % income Roehampton	51.5	51.4	53.4	46.5
Staff cost % income sector mean	52.7	52.9	53.6	52.1
Staff cost % income London post-92 comparator mean	53.8	53.4	54.3	52.8
Staff earning over £100k Roehampton	7	10	13	10
Staff earning over £100k London post-92 comparator mean	7	7	8.8	10
External borrowing costs as % of income Roehampton	66.6	75.9	65.8	64.6
External borrowing sector mean	29	29.3	31.3	29
External borrowing London post-92 comparator mean	30.2	27.5	25.2	21.6

	2015-16	2016-17	2017-18	2018-19
London Metropolitan University				
Surplus/deficit % income	-7.2	-3.9	-10.1	-12
Staff cost % income	60.1	55.8	60.1	62.2
Staff paid over £100k	5	3	5	7
External borrowing as % of income	1	0.6	0.3	0.1
London South Bank University				
Surplus/deficit % income	2.4	1.3	1.1	10.6
Staff cost % income	51.8	52	56.5	50
Staff paid over £100k	9	8	9	8
External borrowing as % of income	19.5	17.7	16.7	20.1
University of East London				
Surplus/deficit % income	-4.5	-8.1	-0.4	1.2
Staff cost % income	57.2	60.1	54.2	53.1
Staff paid over £100k	7	7	11	11

External borrowing as % of income	19	18.5	16.7	0.1
University of Greenwich				
Surplus/deficit % income	3.4	2	1.6	4.5
Staff cost % income	48.1	51	51.1	49.1
Staff paid over £100k	10	12	13	16
External borrowing as % of income	41.7	41.6	40.3	38.1
University of West London				
Surplus/deficit % income	10.8	9.6	7.8	8.2
Staff cost % income	46.1	45.6	46.2	46
Staff paid over £100k	4	5	6	8
External borrowing as % of income	70	58.9	51.9	49.7
MEAN AVERAGE excl. Roehampton				
Surplus/deficit % income	0.98	0.2	-1.8	2.5
Staff cost % income	52.7	52.9	53.6	52.1
Staff paid over £100k	7	7	8.8	10
External borrowing as % of income	30.2	27.5	25.2	21.6