UCU POSITION PAPER

2019 Financial Sustainability Plan[1]

On 27th February 2019, Keele's Vice-Chancellor Prof. Trevor McMillan unveiled the University's 3 year *Financial Sustainability Plan*. The plan involves some of the deepest staff cuts in Keele's living memory, with an overall aim to reduce payroll costs by £8m per year - or approximately 150 posts - by 2021.

This paper outlines UCU's formal position on University finances and the proposed sustainability plans. Our overall conclusion is that the current situation has been caused by inadequate management, that the proposed sustainability plans are misguided, and that the current University leadership is not fit to see us through the crisis.

[1] For confidentiality reasons, this document has been redacted to include only information that is in the public domain. The redacted information concerns mainly the 2018/19 forecasts provided by Senior Management.

Executive Summary

1. **Despite a sustained period of growth and unprecedented levels of income, the University is in a weak financial position;**
2. **Figures used by the Senior Management Team [SMT] to outline the University's financial position are inconsistent, highly selective and flawed;**
3. **SMT cites rising staff costs as a significant cause of the University's difficulties but staff costs have been consistently declining as a proportion of income in the last 15 years;**
4. **SMT also cites a number of external challenges but these were largely foreseeable and do not explain the current financial position;**
5. **The University's financial position has been caused by a growing debt burden arising from an unbalanced capital spending programme and inadequate response to matters arising;**
6. **The proposed sustainability plans are not evidence-based;**
7. **The plans are a threat to Keele's distinctive identity and sustainability as a broad-based, research-led University;**
8. **They also place the University in a weak position to respond to the rapid and sustained increase in the number of 18-year-olds due after 2020;**
9. **SMT takes no responsibility for its mistakes and is unwilling to change its strategy, despite its role in causing the current situation;**
10. **UCU calls for the establishment of a Joint Emergency Committee of managers, students and staff to draw up alternative sustainability plans;**
11. **UCU further calls on Council to take appropriate action on motions passed by UCU and other campus Unions, and not to implement any further cuts beyond the voluntary severance scheme until alternative plans are in place and more is known about the post-2020 environment.**

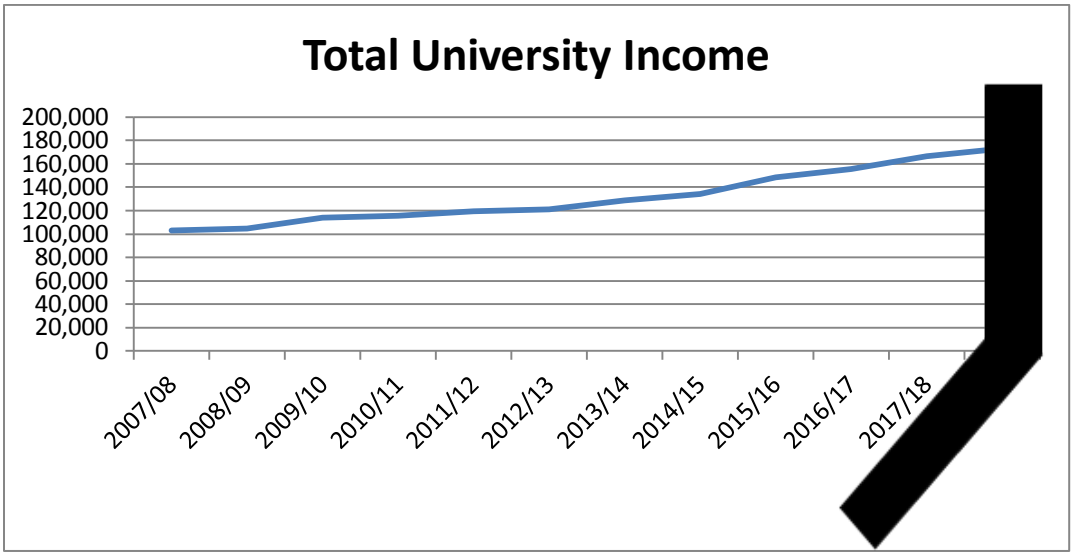
1. The University's current financial position

Note: figures shown in the tables below are in thousands of pounds unless otherwise specified.

1.1 Assessing the University's financial position is not a simple matter. A variety of figures can be used and the outcome of any assessment is in large part determined by methodological choices made at the outset of the process: whether to consider the University's overall position or its cash position; whether to count only 'operating' income/expenditure (i.e. that resulting from the University's core areas of business such as education and research) or to include also non-operating items (such as donations, sales of land, loan repayments etc.); whether to count only 'recurrent' items (salaries, tuition fees etc.) or also non-recurrent items (e.g. one-off grants or voluntary severance payments). The choice of time scales is also extremely important: what may look like a downward trend when looking at, say, the past three years may look altogether very different when looking at a ten-year period. Whatever measure is chosen, it is important to apply it consistently. It is all too easy to give a distorted picture by including some of the costs and revenues but not others or by manipulating time scales to create a trend where none actually exists. In the rest of this paper, we give various examples of the misleading and methodologically flawed figures used by SMT to justify its plans and conceal its responsibility in causing the University's current troubles.

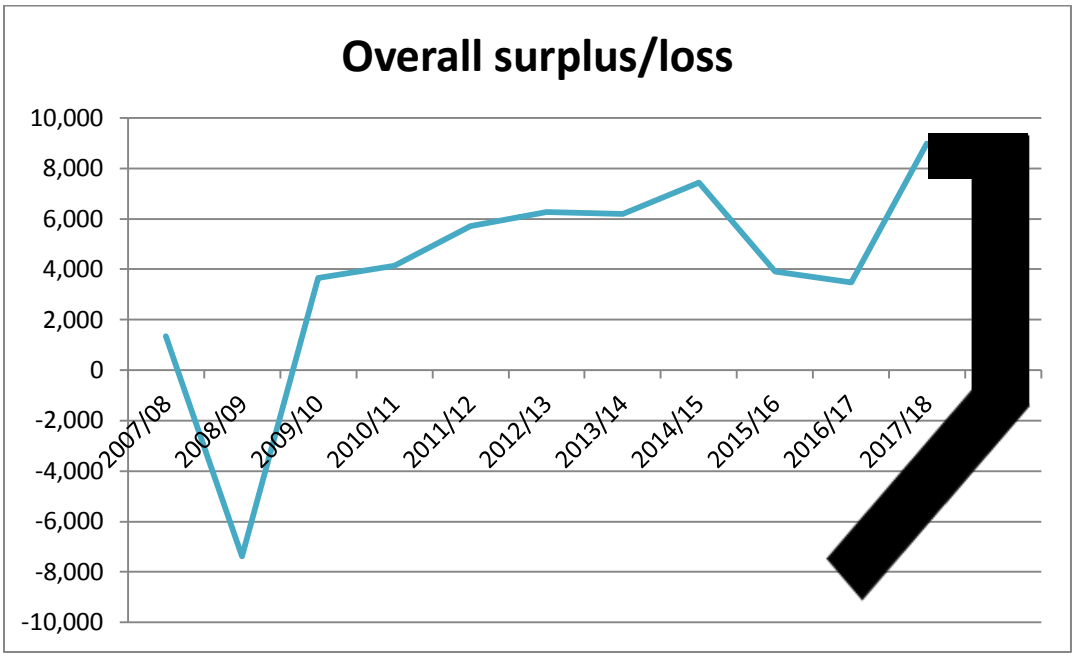
1.2 What, then, is the University's current financial position? According to one set of figures, the University appears in a strong, sustainable position.

- Income has grown by more than 65% over the past ten years and is currently at a historical high:



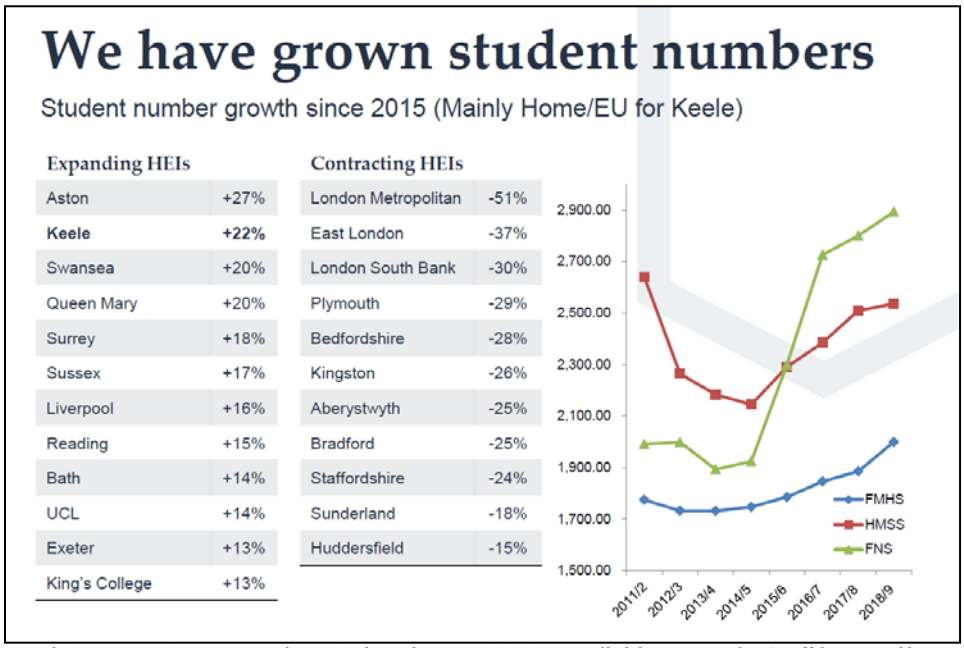
(Source: Keele published accounts - https://www.keele.ac.uk/finance/accounts/; Keele management accounts)

- The University generated an unprecedented £8.9m overall surplus in 2017/18 and will end 2018/19 on a projected £[redacted]m surplus:



(Source: Keele published accounts - https://www.keele.ac.uk/finance/accounts/; Keele management accounts)

- Keele is one of the fastest growing Universities in the sector in terms of student recruitment:



We have grown student numbers

Student number growth since 2015 (Mainly Home/EU for Keele)

Expanding HEIs	
Aston	+27%
Keele	**+22%**
Swansea	+20%
Queen Mary	+20%
Surrey	+18%
Sussex	+17%
Liverpool	+16%
Reading	+15%
Bath	+14%
UCL	+14%
Exeter	+13%
King's College	+13%

Contracting HEIs	
London Metropolitan	-51%
East London	-37%
London South Bank	-30%
Plymouth	-29%
Bedfordshire	-28%
Kingston	-26%
Aberystwyth	-25%
Bradford	-25%
Staffordshire	-24%
Sunderland	-18%
Huddersfield	-15%

(Source: VC presentation, 27th February 2019 - available on Keele Staff intranet))

- When last year's Voluntary Severance scheme was closed, SMT assured UCU that the University's financial position was secure and that no further savings were needed. The 2017/18 statement of accounts likewise states that 'the University will continue to generate surpluses and have adequate available financial resources' in the foreseeable future:

> The University ended the year with cash and cash equivalents of £43m. In addition, a significant proportion of the £40m fixed asset investments are invested in liquid funds that could be available to the University at short notice. The budget for 2018/19 and forecasts for subsequent years show that the University will continue to generate surpluses and have adequate available financial resources.

(Source: VC Strategic Report, 2017/18 Statement of Accounts, p. 8)

1.3 It is hard to reconcile these figures with SMT's assertion that the University's position is 'not sustainable in the long term'. The explanation lies in the University's underlying cash position. The University's overall income and net annual surplus - as shown in the public accounts - provide some indication of its financial performance in any given year. But these figures can be unreliable indicators of the University's financial health. That is because they include various non-cash (e.g. depreciation of buildings), non-recurrent (e.g. one-off capital grants) and non-operating (e.g. investment and financing flows such as cash raised through loans) elements that can distort its actual operating bottom line. A more realistic view of the University's financial health therefore requires looking at its net cash inflow from operating activities. In a nutshell, this describes how much cash goes in and out of the University from its day to day running, i.e. the difference between income from core ongoing activities (e.g. tuition fees) and expenditure in delivering these activities (e.g. pay costs). SMT claims that, whilst cash flow from other sources has an impact on the University's overall position, at the end of the day operating cash flow is the main source of sustainable income generation for any organisation and if the University does not make sufficient cash surpluses from its operations, it is in a vulnerable position. UCU does not dispute this.

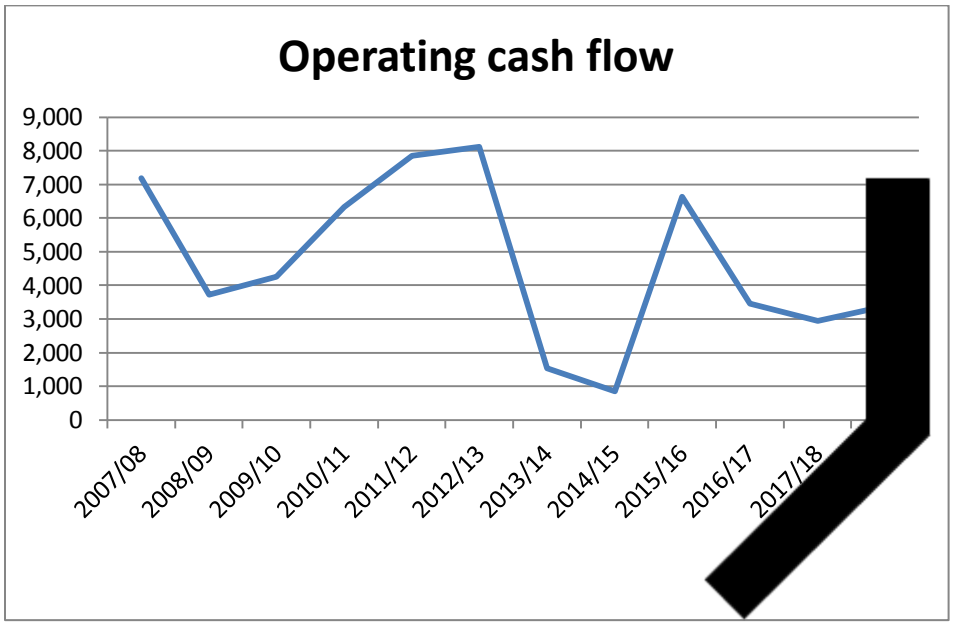
1.4 Looking at net cash flows from operating activities, SMT quotes the last three years' figures as showing 'a trend in declining cash flow surpluses':

£m	2015-2016	2016-2017	2017-2018
Surplus	5,693	4,797	8,579
Operational Cash flow	6,638	3,466	2,935

(Source: Keele Staff Intranet FAQ)

This is a highly manipulative use of data. For one thing, the latest forecasts show a projected operating cash surplus of £[redacted]m for 2018/19, i.e. up from last year. For another, the appearance of a downward trend evaporates if one look at the position over a longer time frame. Cash surplus has fluctuated wildly in the last ten years with no

sign of a trend. The figures quoted are merely the latest wiggle in a highly irregular curve:



(Source: Keele published accounts - https://www.keele.ac.uk/finance/accounts/; Keele management accounts)

1.5 The real problem does not reside in the University's absolute cash surplus levels but in its cash surplus levels *relative* to its debt burden. In 2017/18, for example, the University generated a £3m cash inflow from operations but had to pay close to £8.3m in loan repayments and interests.[2] When looking at cumulative totals over the last five years, cash inflow after debt obligations is a *negative* £6.5m:

	2014/15	2015/16	2016/17	2017/18	2018/19	TOTAL
Net cash inflow from operations	849	6,638	3,466	2,935	[redacted]	[redacted]
Interest paid	1,747	1,806	1,609	2,449	[redacted]	[redacted]
Loan repayments	1,741	1,740	1,768	5,884	[redacted]	[redacted]
Cash inflow after debt obligations	-2,639	3,092	89	-5,398	-1,715	[redacted]

(Source: Keele published accounts - https://www.keele.ac.uk/finance/accounts/; Keele management accounts)

[2] Note that the £5.884m loan repayment for 2017/18 includes £3.9m that is just a transfer of debt using part of the Barings loan (see below) to repay a previous Barclays loan. That portion of the repayment ought therefore not to be viewed as a cost but simply as a transfer from one account to another.

What the above shows is that the University does not generate enough cash from its operations to service its debt. It is effectively having to rely on new borrowings, capital grants and non-recurrent/non-operating cash inflows such as endowment and investment income (all of which have to be accounted for when looking at financing cash flows). Whilst these income streams have been sufficient for the University to get by and pay its debts (this is why the University is not *currently* in deficit), this is not a tenable position in the long run as it leaves the University vulnerable to changes in cash inflows. A decrease in income may force the University to use its reserves to pay its expenditures, which is not financially sustainable. This might also cause the University to breach the terms and conditions (covenants) on some of its loans.

1.6 Whilst Keele is not alone in experiencing financial difficulties, the problems appear particularly acute at Keele, at least in some respects. According to data recently released by HESA (Higher Education Statistical Agency), Keele ranks 11 from bottom nationally for its operating cash surplus as a percentage of total income, and most institutions below Keele have either much larger reserves or much smaller levels of borrowing:

HE Provider	Surplus/(deficit) as a % of total income	Staff costs as a % of total income	Premises costs as a % of total costs	Unrestricted reserves as a % of total income	External borrowing as a % of total income	Days ratio of total net assets to total expenditure	Ratio of current assets to current liabilities	Net cash inflow from operating activities as a % of total income	Net liquidity days
London Metropolitan University	-10.08	60.08	11.57	159.03	0.27	531.5	4.92	-10.67	309.46
Heythrop College	-5.49	13	3.66	0	0	5.5	1.21	-6.44	26.38
The Open University	-6.09	68.67	3.07	103.05	14.15	356.5	3.57	-4.98	333.72
St Mary's University, Twickenham	-11.38	71.66	6.43	188.94	5.14	620.3	1.42	-3.51	48.25
The University of Bradford	-11.01	62.6	8.91	47.92	20.4	165.6	0.91	-3.07	63.21
Royal Academy of Music	33.94	34.34	12.61	391.23	0	2,805.90	3.36	-1.65	204.65
Birkbeck College	2.6	64.2	7.01	79.9	0	333.8	2.52	-1.01	202.67
Conservatoire for Dance and Drama	-0.08	2.26	16.79	2.94	0.51	11.7	7.25	-0.57	12.48
SOAS University of London	-2.79	57.52	10.76	57.98	17.61	386.8	0.65	-0.13	59.29
Royal Agricultural University	12.55	39.93	7.74	120.73	16.33	506.7	1.13	0.48	42.68
Keele University	4.12	52.93	6.36	93.97	43.69	360.2	1.36	1.76	102.77
Newman University	2.23	63.07	5.11	143.24	2.88	534.8	2.29	1.79	97.65
Liverpool School of Tropical Medicine	2.13	13.3	0.96	14.3	0	80.5	1.43	1.82	120.87
University of London (Institutes and activities)	1.34	34.9	6.31	322.5	28.83	1,385.60	1.76	2.2	98.27
Royal Northern College of Music	3.18	54.91	6.66	120.87	17.17	822.2	3.21	2.48	127.93
Cranfield University	-6.23	55.07	5.43	55.18	22.4	202.1	0.6	2.69	-19.12

(Source: HESA - Table 14 - Key Financial Indicators - 2017/18)

1.7 SMT claims that, if nothing changes, the University may next year run an operating deficit (remember it is currently running a £3m+ operating surplus). They allege the University will receive £1.6m less in income due to higher than budgeted levels of student withdrawals this year and an increase of £3m in pay costs. UCU has asked repeatedly to access the data underpinning these claims but is yet to receive any information allowing us to verify these projections. We cannot therefore form an opinion on the University's likely position next year. But the current position is in itself challenging, especially as it pertains to the University's debt to income ratio. The credit rating agency Moody's recently downgraded Keele's credit profile to Aa3 (one rung above upper middle grade) with a negative outlook. Whilst an Aa rating is not of immediate concern, the negative outlook signifies that the rating may be further downgraded in the near future and reflects the University's operating performance difficulties. In its report, Moody's note that Keele's operating cash flow margin is 'well below' the median for UK universities, whilst its level of debt is 'significantly higher' than the median for the sector. It also lists the 'implementation risk related to capital programme' as one of the three major 'credit challenges' (the terminology used to signify financial weaknesses): specifically, it refers to the 'proposed [£160m] collaboration between UPP and the University [which] is no longer proceeding and Keele will now look to reassess its accommodation requirements and funding options'. The evidence and consequences of this serious problem are visible on campus - the car park area next to the Darwin building and two other locations. Inexplicably, the UPP contractors were allowed to begin work on campus before the collapse of the deal (presumably, before a contract was signed).

1.8 In conclusion, UCU's position is that, despite years of sustained growth in terms of both income and student recruitment, the University's finances have been so poorly managed that Keele is now one of the weakest financial performing universities in the sector. As a result, the University finds itself in a position where it needs to improve its operating cash flows rapidly to remain financially sustainable, by further growing its student population and/or by making cuts to its cost base.

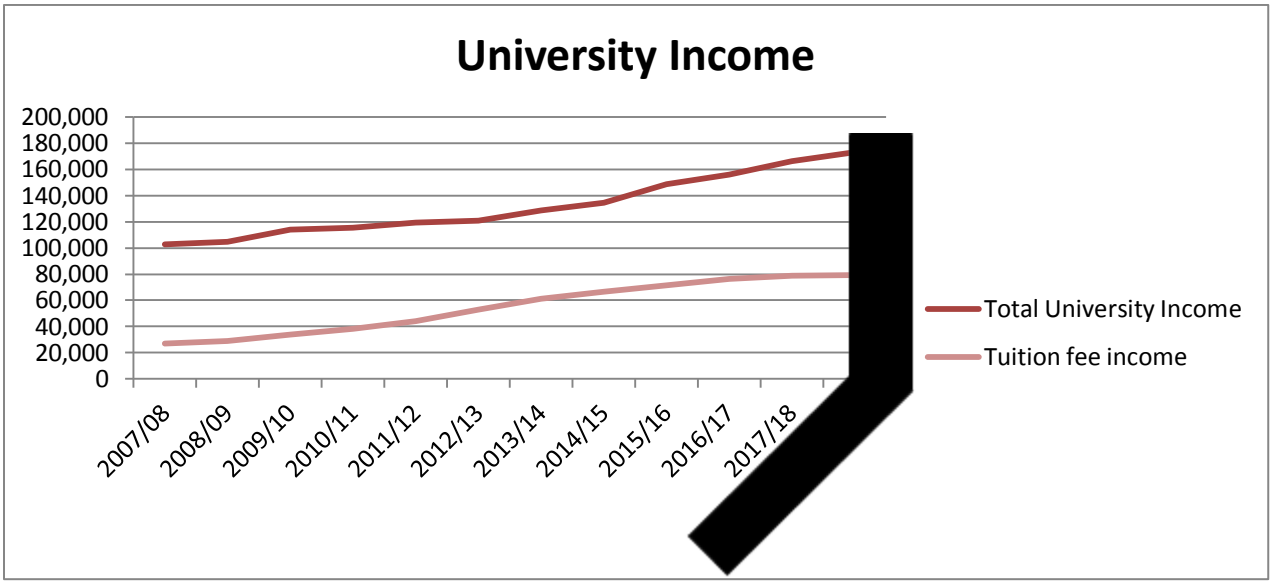
2. How did we get to this position?

2.1 The University leadership has deployed a carefully designed narrative to explain the current situation. As this section demonstrates, this narrative is selective, misleading and serves mainly one purpose: to conceal SMT's overwhelming responsibility in causing the current crisis.

2.2 Since the VC's announcement, SMT's communication has primarily focused on two factors: decreasing levels of income combined with rising staff costs. The *Financial Sustainability Plan* document presented by the VC on February 27th speaks of growth 'not keeping pace' with 'inflationary payroll costs'. It further projects a reduction in income of around £1.6m next year, combined with a pay costs increase of around £3m. The document concludes that 'assuming that no other costs don't change (sic) the

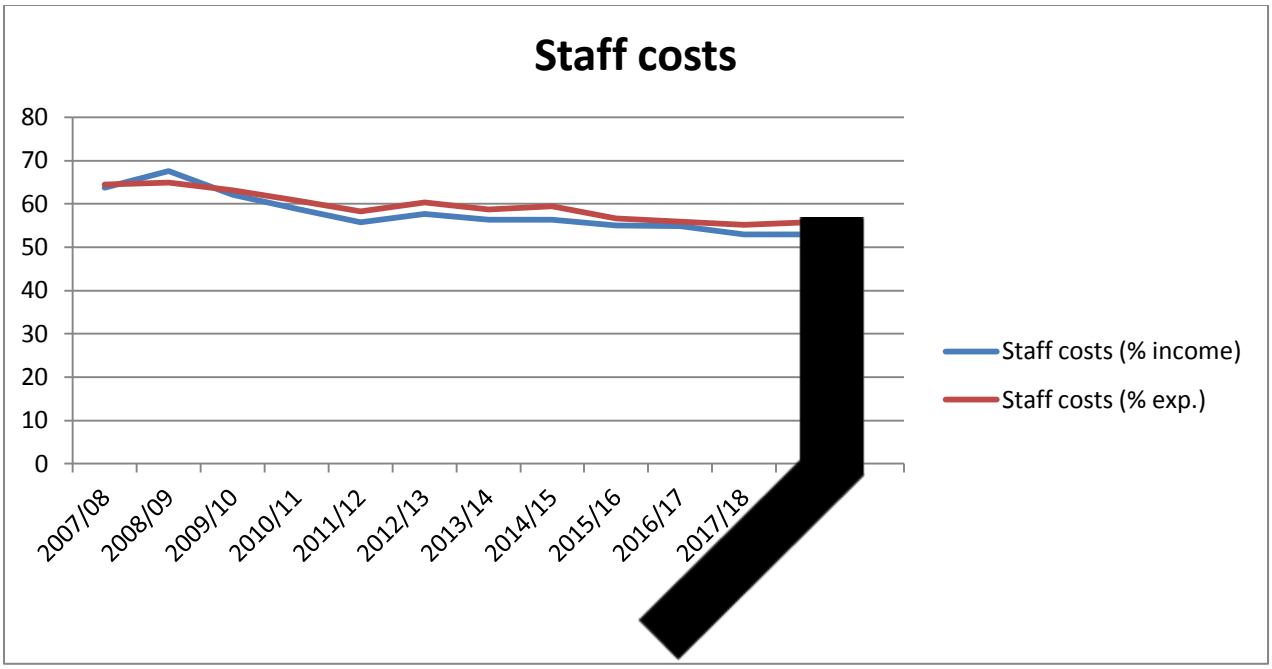
impact of rising costs against a static level of income is clear: there could be a potential deficit of £4.6m next year […] So our challenge is simple. We need to reduce our costs and increase our income'. The Keele Staff Intranet FAQ likewise states that there is a 'simple explanation' for the University's cash flow position: 'income generation from tuition fees has slowed, while costs, particularly payroll costs, have continued to increase'.

2.3 This narrative is misleading for a number of reasons. Firstly, University accounts do not show signs of a declining or static income. When looking at the last ten years, the trend is clear. There is steady growth both in terms of overall and tuition fee income. Overall income was £134m in 2014/15 when the current University leadership was appointed. Last year it stood at £166m (+24%) and it grew further this year to £[redacted]m (+[redacted]%). Tuition fees income was £66m in 2014/15 and £80m last year. It now stands at £[redacted]m (+[redacted]%).



(Source: Keele published accounts - https://www.keele.ac.uk/finance/accounts/; Keele management accounts)

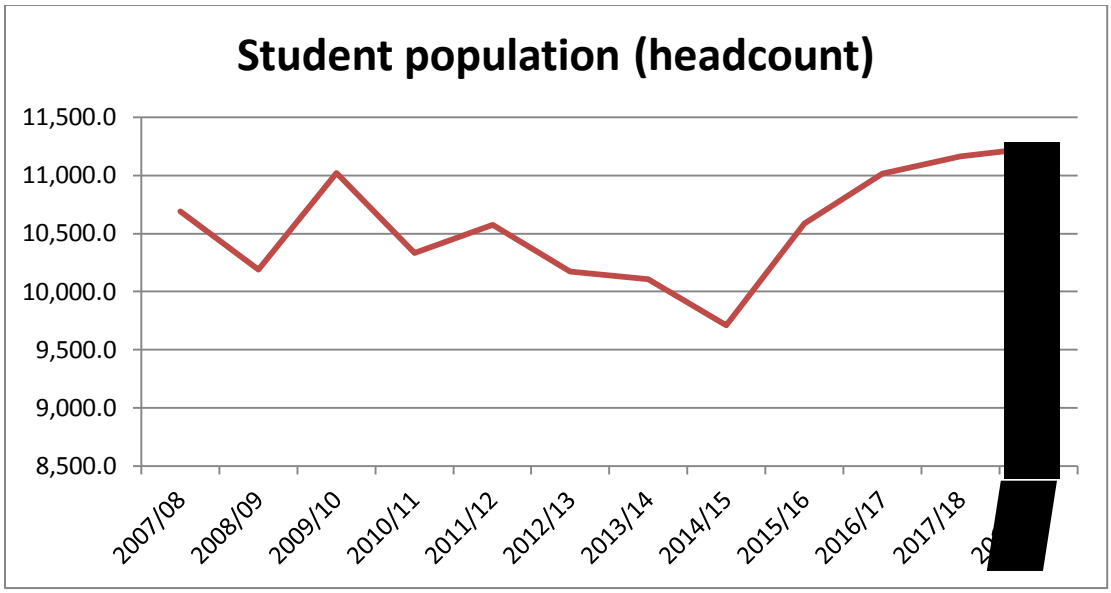
2.4 When looking at staff costs, the opposite trend is apparent. Although staff costs may increase in absolute terms (due to things such as national pay awards, increases in pension contributions etc.) year on year, the only meaningful measure of a University's pay expenditure is staff costs as a proportion of its overall budget. Whether measured as a percentage of total income or as a percentage of total expenditure, staff costs at Keele have decreased by more than 10% over the past ten years and, according to the latest HESA figures, Keele ranks 84th nationally (England) for staff costs out of 134 higher education institutions (the lower the ranking, the smaller the staff costs as percentage of income). During the last five years, it is worth noting that this reduction was paralleled by a significant expansion of senior managerial posts at high pay grades (for instance, the appointment of additional Pro VCs and Faculty Deans).



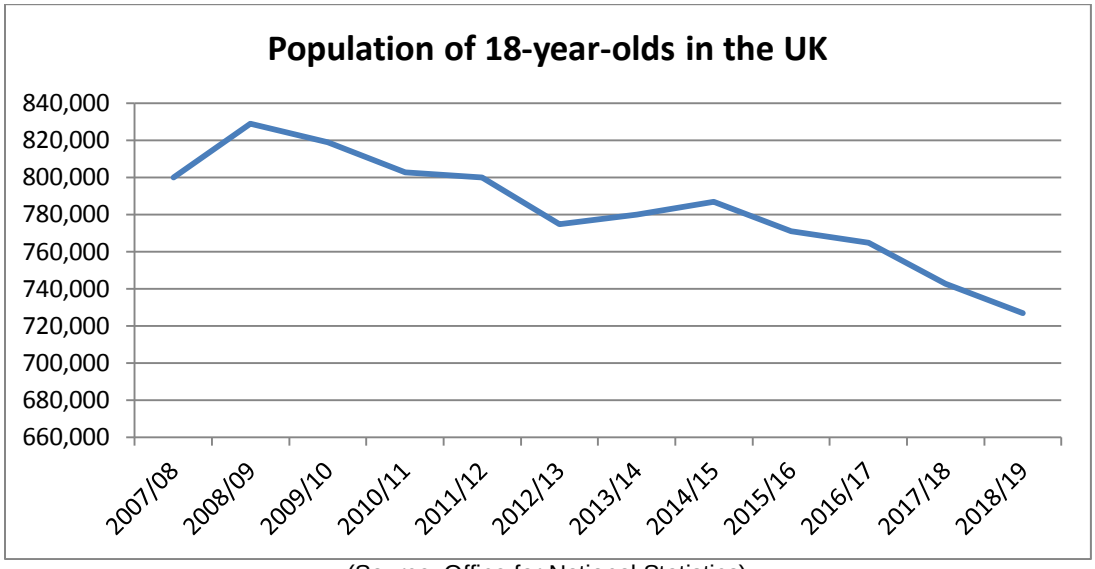
(Source: Keele published accounts - https://www.keele.ac.uk/finance/accounts/; Keele management accounts)

2.5 What the above demonstrates is that the University's current financial position can in no way be explained by income growth 'not keeping pace' with staff costs. To speak of rising staff costs eating up the University's income is misleading. With income going up and staff costs (as % of income) going down, the University's financial position should normally improve.

2.6 SMT has also cited various external challenges such as the freeze on tuition fees and the ongoing demographic dip in the number of 18-year-olds attending university. Aside from the fact that these challenges affect all institutions in the sector and were largely predictable (for 17 years in the case of the demographic dip), they do not in and of themselves explain the current situation. For one thing, student numbers at Keele have continued to grow in spite of the demographic dip.

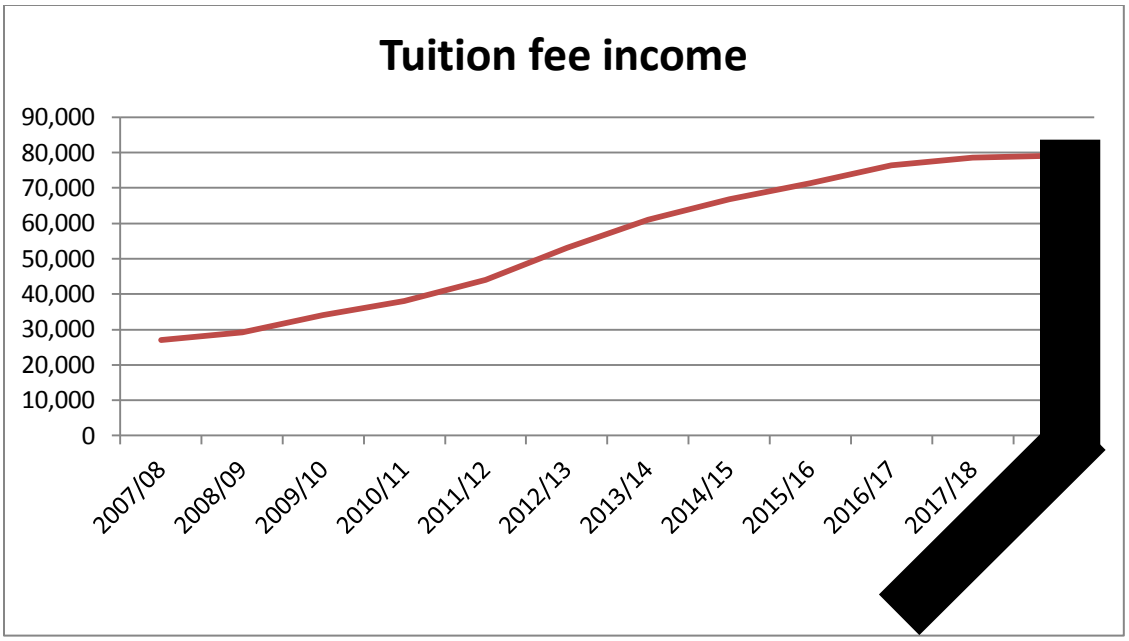


(Source: Keele QlikView Data)



(Source: Office for National Statistics)

2.7 Looking at tuition fees, whilst it is true that home undergraduate fees per student have only risen from £9,000 to £9,250 (2.7%) since the current funding system came into effect, this is only one contributing factor to a complex picture. In fact, tuition fees have contributed 46-50% of total income for the past six years (since the current funding system finished being phased in), with no sign that this proportion is in any significant, long-term decline.



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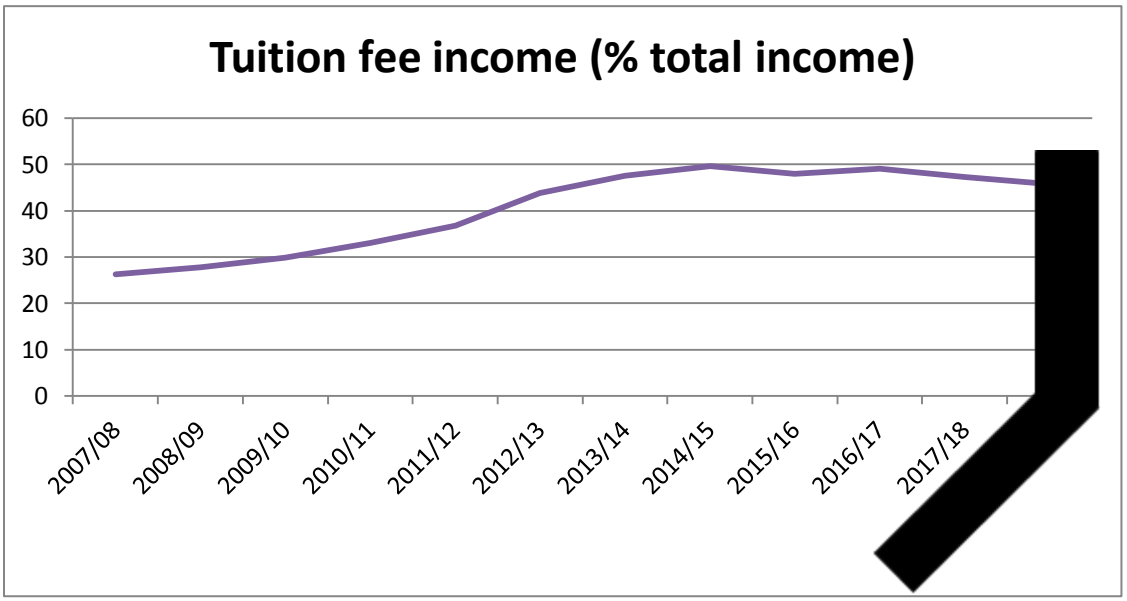

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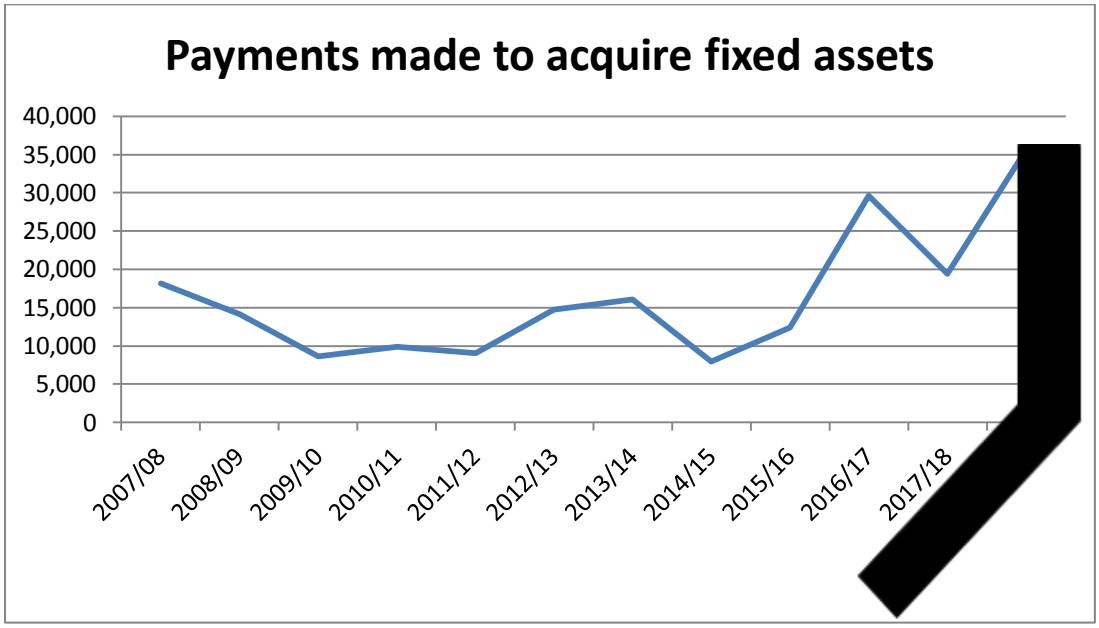
2.8 The problem clearly lies elsewhere. In order to better understand the University's financial position, one needs to consider a combination of factors, starting with the University's strategic planning. In 2015, the current University leadership adopted a 5 year growth strategy called *Our Vision 2020*. Under this new strategic plan, SMT aimed to grow the University by 33% and achieve a student population of about 13,000 students by 2020. These plans were fundamentally at odds with Keele's size, scale and ethos as an institution (medium-sized, campus based, mostly residential etc.). They were also at odds with Keele's historically very slow pace of growth. In fact, the five years leading to the adoption of the strategic plan saw a sharp decrease in Keele's student population from 11,018 in 2010 to 10,108 in 2014 (see table above). It is

difficult, then, to understand what led the University leadership to believe they could realistically achieve a 33% growth in such a short time frame, especially given the known challenges such as the long predicted demographic dip in 18-year-olds in the UK and competition patterns resulting from the lifting of student recruitment caps.

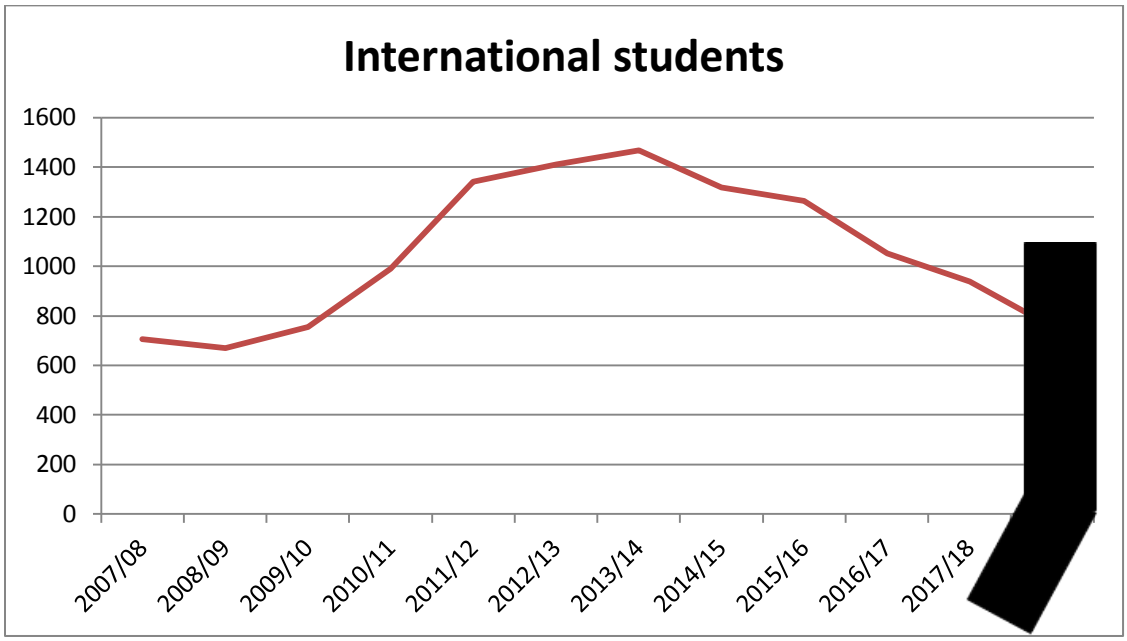
2.9 Unfortunately, this over-ambitious strategy was not merely a theoretical or aspirational exercise. The University engaged in a campaign of unprecedented spending on the basis of these unrealistic growth plans. According to the public accounts, the University spent a total of £69m to acquire fixed assets (primarily new buildings) between 2015 and 2018 alone. This would not be a problem if the University had used its own resources to finance these acquisitions. However, due to its size, Keele has historically held small disposable cash reserves. Consequently, most of this was financed through new loans and private partnerships, including a £45m loan from Barings Bank in 2018, increasing the University's total debt from around £32m to £72.7m. The Barings loan increases debt servicing to £[redacted]m per year. The principal must be repaid in the years [redacted] and [redacted]. Unless the University sets aside enough money from its surpluses for this, there will be no choice but to 'roll over' the debt into a new loan. If the debt is rolled over indefinitely, its value will decline through inflation. But the University will have to continue to pay interest on this and will find it difficult to take out further loans for new projects because of its high level of debt. This would pose a serious problem for future senior management.



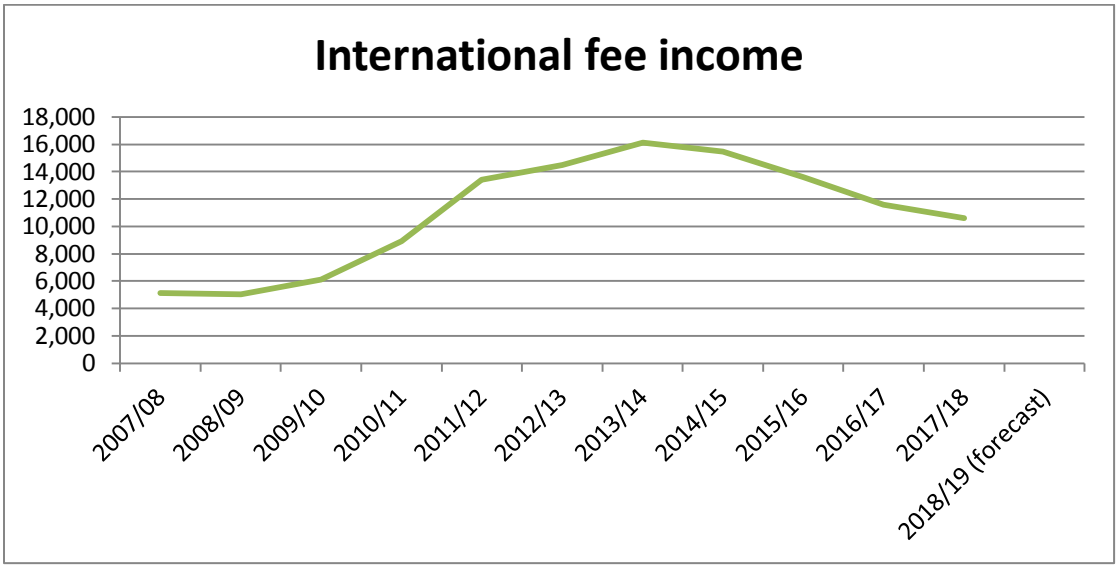
(Source: Keele published accounts - https://www.keele.ac.uk/finance/accounts/; Keele management accounts)

2.10 The anticipated growth did not materialise. Whilst, as noted above, the University has seen healthy rates of growth in both income (+28% since 2015) and student recruitment (+15% since 2015), these have fallen short of the budgeted 33% growth. The quality of growth has also been unequal. The major growth in student recruitment has been into the Foundation Year, where students require additional support and have

high non-progression rates. By contrast, the University has seen a significant drop in recruitment of international students at all levels (-42% since 2015). SMT has failed to take the appropriate steps to remedy this problem, as a result of which overseas tuition income has nearly halved in the last five years, cancelling out progress achieved in other areas. This has happened whilst recruitment of international students has grown nationally by 2.3% between 2014/15 and 2017/18, according to the most recent HESA data (https://www.hesa.ac.uk/data-and-analysis/students/where-from).



(Source: Keele QlikView Data)



(Source: Keele published accounts - https://www.keele.ac.uk/finance/accounts/; Keele management accounts)

2.11 In conclusion, the data reveals that the current financial challenges have not been caused by stalling student recruitment, increasing staff costs or an uncertain

environment. They have been caused by over-ambitious and deficiently devised expansion plans, overspending, over-borrowing, and the leadership's inability to respond to matters arising in a prompt and effective manner. This is a significant failing of senior management, which has led this striving University with recognised excellence in education and research to a financially precarious position where our cash surpluses are not growing fast enough to service our ballooning debt.

3. SMT's plans moving forward: misguided and destructive

3.1 The current financial sustainability plans centre on three key areas intended to redress the University's current financial position. Cost reduction comprises two parts: 1) a return to budget performance in areas below budget in 2018/19, with any deficits to be recovered over a three year period; 2) a 5% reduction in payroll costs across the university, again to be achieved in the next three years. Income growth focuses on five main areas: International student recruitment; postgraduate and flexible learning recruitment; Keele Business School; digital education and research; growth in Foundation Year enrolment. Efficiencies require structural changes to services and programme delivery, including eliminating redundant or complex processes (OneKeele) and releasing inefficiencies across undergraduate and postgraduate portfolios (Portfolio 2020) in order to support the development of new provision and new income growth. This strategy is a variation of the plans and actions that led the University to today's position. Not only is it repeating past mistakes, but there is also a real danger, as shown below, that the result will be an impoverished provision to students, with reduced staff available to deliver academic content and student support.

3.2 UCU must reiterate its lack of confidence in the data, methodology and analysis used by SMT to devise and implement these plans. For one thing, the figures used to assess the University's finances have been inconsistent and at times wrong. For example, management's assessment of the University's operating cash position has been shown to be flawed. UCU does not dispute that focusing on operating cash flows offers a better indicator of how well the University is generating revenues as an organisation than a focus on overall surpluses. However, given that operating cash flow - as shown above - is the only area where the University can be seen as 'under-performing', measuring these flows has to be based upon a robust and reliable methodology.

3.3 UCU was given access to the University's management accounts and found this not to be the case. The management accounts attempt - rightly - to separate recurrent and non-recurrent items. This is because non-recurring items are gains or losses which are not expected to occur regularly and are thus best discounted when trying to ascertain the regular operating performance of an organisation. What our analysis of management accounts reveals is that non-recurrent income (e.g. capital grants) has been removed but non-recurrent expenditure (e.g. severance payments) has not. This therefore gives a falsely pessimistic picture, with the accounts forecasting [redacted] for 2018/19 [redacted]. This figure is given prominence in the executive summary as representing the underlying performance of the University. When non-recurrent

expenditure is discounted (as it should), the loss is almost entirely eliminated. These concerns have been raised with the University leadership and, whilst they have been acknowledged, we have seen no adjustment in SMT's assessment of University finances.

3.4 Immediately after the financial sustainability plans were unveiled by the VC, UCU requested access to the business plan underpinning the proposals, including market analysis, recruitment and financial projections, forecasted income statements, data trends, risk assessment, back-up plans etc. We want to know and have asked, among other things, why the sustainability plans aim to achieve a 5% reduction in payroll costs across the University. Why 5% and not 3% or 2%? Is this 5% in absolute terms as percentage of income? What method of calculation has been used to determine that 5% is the right figure and that costs must be reduced by £7-8m (recurring) by 2021? What consideration has been given to the impact of these cuts and what remedial strategies have been adopted? On what basis are SMT able to project a new growth of between £2-7m by 2021? These are very basic questions which the University leadership ought to be able to answer. Yet UCU has not seen any business plan, any figures, any projections or financial forecasts. We do not know if they exist.

3.5 The early stages of the plans' implementation raise further concerns about SMT's understanding of the situation. The plans have, for instance, been heavily targeted at the Faculty of Humanities and Social Sciences (HUMSS), which is seen as 'under-performing' and is castigated for the impact of its falling student numbers and rising costs. As well as feeding a divisive culture across the University, the targeting of HUMSS now is only supported by a selective use of data. The student population in the Faculty peaked in 2011/12 (which SMT has conveniently selected as its baseline) and dropped between 2012-14. Most of the drop was in postgraduate recruitment, which SMT only now recognizes as a priority. Student population in the Faculty has been fairly consistent since 2014.

3.6 Further, according to management accounts, HUMSS will end 2018/19 with a [redacted]% increase in its operating surplus compared to 2017/18, whilst its staff costs have decreased significantly (by £[redacted]m or [redacted]% against 2017/18). Its operating surplus as percentage of income is higher than the other Faculties and, as a result, it contributes more to the University's overall budget. HUMSS will end the year with a shortfall on budget (i.e. below targets set by management at the start of the year, for which no sound rationale has been provided). This is because the budget was set at an unrealistic level, requiring the Faculty to increase its operating surplus by [redacted]% compared to last year (by contrast, other Faculties were budgeted to increase their operating surplus by [redacted]% and [redacted]% respectively).[3] We have found no evidence that a faculty has ever increased its operating surplus by [redacted]% in a single year in Keele's history.

3.7 Various other problems have been identified and raised by UCU. These include SMT using wrong full time equivalent (FTE) staff counts, for instance by double-counting people on QR-funded (i.e. by external funding agencies) research leave and

[3] These budgets are often set against advice from Heads of School.

their QR-funded teaching replacement or counting people who have already retired, when calculating staff/student ratios, staff costs, and assigning savings targets to individual schools/units. What all the above demonstrates is that SMT does not seem able to get its numbers straight. The University leadership is developing and implementing its plans on the basis of flawed figures, incorrect data, and unsound targets, with significant long-term consequences for those affected and for the university itself.

3.8 As well as being misguided, the financial sustainability plans are repeating past mistakes, with potentially destructive consequences for the University. As shown above, the current situation has been caused by a University leadership over-committed to expanding the University and by poor strategic planning. UCU has been given access to financial data submitted by Keele to the Office for Students (OfS) in September 2018. The OfS submission forecasts a significant growth in student recruitment - of [redacted] students no less - by 2022/23.[4] This is in spite of SMT claiming that tuition income will decline by £1.4m next year and known uncertainties such as Brexit and potential policy changes following the Augar review. As widely reported in the media, Keele is not alone in being over-optimistic about its future growth (see here or here). But given the current difficulties and the fact that they are in large part the product of unsound strategic planning over the last five years, one would expect the current leadership to be cautious in setting realistic goals for the next five years and planning on the basis of prudent assumptions. Unfortunately, it appears SMT is yet again placing its hope in some highly speculative growth, with little indication of how it plans on achieving it.

3.9 The financial sustainability plan predicts an extra £2-7m income per year whilst admitting that income modeling has not yet started (the document states that this will take place 'later this year'). New Project Executive Groups (PEGs) are being set up to 'deliver a programme of work' on potential areas of growth, yet this offers little reassurance. UCU has grave concerns about placing hope in speculative new bureaucratic committees, especially when the PEGs are chaired by the very members of the executive team which has driven the University to its current position.

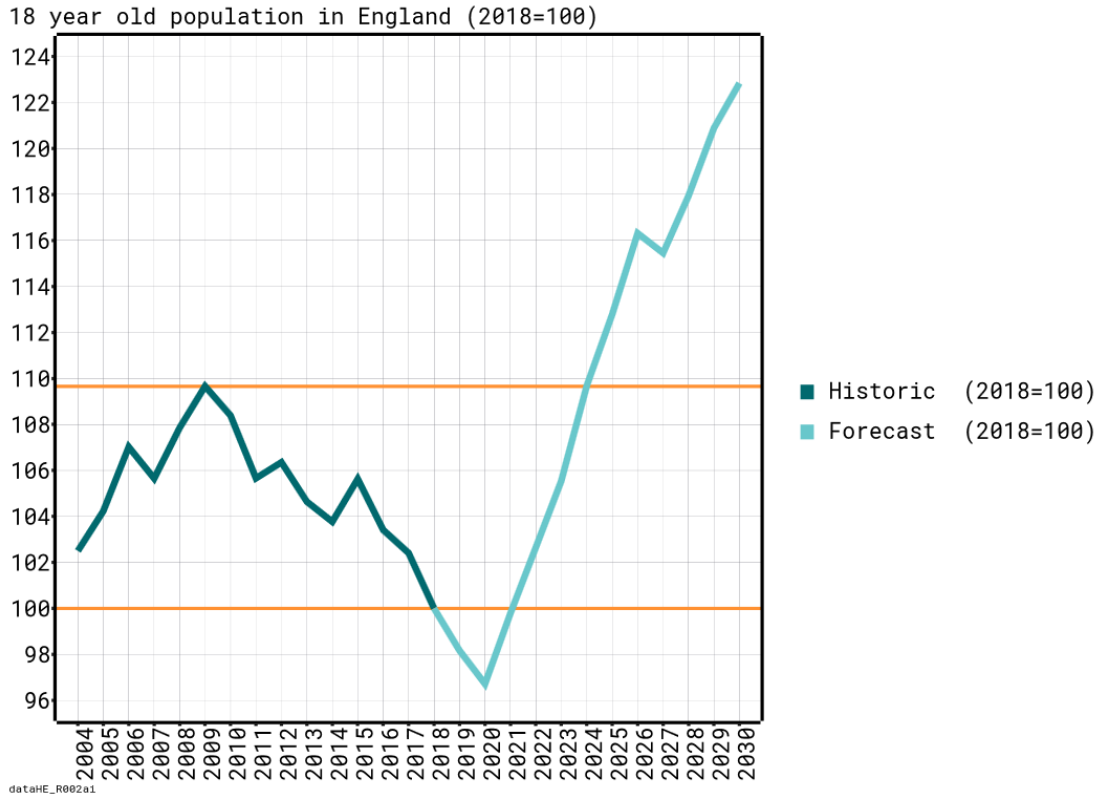
3.10 The most destructive elements of the financial sustainability plans reside in the proposed 'efficiencies' and 'cost reductions'. Whilst it remains to be seen what shape efficiencies will actually take, this is widely expected to include a review of existing programmes with a view to assessing their viability (Portfolio 2020), fewer contact hours and face-to-face time with lecturers, the use of captured lectures as partial replacement for live lecturing, fewer assignments, and 'streamlining' to avoid process duplication across the University (OneKeele). Theoretically, creating efficiencies can be a good thing in making the best use of scarce resources. However, it is clear that they are intended here as a mere response to cost reductions, i.e. as institutional fixes meant to allow the university to continue operating with far fewer people around. If implemented in full, the financial sustainability plans will lead to approximately 150 job cuts in the next three years - nearly 10% of Keele's current workforce - all the while planning to increase

[4] We have been informed that these numbers have been revised downward. This was done because all universities were instructed to do so by OfS, not as recognition of flawed planning at Keele.

the overall University population by [redacted] students. This represents 150 fewer people to teach our students, support their learning, look after their mental and physical health, help build their careers and mentor them. This also represents 150 fewer people to support the academic success of the university, run and administer its programmes, maintain its facilities and infrastructures, help deliver its strategy, and produce the world-class research on which it prides itself. Staff are already overstretched and under-resourced as things stand. Further depletion of the workforce will make things significantly worse and simply asking those who remain to do even more is not a sustainable strategy.

3.11 Students repeatedly say they want greater investment in their staff as their top priority (see here and here). Yet, the current university leadership, despite stating that it cares about students and their views, it is in serious danger of degrading their educational experience and undermining the value of their degrees. Whilst investment in campus infrastructures is important, new buildings will have little educational benefit to students if they are taught by undervalued and overworked members of staff who do not have the time or resources to support them adequately.

3.12 The outcome is entirely predictable: the damage caused to our students' education and to the University's activities more generally will undermine Keele's academic standing nationally and internationally. Unfortunately, due to its nature and its size, Keele is particularly vulnerable to reputational loss, which can be caused almost instantly but can take years to recover from. This will stifle Keele's potential to respond to the coming explosion in demand for higher education, with a rapid growth in the population of 18-year-olds attending university expected from 2020 onwards. It is puzzling to see scarcely a mention of this 2020 demographic boom in management's plans.



(Source: https://wonkhe.com/blogs/the-great-recruitment-crisis-planning-for-rapid-student-number-growth/)

3.13 Whilst boasting about the 'Keele Difference', the University leadership is undermining the very fabric of our institution and what makes Keele unique. Our distinctive identity is firmly rooted in collegiality; a close-knit community of students and staff; great academic and pastoral support; a strong progressive ethos; interdisciplinarity; diversity of subjects and degree combinations; smaller class sizes and staff availability.

Senior management has been at pains to invoke Lindsay's vision at every available opportunity.[5] Yet the consequences of its actions are blatantly contradicting that same vision. The financial sustainability plans will leave Keele with more students but fewer staff to educate and support them; larger classes; less choice and flexibility; less opportunity for interaction and personal development; and an impoverished intellectual environment. Keele was founded as a 'people's University', an institution students and staff have been proud of throughout the years. The current leadership's 'vision' will result in nothing but a shadow of Keele's original mission.

[5] Alexander Dunlop Lindsay (1879-1952) was a leading figure in the adult education movement and the founding principal of Keele University.

4. Conclusion

4.1 Keele is in a weak financial position. Whilst not technically running a deficit (it continues to generate surpluses year on year), its operating cash flows are not sufficient to service its debt and invest in its development. This is in spite of Keele being one of the fastest growing Universities in the country and having achieved broad recognition for its teaching and research excellence. The university finds itself in the astonishing position of having to run a second severance programme within 12 months despite enjoying unprecedented levels of income.

4.2 The university's current position has not been caused, as claimed by the University management, by rising staff costs and declining income (this paper proves the opposite to be true). It is the result of a significant failing of senior management. The current problems have been caused by over-ambitious and deficiently devised expansion plans, over-spending, over-borrowing, and management's inability to protect the University against predictable short-term pressures. The University leadership - which is handsomely remunerated (e.g. VC pay currently stands at £280k, up 17% since 2015) - is now asking members of staff to pay the price for its own mistakes, without so much as acknowledging its own responsibility.

4.3 The financial sustainability plans are flawed and self-defeating. They are based upon unreliable data and analysis, repeat the mistakes that have caused the current situation, and undermine Keele's future development by severely depleting its workforce and threatening to damage the University's reputation and the education of its students. A University depends on its staff to teach and support students, undertake research, create knowledge-exchange relationships with local partners, and deliver other vital activities. The planned cuts will undermine Keele's standing as a University of national and international reputation, all in the name of a vision which values short-termism, marketization and narrow managerial rationality over the educational and impact mission of the institution.

4.4 Whilst there is no easy solution to the problems faced by the university, two things are clear. Firstly, the current University leadership is not fit to see us through the current crisis. Over the last five years, senior management has embarked on a series of misguided strategies which are jeopardizing the many achievements of its staff (academic, support and professional). They are now doubling down and hoping to resolve this crisis through the same means that brought us here in the first place, whilst further degrading our working conditions. Members of staff have lost confidence in the University leadership and urge the University Council to act upon the motions adopted by UCU and other campus unions (see annex 1 and 2).

4.5 Secondly, the current situation reveals a deeper crisis of governance. Keele's distant management team has long ceased to care about the views of students and staff, who have been increasingly alienated from decision-making processes. This was epitomized on February 27th, when campus unions were notified of the financial sustainability plans 30 minutes before the VC's announcement, with no opportunity to

contribute or shape the process. The current situation has been brought about by a failed model of governance which gives all powers to University executives not all suited to manage large and complex organisations, whilst alienating students and frontline staff from most strategic decisions and lacking any accountability mechanism.

4.6 For all these reasons, UCU calls for the immediate establishment of a Joint Emergency Committee composed of managers, students and staff, with a view to drawing alternative sustainability plans and reforming the University governing structures. UCU calls on Council not to implement any further cuts beyond the current voluntary scheme, until alternative plans are in place and more is known about the post-2020 higher education landscape. Any plans that do not command the support of students and staff, and do not address the underlying governance problems, are destined to fail and will be opposed by UCU by all means necessary.

Keele UCU, 14 May 2019

ANNEX 1 – UCU MOTIONS

Motion 1 – 2nd April 2019 – No confidence in SMT

Keele UCU has no confidence in the current Vice-Chancellor or senior management team, or in their strategy and plans for the future of Keele University.

Through poor strategic planning and reckless use of University resources, the Vice-Chancellor and senior management have led Keele into its current financial situation, but have not taken responsibility.

Senior management's plan to reduce staff numbers whilst continuing with over-spending and misguided investing and growth strategies shows that they do not have the future of Keele in mind. The proposed plan to make saving of 150 posts will entail a significant depletion of the workforce and a long-term damage to the University of Keele, one it might never recover from.

We believe the best way to save Keele University is for those who led the university into the current situation to not be those that attempt to lead it out.

Keele UCU determines:

1. The Senior Management Team of Keele University no longer holds the confidence of staff.
2. Council must take urgent action to hold the Senior Management Team to account and to restore the confidence of staff, up to and including the dismissal of the Vice-Chancellor and Senior Management Team.

Motion 2 – 2nd April 2019 – Spend where it's needed and no compulsory redundancies

Keele University is proud of its long-standing reputation for excellent research, innovative teaching and student satisfaction. Success, growth and positive change are not compatible with large reductions to our staff numbers, the slashing of research support and the consistent undermining of specific disciplines – notably humanities and social sciences – over others. This approach undermines, demoralises and ultimately dismantles Keele's ethos as a broad-based university.

The current proposals will have detrimental effect to staff morale, student experience and research activities. Academic and administrative members of staff and our students are not responsible for the dire status of the university's finances.

Keele UCU determines:

1. To oppose all job losses, redundancies and changes of contract and working conditions proposed by the University management.
2. The strategic spending priorities of Keele must focus on supporting current students, education and research until Keele is in a financial position that would support ambitious expansion.
3. There should be no further cuts to staff costs, excluding natural loss to staff due to factors such as turnover, beyond current March-April 2019 VS period, until 2021, when the 'demographic dip' is predicted to end, followed by a rapid growth in the UK school-leaver population.
4. If further cuts to staff are needed, the Senior Management team and higher management must shoulder this in pay and non-pay costs.
5. Keele UCU branch executive and officers must seek assurances from management that there will be no compulsory redundancies, and authorize the branch executive to open a dispute with the university if such assurances are not given.

Motion 3 – 2nd April 2019 – Condemn unfair individual VS meetings

Individual Voluntary Severance meetings have been mandated as required within the Faculty of Humanities and Social Sciences. HR has stated that these will begin in other Faculties.

Keele UCU condemns:

1. The use of required individual meetings which are applying pressure on staff.
2. The profiling of staff by age, period employed at Keele, or any other criteria used to identify and target individual staff for meetings with specific management figures.
3. The use of required individual meetings, without the written provision of an agenda or recorded minutes as non-transparent and bad practice, causing stress, anxiety and unequal procedures.

ANNEX 2 – ALL UNIONS STATEMENT – March 2019

An unprecedented emergency meeting of all Campus unions (UCU, Unite, Unison, KPA and KSU) was called on 6 March 2019 to discuss the VC's Address laying out the University's 3 year financial sustainability plans. Whilst it was not possible to pass a formal motion due to the joint nature of the meeting, the overwhelming majority of those in attendance determined the following:

a. To oppose the imposition of staff cuts;
b. To challenge the case put by the University to justify its proposals;
c. To call for more information, data and clarity on the financial rationale for cuts to staffing which would inevitably lead to a loss of morale and a diminished student experience;
d. To call for senior management to demonstrate that we are all in this together by taking immediate salary and associated benefit reductions;
e. For the named Campus unions to continue collective action in response to the University's financial sustainability plan.

The unions of Keele are committed to ongoing solidarity and collaboration, to consulting with members and to fighting for the best outcome for Keele staff and students.