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Is there a spiralling debt crisis in HE?

Futureproofing the university;
beyond papering over the cracks

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welcome

Welcome from all at Team Wonkhe. We are delighted to present the latest issue of the Wonkhe Briefing, our selection of the best thinking and analysis on current higher education policy, in association with KPMG.

Since January successive media headlines have suggested that higher education is facing a financial crisis. Claims of spiralling debt, paired with the economic impact of Brexit, and projections of a potential reduction in income from fees following the Augar review of post-18 education in England, have combined to give the impression that several universities are likely to collapse imminently.

Underpinning the sudden interest in university finance was the opportunity that Michael Barber, chair of the Office for Students, took at Wonkfest 2018 to assert unequivocally that a university facing financial difficulty could not expect to be bailed out by the regulator. His words were intended as a shot across the bows of institutional leaders who (Barber claimed) might otherwise make rash financial decisions.

The ruling of the Office for National Statistics that the estimated proportion of student loans unlikely to be repaid should be represented on the government’s books as a liability has focused minds on the costs of higher education. The Augar review is tasked with explaining how the cost of teaching students can be driven down and brought within government control, while avoiding the re-imposition of student number controls, and maintaining student choice. The reported delay in the publication of the review offers extra time in which to try to square that circle.

As yet no major university has declared itself on the brink of collapse, so we cannot know what the political reality would look like in a specific case of a struggling institution. Mergers and acquisitions are one option. But outside the realm of serious financial challenge, in light of the significant challenges they are facing, many providers are developing strategic external partnerships and considering where collaboration could create an edge in the market, enhance research impact and generate efficiencies.

Beyond the immediate threat of funding cuts is the prospect of rapid growth in demand for higher education, as the proportion of 18 year-olds in the general population increases steadily between 2021 and 2030. The sector is not currently equipped to meet that demand, and failure to look ahead carries its own political consequences as parents who enjoyed the benefits of a university education may find that route closed to their children.

As the Brexit process struggles on to its next stage, civic leaders of all stripes are tasked with shaping a Britain outside the EU that can meet the aspirations and needs of its citizens. Britain desperately needs the deep thought, innovation, and creativity of higher education to build that world. If ever there was a time for politicians and university leaders to look beyond the confines of immediate political expediency, that time is now.

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DEBBIE McVITTY | EDITOR



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Is there a spiralling debt crisis in higher education?



University borrowing is one of those moral panic stories that besets the higher education sector. Somewhere deep within the soul of the nation there seems to be a conflation of debt with sin. Any story splashing on “irresponsible” or “unsustainable” borrowing has the same effect on us as headlines about austerity or living within our means. Office for Students chair Michael Barber recently issued a warning that higher education providers who risk over-extending themselves financially should not rely on a bailout from the regulator. Yet university borrowing continues to rise. Should we be worried?

Most people’s frame of reference is personal or household finance. Paying down debt, or borrowing the least amount of money for the shortest possible time, is seen as prudence; anything else is seen as profligacy. But just as your household might want to own the bricks and mortar they live in, or drive a newer, more reliable car that won’t cost as much to run, universities sometimes borrow to support growth, a change in strategic direction, or a new initiative. Borrowing, after all, can be a form of investment.

As Karel Thomas, Chief Executive of BUFDG, put it: “Borrowing is part of life, for individuals, governments and businesses. Debt is not always bad, as long as it is affordable and well-managed.”

Marc Finer, Director and Head of Higher Education Debt Advisory at KPMG told me, “There is a perception that debt is in and of itself a risky thing, but lenders themselves are risk averse. Lenders will offer finance for a fixed period of time and fixed rate of return. Relatively low rates in the sector reflect that lenders don’t feel like they are taking a high risk bet. Lenders aren’t running around writing cheques – they are very selective.”

TYPES OF FUNDING

Most university income, be it from student fees or public funders, is directly linked to a particular segment of activity. Research grants are supposed to cover the cost of conducting and administering research for example. Student fees are generally expected to cover the cost of student tuition. But as the most recent report of the Financial Sustainability Strategy Group (FSSG) asserts, universities routinely pool income streams in order to allow those activities that generate a surplus – particularly international student teaching – to support those for which they are unable to recover the full economic cost. The FSSG considers this practice to be necessary to enable universities to achieve their strategic objectives and be financially sustainable.

All of this funding is recurrent rather than capital and almost all of it is spent in year. But universities also incur one-off costs, most often linked to estates or equipment.

Marc Finer summarised: “A lot of the borrowing done by universities in recent years has been driven by estates investment. But this doesn’t just mean shiny new buildings – it may also be about clearing backlogged investment in the current estate, anything from repairing leaking flat roofs or removing asbestos through to retrofitting energy efficient windows.”

One-off costs are generally covered by capital funds. One of the great untold stories about recent university funding is the near disappearance of capital grants from funding councils. In England, for example, the Higher Education Funding Council for England (HEFCE) allocated £738 million of formula capital funding in 2008. Fast-forward to 2017 and this same allocation has shrunk to £104 million from the Office for Students and £183 million from Research England, both distributed across many more institutions than previously.

But buildings still need to be developed, repaired, or replaced. Equipment still needs to be updated and maintained. So institutions now look to other sources of funding.

TYPES OF BORROWING

Generally, there are three sources of external finance available to institutions:

Public bonds are primarily for access to very large (£200m+) amounts of money for long periods. They require an investment grade credit rating (from an agency like Moody’s) – institutions often work with banks to identify prospective pools of lenders. However, not all universities will be able to access the bond market – generally institutions of longer standing with income diversity (teaching, research, and industry) will be eligible.

Bank finance sits at the other end of the scale. Borrowing is easier and finance is more flexible (a revolving credit facility being a common example). Institutions generally build up a relationship with their bank, who will often know a great deal about their finances and planning, and will be able to offer a facility that meets these specific needs.

Private placements is the term used to describe non-bank borrowing that is not a public bond. Very liquid investors (often US pension schemes) seek reliable low-risk returns and often approach individual institutions with offers directly. Some flexibility is available (though banks can be more flexible), and there is no requirement for an investment grade rating.

With each of these options, lenders are keen to see that institutions are able to service the loans they take. Due diligence and risk assessment ensure that there is little risk of lenders losing their money. As public sector linked bodies, often with long histories, UK universities are currently attractive to investors during a period of high liquidity, with the cost and availability of finance generally reflecting that.

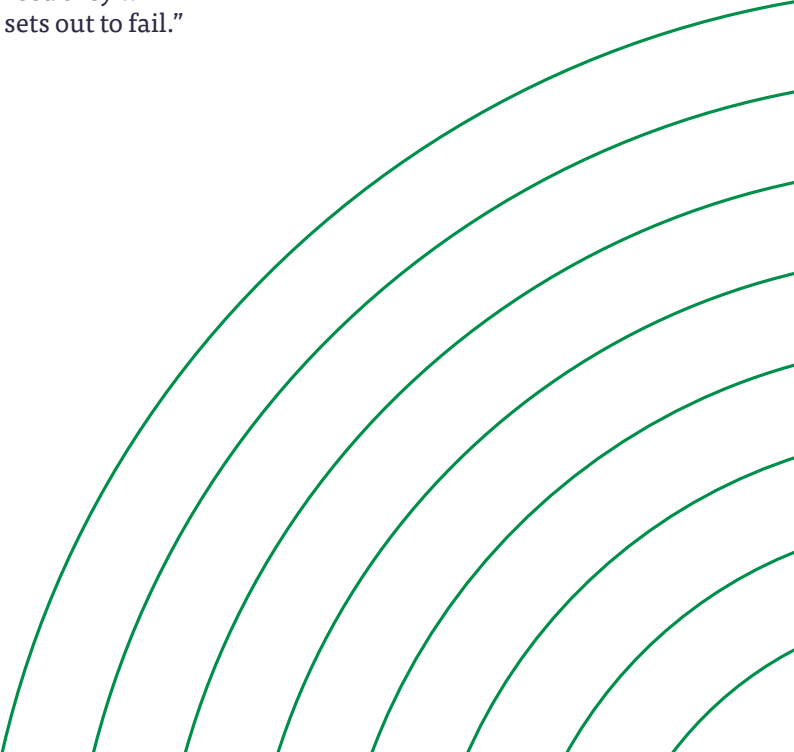
Ian Robinson, Director of Public Sector and Education at HSBC, explained how a bank might approach these decisions: “We would start with an in-depth understanding of the institution, their strategy and their drivers as well as the robustness of their projections and viability of their plans. We look at both financial and non-financial metrics, including things like rankings, student number trends, operating cash flow, and surplus-deficits. All this helps us to understand the ongoing sustainability of an institution.”

Karel Thomas told a similar story from the perspective of a university finance director:

“Finance directors are usually very prudent by nature. To make sure that they are neither recklessly over-optimistic nor so cautious that they stand in the way of progress, there are checks and balances before decisions to borrow even reach the ultimate decision-making body, the governors. Those checks involve robust business cases, independent evaluation of proposals by lawyers and debt advisers, scrutiny of figures by lenders and auditors and sign-off by internal committees. At every stage, questions are asked and asked again, so if a university borrows money, the community of the university has to be convinced that it is a good idea and lenders have to be convinced they will be repaid. Neither party sets out to fail.”

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If a university borrows money, the community of the university has to be convinced that it is a good idea and lenders have to be convinced they will be repaid. Neither party sets out to fail.

KAREL THOMAS
BUFDG



That said, not every higher education provider is the same. Increasingly, lenders question assumptions of perpetual growth, as the outlook for higher education, given demographic pressures, Brexit and the forthcoming Augar review of post-eighteen education and funding, looks less rosy.

An apocalyptic warning from Michael Barber that the Office for Students will not bail out institutions does not seem to have cut through, however. Banks and other lenders are savvy enough to see this message as being aimed at institutional planners rather than the financial markets. There remains an assumption that some institutions are too important to lose, and that other mitigations short of a bailout, such as institutional mergers, will play a part.

But really, no lender would offer finance to an institution based only on the idea that it would not be permitted to fail – this idea gives the information-rich decisions that underpin finance little credit.

HOW IS BORROWING CHANGING?
Marc Finer described the way the wider marketplace is shifting: “There is lots of liquidity in capital markets, so these days private placements are similarly priced to bonds. Direct conversation with private placement lenders makes it easier for higher education institutions to tell their story. For this reason the balance of long term borrowing has shifted to private placements in the last two years.”

The demise of student number controls and capital grants happened pretty much simultaneously in the early part of this decade. The combination made borrowing more necessary and more available. Institutions had both the capacity and the will for student number growth. Higher fees meant that for the first time in a long time the majority of teaching could be financially self-sustaining.

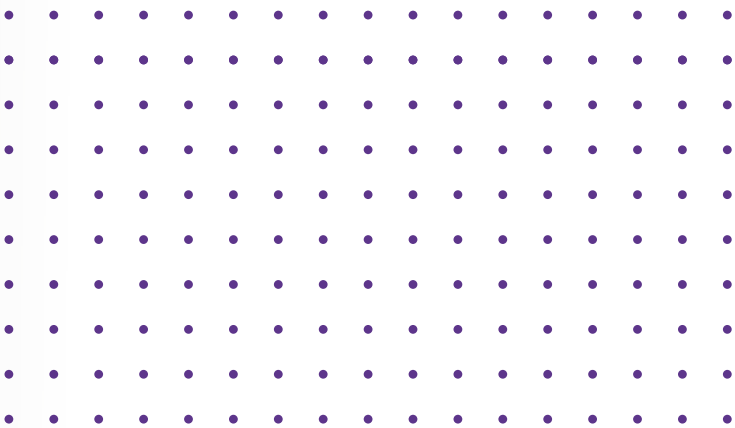
The visible evidence of borrowing in the form of new campuses, new buildings, and new facilities is all around us, but a big part of borrowing-supported activity has been less visible such as campus maintenance and refurbishment, IT infrastructure upgrades, and software underpinning new teaching methods and research processes.

But this particular era is very much in the past. With a gloomier outlook, many universities are actively planning to shrink, with lower student numbers prompting retrenchment and restructure. The loss of a complete subject area is obviously on the extreme end of such planning, but many institutions are considering specialisation, or refining their course portfolio. Others are looking at raising entry grades. Such is the logic of the market: clearly not every institution can grow in the short term, and not every institution can specialise in everything.

Marc Finer says: “Lenders are asking more questions these days about student growth projections, about what could go wrong, about how universities will find additional cash to cover risks. There’s more due diligence.” He adds that institutions should not worry unduly, but seek to plan realistically: “Some institutions may have taken on debt when it was available even where there wasn’t an immediate need for the cash, because their long term sustainability and ability to service the debt was never thought to be in any doubt. But in a market where conditions could get tougher and plans could change, the institutions with more flexibility in their debt arrangements are likely to be more resilient.”

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DAVID KERNOHAN | ASSOCIATE EDITOR

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The great recruitment crisis:

**PLANNING
FOR RAPID
STUDENT
NUMBER
GROWTH**

Filling enough places to stay viable is, rightly, the preoccupation of most of the sector right now, and gloom the predominant mood. Observers talk of a “bust” and neither government nor commercial capital seems to want to sponsor higher education provision. But the data holds clear signals of very different problem in the late 2020s: a great recruitment crisis of inadequate supply stifling potential.

Universities have just had their toughest recruitment cycle ever. For some, accumulating recruitment losses is taking them into unfamiliar and threatening territory. For others, increases in volume have required exceptional attention and effort, and trading something, typically grades, to get there. Outside commentary on the sector has taken “boom to bust” as the theme. And the headline numbers seem to support that with total recruitment through UCAS (once the unreliable “off-book” Record of Prior Acceptance data are removed) turning lower. Investment and expansion plans are portrayed as vainglorious in the face of crumbling demand for that outmoded and overpriced product – a full-time degree at a university.

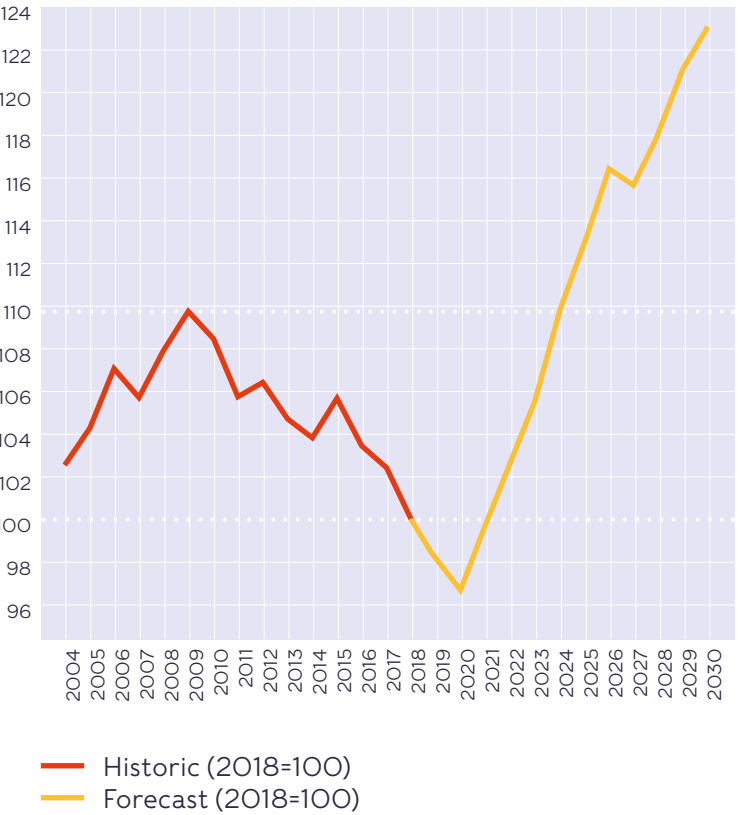
But deeper in, the data says something rather different. The strategic dynamics are such that, rather than managed decline, there is a pressing need for new investment. Otherwise a great recruitment crisis will likely emerge through the 2020s, where the potential of today’s primary school children will be stifled by insufficient supply.

THE DEMOGRAPHIC DATA

How does the data lead us there? For UK higher education the changing size of the 18 year-old cohort, the dominant age group served by the sector, is fundamental. You will no doubt be weary of the outline of this story: a “demographic dip” then a recovery. But the scale and rapidity of population growth in the 2020s, together with its unusually constant nature make it special.

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18 YEAR-OLD POPULATION IN ENGLAND (2018 = 100)



We will have two more sharp falls in the 18 year-old population of around 2 per cent – this cycle and 2020. Then the cohort grows again. This growth is strong, often 3 per cent a year. And it is consistent, up year after year. This matters, as it makes the cumulative rises large and unrelenting. The five-year rate of population growth increases reaches 17 per cent in the mid-2020s. Between 2020 and 2030 the population increases by 27 per cent. This trajectory equates to almost a million extra 18 year-olds over the decade.

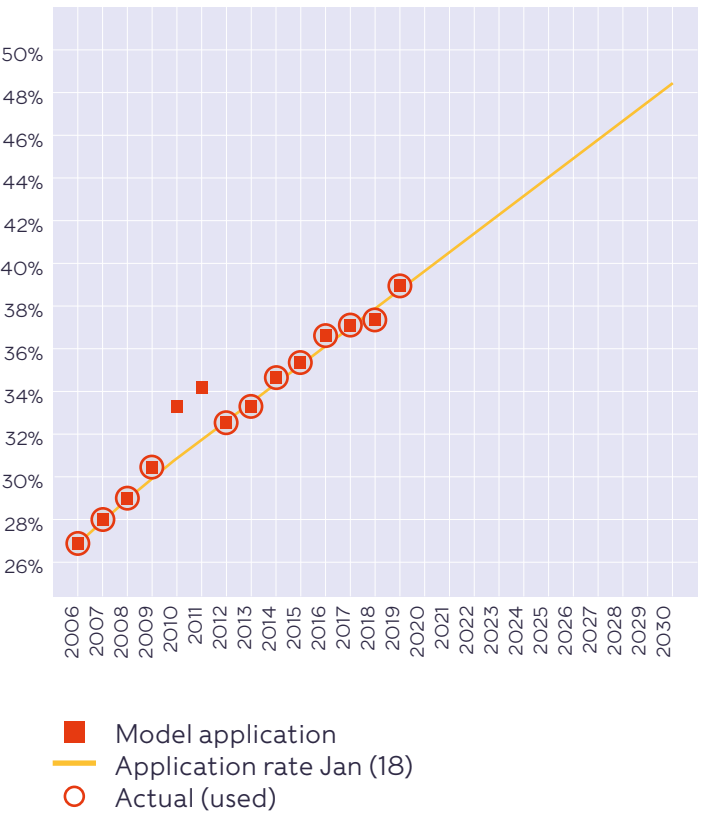
If English higher education was still centrally planned then simply tracking such an increase in the population would be enough to have strategic planners sharpening their pencils. But what puts the 2020s into recruitment crisis territory is that tracking population assumes higher education entry rates stay the same. The data is clear that that assumption doesn’t match with the aspirations of young people.

There are several signals for this in the data; perhaps the most relevant is the 18 year-old application rate. We’ll use (uncapped) England here and, so we can use the latest UCAS numbers, the “January deadline” application point (not trouble-free definition wise,

and 2010, 2011 are excluded from the trend for weather and fee related reasons, but the results are similar using other definitions). In 2019 the application rate was higher than ever at 38.8 per cent, and it has been growing strongly and predictably over the past decade. Extrapolating this trend forward would give application rates of just under 50 per cent in 2030, making English 18 year-olds 25 per cent more likely to apply than today.

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ACTUAL AND MODEL FOR ENGLAND



DEMAND FOR HIGHER EDUCATION

Some react to application rates at this level with scepticism, sometimes implying that a university education is simply not suitable for such a large share of the population. We do not see the data supporting this view.

Firstly, in the long run application and entry rates have increased and are much higher than decades ago. It is a stronger assumption to say this will stop than to say it will continue.

Secondly, application rates at the forecast 2030 level are hardly incredible and are already seen for many groups today. For example, 18 year-olds in London (50 per cent) and in better-off areas (52 per cent). And almost half the population, women, have a rate not far off these levels (44.5 per cent). And these high application and entry rates do not seem to be associated with students being unable to benefit from what a university education provides. Non-continuation rates for young entrants remain low, and lower again for some of the groups with the highest entry rates.

It is quite possible a linear trend extrapolation could well underestimate application rate increases through this period. The 18 year-olds of the 2020s will increasingly be the children of women who experienced the doubling of 18 year-old entry rates in the late 1980s and early 1990s. No other factor is more closely associated with going to university than parental education. The coming step change in 18 year-olds who have a parent with a degree might well push demand along faster.

In a stable uncapped system entry rates will follow application rates. In the post-2012 English market, entry rates have actually increased a bit faster, as applicants have become increasingly successful at finding a place. We'll be cautious and extrapolate a linear trend for entry rates covering pre- and post- number control worlds (with an imputed figure for 2019 based on the application rate). This model puts 18 year-old English entrants to higher education at around 320,000 by 2030, giving an entry rate of 43 per cent. This is around 115,000 higher than in 2018, a 57 per cent increase. To put this increase in perspective, you would need to duplicate the 35 largest English recruiters of 18 year-olds in 2018 to hold it.

Perhaps the student population wouldn't increase by quite this amount overall. We've been tracking the effect of the "cohort depletion" on the entry rate of older age groups for some time, and although the 19 and 20 year-old populations will be much larger in 2030 than today entrants might be fewer, releasing some of the pressure on capacity. But set against this the increasingly youthful student body should have lower non-completion rates (so each entrant generates more "student years") intensifying the pressure on capacity. And the substantial number of students recruited from outside the UK continues to grow. Overall a very substantial increase in recruitment seems likely from strategic signals in the data.

PLANNING FOR THE FUTURE

The international quality university education the UK enjoys is hard to scale up quickly. It needs the right estates and teaching staff. As the demand for university both grows and becomes younger (and more mobile), capacity in purpose-built student accommodation will be another restricting factor. All of these take years to plan and build. And if the supply of any of them falls behind demand then, one way or another, the clear potential in the coming generation to go to and benefit from university will be stifled.

Our experience has been that leadership in universities have certainly shown themselves ready to step into the central planning void that has been created around future provision. But the nature of the coming challenge is difficult for them. Expenditure is needed soon to build capacity for a need (and a revenue stream) up to a decade distant. Whilst the real-terms reduction in tuition fees and reducing numbers have limited their ability to invest. And the gloom around the sector makes accessing commercial investment capital harder and more expensive.

How could universities be helped in this? Probably most important is clarity from the respective governments as to whether the policy is to realise, rather than to stifle, the university potential in the next generation. And if it is to realise, then to make it clear the student population in 2030 will be much larger than today and enable universities with the financial strength to invest in new infrastructure.

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MARK CORVER | dataHE

dataHE are data science higher education market specialists. They build analysis products to help universities use data better in student recruitment.



Futureproofing the university: beyond papering over the cracks

It is easy to reel off the list of threats facing the higher education sector. While there is obviously concern in the short term about changes to government funding and student support, the longer-term disruptive effects of technology, environment and the place of universities in society are all on the long list of challenges. A trite response would be to pitch for finding opportunities among the challenges. How do we break through the unhelpfully superficial, or the distracting hand-wringing about the future?

How can we find ways to futureproof the university?

At KPMG, we've been working on a framework which bridges the larger themes that are disrupting the higher education sector with the smaller concerns, offering practical steps that universities can take to help shape their future. It's not prescriptive, and we don't think there's a single framework or model that all institutions should follow. The location, heritage and particular strengths of each university can – and must – shape how they will operate in the coming years and decades.

Our report, Futureproofing the University, offers some ideas for a structured way of thinking about how to position for that future, and can be used as a resource for opening up strategic conversations between senior leadership teams, governing bodies and other key stakeholders.

LET'S TALK ABOUT THE WEATHER

In the context of significant disruptions, many universities have sought ways of becoming more resilient to weather these storms. There have been major transformation programmes to improve the student experience and reduce cost, particularly in professional services. Investment in new systems and interventions to support students have in some cases needed to be funded by savings from within the university. Rounds of cuts and redundancy programmes are common features in the higher education landscape, and are in many cases necessary responses to challenging conditions.

We are starting to see more vertical integration, with academies and further education colleges seen more frequently within university group structures. There has been continued investment in business partnerships and in overseas developments as ways of diversifying income; and many universities have embraced the apprenticeship agenda as a way of branching out.

The focus on industrial strategy, and on vocational and technical education, is a political wind likely to continue, so positioning to take advantage of these seems a sound bet.

Have they asked the searching questions about what the options can be?

WHY NOW?

While collaboration is built into the sector's DNA to some extent, it is rarely considered in a strategic context up front. This can lead to unstructured activity, with resulting challenges in effective oversight and governance; poor monitoring and a subsequent lack of visibility around the delivery of intended aims and, in the worst cases, financial and reputational issues.

Given the uncertainties ahead, strategic thinking needs structure; it needs tools and ideas to shape the discussions. Our report provides one such framework. Inevitably, there are more questions than answers, but the process of asking the questions it poses should lead to better debate, and ultimately, outcomes.

Here at KPMG, we have a wealth of experience in education, across other sectors and the world. Through our work, we've supported major organisational changes through collaborations, mergers and acquisitions in many contexts. We've seen those that work well, and those that don't. We know that there are essential features of collaborative activity, and no quick fixes.

From our experience, we've learned that successful collaboration means getting some fundamentals right:

- Create and communicate a strong, clear, vision and engage staff in the process.
- Win over key stakeholders: for universities, that means academic and professional staff, students, alumni and the local community. Consistently across all organisations involved.
- There are no quick fixes: emphasise planning with a long-term future integration plan.
- Do the due diligence to interrogate the short-term and long-term benefits and spot issues which can be incorporated into planning.
- Focus on the structure and the people. If you can identify the future leadership team, let them lead.
- Have the patience to achieve long-term objectives and check back to see if the goals are being delivered.
- Once started down a particular path, don't let personal agendas or entrenched cultures derail well thought-through strategic intent.

We appreciate that adapting universities to be fit for the future can be difficult. But as our report shows there is an increasingly pressing need for universities to think creatively – and, crucially with a strategic vision – about their futures. Our report aims to support universities to consider each strategic aim and objective through a broader lens of the best way to deliver your desired outcomes: alone or in collaboration with others.

FIXING THE ROOF WHILE THE SUN IS SHINING

The barriers for universities thinking about collaborative activities usually come down to personalities. One vice chancellor calls this the “fetishization of independence”: the belief of university leaders and governors that the separate existence of their institution is an unchangeable good. That sort of thinking doesn't leave enough room for exploring whether there could be better outcomes for students, better business engagement, and better research in a different corporate form. To move anywhere with this agenda, we have to leave personalities at the door and shift the focus to benefits, not egos.

As well as sharpening the internal conversation for a university, a detailed consideration of the collaboration agenda should also raise questions about the regulatory environment. While in other sectors such as further education and healthcare the regulators and funders have often been the originators of merger activity – as has also been true in Welsh higher education in recent years – the conditions for a guiding hand from above aren't present in English higher education as currently configured.

There are regulatory and organisational barriers to, or drags on, successful collaboration, but these can all be overcome. Some of that may mean changing the rules. If the funding or reporting requirements are barriers to working across sectors, say between further and higher education (which has prevented some mergers in the past), then one response must be to make the case for change. Just as few universities have given the time to consider collaborations in detail, fewer have thought carefully about the ways in which they could – or should – influence the conditions presented to them by the architecture of the sector.

FUTUREPROOFING FOR WHAT? FOR WHOM?

There is no point in thinking about new operating models, new structures, or mergers and acquisitions, for their own sake. At the heart of the question must be who benefits. Our report takes apart the operating context of a university and asks a few important questions:

- Doing what you do more effectively: are there more effective commercial models to drive efficient delivery?
- Downstream value chain: are there different way of reaching your customers?
- Upstream value chain: how are you set up to maximise research impact; employability and interaction with business?
- Collaboration with other higher education providers: are you stronger alone or combined with someone else?
- Threat of substitutes: are you agile enough to counter the threat of new entrants and models?

Thinking about collaboration – in one or more of its many forms – is a valuable and important step to consider in reaching broader outcomes too. It can be a tool for pushing strategic thinking in universities: challenging questions on size and shape, geographic reach, the teaching and research portfolio are essential to good strategy formation.

From the experience of collaboration, alliances, federations, mergers and acquisitions in UK higher education, across other sectors and in other geographies, there are some clear conclusions and recommendations:

- Universities should think about what collaboration could mean for them: better to think through a range of options so that they can position to take advantage of circumstances.
- Outcomes should be at the forefront of thinking, not just a focus on cost savings: answering the strategic question “why?” is essential.
- The time taken, the energy required, and the opportunity costs need serious attention: collaboration is intensive and, to be done right, requires a huge amount of management time and attention.
- Integration and cultural change will take a long time, and can’t be rushed.
- High-quality project management, benefits recording and reporting are essential features, and shouldn’t be skimped on.

Exploring collaboration should be a tool for pushing strategic thinking in universities: pushing on questions like size and shape, geographic reach, the teaching and research portfolio, and the elusive search for differentiation.

It may be that the result of this thinking results in other outcomes that help futureproof individual institutions. But by thinking about radical collaboration, universities can start to unpick their structures more effectively.

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JUSTINE ANDREW | KPMG

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Only the lonely: student mental wellbeing



18-21

year-olds, were the highest proportion of young people who often or always felt lonely.

15%

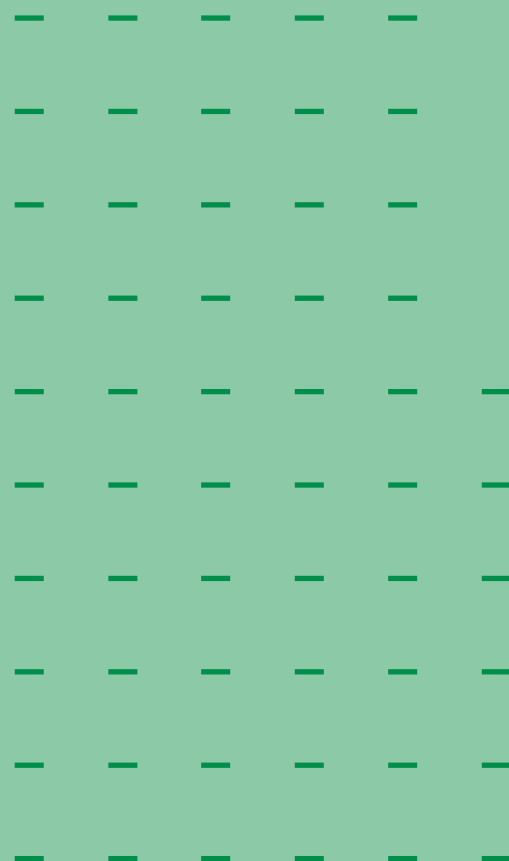
of students said they feel lonely on a daily basis.

Student mental health has been high on the agenda over the past couple of years, and apart from speculation about social media and marketisation, we don't know much about the causes. There has been a lot of activity on treating the problem – counselling services, pet therapy, stress awareness weeks – but not so much aimed at preventing problems in the first place.

Recently the Office for National Statistics published a report on children and young people's experiences of loneliness, and offered the sector some interesting clues as to what might be causing the mental health epidemic. 9.8 per cent of young people aged 16-24 said they often or always felt lonely. The highest proportion of young people who often or always felt lonely was for 18 to 21 year-olds. And they were most likely to have undergone a major life change in the past year, such as transitioning into university or work.

77%

of students agreed that if they needed help, there would be people who would be there for them.

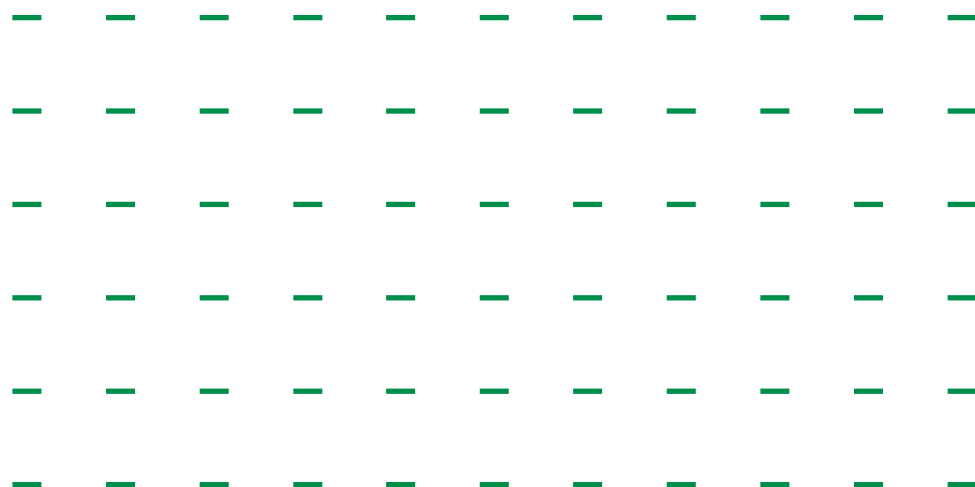


As part of the planning for Wonkhe's Spring event, "The Secret Life of Students" we commissioned Trendence UK to tell us more about loneliness on campus and to test some hypotheses about what could be causing it.

The results were stark. Over 15 per cent of students said they felt lonely on a daily basis, and another third said they felt the same weekly. The figures were worse for disabled students, black and minority ethnic students and international students, and those students commuting into university from home.

Only 77 per cent of students were able to agree that if they needed help, there would be people who would be there for them. Only 3 in 4 could agree that if they wanted company or to socialise, there were people they could call on. And a shocking 17 per cent of students said that they do not consider themselves to have any true friends at university, rising to 20 per cent for international students.

Unsurprisingly, loneliness, friendship and concern about mental health are all linked in the data. Almost half of all students say that their mental health is one of their top three concerns; a figure that varies significantly depending on the number of friends they have.

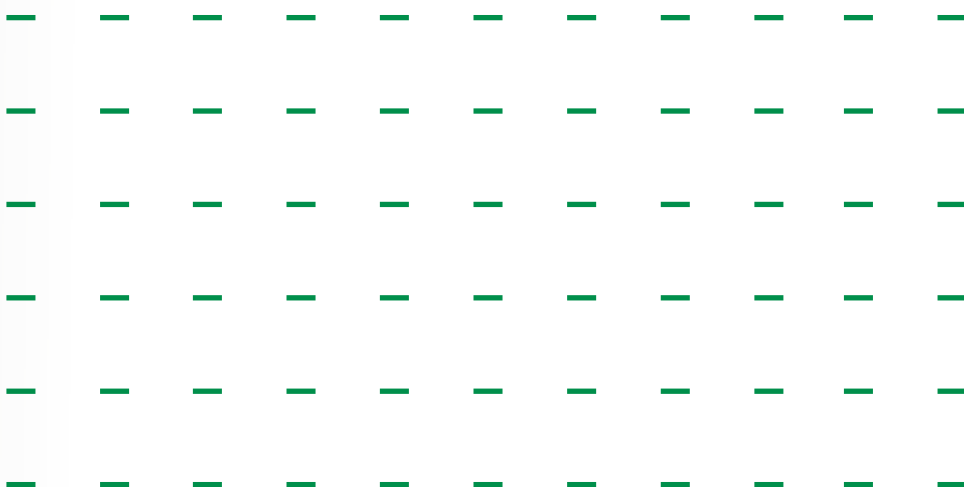


We wanted to understand the link between friendship, mental health and activities on campus. Involvement in extra-curricular activity - societies, sports, representation and events - all had a positive association with friendship and positive mental health and wellbeing. But access to those types of activities is not equal.

We asked students to describe some of the barriers to those activities. Some described practical issues, like commuting or having family commitments. Others described their background, fearing that their schooling or class would mean that other students were naturally better at sport, or music. Many described an off-putting culture focused on alcohol and hedonistic behaviour. Most believed that students' unions and universities should do more to arrange activities that depend less on joining groups.

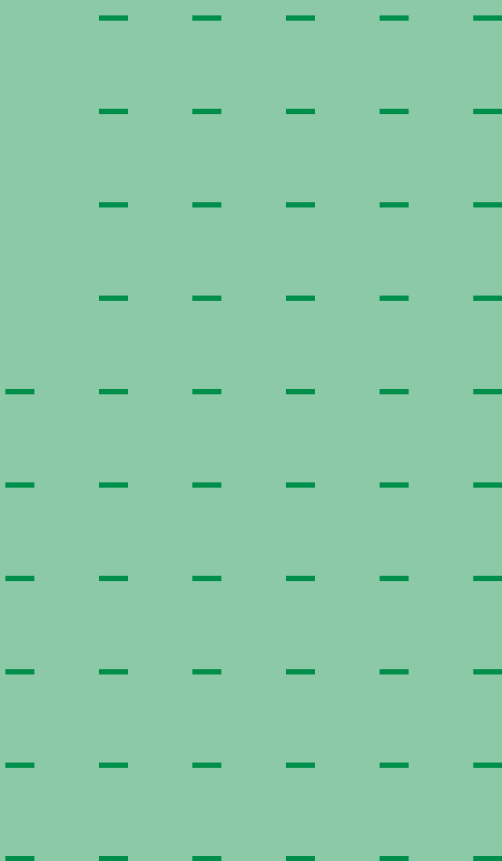
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JIM DICKINSON | ASSOCIATE EDITOR



17%

of students said that they do not consider themselves to have any true friends at university



The civic university: a question of place

The UPP Foundation's Civic University Commission brought the higher education sector together with key figures from business, politics and wider society, to ask how universities could embrace their civic role, in spite of a policy environment that incentivises the pursuit of national and international profile and impact.



While universities are vital to their places, they also need the active support of their communities.

BOB KERSLAKE
CHAIR, CIVIC UNIVERSITY COMMISSION

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The Commission’s working hypothesis is that given wider political and economic pressures, it is vital that universities examine their role in relation to their geographies, how they can strengthen connections with their local communities and build capability and responsibility to help solve some of those communities’ most pressing problems.

Chaired by the former head of the civil service, Bob Kerslake, and drawing on evidence from across the higher education sector, the Commission defined civic universities as institutions that have a clear emphasis and strategy on place, with strong ownership by the community, that are closely linked to the local and regional leadership in the local area. But, as Bob Kerslake suggests in his foreword, the era of universities taking a benevolent interest is over: “while universities are vital to their places, they also need the active support of their communities in these turbulent and challenging times. Put simply, they need all the friends that they can get.”

A COMPACT WITH COMMUNITY

One of the central recommendations of the Commission is that universities should commit to the formulation of a Civic University Agreement. These are to be developed in partnership with local anchor institutions to agree where the immediate and long-term opportunities and problems lie in a given area and how these issues interact. Development of these agreements should be guided by an informed understanding of local populations and their needs, rather than by the particular interests of the university.

Alongside the development of the Civic University Agreement, the Commission recommends a fresh set of measures to evaluate the work of a civic university. Measures at a local and national level are recommended along with a new peer review model involving those from within universities and from other sectors. The Commission suggests reducing reliance on “perverse measurement” in national datasets such as graduate earnings data and research funding infrastructure, in which research focused on local issues is by definition considered inferior to national and international research.

At national level there is a recommendation for a dedicated Civic University Fund to be established to enable universities to bid on a competitive basis for multi-year, place-based projects. Universities could also consider the creation of University Community Foundations, governed in partnership with the local community, to provide a platform for philanthropic giving and channel support to local projects that align with the charitable objectives of the university.

QUESTIONS BIGGER THAN CASH

The questions the Civic University Commission asks take us beyond the month-on-month battles over fees and funding. Can government think just a little bit more about “place”? Why is national policy putting so little value on the rich local and institutional histories that have shaped higher education in the UK? Why now when policy agendas are being increasingly driven by the politics of left behind communities?

Against the backdrop of the fallout from the EU referendum, the Civic University Commission concludes that the gap between ordinary people and places and their nearby universities is far too wide, too abstract, too problematic. If the Augar review is providing the detailed technical recommendations to address the politics of university funding, it is the Civic University Commission that is asking what universities should be and do in our turbulent political environment.

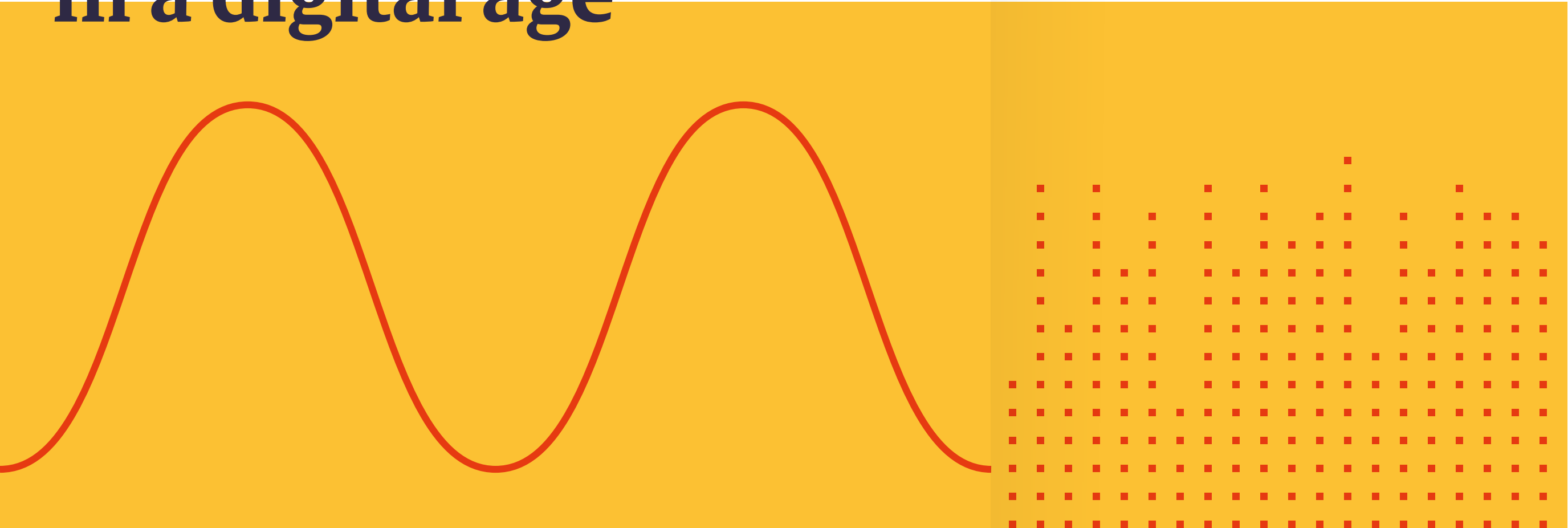
In that sense, this report might be seen as an important companion piece to the Augar review. Speaking to our wider politics in a way that Augar cannot, directly addressing the context in which new higher education policies will be made. The Civic University Commission has shown that it understands the mood of the moment.

Now it is for others – in government as well as in universities – to show that they do too.

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MINTO FELIX | ASSOCIATE EDITOR



Universities deserve better than analogue leaders in a digital age



By any standards the level of churn at the top of universities has been remarkable in the past year. Institution heads may leave their post for any number of legitimate reasons: a new role, retirement, or a change in personal circumstances. But sufficient numbers of vice chancellors have departed unexpectedly that it has started to feel like a systemic issue, rather than a collection of isolated crises.

Vice chancellors are tackling adverse political headwinds, with student recruitment challenges, complexities in the delivery of international campuses and partnerships, the ever-present league tables and a seemingly endless stream of crises in their student bodies. Government policy, if not actively unfriendly to universities, is more critical than it has been in the past, and if there ever was a cosy consensus between university leaders and government departments, it no longer exists.

But beyond the pressures of the role, it's also painfully clear that some university leaders have not lived up to the personal standards expected of them. When tales circulate of bullying, the appointment of favourites to senior positions and suppression of adverse events in order to present a rosy picture to governors, it forces onlookers to wonder whether there is something about the role that fosters the exercise of the holder's worst impulses.

Being a vice chancellor is arguably much harder than it used to be, with much less scope for error and much greater risk that all your good work is undone by the failure of a risky venture or an unforeseen public relations disaster. The potential stress is enormous, the work difficult and complex and the non-financial rewards uncertain. As society puts a greater emphasis on wellbeing, family life and intrinsic rather than extrinsic reward, the list of decent, talented people willing to risk it all for the sake of the title of vice chancellor will surely shrink.

POWER DYNAMICS
ARE SHIFTING

University staff, long critical of what is characterised as the rise of managerialism in higher education, have discovered the power of social media to confront senior leaders directly. Last year’s strikes over the Universities Superannuation Scheme (USS) brought the changing power dynamics into sharp relief.

The industrial action was amplified enormously by the social media presence and rapid response digital capabilities of Twitter-savvy strikers. The scale of the support for the strikers including by academics not on the picket line was made visible to powerful effect. National UCU representatives, ostensibly the leaders of the industrial action, were wrong-footed by the force of feeling that had been unleashed.

Vice chancellors and sector leaders were taken aback to find themselves under (sometimes vicious) personal attack and criticism. Some, having previously professed themselves prepared to face strikes, scrambled to put themselves on the right side of public opinion.

In the wake of the industrial action, vice chancellors are being forced to confront the need to change the conversation inside universities to address the staff issues that were raised during the strike.

In the public narrative, vice chancellors have become emblematic of the widespread practice of heads of organisations gaining disproportionate pecuniary rewards compared to the rest of their staff. Moreover, the expectation that vice chancellors should be publicly accountable, media-savvy and skilled in communication, adds to the challenge of the role.

One vice chancellor referred to the “chilling effect” that the senior remuneration narrative has had on his own willingness to speak out on political and social issues. But this will surely be a self-fulfilling prophecy. And a grand retreat from the public eye at the moment of maximum peril for the sector may prove to be a colossal mistake.

THE CULTURE WARS
ARE ONE-SIDED

The sector is facing an uncoordinated but hugely powerful attempt at an ideological re-drawing of the UK political and social consciousness that has already led us out of Europe and now requires the dismantling of liberal and democratic institutions that stand in its way.

Countless think tanks, politicians, journalists and public figures line up to criticise students as “snowflakes”, universities as “left-wing madrassas” and paint the higher education experience as overpriced, representing poor value for money and return on investment for individual students and the taxpayers at large.

If, as Nick Hillman’s recent paper for HEPI on USS put it recently, vice chancellors fought an “analogue war in a digital age” when it came to the industrial action, the same could also be said about their approach to wider culture wars being fought in and around universities. If vice chancellors offer comment at all, it is through the medium of a set-piece speech to university staff, or via a representative body, or very occasionally a carefully curated interview in the media.

We don’t think vice chancellors alone can win this fight, but at Wonkhe we see the attacks on universities and students come almost every day and sometimes it feels like the sector’s leadership doesn’t appreciate the scale of the war that’s going on, or show much enthusiasm to lead the fightback we need. The failures are only of a few, but they have damaged the credibility of the many. The impression created is of a leadership vacuum in higher education, and the damage being done by it may not be understood for many years.

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It is time to revisit the foundations of university leadership and reimagine the notion of the academy - a community of thinkers - for the modern era

WE CAN CHANGE THE STORY

The challenges of the role, the scepticism of university staff and the public criticism have isolated vice chancellors and exposed their weaknesses. We need to move on from the notion of the heroic individual leader on whose shoulders all responsibility and accountability rest and start building better models of collaborative leaders, who draw their strength and credibility from the talent and insight of their staff and students.

It is time to revisit the foundations of university leadership and reimagine the notion of the academy - a community of thinkers - for the modern era, beyond the autocratic, top-heavy command-and-control model.

Academics bemoan the loss of power and autonomy that seems inherent to a managerialist approach, but academic leadership in the sense of confining leadership to the collective facilitation of research and teaching is clearly not suitable for the modern university. Nor should we be seduced by radical ideas of the democratic anarchic collective; universities still need to be compliant with regulation, financially sustainable and capable of making difficult decisions about the allocation of scarce resources. All these pressures require meaningful professional leadership to be in place.

Yet it’s not hard to imagine more dispersal of power across institutions, fostering leadership at every level.

This would bring higher education leadership not only into principled alignment with the original makeup of the university, but probably ensure that it more closely reflects the reality of getting things done in a large and complex institution (and even the smaller universities are large and complex when compared to, say, a small or medium sized enterprise).

Decisions would be taken by the people closest to the issue, and based on a combination of the best evidence available and on consultation that engages with the different critical lenses of expertise and experience that may be brought to bear. Course teams, research teams and professional teams would develop and test theories of change for how best to achieve their goals and those of their students, and disseminate the ones that worked best.

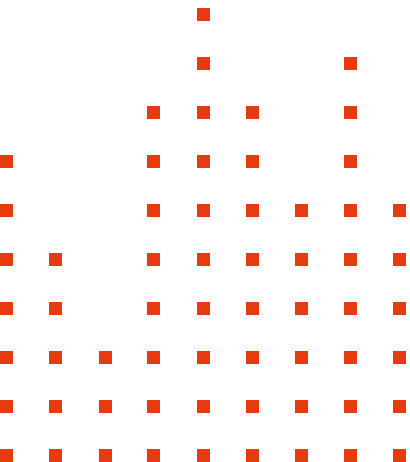
A continual open, and critical, conversation about the external policy environment would be maintained, and everyone invited to reflect on what achievement of the higher education mission can and should be within its constraints. That conversation would take place in public, and it would include anyone within and outside the university. It would not be controlled or curated by corporate communications teams, who instead would be responsible for finding and amplifying the most forceful voices and the best ideas from across the university.

TALENT MANAGEMENT

The best leaders are skilled at building and working with diverse teams, and aware of their own limitations. Boards of governors should consider the balance and diversity of skills and experiences a senior level, and scrutinise the effectiveness of senior teams, in addition to the performance of each individual in their domain. Success could be recognised and celebrated at all levels, and failure tackled, rather than the vice chancellor automatically taking all the credit or all of the responsibility. And the whole university, up to board level, needs to be prepared to act swiftly and take seriously issues of personal impropriety or toxic behaviours.

Within universities, at every level, thought should be given to the qualities of effective leaders, and efforts made to recognise those qualities whenever they are manifested in the delivery of concrete results, rather than mistaking a high capacity for self-promotion, personal charisma, or taking credit for others' work, for leadership potential.

There is almost certainly more that can be done to support the development of the talent pipeline within universities so that emerging leaders can aspire to develop into senior leadership within their own institution, building loyalty and bringing established relationships and insider knowledge to senior roles.



Given that universities are so distinctive in character as working environments, universities might also think about how they could import talent and skills from outside the higher education sector while retaining and respecting the academic values and practices that shape universities.

Much of this is fairly close to what actually happens inside universities. Yet the narrative of higher education leadership continues to focus on the investment of power and authority in a handful of people.

In the current era, leadership can emerge from anywhere and emerging leaders have the tools they need to get their voice heard. Wonkhe's contributors come from all parts of higher education, and the only thing they have in common is a willingness to take a view. The next generation of higher education leaders is already working inside universities.

Vice chancellors can be generals in the battles to come, but they need allies inside and outside the university community, people from different backgrounds and of different political persuasions. And they may find that in sharing power and authority, they win some of their own back.

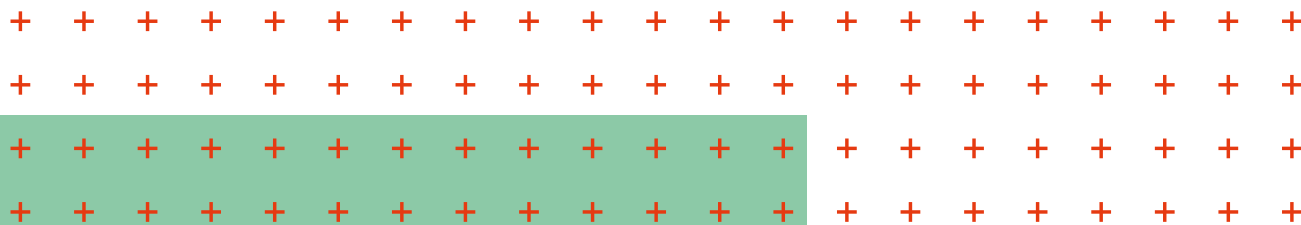
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