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UNIVERSITY OF LEEDS

**To all members of staff**

8 January 2010

Dear colleague,

I wanted to write at the start of the new term to update you on recent developments in the funding of higher education and what they will mean for us and the economies exercise.

As you know, we launched the economies exercise in October to make (on a recurrent basis) savings of £35 million by the start of the academic year 2011-12. The target saving of £35 million reflected our judgement about the impact of the recession, and in particular the impact of public sector spending cuts. We acknowledged in October that there were some uncertainties about the precise level of funding we could expect but we took the view that we needed to start planning straightaway if we were to avoid being forced into a situation which was out of our control, having to make indiscriminate cuts.

Although some uncertainties remain, we now know a lot more about the likely cuts in public funding. As the minister responsible for HE, Lord Mandelson wrote to the Higher Education Council for England (HEFCE) just before Christmas announcing a further cut of £135M in the grant to the sector for 2010-11. An analysis of the grant announcement will appear on our website. This was on top of previous 'efficiency gains' for HEFCE of £180M and the £600M cut for 2011-2012 announced in the pre-budget report. The key point is that Government funding for our sector is to be cut by a minimum of £915M (circa 12 per cent) by 2011-12. Unfortunately this is unlikely to be the end of it and further significant cuts appear inevitable in 2011-12 and probably 2012-13.

The grant letter was if anything slightly more severe than we had expected, but essentially it confirms the key assumptions we made in the autumn. The £35 million savings target remains valid – and I can confirm that the grant letter does *not* mean that we have to increase our savings target.

The cut being imposed by the Government is at a level not seen since the deep cuts of 1981, and it represents a real threat to the quality and international competitiveness of British universities. It has implications, I believe, for the future shape of the HE sector. I want to assure you that, both as Vice-Chancellor and as Chair of the Russell Group, I am vigorously lobbying all political parties.

I profoundly believe that it is in the country's interests to continue investing in higher education, but, even if we do manage to secure some change in Government policy, severe cuts are a reality for the next financial year. We have to cope with them. Like every other organisation, we need to take steps to keep our books balanced as our income falls and our costs rise. Other universities are having to do the same, and are embarking on savings exercises of their own – though some less publicly than we have been doing.

At Leeds, we have from the start adopted an open and transparent approach to the economies exercise. This has caused us some difficulty. It has meant that we have been sharing thinking as it emerges, and this in turn has meant that we have not been able to answer all of the questions which colleagues understandably have been raising. But we are determined to stick to our open approach.

That philosophy has also shaped our approach to the review of the Faculty of Biological Sciences (FBS), a review which is separate from the economies exercise and which has been under way since March last year. The problems that we have been trying to address in FBS have different roots; they relate to a long-standing imbalance between activity levels on the one hand and resourcing on the other. The restructuring of FBS would have still been necessary even if there had been no reduction in government grant to universities, and it is not a blueprint for the economies exercise.

There will be more about the position in FBS on our website (<http://www.leeds.ac.uk/comms/fbs/>) but I want to stress here that we do have to tackle the problems in FBS – and that we owe it to staff in the Faculty not to draw out the process any more than we need to.

The economies exercise itself is still at a very early stage. So far, all that has happened is that schools and services have been identifying possible options for achieving savings; their ideas will now be evaluated over the next two to three months. We will keep staff and students in the picture as this process unfolds, and specifically will be issuing regular bulletins from this month. All decisions will be taken in accordance with our agreed procedures. In particular, the Senate will have a significant voice in any changes which affect the academic shape of the University and a role in ensuring that any impact on academic excellence is kept to an absolute minimum.

I have been asked repeatedly whether the economies exercise will lead to compulsory redundancies. Given the uncertainties about levels of government funding from 2011 and beyond, the honest answer is that I cannot absolutely rule them out. But I am reasonably confident that the vast majority, if not all, of any staffing reductions required as a result of the economies exercise itself can be achieved through voluntary means. And I can be categorical that we would only contemplate compulsory redundancies as a very last resort.

The campus trade unions have a part to play here. I very much want to work with them – particularly through the new Employment Security Review Group we have proposed – in a spirit of constructive partnership to do all that we can to reduce the risk of compulsory redundancies. Sadly, UCU is in dispute with the University, both about FBS and about the economies exercise. I am particularly sad that it is starting a ballot for industrial action on the very day that we are due to begin talks through ACAS to resolve the dispute. And, when

we are trying to tackle problems that are being experienced by universities across the country, I do not believe that industrial action at Leeds would achieve anything – except damage to the University and its national and international reputation.

The recession has created difficulties for all universities. I believe that institutions which respond to those challenges in an intelligent, planned, timely and collegial way stand the best chance of protecting themselves and the quality of what they do. That is what I am trying to secure through the economies exercise.

We have together achieved a considerable amount over the past few years, and, as I said in my *Reporter* column before Christmas, over 2009 in particular. Notwithstanding the recession and the difficulties it has brought us, I remain upbeat about the future of the University and our ability to work together. I have confidence in the staff of this great institution, and nothing but respect for your creativity and adaptability. The challenges that we are facing are certainly serious and call for cool heads, clear thinking, sensible planning, measured actions and great teamwork and collegiality. I look forward to working with you all on that basis to tackle the problems that lie ahead.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'MA', with a stylized flourish at the end.

Professor Michael Arthur  
Vice-Chancellor