Vice-Chancellor’s Circular

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Rhodes University faces crucial financial choices as financial strain hits higher education sector

Rhodes University has made an impassioned plea to stakeholders in the institution to “keep cool heads, exercise discretion and choose wisely - with the bigger picture of all that is at stake in mind” as the university faces critical financial choices.

Over the past two years, the higher education sector in the country, generally, has been grappling with a serious impact of declining state subsidies and a combination of other financial pressures.

For the past 18 months, the University has been in consultation with the various components of the University community and consistently highlighted the growing financial challenge in discussions of the financial state of the institution.

For Rhodes the financial challenge is compounded by a high ratio of staff costs, heavy reliance on student fees and significant maintenance backlogs which can no longer be deferred.

The management of the University has been working on a turn-around plan which is primarily about re-imagining and re-inventing its size and shape to ensure the viability of its academic project. The reconfiguration is also aimed at realising synergies and complementarity between departments.

Council further engaged with the proposals at its recent meeting and the plan was referred for further refinement. The University community has been invited to continue to...
be part of the processes to place the institution on a healthier footing through creative suggestions.

The call for calm comes at a time when wage negotiations with organised labour at the University have deadlocked following a rejection by the unions of a 5 percent revised salary offer.

“An increase of 5% is a bitter pill to swallow in the face of biting inflation. This we accept. We however engage in good faith and with complete transparency. We opened the books for scrutiny. The offer reflects our current financial situation,” Vice-Chancellor, Dr Sizwe Mabizela, said.

“A single percentage increase in the remuneration bill is equivalent to R4 million. The current offer thus translates into an additional R20 million in salaries. We cannot increase this budget further without placing the future of this University and the academic project in serious jeopardy,” he said.

Unlike many other universities, Rhodes has not, apart from additional security services and some external contracting, outsourced its support services. The institution has always justified this position on the basis of the principles of social and economic justice, social responsibility and the sustainability of Grahamstown and the Makana region.

In order to remain viable, the University has to realise savings of just under 10 million in the 2017 financial year and an additional R28 million in 2018. This presupposes some sacrifice, great creativity in our thinking and judicious use resources.

In the short-term the University will be implementing the following measures as part of financial risk mitigation:

- The ongoing work and discussion around the academic size and shape needed for the University to become financially sustainable will continue. Support Divisions will scrutinise their operations with a view to reducing costs;
- An improved approach to identify and harness alternative sources of income.
- A partial moratorium has been placed on the filling of support staff vacancies. Only essential posts as determined by a committee headed by the Vice-Chancellor will be filled;
- A moratorium has been placed on non-essential consultancy contracts;
• A partial moratorium has been placed on the re-grading of support staff posts;
• All travel, accommodation and catering costs must be motivated and approved by line managers;
• Year-end functions paid from University funds will not be permitted;
• Team-building and planning sessions funded from University funds must be fully motivated and approved at the appropriate level.

“The challenges which face us at the moment present us with an opportunity to reimagine our place and purpose as an institution of higher learning in the context of our developing nation. We need to appreciate the interrelated factors which must inform our choices and prioritise the academic project which is the reason for our existence in the first place,” Dr Mabizela said.

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