



*Higher education:  
policy, people and politics.*

# Never mind the Brexit – what's the financial status of universities?

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@dgmorris295



There will be graphs!

There will be Adonis!

There will be vice chancellor salaries!

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# In the news

## Tuition fees 'should be cut', says two-thirds of public

Lord Adonis, a former Labour education minister, adds to calls for fees to be reduced

🏠 > Education

## Oxford University criticised for vice-chancellor's £116,000 home makeover

## University pension fund deficit soars to £17.5bn

Retirement scheme has largest gap between assets and liabilities in UK

## Vice-Chancellor is shamed live on the radio over his £295,000 salary and refusal to reduce student tuition fees

- London South Bank University's David Phoenix was attacked by Lord Adonis
- The Labour peer said staff paid over £100,000 should have their wages halved
- He told BBC Radio 4 this would go some way to easing 'unsustainable' costs

## Tuition fees aren't the problem—failing to deliver value to students is

Debating tuition fees is a distraction from the real changes we need to see in our universities

by Jo Johnson / August 14, 2017 / [Leave a comment](#)



# The recent past – sackings, closures, rations

## Universities face looming strikes as market revolution bites

Former polytechnics and colleges struggle to survive, with disadvantaged students hit hardest by campus closures and job cuts



 Academics at Manchester Metropolitan University are facing redundancies at their main campus and in Crewe.  
Photograph: Alamy Stock Photo

- Manchester Metropolitan
- Manchester
- South Wales
- Teesside
- Brighton
- Open University
- Leeds
- Southampton Solent

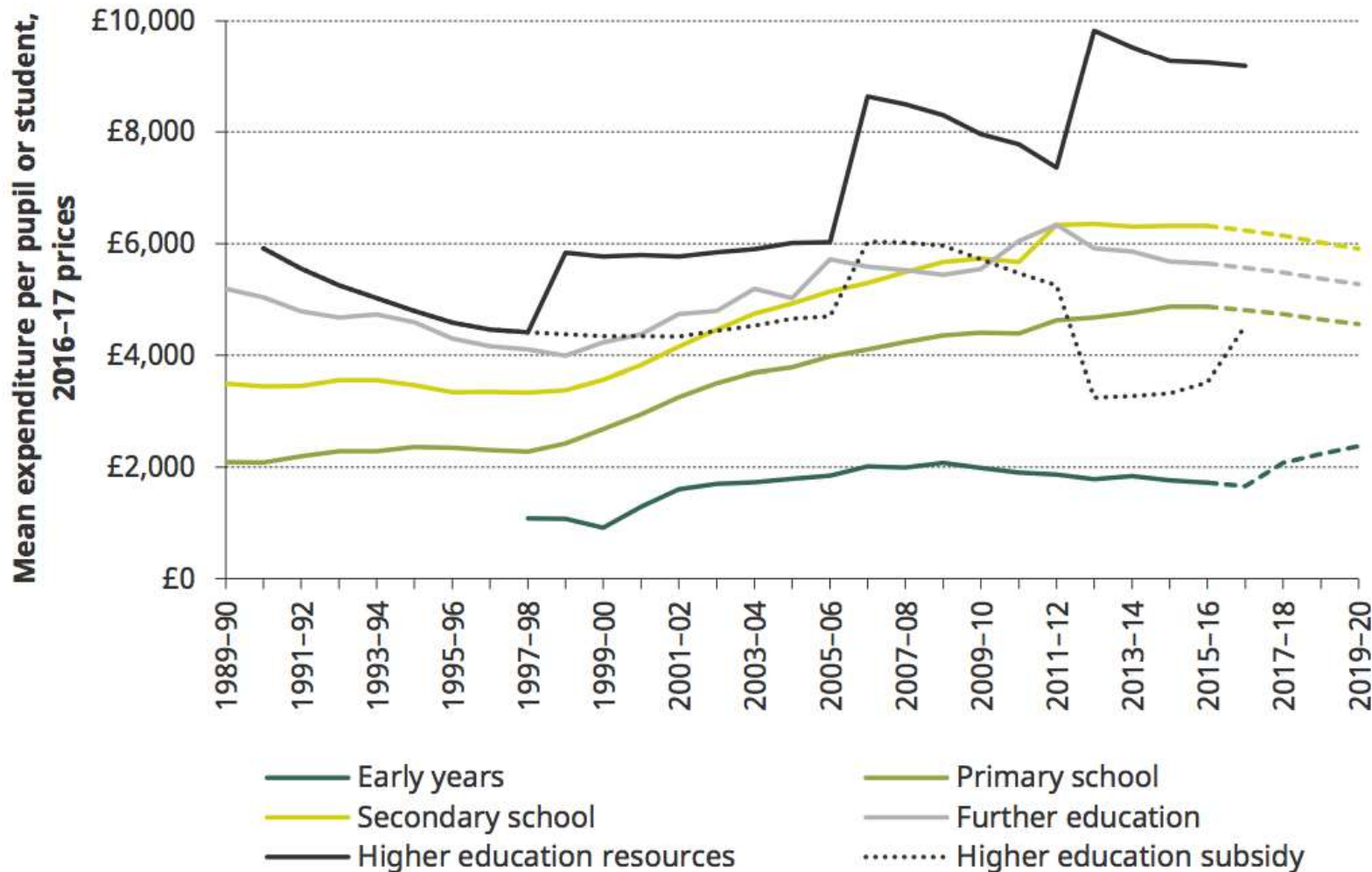
**UCU says panicked reactions on state of USS pension scheme are unhelpful**

31 July 2017



# The recent past – a generous c

Figure 6.1a. Spending per pupil or student per year at different stages of education, actual and plans (2016-17 prices)



The level of resources available per student starting university in 2015 was £28,000, over 50% higher in real terms than in 1990.



# HEFCE reports...

Financial health of the  
higher education sector

2015-16 financial results

- University surpluses are projected at a minuscule 2.3 to 4.3 percent cumulatively across the period, masking wide variations from a deficit of 28.6 per cent to 21.5 per cent surplus.
- There will be more borrowing and falling levels of cash reserves. The number of days' liquidity looks to fall from 127 in 2015-16 to a mere 83 by 2019.
- Total sector borrowing will reach £3.9bn by July 2019, and the sector's total income should reach £32bn in the same period (DTI=12.5%).
- Universities hope for an increase of fee income from overseas students (£4.8bn in 2018-19 versus £3.7bn in 2015-16), and to see growth in home and EU students of over ten per cent in the period.
- Singling out postgraduate home and EU students, universities are aiming for nearly forty per cent income growth.
- There will be significant capital spending, an average of £4.5bn annually.
- Pension liabilities grew by an eye-watering 45.8 per cent between July 2015 and July 2016, reaching a total of £7.2bn.
- There's increasing volatility over the period, with a greater gap between the best and worst performers.

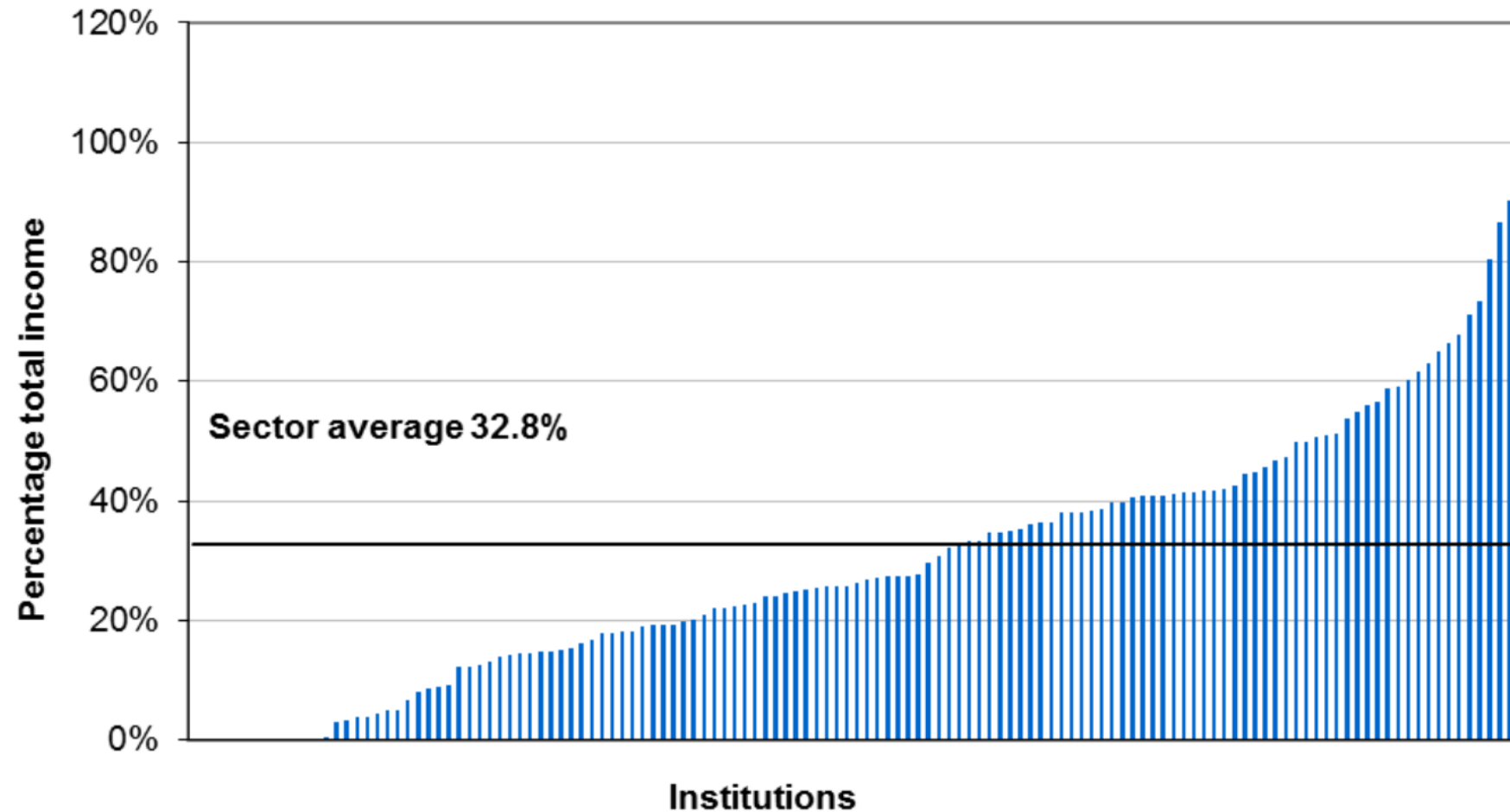


# HEFCE reports...

Financial health of the  
higher education sector

Figure 15: Forecast external borrowing as a percentage of total income 2018-19

2015-16 financial results



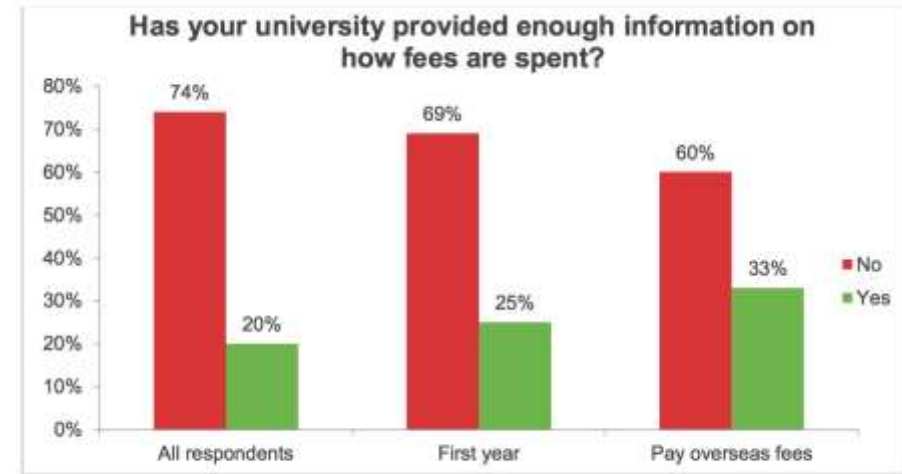
Note: Excludes one outlier.



# TRAC-sparancy...

**Table 2: TRAC income and full economic costs by activity 2014-15 for UK HEIs**  
(Figures in £M)

	Teaching		Research	Research	Other	Total	Total
	Publicly funded	Non-publicly funded		Excluding RDEC			Excluding RDEC
Income	13,291	4,617	9,208	8,802	5,688	<b>32,804</b>	<b>32,398</b>
TRAC full economic costs	13,063	3,321	12,067	12,067	5,037	<b>33,488</b>	<b>33,488</b>
Surplus/(deficit)	227	1,296	(2,859)	(3,265)	651	<b>(684)</b>	<b>(1,091)</b>
Surplus/(deficit) as % of income	1.7%	28.1%	-31.0%	-37.1%	11.4%	<b>-2.1%</b>	<b>-3.4%</b>
Recovery of fEC %	101.7%	139.0%	76.3%	72.9%	112.9%	<b>98.0%</b>	<b>96.7%</b>
Recovery of fEC % (2013-14)	101.6%	136.8%		74.8%	108.8%		96.6%



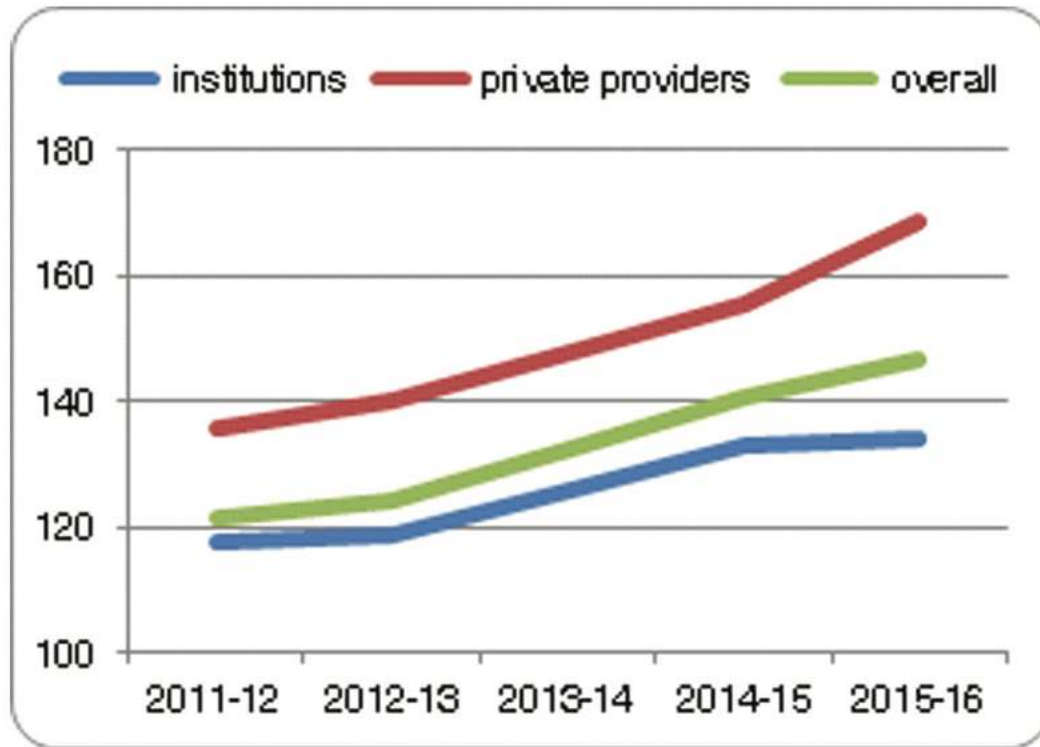
Base: All respondents (14,057); First year (5,125); Overseas (965).

“In line with previous years the sector still has a substantial level of activity that is not fully funded. A significant concern remains the volume of research activity in the sector and the extent to which such volumes are sustainable.” - HEFCE TRAC analysis



# Knock-on effects...

Figure 2: Average weekly rents by provider type  
2011-12 – 2015-16



## University students across UK prepare for wave of rent strikes

Protests to be used as bargaining tool against 'extortionate rents' after increase of almost 20% in two years

### Cost of living crisis for FT study?

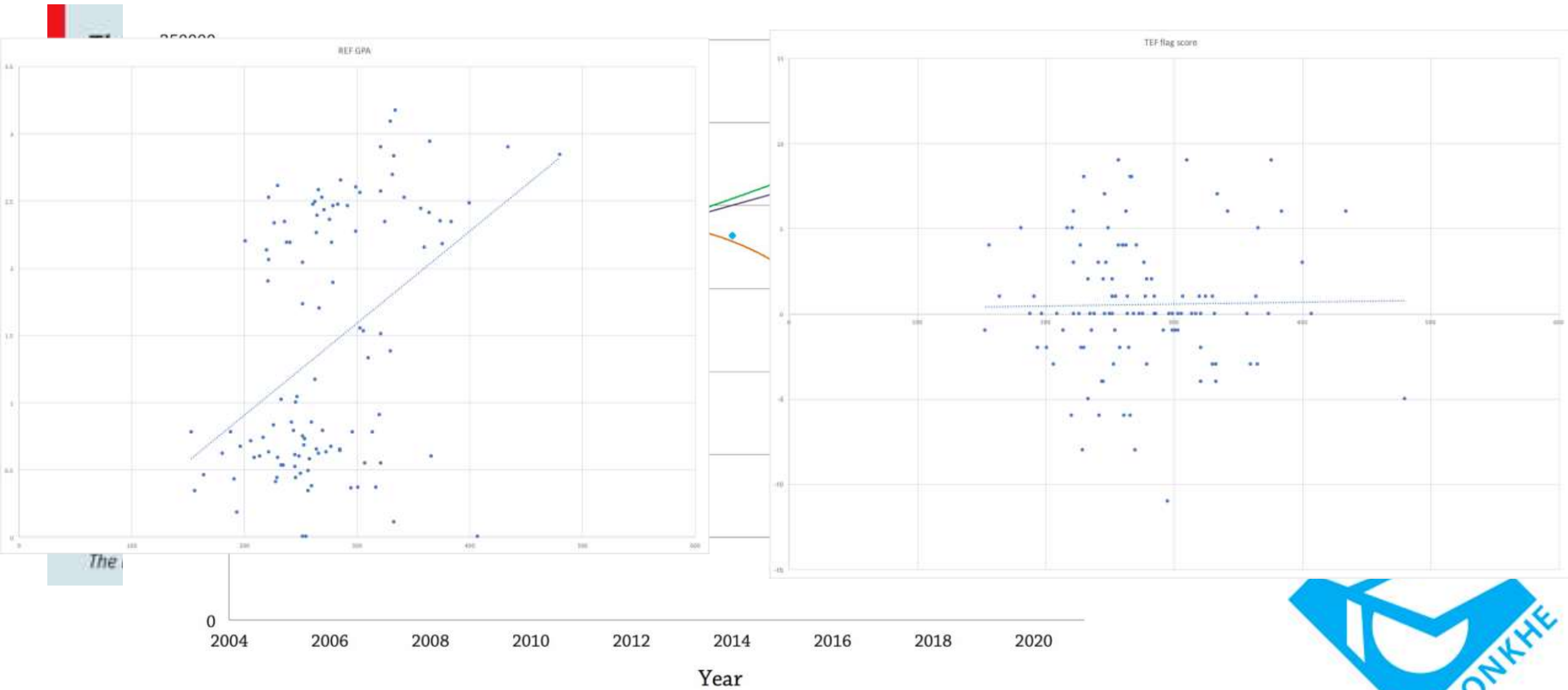
Not a month passes without strident condemnation of student loans appearing in the mainstream press. You might think that's welcome and that the costs of undergraduate study are now too high.

I agree with the latter point, but have become concerned about ill-informed criticism, which would leave readers with the impression that Student Loans Company loans are to be avoided and that there exist cheaper, private options for financing study.

If the undergraduate system in England is broken, it's not because fees are unaffordable, but because costs of living exceed maintenance support to the extent that students have to turn to other debt (overdrafts, credit cards, commercial loans, payday loans etc.) or undertake excessive work in term time.



# Challenges



# Brexit and research

Table 5 The 10 HEIs that received most income from EU government bodies in 2014/15, in £ thousands

	Income from EU government bodies in 2014/15	EU government income, % of total income from EU government bodies for UK HEIs in 2014/15
The University of Oxford	£60,280	8%
The University of Cambridge	£59,495	8%
University College London	£45,710	6%
Imperial College of Science, Technology and Medicine	£41,929	6%
The University of Edinburgh	£25,680	4%
King's College London	£24,845	3%
The University of Manchester	£23,741	3%
The University of Sheffield	£20,414	3%
The University of Bristol	£18,623	3%
The University of Leeds	£18,191	3%
<b>Total top 10 HEIs</b>	<b>£338,908</b>	<b>47%</b>
<b>Total top 20 HEIs</b>	<b>£476,953</b>	<b>66%</b>
<b>Total top 30 HEIs</b>	<b>£562,959</b>	<b>78%</b>
<b>Total all HEIs</b>	<b>£723,944</b>	<b>100%</b>

Source: HESA



# Looking ahead: Brexit

Eight British universities have had their credit status downgraded as a result of the Brexit vote amid concerns that curbs to free movement will hit recruitment of academics and students.

The downgrades threaten to raise borrowing costs for universities at a critical time when many are seeking to expand campuses to attract more students.

Moody's changed the outlook from stable to negative for the universities of Leeds, Liverpool, Manchester, Cardiff, Keele and De Montfort.

Demographic	Decrease compared to expected trend	Hypotheses for decline
EU applicants	c. -6,000 applicants	Brexit
Nursing applicants	c. -5,000 applicants	Reforms to NHS student finance and support. Decline in older age groups.
Older age groups (over 19s)	c. -12,000 applicants	Growing labour market and wages. Decline in nursing applications.
18 year olds	c. -7,000 applicants	Population decline. BTEC decline.

**Applicants for UK higher education down: 5% for UK students and 7% for EU students**

Posted Wed 1 February 2017 - 16:16

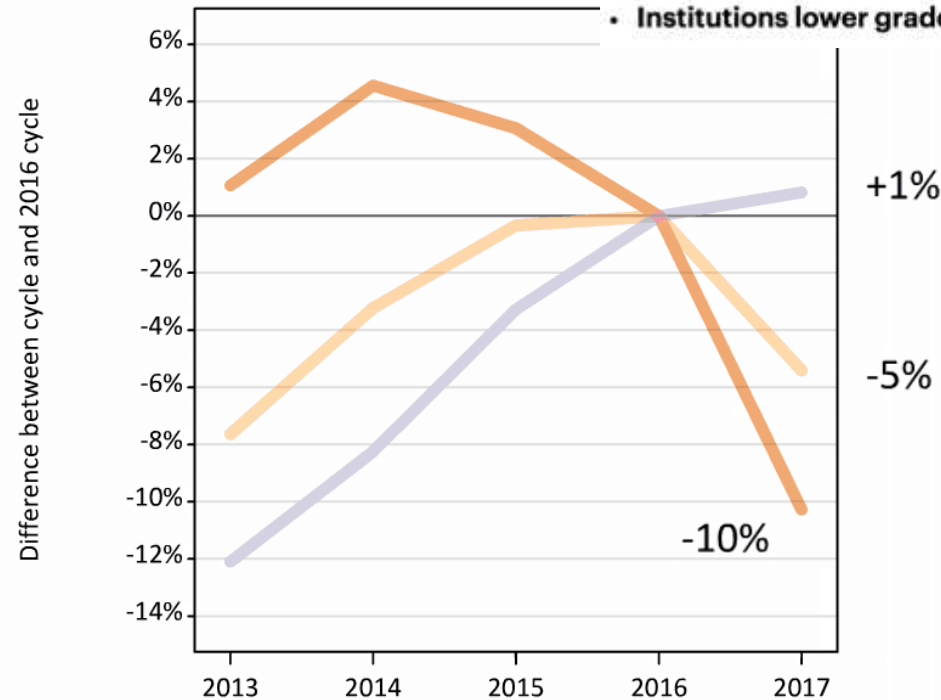


# Looking ahead: students

Top universities in clearing free-for-all as they desperately try to fill courses: Institutions lower entry requirements after dip in the number of applications

D.5.25 Applications by domicile and tariff group of provider : All domiciles  
Difference between cycle and 2016 cycle

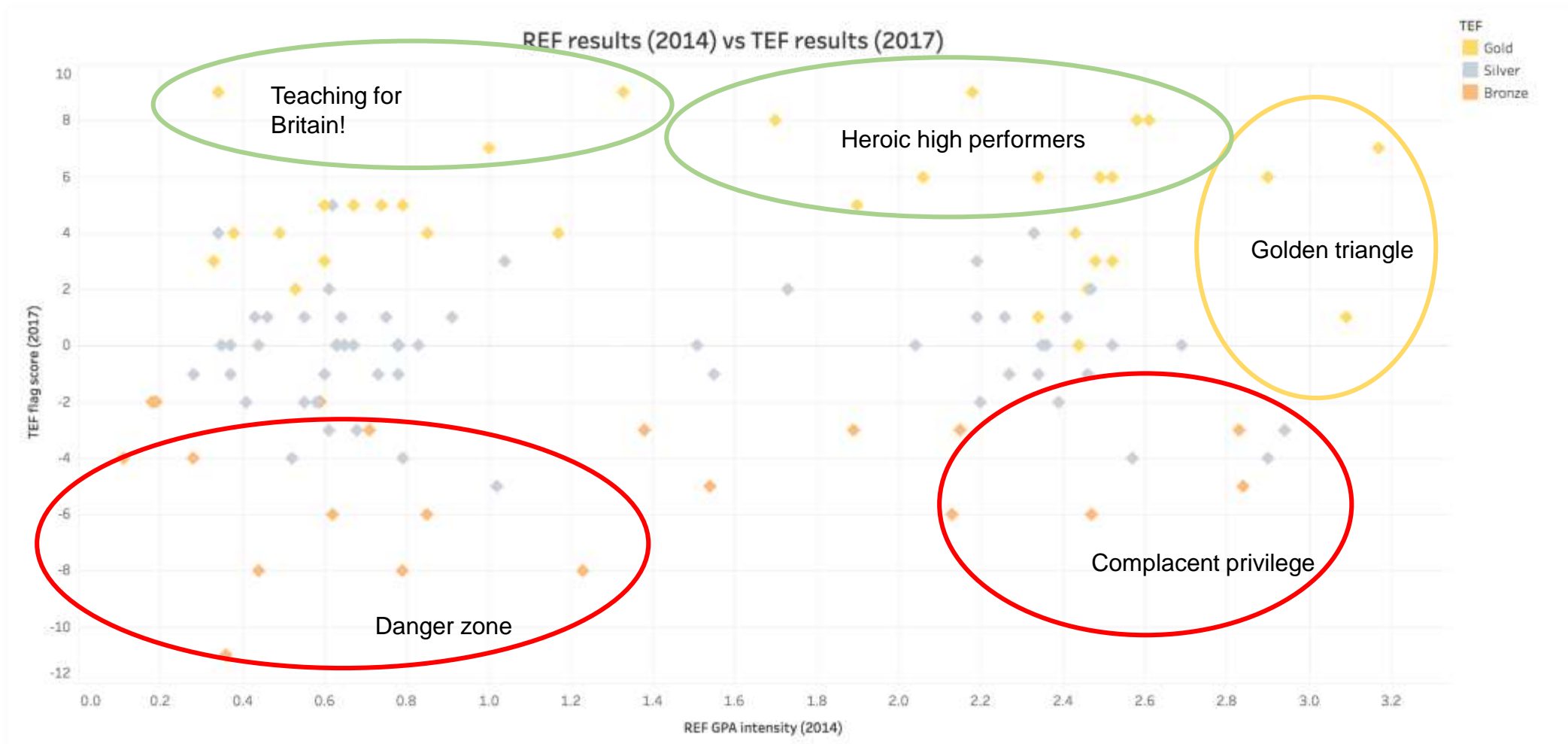
- 1. Lower tariff
- 2. Medium tariff
- 3. Higher tariff



- Over 4,000 Russell Group courses still advertised as A-level results approach
- Queen's in Belfast is recruiting for 212 subjects as EU student population dips
- Institutions lower grade boundaries as UK's number of 18-year-olds decreases



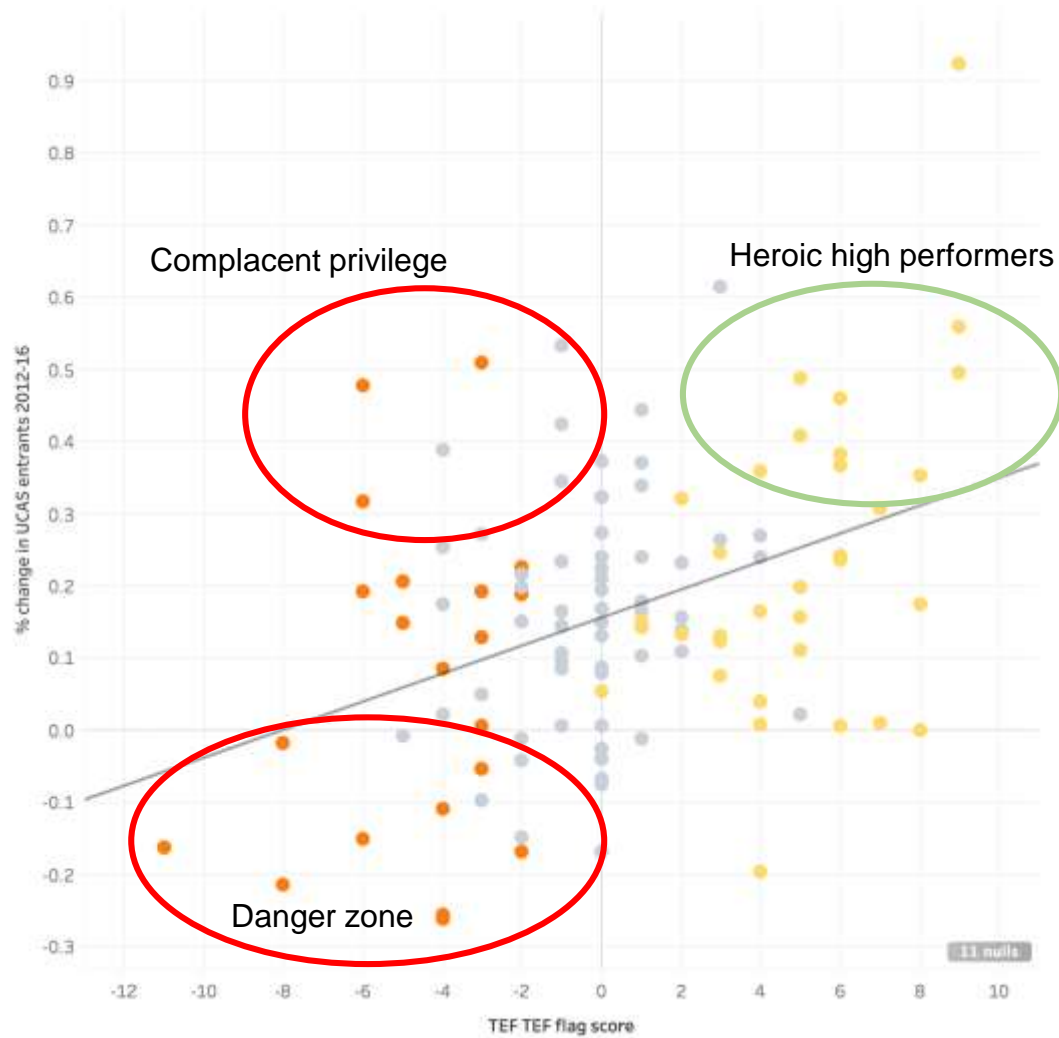
# A divided sector



<https://public.tableau.com/profile/wonkhe#!/>



# A divided sector



<https://public.tableau.com/profile/wonkhe#!/>



# Policy implications – a divided sector

## Research intensive/high tariff

- Research costs continue to fall short of income – who's picking up the tab..?
- It's easy pickings, particularly in domestic recruitment.
- More likely to face questions about value for money.
- More expansion on the horizon.
- Have most to lose from Brexit in absolute terms.

**Market pressure incentivises finding other sources of income: students in the firing line.**

## Non-research intensive/lower tariff

- Market pressure forcing to rationalise and improve.
- It's a fine line between success and failure. Examples of both.
- More likely to get into trouble.
- Mergers on the horizon.
- Have most to lose from Brexit in relative terms.



# Political implications – a disliked

## University pressure cooker is about to blow

IAIN MARTIN

A war against steep tuition fees and overpaid vice-chancellors will break out this autumn unless ministers act now

### Too many students?

In 15 years Britain has acquired a mass university system. But this has not made us more equal

by Alison Wolf / July 20, 2002 / [Leave a comment](#)  
Published in July 2002 issue of Prospect Magazine



### Degrees of failure: why it's time to reconsider how we run our universities

They have grown vast—and vastly expensive. Time to stop and ask whether something's gone wrong

by Alison Wolf / July 14, 2017 / [Leave a comment](#)  
Published in August 2017 issue of Prospect Magazine



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Why don't they like us? A terrible two months for universities in the news



Image: Shutterstock

It's not been the best few months for universities' collective reputation. That might be understating it. Frankly, it's been a public relations disaster.

Wave after wave of bad news stories has provoked a string of sceptical commentary and trenchant interventions from influential thinkers in Westminster, Fleet Street, and beyond. So many bad news stories have peppered the press that they bear worth repeating in full.

