Adapting to change

The financial health of the higher education sector in the UK 2016
Investment in capital infrastructure is up by 15.5% to £4.3bn – the highest for six years – funded from cash and higher levels of debt: now 27% of income.

Income from overseas students has doubled in seven years to £4bn and now 1 in 10 students in the sector are from outside the EU.

Controlled increases in staff costs – in 2014/15 total staff costs are 51.6% of income.

Sector income up by 8.1% (incl RDEC of £0.4bn).

Sector surpluses highest for seven years at 5.6% – 54% increase over prior year.

Some institutions have thrived: five HEIs account for 27% of the sector’s income growth; ten account for 40% – all are in the first quartile.

Highest income in the sector £1.6bn.

34 institutions reported a surplus in excess of 8%.

Increasing competition for student numbers to maintain and build market share.

The complexities of international recruitment.

Changing regulatory structure and White Paper.

Rise to the challenge or exit the market.

A sound sector financial performance …

And a need to adapt to a changing environment …

With a widening gap between the quartiles …
Adapting to change

The changing environment of Higher Education

Financial health of the Higher Education sector in the UK – sector overview and quartile analysis

Health check – a comparison with Australia

Sub group analysis of the UK sector:
- Research intensive institutions
- Post 1992 universities
- Specialist institutions

About Grant Thornton

Methodology
This report is based on a review and analysis of the audited financial statements prepared by higher education institutions (HEIs) in the UK for the seven financial years from 2008/09 to 2014/15. In line with prior years, we have calculated relevant financial ratios to inform our view of the financial health of the higher education (HE) sector and have shown trends for the last seven years, as appropriate.

In reporting on this data analysis we have also for the first time drawn upon the findings of the research undertaken by Grant Thornton in Australia into the financial health of that country’s HE sector as well as contributions from UK HEIs. We also refer to reports issued by the Higher Education Funding Council for England (HEFCE), the Higher Education Statistics Agency (HESA) and the Universities and Colleges Admissions Service (UCAS).

Acknowledgements from Richard Shaw, Head of Education
This is the sixth year that the firm has produced this report and I am very grateful for the feedback and comment we receive on our view of the HE sector. Moreover I would like to thank the institutions who have gazed into their crystal balls and kindly written their resulting thoughts on the sector in articles within this report. Finally I should like to pay tribute to my colleagues at Grant Thornton for their tremendous contribution in producing this report.

The financial health of the higher education sector – reports

2015

2014

2013
Adapting to change

“Welcome to Grant Thornton’s sixth annual review of the financial health of the higher education (HE) sector. This report provides an independent analysis of the financial health of the UK HE sector, based on financial trends for the last seven years and our view of the future for HE institutions. It is informed by the work undertaken by Grant Thornton globally into HE international policy, which we will start to report on in Autumn 2016.”

Richard Shaw, Head of Education

The 2014/15 academic year represented the third full year since the tuition fee cap of £9,000 was introduced by the Coalition Government in England. Just as the first cohort of students incurring the higher tuition fees graduated, the HE sector recorded the highest surplus seen since we started collecting the sector’s financial information seven years ago – a surplus before exceptional items (surplus) of 5.6% of income and an increase of over 54% from the prior year.

Whilst one-off events such as the £0.4 billion received in Research and Development Tax Credits (RDEC) contributed to this improved result, 2014/15 represented a successful year, financially speaking, for the sector as a whole. Income grew by 8%, expenditure, most notably staff costs, saw controlled increases, with staff costs as a percentage of income decreasing over the past seven years from 59% in 2008/09 to 51.6% in 2014/15. 2014/15 also saw a significant £4.3 billion in capital infrastructure investment, representing an increase of 15.5% on the prior year. This capital investment was funded by cash reserves and increasingly by the sector taking on higher levels of debt, most noticeably in the form of public bonds.

Our report highlights that although the sector’s surplus has improved, and the overall financial position is sound, the result masks a widening gap between the performance of the four quartiles with which we continue to analyse the sector. Furthermore, within these quartiles there have been some particularly impressive results from individual institutions which exemplify the forecasts in our report last year which was entitled ‘Thrive or Survive’. However there are institutions which have failed to meet their home and/or international student recruitment targets and in an increasingly competitive environment, underperformance in student recruitment will need to be quickly addressed.

One statistic alone helps to demonstrate how some institutions have thrived – the five institutions which saw the largest absolute growth in income represent 27% (£558m) of the growth in income (excluding RDEC) across the whole sector. Moreover just 10 institutions represent 40% (£841m) of total income growth in the year. All of these are in the first quartile and the combination of their size, reputation and the ability to adapt and benefit from the removal of the student numbers control has driven this growth in income.

In a year when there has been much comment about a widening gap between the financial performance of institutions and with such a challenging change agenda ahead – the impact of the White Paper, Brexit and managing international student recruitment – we have invited views from the sector to provide further thoughts about what the future holds. We are tremendously grateful for these contributions and the insight they bring.

Although our data focuses on publicly funded ‘traditional’ institutions, the sector insights include a view from a charitable alternative provider. It is going to become increasingly difficult in the future to easily define the HE sector. The number of alternative or challenger institutions will continue to grow and they will play a much more prominent role in the sector, especially should the White Paper proposals for granting Degree Awarding Powers (DAP) to challenger institutions be enacted.

1 These views were prepared in advance of the publication of the White Paper and therefore do not reflect fully the provisions of that paper.
We have also drawn upon the work performed by our colleagues in Grant Thornton Australia to provide some comparator analysis of the financial performance of the Australian HE sector. It is interesting to note in passing that the HE sector in Australia has consistently published surpluses in excess of the UK.

“According to Darwin’s Origin of Species, it is not the most intellectual of the species that survives; it is not the strongest that survives; but the species that survives is the one that is able best to adapt and adjust to the changing environment in which it finds itself.”
Leon C. Megginson

In reviewing and reporting on the financial performance between 2008/09 and 2014/15, we can see that the sector as a whole has shown how it has achieved its forecasts by controlling expenditure, benefiting from the increased demand for UK HE and, more recently, from tuition fees of £9,000 being the norm rather than only charged in “exceptional circumstances”. However the HE landscape continues to alter and although there is little price competition in the home undergraduate market, the removal of the student number control has led to increasing competition for market share and there remain institutions which have still to adapt to this changing environment.

The White Paper
Our report is published in the same week as the government White Paper, Success as a Knowledge Economy (The White Paper). The White Paper and the subsequent Higher Education and Research Bill (the Bill), represent the culmination of a long series of policy and funding changes. The White Paper will accelerate the rate of reform and, for the first time, bring forward a vision of a competitive and consumer-driven higher education sector in England.

The White Paper is explicit about the purpose of the reforms, entitling its component chapters ‘Competition’, ‘Choice’ and ‘Architecture’ – the last of these designed to make the first two a functioning reality.

Competitiveness is created through a process of deregulation and reduced barriers to entry, allowing alternative providers to enter the market and making it simpler to achieve DAP. However there are concerns that this will lead to a decline in the overall quality of provision and damage the reputation of the UK HE sector.

The White Paper describes the present quality assurance regime as “robust” but also a “disproportionate bureaucratic burden”, therefore it envisages a move towards a risk-based quality review which will focus on key indicators of potential poor performance, set alongside Financial Sustainability, Management and Governance checks and including performance indicators such as graduate employment destinations, student retention levels, entry requirements and complaints. The White Paper also outlines the sanctions that would result from failure, from removing an action plan, to removing DAP and ultimately removal from the register of providers.

Ensuring that enhancing quality provision and achieving greater competition are not contradictory will be the responsibility of the Office for Students (OfS). This is the keystone of the architecture that the Bill will create – acting as a market regulator that will be unambiguously on the side of “students and tax payers” and “pro-student choice”. The OfS will not be the voice of the HE sector in government and represents a decisive break from the “outdated, top-down model of a funding agency” – as the White Paper describes it.

Choice will rely on new entrants and, crucially according to the government, better information for students. Markets function best with clear information and the White Paper foresees a future where students (as well as creditors, employers and regulators) can access information across a range of performance metrics, allowing them to make decisions about which institution will attract their custom. This change in relationship casts the student as the consumer and institutions must be aware that they are now within the purview of the Competition and Markets Authority. Ultimately, a credit transfer scheme may allow students to change their choice of institution and transfer elsewhere, with consequences for the predictability of cash flow.

The introduction of the Teaching Excellence Framework (TEF) will be phased and further technical consultation is promised. However TEF outcomes are going to be linked to fees and therefore ensuring successful TEF outcomes will be important for institution’s finances and moreover their reputations.

The White Paper highlights that government will link HE and tax data together to chart the transition of graduates into the workplace. This new rich source of data will provide information for students, however it will be interesting to see whether it is used in future by government when considering the funding of HE provision.

The White Paper requires each institution to agree a student protection plan with the OfS, which may well require institutions to explain how they will deal with every eventuality from outright closure of a single discipline to closure of the whole institution. The ultimate consequence of bringing market forces to bear on the sector may be the exit of either alternative or established institutions, either through closure or merger – this is not a time to stand still, HEIs must rise to the challenge.
The changing environment of Higher Education

Using a sector lens, Grant Thornton’s Strategic Insights team has considered how key industries and sectors may look in the future. This is to help trigger conversation, debate and ideas, about longer term objectives at both a sector and institution level and ultimately to consider how this will shape a vibrant economy.

In order to achieve consistent levels of growth throughout their corporate lifetimes, organisations must attend to existing business issues while still considering areas they can grow in the future, recognising this Grant Thornton has mapped these insights onto a framework of three horizons. The three horizons are not set timeframes as ideas can quickly move from one to another, and therefore businesses should be alert to all horizons concurrently.

Using market knowledge and insights, and by being alert to change and innovation, we begin to notice hints of what the future may hold for the HE sector.

The recent publication of the White Paper very clearly makes the case for the HE system to build on its successes, to adapt to change – not stand still. It promotes creating a competitive market of providers, widening student choice and facilitating this by updating the regulatory architecture. Whilst some of what is proposed will seem to have an immediate impact, the consequences are far reaching – compatible with our own research and our three horizons framework.

Modelling for financial sustainability – ever increasing variables

Whilst the White Paper formally embodies competition and student choice into the higher education system of the future, bolstered by a co-regulatory regime to maintain quality, many institutions are already looking in detail at what the future holds. They are building more complex sustainable business models which take account of an increasing number and range of variables, focusing on delivering a high quality, world leading student experience which drives innovation and economic growth. In the face of market competition from new high quality challenger institutions, institutions and their governing bodies must take account of the longer term impact of:

- Alternative providers
- Fair access to education
- Student recruitment
- Student retention
- Student expectations
- Decline in the graduate premium
- International students
- International competition
- UKVI
- Demographics
- Reputation
- Employability
- Postgraduate study
- Part time student numbers
- Arms race for first class facilities
- Research

For some institutions this open and diverse higher education sector will inevitably bring with it significant challenges for the governing bodies – is the current governance framework fit for purpose?
The changing environment of Higher Education

HORIZON 1:
- Government policy and regulatory changes
- Establishment of more industry clusters/enterprise zones around regional universities preventing brain drain to the South-East
- Further commercialisation of research
- More involvement of business in local education policy
- New income streams – shift from reliance on public sector contracts to new income sources, new trading companies such as incubators and research companies
- Increasing competition within education; more informed student choice between providers
- Government support for 3m new apprenticeships – schemes given same legal status as degrees

HORIZON 2:
- Changing attitude of students to attending traditional universities; which university and course will best justify the fees being paid? Which are the more attractive features – campus, opportunity in local economy?
- Changes in global political pressures will mean the net immigration of students could change quickly
- More UK universities expanding overseas
- Opportunities for a mobile student generation are starting to widen; more UK students look overseas
- Student loans no longer fiscally viable
- Rise of alternative providers – FE colleges and private providers with degree awarding powers
- Higher demand for vocational qualifications – decline in traditional university courses
- Course content becomes more agile reflecting ever-changing employment markets for students; better aligned to employability
- Demand rises for coding and computer science courses
- Technology more likely to support tutors than replace, eg evolution of massive open online courses (MOOCs)

HORIZON 3:
- Education policy driven by the demands and expectations of the students
- Education integrates industry and commercial organisations, both for research and to meet the skills and requirements of employers
- Students, academics and qualifications move freely between global jurisdictions; collaborate globally too
- Universities may change to be real global players offering global qualifications
- A step change in the way teaching is delivered; use of global technology platforms to address shortages created by limited teaching resource, eg virtual, personalised
- Immersive virtual rooms support research expeditions
- Clear divide between institutions that carry out research, those that specialise in academic teaching and those that provide vocational and skills based training
- UK universities continue to slip down global rankings, overtaken by Asian and possibly African
- Providers ranked by what students go on to do, ie how much did the provider contribute to the economy?
Andrew Connolly, Chief Financial Officer, University of Exeter

For most of my 20 years or so in HE, the sector has coped with an inflation funding gap – where cost inflation exceeds income inflation – by growth. Growth from pretty much all market sources – home/EU and international students as well as research activity. This has enabled us to balance the books and invest in capacity and quality. But we are now entering new territory.

The £9,000 tuition fee has depreciated by at least £1,000 in real terms as we enter its fifth year. In April the sector bore a 12.5% rise in the cost of funding USS pensions along with a 2 percentage point increase on the pay bill to fund higher national insurance costs. This hasn’t stopped trade unions demanding a 5% pay increase in 2016 and while this is unaffordable, the sector will continue to fund cost of living awards on top of annual pay increments. Research Intensives have greater exposure to the funding gap and benefited least from the £9,000 fee, bearing higher costs of science teaching and supporting research generally.

But the strategies used in the past to manage the tension between cost inflation and fee deflation might have run their course.

The sector has been fortunate that demand for HE remains strong – for some institutions – and this has helped address the inflation funding gap. We’ve become acclimatised to the removal of student number controls and some HEIs are flexing the power of their brands in the market place. But what is new is that this is increasingly focused on stealing market share rather than sharing out growth. The core 18-30 domestic population demographic is turning down, student admissions from China are at best plateauing and at worst declining and a number of international HE sectors have woken up and are investing heavily in their own expansion.

The former funding and regulatory regime operated under pretence of sector homogeneity. Differentiation is now becoming the order of the day, actively promoted by Government policy, whether through the removal of student number control, the TEF and the prospect of some HEIs being able to increase fees, a variable QA regime or through regional policy allocating substantial capital resources without the familiar formulas we’ve enjoyed in the past.

Given the growing number of bond issuances, private placements and ever larger EIB loan facilities being announced, it would also seem that parts of the sector are embarking upon a sustained period of investment supported by access to this relatively cheap, long-term funding from capital markets.

With differential access to markets for students, supported by differential access to capital markets, governing bodies and senior teams, now more than ever, can become masters of their own destinies – if they have the confidence to grasp the new world order and, crucially, if they occupy a market position that enables them to do so. It is likely that the defining characteristic of the successful University of the future is going to be the quality of its governing body and senior leadership.
Financial health of the Higher Education sector in the UK – sector overview and quartile analysis

Overview

In line with prior years, in addition to analysing the financial health of the sector as a whole, we have categorised individual HEIs into quartiles on the basis of their total income and analysed the performance of those quartiles. These quartiles are presented on page 8.

We have also carried out analyses of Research Intensive, Post-1992 and the smaller Specialist Institutions (where income is less than £50m).

This year the divergence in operating performance across the quartiles and sub groups is increasingly evident, with quartile 1 and the Research Intensive Institutions in general demonstrating a stronger performance on a number of key metrics when compared to the wider sector. The government reforms, not least of all the removal of the student number cap, are likely to see this trend continue in future periods.

Student numbers

This financial health review is set in the context of continuing competition for domestic, EU and overseas students, especially in respect of undergraduate students. The period 2008/09 to 2014/15 saw an overall decline in undergraduate student numbers of 7.1%, increasing the pressure on income streams and the bottom line. Not surprisingly, the release of the student number cap in 2015/16 (for non-medical students) has bucked this trend, with UCAS reporting a 3.2% increase in undergraduate student acceptances for 2015.

Whilst the rate of growth of EU undergraduate acceptances has increased by 11% for 2015, the bulk of the increase in undergraduate students (68%) are UK domiciled, generating £3.6bn of tuition fee income per annum. UCAS reported interim figures on applications in April 2016 which indicate that the level of undergraduate applications is marginally below the 2015 levels. The largest rate of growth remains within the EU market.

Change in student numbers 2008/09 – 2014/15 (full and part-time)

<table>
<thead>
<tr>
<th></th>
<th>2008/09</th>
<th>2014/15</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate</td>
<td>1.86m</td>
<td>1.73m</td>
<td>-7.1%</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>0.54m</td>
<td>0.54m</td>
<td>0.2%</td>
</tr>
<tr>
<td>Total</td>
<td>2.40m</td>
<td>2.27m</td>
<td>-5.5%</td>
</tr>
</tbody>
</table>

Source: HESA

With sector net assets increasing by 58.1% and operating costs rising by 21.4% over the seven year period from 2008/09 to 2014/15, the per capita investment required to educate undergraduates and postgraduates continues to rise.

Income – the gap widens

Over the seven-year period from 2008/09 to 2014/15 the total income in the HE sector has grown by 31.3%. This is significantly in excess of the movement in inflation (CPI) for the period of 16.2%.

However, this growth has not been consistent across the different quartiles and although all quartiles have shown growth above inflation over the period, the institutions in quartile 1 have grown on average by 36.1%, whilst those in quartiles 2 and 4 have shown growth of 23.5% and 23.9% respectively.

In the financial year 2014/15, the UK HE sector reported income of £33.1 billion, an increase of 8.1% over the previous year’s figure of £30.6 billion, one of the highest annual growth rates in the seven year period. However, it is evident that the gap between the performance of those in quartile 1 and other quartiles continues to be a dominant theme with institutions in quartile 1 demonstrating an average growth of 10% compared to those in quartile 4 averaging 1.5% growth in income.
<table>
<thead>
<tr>
<th>Quartile 1</th>
<th>Quartile 2</th>
<th>Quartile 3</th>
<th>Quartile 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Cambridge</td>
<td>University of the West of England</td>
<td>Keele University</td>
<td>York St. John University</td>
</tr>
<tr>
<td>University of Oxford</td>
<td>Plymouth University</td>
<td>University of Sunderland</td>
<td>University for the Creative Arts</td>
</tr>
<tr>
<td>University College London</td>
<td>University of Kent</td>
<td>Aberystwyth University</td>
<td>Falmouth University</td>
</tr>
<tr>
<td>University of Manchester</td>
<td>Lancaster University</td>
<td>London Business School</td>
<td>University of Chichester</td>
</tr>
<tr>
<td>Imperial College London</td>
<td>Swansea University</td>
<td>University of Bradford</td>
<td>Liverpool Hope University</td>
</tr>
<tr>
<td>University of Edinburgh</td>
<td>Nottingham Trent University</td>
<td>University of Lincoln</td>
<td>University College Birmingham</td>
</tr>
<tr>
<td>King’s College London</td>
<td>University of Sussex</td>
<td>University of Northampton</td>
<td>University of Bolton</td>
</tr>
<tr>
<td>University of Leeds</td>
<td>University of Portsmouth</td>
<td>Canterbury Christ Church University</td>
<td>St Mary’s University Twickenham London</td>
</tr>
<tr>
<td>University of Nottingham</td>
<td>Leeds Beckett University</td>
<td>Institute of Cancer Research</td>
<td>Glyndwr University</td>
</tr>
<tr>
<td>University of Sheffield</td>
<td>City University London</td>
<td>Aston University</td>
<td>Royal College of Art</td>
</tr>
<tr>
<td>University of Birmingham</td>
<td>Kingston University</td>
<td>Edge Hill University</td>
<td>Glasgow School of Art</td>
</tr>
<tr>
<td>University of Glasgow</td>
<td>University of St Andrews</td>
<td>Teesside University</td>
<td>Queen Margaret University</td>
</tr>
<tr>
<td>University of Bristol</td>
<td>University of Essex</td>
<td>Glasgow Caledonian University</td>
<td>Harper Adams University</td>
</tr>
<tr>
<td>University of Southampton</td>
<td>Heriot-Watt University</td>
<td>University of Chester</td>
<td>University Campus Suffolk</td>
</tr>
<tr>
<td>University of Warwick</td>
<td>University of Central Lancashire</td>
<td>Edinburgh Napier University</td>
<td>Arts University Bournemouth</td>
</tr>
<tr>
<td>University of Liverpool</td>
<td>University of Ulster</td>
<td>Southampton Solent University</td>
<td>Abertay University</td>
</tr>
<tr>
<td>Newcastle University</td>
<td>University of Westminster</td>
<td>University of Bedfordshire</td>
<td>Leeds Trinity University</td>
</tr>
<tr>
<td>Cardiff University</td>
<td>Brunel University</td>
<td>Staffordshire University</td>
<td>Guildhall School of Music and Drama</td>
</tr>
<tr>
<td>The Open University</td>
<td>University of Greenwich</td>
<td>University of Stirling</td>
<td>University of St Mark &amp; St John</td>
</tr>
<tr>
<td>Queen Mary, University of London</td>
<td>Anglia Ruskin University</td>
<td>London Metropolitan University</td>
<td>Ravensbourne</td>
</tr>
<tr>
<td>University of Exeter</td>
<td>University of Brighton</td>
<td>Birkbeck University of London</td>
<td>Trinity Laban Conservatoire of Music and Dance</td>
</tr>
<tr>
<td>University of York</td>
<td>University of South Wales</td>
<td>University of Wales, Trinity St David</td>
<td>Royal College of Music</td>
</tr>
<tr>
<td>Durham University</td>
<td>Liverpool John Moores University</td>
<td>University of the West of Scotland</td>
<td>Newman University</td>
</tr>
<tr>
<td>Queen’s University Belfast</td>
<td>University of Salford</td>
<td>Goldsmiths, University of London</td>
<td>Royal Academy of Music</td>
</tr>
<tr>
<td>University of Leicester</td>
<td>Birmingham City University</td>
<td>Robert Gordon University</td>
<td>Bishop Grosseteste University College Lincoln</td>
</tr>
<tr>
<td>London School of Economics &amp; Political Science</td>
<td>University of Hull</td>
<td>Cardiff Metropolitan University</td>
<td>Royal Conservatoire of Scotland</td>
</tr>
<tr>
<td>University of Reading</td>
<td>Oxford Brookes University</td>
<td>University of the Highlands and Islands</td>
<td>Conservatoire for Dance and Drama</td>
</tr>
<tr>
<td>University of Strathclyde Glasgow</td>
<td>University of Wolverhampton</td>
<td>University of Roehampton</td>
<td>Royal Northern College of Music</td>
</tr>
<tr>
<td>Coventry University</td>
<td>Middlesex University</td>
<td>St George’s University of London</td>
<td>Norwich University of the Arts</td>
</tr>
<tr>
<td>Loughborough University</td>
<td>De Montfort University</td>
<td>University of Worcester</td>
<td>Royal Agricultural University</td>
</tr>
<tr>
<td>Manchester Metropolitan University</td>
<td>Cranfield University</td>
<td>University of West London</td>
<td>Writtle College</td>
</tr>
<tr>
<td>University of East Anglia</td>
<td>Royal Holloway University of London</td>
<td>School of Oriental and African Studies, University of London</td>
<td>Courtauld Institute of Art</td>
</tr>
<tr>
<td>University of the Arts London</td>
<td>University of Huddersfield</td>
<td>Scotland’s Rural (University) College</td>
<td>The Royal Central School of Speech and Drama</td>
</tr>
<tr>
<td>Sheffield Hallam University</td>
<td>University of East London</td>
<td>Royal Veterinary College</td>
<td>Leeds College of Art</td>
</tr>
<tr>
<td>University of Dundee</td>
<td>London School of Hygiene &amp; Tropical Medicine</td>
<td>University of Gloucestershire</td>
<td>Heythrop College</td>
</tr>
<tr>
<td>University of Hertfordshire</td>
<td>University of Derby</td>
<td>Liverpool School of Tropical Medicine</td>
<td>IFS University College</td>
</tr>
<tr>
<td>University of Bath</td>
<td>University of London</td>
<td>Bath Spa University</td>
<td>Liverpool Institute for Performing Arts</td>
</tr>
<tr>
<td>Northumbria University</td>
<td>Bangor University</td>
<td>University of Cumbria</td>
<td>Rose Bruford College</td>
</tr>
<tr>
<td>University of Surrey</td>
<td>London South Bank University</td>
<td>Buckinghamshire New University</td>
<td>University of Wales</td>
</tr>
<tr>
<td>University of Aberdeen</td>
<td>Bournemouth University</td>
<td>University of Winchester</td>
<td></td>
</tr>
</tbody>
</table>
Drilling further into the performance of institutions within the individual quartiles, it is interesting to note that there are a small number of individual institutions which have had a particularly significant growth in their performance. For example, the five universities which saw the largest absolute growth in income represent 27% (£558m) of the growth in income excluding RDEC across the whole sector; the top 10 represent 40% (£841m). All of these are in quartile 1.

In contrast, there were 18 institutions whose income reduced in absolute terms from the prior year. None are in quartile 1 but are spread across the other 3 quartiles. However, we note here that the total income reduction for these organisations is £60m and represents an average reduction of 4.7% across these institutions. Only one institution experienced a fall in income of more than 10%.

The impact of research and development tax credits (RDEC)

RDECs were introduced in April 2013 with the intention of incentivising expenditure on research and development. Although targeted at commercial organisations, a number of HE institutions and charities claimed and received RDEC, and the analyses on page 10 indicate the impact that these receipts have had on the sector’s financial statements in 2014/15.

The window for qualifying expenditure closed on 31 July 2015. There is however a two year time period for claims to be made for that period, so strictly claims could be made until 31 July 2017 for a July 2015 year end.

The HE sector, most notably institutions in quartile 1, have benefited significantly from RDEC which represented £433m in income (£325m surplus) to the sector in 2014/15, of which £407m (94.2%) was received by quartile 1 institutions.

Although comparatively small in terms of sector income (1.3%), the receipt of RDEC contributed to the income growth shown by the sector. Without RDECs, growth would have been 6.7% over the previous year, as opposed to 8.1%.
Surplus – the highest level for seven years

In 2014/15, the sector generated a surplus of £1.85 billion (5.6% of income), an increase of 54.1% over the previous year’s figure of £1.2 billion (3.9% of income).

The surplus generated in 2014/15 is the highest seen in the seven year period under review, exceeding the previous high point in 2010/11 of 5.5%.

The impact of RDECs on the surplus generated by the sector in 2014-15 was significant. The value of RDECs received was 17.5% of the total sector surplus, and accounted for 50% of the growth in the surplus demonstrated by the sector. The percentage surplus declared by the sector (5.6%) would have been reduced to 4.7% without the impact of RDECs.

“The surplus generated in 2014/15 is the highest seen in the seven year period under review, exceeding the previous high point in 2010/11 of 5.5%.”
It can be seen from the distribution of surpluses for 2014/15 that a quarter of the institutions in the sector delivered surpluses as a % of income in excess of the sector average.

In line with previous years a small number of institutions (15) recorded a deficit. At the other end of the spectrum, 34 institutions reported a surplus of greater than 8% of income, compared to 24 institutions in 2013/14 and 21 in 2012/13.

Of those institutions reporting a deficit in 2013/14, which included institutions from all four quartiles, only two have sustained a deficit in 2014/15, one is in quartile 1 and one is in quartile 4. The level of turnaround has been achieved primarily from increased revenue and cost control, with below the line profitability, for example from the disposal of fixed assets, being achieved by three institutions.

The sector reported an increase in the overall level of deficit in 2014/15, and it is those institutions in quartile 4 which are demonstrating their vulnerability to rising costs and the challenge they face in increasing their income streams.

**Income diversification**

As stated above, in the financial year 2014/15, the UK HE sector reported income of £33.1 billion, an increase of 8.1% over the previous year’s figure of £30.6 billion. In the wake of government funding changes and uncertainty of international student numbers, diversification of income remains a challenge for many institutions. The ability to secure research grants and contracts and generate significant other income are key differentiators for institutions in quartile 1, accounting for almost half of the quartile income in 2014/15, and they are also able to attract the majority of overseas students. Those institutions in quartiles 3 and 4 are much more dependent on tuition fees from full time students within the EU.

In 2014/15, UK tuition fees and contracts of £11.5 billion were 16.2% above the previous year’s figure of £9.9 billion as the third cohort of students incurring the higher tuition fees started their courses.

Fees received from overseas students continued to grow in 2014/15, increasing by 8.1% over the previous year to £4.0 billion. Income from overseas students represents 12.2% of total income, a percentage which remains unchanged from the previous year.
The complexity that is international recruitment

UK HEIs continue to be extremely successful at attracting international students, and more than one in ten undergraduates studying in the UK are from overseas (non-EU) countries.

Continuing to increase the recruitment of international students is critical if the Government is to meet its target of increasing overall educational exports from £18 billion in 2012 to £30 billion by 2020.

Overseas tuition fees represent £4.0 billion, or over 12% of the HE sector’s total income. Total international student numbers continue to increase with UCAS figures showing undergraduate acceptances for 2015 of 39,300, a 1.9% increase on the previous year. Total tuition fee income from international students has almost doubled since 2008/09.

HESA data for 2014/15 shows that there were 436,585 students from outside the UK studying in the UK, 312,010 of which were from outside the EU.

Chinese students make up approximately 28.7% of this non EU total (44% of top ten non-EU countries) followed by India with 5.9% and Nigeria with 5.7%. This shows just how dependent the UK is on China for its recruitment of international students and therefore there is an obvious exposure risk for institutions. In fact, the number of full-time Chinese student entrants declined by 2.7% (460 entrants) in 2014/15, which is a concern for the sector.

TOP TEN NON-EU COUNTRIES OF DOMICILE OF UK STUDENTS

OVERSEAS TUITION FEES (£bn)
Business and administrative studies have the largest proportion of international students (38.4% of students in this subject are international) with engineering and technology second (33.1%) and law third (26.3%).

However, behind the headline increase figure there is more complexity with entrant numbers from countries fluctuating. There were reductions in the number of entrants from Hong Kong and Singapore, although more concerning is the significant decline in entrants from South East Asia and the Indian subcontinent. In 2014/15, numbers of entrants from India were 10.1% (230 students) lower than the previous year, and 32.6% lower than in 2010/11. Numbers from Bangladesh and Sri Lanka also show significant reductions over the past five years.

However there was growth of 9.3 per cent (410 entrants) from Malaysia and countries such as the USA, Russia and Brazil all show increase in entrants of over 10%, however the volumes are relatively small.

Recruiting internationally is a complex business and the statistics above show how numbers can fluctuate in a relatively short period. Moreover the reasons behind the fluctuations are often outside an institution’s own control.

For example, the decline in student numbers from the Indian subcontinent is due to various factors, however there has been criticism that the UK government has failed to present a welcoming climate for genuine international students. Changes in visa and immigration rules have also made entry to UK institutions more difficult, and restrictions in being able to work after completing study is seen as a particular reason for the decline in postgraduate student numbers from India.

Changes in exchange rates also impact on international recruitment. Taking students from India again as an example, exchange rate changes over the past two years now make studying in Australia or New Zealand more financially appealing than studying in the UK or US, compared with the position two years ago.

Economic factors can have a serious and sudden impact on international student recruitment. The downturn in the mineral and mining sectors coupled with the fall in the oil price is expected to have a damaging effect on recruitment from countries whose economies are reliant on these industries. Therefore although UK institutions experienced increased student numbers from Brazil, the Middle East and Russia in 2014/15, there is concern that future growth will fail to meet expectations.

In fact HESA data shows a 1.7% reduction in international student new entrants for 2015/16 which the sector will hope is not a trend that continues.
Higher education globally is in the most turbulent state in history. As a charitable, alternative provider that is highly internationally focused, with more than 80% of our student population non UK domiciled, we are very sensitive to many of the changes taking place.

The market place and expectations of learners and eventual employers are changing radically. Students have higher expectations than in the past. To satisfy them, many universities have shifted their cost base by reducing teaching staff and have borrowed extensively to upgrade teaching and leisure facilities. They now have low levels of liquid reserves and high levels of gearing. The black holes in pension funds continue to grow. Surpluses are in decline. There are pay pressures that may lead to industrial action. This is not sustainable.

Many employers feel that current degrees do not provide learners with the full range of knowledge and skills that are needed for effective performance by graduates. Universities have been very slow to recognise this and the employability of their alumni is in decline.

In the domestic market there is a reduction in the 18 year old demographic that will continue for some years. Although there is still a graduate premium on average, there are now many opportunities for school leavers to enter employment directly and to secure lifetime earnings greater than had they elected to attend many lower-ranked universities. Professional apprenticeships offer another route to qualification and employment that is more appealing and appropriate to many.

The international market is becoming considerably more competitive. Domestic supply in many traditional sources of international students is rapidly improving, being provided in English and reducing demand for places in the traditional English-speaking student destinations. Brexit could cause further problems for European students and for research funding.

Gaining and retaining a licence to sponsor international students and staff is becoming more difficult. The largest growing markets for international students are also those with the highest visa refusal rates, which lead to loss of licences. Also many universities are still dependent on students from China where demand is starting to reduce rapidly. The UK has seen a reduction in international students of 2.9% in the last two years and has failed to meet sector targets for the last four years. The Chancellor of the Exchequer and many universities are forecasting a considerable rise in international student revenues. This will not be achievable.

There are now far fewer part-time and mature students. This will have a major impact on some institutions.

There will probably be a Higher Education Bill in the next session of parliament and a substantial number of regulatory changes have been proposed in the preceding green paper. While it is not at all certain what will be in the bill, there is fear that many of the changes could reduce confidence in the UK HE brand as the gold standard. There could be reduced quality assurance, a substantial increase in less-qualified, profit-orientated suppliers and reduced oversight.

Our strategy is to:

• listen to our students, employers and partners
• provide a strongly personalised service
• stay small but be distinctive
• maintain low gearing (currently zero) and maximise liquidity
• concentrate on a limited number of markets
• offer broader programmes that include employer-focused soft skills
• keep alert and flexible.
Income received in respect of research grants and contracts was worth £5.8 billion to the HE sector in 2014/15. This was an increase of 13.4% on the previous year’s level of £5.1 billion. This was driven to a significant degree by the £0.4 billion received through the RDEC reclaims recorded in the year. As a result, research based income represented 17.4% of HE sector income, the highest level over the past six years. However, this income stream continues to be heavily biased towards institutions in quartile 1, with this quartile accounting for 82.3% of all research income in the sector, compared to 0.4% for quartile 4. This remains constant to the relative percentage received in 2008/09 where 80.9% was received for quartile 1 and 0.5% for quartile 4.

Funding council grants have continued to decline in importance in all quartiles. The steepest decline, however, has been in quartile 4, where the relative importance of funding council grants has dropped from 47.2% of total in 2008/09 to 18.5% in 2014/15.

UK/EU tuition fees and contracts represented the largest single component of income in all quartiles, although most important to quartile 4, where they accounted for 52.3% of income. Looking at the seven year period under review, 33.7% of the growth in UK/EU tuition fees has been in institutions in quartile 2. This compares with the growth in quartile 1 which represents 43.1% of the sector increase and is evidence of the success in student recruitment by those institutions in quartile 2 before the student number control was removed.
Over the seven year period, quartiles 3 and 4 reported a fall in income from research grants and contracts of £3.4m and £29.9m respectively.

The financial health of the Higher Education sector in the UK – sector overview and quartile analysis

The sector has certainly been able to take advantage of our membership of the EU, particularly in the level of research grants received from the EU and the number of EU students currently enrolled in UK institutions and able to access the UK student loans system, and most noticeably as a route to EIB funding.

Latest data from UCAS, suggested that there had been an 11% increase in acceptances from EU students for 2015/16. Applying this to the 2014/15 first year enrolment figures, this indicates the number of first year EU students in UK institutions is approximately 64,000.

The removal of the student number control has clearly focused each institution’s attention more widely on recruitment from the continent. Assuming that these larger cohorts continue to be recruited, the additional EU students provide a welcome source of additional fee income for institutions. However, it is interesting to note that we are only now back at the level of EU students attending UK institutions as we were prior to the introduction of the £9,000 tuition fees.

Should the UK vote to exit from the EU, then it would not be an unreasonable assumption in relation to the student numbers to suggest that there would be a disruption and likely decline in the EU students accessing UK institutions. This is not least as EU students are unlikely to be entitled to access the UK Student Loan system. Applying, as an assumption, the £9,000 tuition fee level to the EU student population of 2014/15 (124,575) shows the EU cohort providing tuition fee income somewhere in the region just north of £1.1 billion for the UK HE sector.

"We are only now back at the level of EU students attending UK institutions as we were prior to the introduction of the £9,000 tuition fees."
Expenditure

Total operating expenditure within the sector has increased by 21.4% to £5.3 billion in the seven years to 2014/15.

Whilst there are some variations in the level of staff costs, other operating expenditure, depreciation and interest across the quartiles in 2014/15, the profile is broadly similar. Inevitably within the quartiles there are further variations due to the characteristics of the individual institutions.

There has been little change in the level of depreciation and interest as a percentage of expenditure for the sector since 2008/09, representing 6% and 1.2% of operating expenditure in 2014/15. Within the quartiles we can see the impact of capital investment on the depreciation charge for quartiles 1 and 4, with slightly higher levels of interest in quartile 2 reflecting the higher levels of indebtedness in that quartile early in the review period.
Staff costs

<table>
<thead>
<tr>
<th>Quartile</th>
<th>2008/09</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quartile 1</td>
<td>58.1%</td>
<td>51.0%</td>
</tr>
<tr>
<td>Quartile 2</td>
<td>61.6%</td>
<td>52.3%</td>
</tr>
<tr>
<td>Quartile 3</td>
<td>63.3%</td>
<td>53.5%</td>
</tr>
<tr>
<td>Quartile 4</td>
<td>53.6%</td>
<td>50.1%</td>
</tr>
<tr>
<td>Total</td>
<td>59.4%</td>
<td>51.6%</td>
</tr>
</tbody>
</table>

Staff costs continue to be the single largest category of expenditure for all HE institutions representing 56.7% of expenditure, and 51.6% of income generated in 2014/15. Whilst the level of staff costs compared to total expenditure has remained on a par with the levels of earlier years, the level of staff costs as a percentage of income has decreased from 59.4% in 2008/09, as institutions have managed to control staff costs over recent years, helped by relatively low pay awards.

Maintaining this trend will remain a challenge for institutions as they face pressure over pay rise levels, increasing pension and national insurance (NI) costs, the introduction of the apprenticeship levy and future changes to the treatment of some self-employed individuals as a result of the amendments to IR35.

In 2014/15, the total cost of staff (including employers’ NI costs and pension contributions) increased to £17.1 billion, an increase of 5.1% on 2013/14 levels. This coincided with an increase in full time equivalent (FTE) staff numbers of 7.3%, up to 356,964. This continues the trend in increasing staff numbers observed over the past two years, following a period of relatively static staff numbers. As a consequence the sector has reported reducing average costs per member of staff for the first time in seven years, down to £47,861.

Unsurprisingly, changes in staff costs have not been consistent across the sector. Although all quartiles have seen reductions in staff costs as a percentage of income over the past seven years, institutions in quartile 4 experienced an increase in costs in 2014/15.

There is also variation in average staff costs across the sector. Average costs per member of staff in quartile 1 were £48,123 in 2014/15, 8% higher than the average in quartile 4 of £44,578.

Capital expenditure – increasing investment in estates

Year on year we have seen an increasing rate of reinvestment across the sector as institutions seek to keep pace with technological change and create state of the art facilities that will deliver excellence in teaching and research and meet the needs of the ever demanding student population.

Total Capex 2009/10 to 2014/15

<table>
<thead>
<tr>
<th>Quartile</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quartile 1</td>
<td>12,703,976</td>
</tr>
<tr>
<td>Quartile 2</td>
<td>4,546,713</td>
</tr>
<tr>
<td>Quartile 3</td>
<td>2,631,223</td>
</tr>
<tr>
<td>Quartile 4</td>
<td>858,360</td>
</tr>
<tr>
<td>Total</td>
<td>20,740,272</td>
</tr>
</tbody>
</table>

The sector spent £4.3 billion on capital projects in 2014/15, an increase of 15.5% on the £3.7 billion in 2013/14. The sector has now shown consistent increases in the level of capital investment since 2011/12, and has invested a total of £20.7 billion on capital projects in the period under review (2009/10 to 2014/15), at a time when grant funding for capital projects has been drastically reduced. More than half of this investment, £12.7 billion, has been in quartile 1.

The ratio of capital expenditure to income for the sector as a whole was 12.8% in 2014/15, up from 12% in 2013/14. All quartiles have shown growth in the expenditure ratio from the lows of 2011/12, although only quartile 1 has exceeded the levels observed in 2009/10. Additionally, only quartile 4 has shown a decline in the expenditure ratio from 2013/14, which contrasts with previous years where we have seen institutions in that quartile reporting ratios which exceed those of the whole sector.
Financial health of the Higher Education sector in the UK – sector overview and quartile analysis

**Rewarding employees in a competitive market**

Further changes to pension provisions are on the horizon. These will continue to reduce the attractiveness of pensions as an element of remuneration packages, and extend the existing sector wide trend away from pension provision.

These changes in the pension allowances provide an excellent opportunity for institutions to review not only the impact of these changes, but moreover to consider whether the reward structures in place are appropriate for their employees. Remuneration which is better aligned to performance is one of a number of factors which should drive the behaviours that help institutions meet their strategic objectives.

---

### LIQUIDITY: CASH AND SHORT TERM DEPOSITS LESS TOTAL BORROWING (£bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Quartile 1</th>
<th>Quartile 2</th>
<th>Quartile 3</th>
<th>Quartile 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/09</td>
<td>-0.5</td>
<td>0.0</td>
<td>0.5</td>
<td>1.0</td>
</tr>
<tr>
<td>2009/10</td>
<td>0.0</td>
<td>0.5</td>
<td>1.0</td>
<td>1.5</td>
</tr>
<tr>
<td>2010/11</td>
<td>0.5</td>
<td>1.0</td>
<td>1.5</td>
<td>2.0</td>
</tr>
<tr>
<td>2011/12</td>
<td>1.0</td>
<td>1.5</td>
<td>2.0</td>
<td>2.5</td>
</tr>
<tr>
<td>2012/13</td>
<td>1.5</td>
<td>2.0</td>
<td>2.5</td>
<td>3.0</td>
</tr>
<tr>
<td>2013/14</td>
<td>2.0</td>
<td>2.5</td>
<td>3.0</td>
<td>3.5</td>
</tr>
<tr>
<td>2014/15</td>
<td>2.5</td>
<td>3.0</td>
<td>3.5</td>
<td>4.0</td>
</tr>
</tbody>
</table>

**Cash and borrowing – a narrowing gap**

Cash and short term deposits held by the sector totalled £10.0 billion at the end of 2014/15. This was an increase of £877m (9.6%) on the levels held at the end of the previous year, and continues the trend of increasing cash resources held by the sector over the past seven year period. Since 2010, the sector has seen levels of cash and short term investments grow by £3.5 billion.

Total borrowing for the sector at the end of 2014/15 was £8.94 billion, an increase of 28.1% on last year’s equivalent figure of £6.98 billion, a direct result of the increased investment in infrastructure required to keep pace with technological change and rising student expectations. Borrowing by the sector has grown significantly over the past seven years, increasing by 77% (£4.1 billion) since the end of 2008/09 as Funding Council capital funding has reduced. Across the sector as a whole, borrowing represented 26.9% of income, the highest level seen over the seven-year period.
Borrowing levels vary considerably between the quartiles, although all quartiles with the exception of quartile 4 show a trend of increasing borrowing over the seven year period. However, we understand that many of these institutions have programmes for strategic investment in estates to enable growth, which will see a rise in borrowing in the near future in the quartile. The increased indebtedness of the sector is primarily driven by the activities of the institutions in quartile 1, where debt in the past year alone has risen by £1.4 billion (37%). There are 16 institutions reporting no borrowing in 2014/15, 10 of which are in quartile 4.

The ratio of borrowing compared to income in quartile 2 remains higher than other quartiles, with borrowing this year reaching 30.7% of income, compared to the sector average of 26.9%.

This has had a resulting impact on the level of gearing (or leverage) in the sector. The average gearing at the end of 2014/15 was 28.2%, a significant increase on the level last year of 24.4%, reflecting the increased levels of borrowing in the sector.

Given the increased borrowing across quartiles 1, 2 and 3, it is not surprising that all except quartile 4 showed an increase in their gearing. Quartile 2 institutions have consistently shown a higher level of gearing than the sector average.

“...16 institutions reporting no borrowing in 2014/15, 10 of which are in quartile 4.”

Which funding option best matches your institution’s strategic aims?

The HE sector continues to be attractive to a number of funders but uncertainty over future funding has led to greater scrutiny of an institution’s management and governance arrangements as well as their financial forecasts.

The HE sector continues to invest heavily in estate projects and the options available to fund this investment continue to grow. Traditional banks remain very competitive and are still able to offer long term finance at very attractive rates, as is the EIB. The challenger banks have entered the sector attracted by strong cash flows and the availability of asset backed security. Bonds continue to be a common funding mechanism for large scale fundraising and private placements sit in the gap (and increasingly challenge the banks). For construction schemes, including student accommodation, construction finance and sale and leaseback are also common options due to the low cash outlay for the institution.

The key is to ensure that the option chosen matches the strategic aims of the institution with an increasing theme being the need for flexibility within the funding structure.
David Butcher, Director of Finance and Planning, Leeds Trinity University

The evolving government policy and regulatory landscape seems to be a constant challenge, certainly at the moment and into the near future. As a university with its foundations 50 years ago in teacher training, a key challenge recently has been to keep ahead of the government’s push to make initial teacher training (ITT) more school based. We have deployed our outstanding partner links to build strong school direct partnerships and consequently we now have more postgraduate ITT students than before. The recent education white paper promises further reforms to the award of qualified teacher status (QTS) and we need to meet this challenge by continuing to develop and deepen partnerships with schools that go beyond ITT and QTS.

The introduction of the teaching excellence framework will be a challenge for the whole sector and the link to fees seems to indicate future tuition fee increases of inflation at best. Taking this together with ever present cost pressures, the need to develop new income streams in order to increase and diversify income is more acute than ever.

The government’s apprenticeship agenda, including the drive for more higher and degree apprenticeships, is an opportunity for those institutions that can respond quickly and the apprenticeship levy could be the key to unlocking employer demand. Leeds Trinity has a long history of strong employer links with compulsory professional placements as part of every degree and partnership links with over 2,000 businesses.

In the medium term, meeting student demands and expectations will be key in an increasingly competitive environment. When students are on campus they will expect to see their fees reflected in first class facilities. At the same time and driven by increasing vocational routes and the technological push to more online and blended learning, a significant number of students may visit the campus much less than in the past. Compared to commercial organisations, university campuses are traditionally under-utilised and changing ways of working in order to improve this will be essential in ensuring that investment can be made in a sustainable way.

As a university with a subject portfolio which is largely vocationally orientated and with a strong employability record, our longer term success will rest on continuing to offer good employability outcomes to students and of meeting the skills and requirements of employers, thereby contributing to the success of the regional economy. To do so will require us to be innovative, flexible and agile.
Health check – a comparison with Australia

Early in 2016, Grant Thornton Australia published its first financial health of Australian universities report which analysed the financial information published by the Australian Department of Education for the period 2009 to 2014\(^1\).

The analysis covered 39 public universities and one private institution, educating a student population of 1.37m in 2014. This compares to a UK student population of 2.2m.

There are parallels between the changes in the UK and Australian funding systems which we believe makes a comparison between the two sectors particularly interesting: a balance between loan funded domestic tuition fees and central government funding, and a system where student numbers are no longer capped.

An Australian undergraduate domestic student will pay a portion of their course fees which they generally finance through a loan from the government (HECS/HELP – Higher Education Contribution Scheme – Higher Education Loan Program). The rest of the funding for the university is in the form of direct central government funding. Slightly ahead of the UK, the Australian sector recently went from a capped system to a demand driven model. The removal of the cap is predominantly the reason for the growth reported below. Of significance to the UK sector is that this growth has now stabilised.

A review of the headline financial results produces some interesting comparators against UK institutions.

Firstly, a growth in the income of Australian universities has seen the sector grow from $A20 billion (£10.6 billion) in 2009 to $A27.7 billion (£14.6 billion) in 2013/14 – a growth of 39% across this year period. In contrast, in the UK, total sector income has grown from £26.6 billion in 2009/10 to £30.7 billion in 2013/14 – a growth of 15%. This rises to 24% with the 2014/15 total income figure of £33.1 billion.

A breakdown of the current funding sources in Australia is presented below and there has been little change in the relative percentages from 2009 to 2014.

In 2013/14, Australian Government Financial Assistance (AGFA) to the sector comprised Australian government grants (33%), HECS-HELP, the HE contribution scheme-HE loans program (18%) and research funding (8%).

As noted above, the element of course fees not met by domestic students (via government loans) by the national government in Australia amounts to 33% of sector income, and is comparable with the levels of funding seen in the UK between 2008/9 and 2011/12, before the introduction of variable tuition fees. Government funding in the UK for 2014/15 is much reduced at 16% of sector income.

**A greater dependency on international students**

The information from the Australian Department of Education shows that the income from overseas students totalled $A4.75 billion in 2014 – representing 17% of the sector’s income. This compares to 12% in the UK for both 2013/14 and 14/15 (£3.37 billion and £3.73 billion respectively).

Interestingly the table below shows that in general the percentage of income generated from overseas students in Australia has remained consistently higher than that in the UK but has stayed steady, with little movement in relative terms against the total income generated by the Australian sector. Overseas income in the sector has grown in actual terms by 22% from 2009/10 to 2013/14, whereas the UK saw a growth of 65% for the period up to 2014/15.

The impact of Australian immigration policy is reflected in the growth in overseas income with there being virtually no growth in 2011/12 whereas there was double digit growth in 2011/12 whereas there was double digit growth in 2013/14.

<table>
<thead>
<tr>
<th></th>
<th>2009/10</th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia total income (SAbn)</td>
<td>22.2</td>
<td>23.7</td>
<td>25.2</td>
<td>26.3</td>
<td>27.8</td>
</tr>
<tr>
<td>Australia overseas income (SAbn)</td>
<td>3.9</td>
<td>4.1</td>
<td>4.1</td>
<td>4.3</td>
<td>4.7</td>
</tr>
<tr>
<td>% of total income</td>
<td>18%</td>
<td>17%</td>
<td>16%</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>Growth in overseas income</td>
<td>*</td>
<td>6%</td>
<td>–</td>
<td>4%</td>
<td>11%</td>
</tr>
<tr>
<td>UK total income (£bn)</td>
<td>26.6</td>
<td>27.4</td>
<td>27.8</td>
<td>29.0</td>
<td>30.1</td>
</tr>
<tr>
<td>UK overseas income (£bn)</td>
<td>2.4</td>
<td>2.8</td>
<td>3.1</td>
<td>3.4</td>
<td>3.7</td>
</tr>
<tr>
<td>% of total income</td>
<td>9%</td>
<td>10%</td>
<td>11%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Growth in overseas income</td>
<td>*</td>
<td>15%</td>
<td>10%</td>
<td>10%</td>
<td>11%</td>
</tr>
</tbody>
</table>

*Data not collected for 2009/10
Higher surpluses

In general, the Australian university sector produces higher average surpluses than the UK. The 2014 surplus was 6.6% of total income (compared to the UK figure of 5.6% in 2014/15), although the Australian average surplus had fallen from the prior year of 7.6%.

As the graph shows, whilst the Australian surpluses remain healthier that the UK, they have been in gradual decline since 2009 as a result of increasing employee costs and other expenditure.

In relation to expenditure, we also consider here the cost of employing staff as a percentage of income. The figures remain very similar to the UK where the 2013/14 figure for staff costs as a percentage of income was 53%. In the UK, staff costs as a percentage of income in 2014/15 were 51.6%.
Allowing investment with lower debt

Comparing the capital expenditure between the two countries, it is interesting to note that in the UK for the period the average capital spend against income has been around 12%, with Australia higher at 14%, although this is as a result of a spike in 2012 following an Australian government capital grant initiative in that particular year. The two countries therefore have a broadly similar percentage of fixed asset investment.

Despite this investment in capital expenditure, the Australian institutions remain much less indebted than those in the UK. With average debt to income in the UK at 26.9%, the Australia figures over the past four years are nearly half that of the UK.
Sub group analysis of the financial health of the Higher Education sector in the UK

Research intensive institutions

Out of a total of 151 HEIs receiving income from research grants or contracts, there were 26 institutions that met our definition of Research intensive institutions (RII) (those where over 20% of their income was derived from research grants and contracts). These 26 institutions generated approximately £4.4 billion of research income out of a total research income figure for the sector of £5.8 billion.

This grouping is unsurprisingly heavily dominated by the Russell Group which comprises 18 of the institutions included.

Concentration of research funding

In 2014/15, these 26 institutions together accounted for 45.2% of the total income of the sector, and for 76.3% of the total research income of the sector which demonstrates a reversal of the slight decline in the concentration of research funding seen over the seven year period under review. The average share of the total research income in each of the research-intensive institutions has consequently increased from 2.5% in 2008/09 to 2.9% in 2014/15.

Income for these institutions includes £375m (86.7%) of the total RDECs received by the sector, which accounted for an additional 3.2% of growth in income for these institutions.

### Research funding concentration (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>71</td>
<td>72</td>
<td>73</td>
<td>74</td>
<td>75</td>
<td>76</td>
<td>77</td>
<td>78</td>
</tr>
</tbody>
</table>

---

**Research intensive institutions**

- Cardiff University
- Cranfield University
- Imperial College London
- Institute of Cancer Research
- King’s College London
- Liverpool School of Tropical Medicine
- London School of Hygiene & Tropical Medicine
- Newcastle University
- Queen Mary, University of London
- Queen’s University Belfast
- Swansea University
- University College London
- University of Aberdeen
- University of Birmingham
- University of Bristol
- University of Cambridge
- University of Dundee
- University of Edinburgh
- University of Glasgow
- University of Leeds
- University of Manchester
- University of Nottingham
- University of Oxford
- University of Sheffield
- University of Southampton
- University of Strathclyde Glasgow

---

26 The financial health of the higher education sector in the UK 2016
Sub group analysis of the financial health of the Higher Education sector in the UK

With the varying character of institutions satisfying our RII definition and the combination of the REF and the availability of EU research funding, it is not surprising that the range of research income reported by individual RII is considerable, with a maximum of £523m and a minimum of £36m.

A review of total income sources for RII shows that although income sources are fairly evenly diversified, the research income as a percentage of total income has increased slightly for this group and now represents 29.3% of total income. With UK/EU tuition fees representing 19% of income and overseas tuition fees at 11.4% of income, RII are less dependent on student numbers, both UK/EU and overseas students than the rest of the sector.

Whilst the highest level of reported research income for an institution has increased by 52%, there has been little movement in the institutions that meet our “research intensive” criterion over the seven year period.

Reanalysis income 2014/15 (£m)

<table>
<thead>
<tr>
<th>RII</th>
<th>Number of HEIs: 26</th>
<th>Whole sector</th>
<th>Number of HEIs: 151</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest</td>
<td>523</td>
<td>Highest</td>
<td>523</td>
</tr>
<tr>
<td>Average</td>
<td>169</td>
<td>Average</td>
<td>38</td>
</tr>
<tr>
<td>Lowest</td>
<td>36</td>
<td>Lowest</td>
<td>2</td>
</tr>
</tbody>
</table>

Surplus

In line with the sector as a whole, the RII have performed strongly. The average surplus for those institutions in the research-intensive group was 6.6% in 2014/15, compared to 5.6% for the sector.

This year, the receipt of RDECs contributed to 28% of the operating surplus for these institutions. Without RDECs, the average surplus declared by the RII would have been 4.9% compared to the figure for the sector as a whole of 4.7%. Whilst still demonstrating a small premium, this is less significant than the comparative premium figure including RDECs, but marks a change in trend: with the exception of 2010/11, the RII had reported slightly lower average surpluses than the sector as a whole.

The RII have benefited from RDEC however this is only a short term boost to surpluses. RII continue to highlight that research, especially that commissioned by the charitable sector, is not fully funded and therefore institutions need to fully understand the financial consequences which will result from the research activity they undertake.

Staff costs

Total staff costs (including pension contributions and employers NI payments) for the RII were 49.9% of income in 2014/15, compared to 51.6% for the sector as a whole, and 51% for quartile 1, a trend consistent with prior years.

Average costs per member of staff are however generally higher than the sector as a whole. This average staff cost premium has been a consistent trend over the past seven years, although the level of the premium has fallen in 2014/15.

The average income per member of staff is also higher in the research-intensive group, with the average income per staff member being £99,945 in 2014/15 for the research-intensive group, compared to £92,826 for the sector.
Capital expenditure and borrowing

The RII sub group has consistently demonstrated high levels of capital expenditure since 2009/10. In 2014/15 this increased further from 12.0% to 14.3% of income, compared to 12.8% for the sector as a whole.

RIIs continue to demonstrate an ability to sustain relatively high levels of capital expenditure with relatively low levels of borrowing, with two institutions having zero borrowing.

With sector borrowing increasing from 22.8% to 26.9% of income, RIIs have reported borrowing levels of 19.4% of income in 2014/15. Whilst lower than the level of the sector as a whole it is notably one of the highest levels of borrowing for the group over the past seven years.

“The group has consistently demonstrated high levels of capital expenditure since 2009/10.”
Post 1992 universities

The passage of the Further and Higher Education Act 1992 allowed polytechnics to become universities and award their own degrees rather than degrees governed by the Council for National Academic Awards (CNAA). Following this, 38 former polytechnics changed their status in 1992 (these now comprise 35 institutions following various mergers).

Income and surplus

Post 1992 universities represented 19.3% of the sector’s income in 2014/15. This proportion has been decreasing gradually over the past six years, down from 21.6% in 2008/09.

The post 1992 universities experienced significantly lower income growth than the sector as a whole, growing from £5.4 billion in 2008/09 to £6.4 billion in 2014/15, a growth of 17.7%. In the same period, the sector as a whole grew by 39.8%.

Many post 1992 institutions initially benefited from the premium afforded by introducing the £9,000 tuition fees, and were able to deliver surpluses consistently above the sector average.

Post 1992 universities

<table>
<thead>
<tr>
<th>University</th>
<th>Post 1992 income (£bn)</th>
<th>Post 1992 as % of sector income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglia Ruskin University</td>
<td>6.5</td>
<td>24</td>
</tr>
<tr>
<td>Bingham City University</td>
<td>6.25</td>
<td>22</td>
</tr>
<tr>
<td>Bournemouth University</td>
<td>5.75</td>
<td>18</td>
</tr>
<tr>
<td>Coventry University</td>
<td>5.5</td>
<td>14</td>
</tr>
<tr>
<td>De Montfort University</td>
<td>5.25</td>
<td>12</td>
</tr>
<tr>
<td>Edinburgh Napier University</td>
<td>5.0</td>
<td>10</td>
</tr>
<tr>
<td>Glasgow Caledonian University</td>
<td>5.75</td>
<td>8</td>
</tr>
<tr>
<td>Kingston University</td>
<td>5.25</td>
<td>6</td>
</tr>
<tr>
<td>Leeds Beckett University</td>
<td>5.0</td>
<td>4</td>
</tr>
<tr>
<td>Liverpool John Moores University</td>
<td>5.0</td>
<td>2</td>
</tr>
<tr>
<td>London Metropolitan University</td>
<td>5.75</td>
<td>6</td>
</tr>
<tr>
<td>London South Bank University</td>
<td>5.5</td>
<td>4</td>
</tr>
<tr>
<td>Manchester Metropolitan University</td>
<td>5.25</td>
<td>2</td>
</tr>
<tr>
<td>Middlesex University</td>
<td>5.0</td>
<td>10</td>
</tr>
<tr>
<td>Northumbria University</td>
<td>5.25</td>
<td>8</td>
</tr>
<tr>
<td>Nottingham Trent University</td>
<td>5.0</td>
<td>6</td>
</tr>
<tr>
<td>Oxford Brookes University</td>
<td>5.75</td>
<td>10</td>
</tr>
<tr>
<td>Plymouth University</td>
<td>5.5</td>
<td>4</td>
</tr>
<tr>
<td>Robert Gordon University</td>
<td>6.25</td>
<td>22</td>
</tr>
<tr>
<td>Sheffield Hallam University</td>
<td>5.75</td>
<td>18</td>
</tr>
<tr>
<td>Staffordshire University</td>
<td>5.5</td>
<td>14</td>
</tr>
<tr>
<td>Teesside University</td>
<td>5.25</td>
<td>12</td>
</tr>
<tr>
<td>University of Brighton</td>
<td>5.0</td>
<td>10</td>
</tr>
<tr>
<td>University of Central Lancashire</td>
<td>5.75</td>
<td>8</td>
</tr>
<tr>
<td>University of Derby</td>
<td>5.25</td>
<td>6</td>
</tr>
<tr>
<td>University of East London</td>
<td>5.0</td>
<td>4</td>
</tr>
<tr>
<td>University of Greenwich</td>
<td>5.75</td>
<td>10</td>
</tr>
<tr>
<td>University of Hertfordshire</td>
<td>5.5</td>
<td>6</td>
</tr>
<tr>
<td>University of Huddersfield</td>
<td>5.25</td>
<td>2</td>
</tr>
<tr>
<td>University of Lincoln</td>
<td>5.0</td>
<td>10</td>
</tr>
<tr>
<td>University of Portsmouth</td>
<td>5.75</td>
<td>8</td>
</tr>
<tr>
<td>University of Sunderland</td>
<td>5.5</td>
<td>4</td>
</tr>
<tr>
<td>University of the West of England</td>
<td>5.25</td>
<td>2</td>
</tr>
<tr>
<td>University of Westminster</td>
<td>5.0</td>
<td>10</td>
</tr>
<tr>
<td>University of Wolverhampton</td>
<td>5.75</td>
<td>8</td>
</tr>
</tbody>
</table>
In 2014/15, the average surplus of the post 1992 universities was 5.4%. Whilst marginally below the figure for the sector as a whole including RDEC (5.6%), surpluses from this group, which receives only 3% of its income from research grants and contracts, exceeded the RDEC adjusted level of sector surpluses of 4.7%.

Even within this sub-group there are significant variations in financial performance, including a number of universities who have consistently achieved double digit percentage surpluses.

Increasing competition for student numbers both UK/EU and overseas will undoubtedly have a significant impact on the post 1992 universities’ ability to sustain current levels of surplus. It is already telling that in 2014/15 the distribution of surpluses across the 35 institutions varies from 17.9% down to a deficit of 4.9%.

Unsurprisingly an analysis of the sources of income of the post 1992 universities shows a heavy dependency upon tuition fees and in particular UK tuition fees, which account for 59.1% of total income, compared to 34.7% for the sector as a whole.

Income from overseas sources accounted for 11.4% of total income, only marginally behind the wider sector’s 12.2%.

In 2008/09 this group derived 8.24% of income from overseas students on a par with the sector as a whole. Successful recruitment of overseas students has brought additional higher fees into a number of institutions. Whilst the average overseas income level is 11.4%, the distribution of overseas income for 2014/15 ranges from 4% to 34.5%.

Other income was 12.6% of the total income, compared to 18.6% for the whole sector. Income from research grants and contracts was 3.0%, significantly lower than the sector’s 17.4% and funding council grants accounted for 13.4% of total income, compared to the sector’s total of 16.0%.
Staff costs
Staff costs as a percentage of income have been consistently higher than the sector average and in 2014/15 were 53.9%, compared to 51.6% for the sector. Although costs as a percentage of income have shown a reduction from the high of 56.5% in 2008/09, this is slightly less than the sector as a whole where we have seen reductions in staff costs from 55.8% to 51.6%.

Average costs per member of staff were slightly below the sector average, being £46,223, compared to £47,861. Staff numbers have increased by 1.4% since 2008/09.

Capital expenditure and borrowing
Expenditure on fixed assets (expressed as a percentage of income) has historically been slightly below the sector average. Borrowing, on the other hand, has consistently been higher than the sector as a whole. With the increase in borrowing levels across the sector as a whole, this difference has reduced significantly in 2014/15, with the post 1992 universities borrowing only marginally higher than the sector, (27.3% of income compared to 26.9%). The distribution of borrowing as a percentage of income is quite pronounced, with one university having no borrowing and the highest level of borrowing being 64.7% of income.
Specialist institutions

Twenty five higher education institutions HEIs received institution-specific funding in 2014/15. This funding is additional to standard funding from HEFCE for education, research and other activities, and recognises the cost and distinctive nature of the provision and the public value the HEIs bring.

Of the 25 institutions currently receiving this funding, 13 are leaders in the performing arts, visual arts or design, while others specialise in agriculture and health. This funding amounts to approximately £60m per year.

A fundamental review of this stream of funding took place in 2015/16 to ensure that the funding is appropriately targeted to support and enhance specialist institutions where they are providing world-leading teaching.

The review is now complete and institutions have been advised of their funding allocations for the next period (to be reviewed again for 2020/21). A striking consequence of the review is that there are some institutions which will receive significantly less funding, which will no doubt impact on the delivery of this kind of provision and the character of this group.

As part of our review of the financial health of the HE sector in 2013/14 we focused on the smaller of those institutions. In 2014/15 we have reviewed the same population of 14 HEIs.

Income

Collectively, these 14 institutions (the SI group) make up 8.8% of the institutions in the sector by number. They account for a combined income of £333m in 2014/15, up by 5.4% from last year, and representing 1% of the sector as a whole.

Over the past six years, the SI group has shown income growth of 27.2%, above the figure for the sector as a whole of 24.4%. Inevitably given the range of provision of the institutions, the distribution of income is variable with a maximum of £58m and minimum of £8m.
**Surplus**

Historically, the SI group institutions achieved surpluses in excess of sector averages. This trend reversed in 2012/13, and since then the average surplus achieved by the group has been below the sector average.

It should be noted that the surpluses of the institutions in the group are often relatively small monetary amounts (averaging £1.1m in 2014/15), and changes to percentage surpluses achieved can be affected by comparatively small variances in income or expenditure, hence the potential challenge posed by the most recent funding review.

**Sources of income**

In line with the sector as a whole, the trend towards reduced centralised funding has increased the relative importance on tuition fees as a primary income stream – funding levels dramatically reduced from 49% of income in 2008/09 to 21% in 2014/15. In 2014/15 total student tuition fees represented 53.8% of total income. UK tuition fees accounted for 41.6% of total income in 2014/15, compared to 34.7% for the sector as a whole.

Income from overseas sources has increased from 7.5% in 2009/10, to 12.2% in 2014/15, and is now in line with the wider sector.
**Staff costs**

In 2014/15, average staff costs for the SI group were 43.7% of income, compared to 51.6% for the sector as a whole. Indeed, staff costs as a percentage of income have consistently been lower than the sector, generally being between 7.5 and 9.5 percentage points less.

This is achieved by the higher average income per member of staff of £109k compared to the sector average of £93k in 2014/15 and an average cost per member of staff as a percentage of income which is lower in the SI group than for the sector as a whole. However, the difference in average cost per member of staff between the group and the sector has diminished considerably in 2014/15. Historically, average costs per staff member have been between £2,700 and £3,600 lower for the SI group. In 2014/15 this difference was reduced to £250.

**Capital expenditure and borrowing**

As a consequence of the size of the group and character of the institutions, there has been no real trend in capital investment or borrowing. Any capital investment of size distorts the overall picture.

That said, the group has made £240m of capital investment between 2009 and 2015, and total borrowing in 2014/15 is consistent with that in 2008/09 being £49m. In 2014/15 this represented 9.2% of income, not surprisingly slightly below the sector average of 12.2%.

Where major capital projects are undertaken by SIs, the cost of the project often equates to a significant proportion of the institutions, annual income. Therefore it is critical that there is effective project management as well as engagement by the board to help ensure a successful outcome which is also in line with the budget.
Debbie Scully, Deputy Principal, The Royal Central School of Speech and Drama

The Royal Central School of Speech and Drama (Central) is a higher education Theatre Arts conservatoire. Courses include acting, applied theatre, movement, musical theatre, drama & movement therapy, theatre & live performance, puppetry, scenography, actor & teacher training, voice, technical arts & production, and writing for stage & broadcast media. With over 60 academic staff, together with visiting artists and lecturers, Central has the largest grouping of drama/theatre/performance specialists in the UK, an active research culture and is a hub for the theatre and performance industries.

The cost of training an undergraduate student is over £16,000 per annum against a current maximum regulated fee level of £9,000. The funding gap has been partly bridged by an institution-specific allocation from the Higher Education Funding Council for England (HEFCE). This allocation is time limited and has been subject to regular review. Previous allocations have been crystallised at historic levels resulting in what appeared to be a disparity of funding for institutions undertaking similar work. There has been uncertainty about the continuation of this funding and there was much relief to see a continued commitment to world-leading specialist institutions in the recent BIS annual grant letter to HEFCE. Recent modelling had necessarily considered the impact of losing this vital funding stream which would have required a total overhaul of our entire business model.

Following the recent review, Central’s work has been judged by the independent international panel to be world-leading and HEFCE has agreed to implement a transparent approach to allocating this funding stream based on a capped allocation per FTE depending on the scale of institutional income. As a result, Central’s institution-specific allocation will more than double from £1.9m to £4m from 2016/17. This makes our near term planning more certain – much needed investment in the physical resource infrastructure will be able to commence and certain vacant posts put on hold pending the institution-specific outcome will be able to proceed to recruitment. There will be a focus on enhancing the student experience including student support. We will invest in our staff to ensure that practice led research continues to inform the curriculum.

Looking further out

- Ensure Central is well placed to respond to the next institution-specific review expected to inform funding from 2020/21 – the bar will certainly be higher and we will need to be able to evidence world leading leadership and outputs
- Be in a position to respond to the challenges of the HE Bill, TEF2 and the next REF
- Responding to continued uncertainty including Brexit and net immigration of students
- Nurture industry partnerships to enrich the student learning experience
- Maintain a theatre laboratory infrastructure where new technologies, art forms and techniques can emerge
- Finding effective strategies to ensure a strong creative and diverse applicant pool in the face of Government reforms that exempt GCSE pupils from studying creative subjects as a compulsory part of their studies
- Increased Scholarships to attract the best talent worldwide
- A need to support incubation of new graduate companies
- Attracting and retaining an excellent staff base in London in the face of higher costs and a lack of affordable housing

Sub group analysis of the financial health of the Higher Education sector in the UK
Grant Thornton is looking beyond the simple metrics of services provided to our clients, towards being a locus for organisations across the private, public and third sectors who understand their wider role in society and want to think about broader definitions of success. This echoes the vision of the modern university as a hub for innovators, academics, students and thinkers, to create the knowledge, capability and expertise that drive economic and personal success.

At Grant Thornton we have defined this impulse as our role in building a more vibrant economy, based on trust and integrity in markets, dynamic businesses, and communities where businesses and people thrive. We therefore understand the implied intention behind the Government’s White Paper, *Success as a Knowledge Economy*, which is looking to strengthen the connection between the important social outcomes created by the HE sector and the value this brings to the wider economy.

**Grant Thornton in the education sector**

Education is one of Grant Thornton’s core markets. We have an education team of significant size, geographical presence and complementary expertise. Our education sector expertise is end to end, giving us valuable oversight of the strengths, weaknesses and unrealised potential of the UK’s educational systems both publicly funded and private.

We have a commanding presence in the provision of education assurance services. Our HE client base has a broad profile and includes internationally renowned research institutions, together with large and complex entities. We deliver a wide range of innovative advisory services into the education sector, leveraging off the wider firm’s capability. Our team understands what is important to HEIs and we help them achieve best practice through thought leadership, events and sector involvement.

As the only advisory firm to publish an annual analysis of the financial health and future sustainability of the UK HE sector we have an extensive database of financial information for each of the institutions in the sector. Although the data sets have not been published this year we can offer further insight into the performance of the sector, individual institutions and peer groups through our benchmarking service.

**Bringing international experience to bear**

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd. With other Grant Thornton member firms, we are committed to providing an international perspective on the challenges our clients face in delivering high-quality services, while managing their limited financial resources. We support clients by monitoring market developments in other jurisdictions, advising on best practice and drawing on bespoke skills and experience from other member firms, many of which are members of our global not for profit group.

In addition to publishing reports on the financial sustainability of the higher education sector in the US and Australia, in recognition of the increasingly global nature of the sector, Grant Thornton International Ltd will be publishing the findings of research into international policy in the HE sector in the second half of this year.
Contact us

Grant Thornton’s education contacts

**Central & East Midlands**
- Bill Devitt
  - T 01908 359663
  - E bill.s.devitt@uk.gt.com

**East Anglia**
- Toby Wilson
  - T 01603 203326
  - E toby.wilson@uk.gt.com

**London and South East**
- Jenny Brown
  - T 020 7728 2316
  - E jenny.m.brown@uk.gt.com

- Sharon Gilkes
  - T 020 728 2600
  - E sharon.l.gilkes@uk.gt.com

- Carolyn Risdell
  - T 020 7728 3412
  - E carolyn.risdell@uk.gt.com

- Carol Rudge
  - T 020 7728 2400
  - E carol.rudge@uk.gt.com

**North and Yorkshire**
- Gwyneth Barber
  - T 0113 200 1622
  - E gwyneth.barber@uk.gt.com

- Graham Nunns
  - T 0113 200 2538
  - E graham.nunns@uk.gt.com

- Mike Redfern
  - T 0114 262 9706
  - E mike.redfern@uk.gt.com

- Debbie Watson
  - T 0113 200 2584
  - E deborah.watson@uk.gt.com

**Scotland**
- Joanne Brown
  - T 0141 223 0848
  - E joanne.e.brown@uk.gt.com

- Diana Penny
  - T 0131 659 8508
  - E diana.penny@uk.gt.com

**South West, Thames Valley & Wales**
- Trudi Amy
  - T 0238 038 1151
  - E trudi.l.amy@uk.gt.com

- Mark Bishop
  - T 01865 799 862
  - E mark.e.bishop@uk.gt.com

- Sally McKinlay
  - T 0117 305 7703
  - E sally.j.mckinlay@uk.gt.com

**West Midlands**
- John Foskett
  - T 0121 232 5131
  - E john.a.foskett@uk.gt.com

- John Golding
  - T 0117 305 7802
  - E john.golding@uk.gt.com

---

**Richard Shaw**
Head of Education
T 0207 728 2344
E richard.shaw@uk.gt.com