



# Higher Education Update

7 September 2023



# Our team today



**Jim McLarnon**  
Director, Audit



**Harriet Raine**  
NFP Technical Assistant Manager



**Stephen Dean**  
Director, Audit

# Agenda

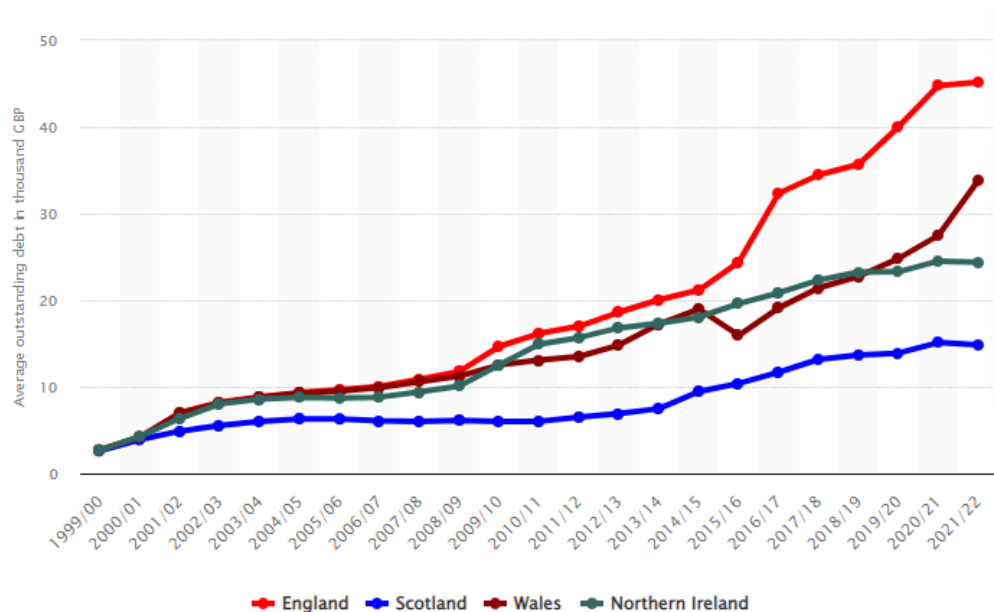
- Sector risks
  - Cost of living
  - Funding
  - Franchise arrangements
  - Student numbers
  - Cyber
- OFS and other stakeholder updates
  - Accounts direction
- External updates and FR
  - Butler-Sloss
  - Harper Trust vs. Brazel
  - HE (Freedom of Speech) Bill
  - Environmental reporting
  - FRED 82 and SORP

# Sector risks

# Cost of living

# Student debt risk

- More students are working in part time jobs
- Online options



# Student debt risk - impact

SLC limits exposure (for funded students)

Bad debt risk from self-funded students

Increase in hardship funding and other support schemes

Students looking to other options

# Hardship funds

- Many universities have their own financial assistance programs for struggling students
- £261m was provided by the OfS in 2022/23 which universities can use to boost hardship funds
- This has been increased by a further £15m (Jan 2023)





# Cost rises



Universities are making a loss of £1,750 per student



Some Vice Chancellors have called for tuition fees to increase



Staff industrial action



# Research funding

# Brexit

Oxford and Cambridge EU funding



University research roles at risk



EU student numbers have halved

# Franchise arrangements

# Franchise arrangements

A franchise agreement is when a provider delivers a course (or part of a course) on behalf of the lead provider.

*Example:*

*GT University offers a degree course on accounting and finance. Accountancy+ teaches the course as they are a specialist teaching firm. The degree is awarded by GT University, but Accountancy+ delivers the content.*



# Student numbers

# 2023 A level results



The proportion of students taking up university places is slightly lower than last year, but much higher than pre-pandemic levels.



Clearing has been the busiest on record, due to students receiving lower grades than needed.

# Chinese students

- Decline in numbers
- Home education is improving
- Over-reliance leaves universities 'exposed'
- University collapse?
- Focus on other overseas markets as alternatives





# Foreign student cap?

Immigration policy plan:  
Limiting international  
student numbers in order  
to bring down net  
migration



Limiting overseas students  
may 'boost resilience'



But China has now (Jan  
2023) lifted its Covid  
restrictions, meaning that  
students must return to  
their countries of study

# Tuition fee cap

£9,250 per year but only worth £6,600



Change of government: Labour Party promised to 'abolish' tuition fees but this is currently under review as part of the election manifesto and may be reconsidered.

# Cyber

# Cyber Risk

August 2020  
education  
ransomware attacks

£2.7m average cost  
of breach

Enhancing security

# Insurance



Insurance is increasingly harder to obtain due to volume of breaches and attacks

More limited coverage being offered

Stricter underwriting: requires entities to have implemented controls such as MFA

# OfS and other stakeholder updates

# Accounts Direction

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2019 Accounts  
Direction still  
applies

Key areas to remember:

- VC remuneration
- Income analysis
- Access and participation



# External updates and FR

# Butler-Sloss ruling

# Butler-Sloss

Investments for  
furthering  
purposes, or for  
financial returns?



# Harpur Trust vs. Brazel

# Holiday pay accrual

All workers  
entitled to 5.6  
weeks of holiday

Possible  
underpayments  
to rectify

Possible  
liabilities to  
recognise

Nature of staff  
employed going  
forward

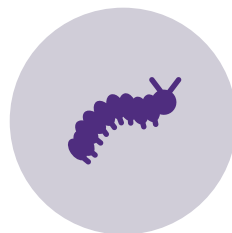


# HE (Freedom of Speech) Act 2023

# Key elements



Student unions are within scope



‘Actively promote’



The ‘Tort’



The ‘Free Speech Tsar’

# Environmental reporting



# Sustainability reporting



SECR is not compulsory...

... But some Universities are choosing to make some disclosures



Standardised Carbon Emissions Framework (SCEF)



Universities are a key player in leading the way to net zero

# Key areas of focus for HE



TEACHING



RESEARCH



COMMUNITIES



NET ZERO

# ESG linked debt and assurance

ESG and climate targets are a feature of loans



Additional disclosure in the accounts



Consistency in the accounts



Assurance

# Future FR developments

# FRED 82




- 1 January 2025 expected effective date (but will impact comparatives for 2024)
- Leases
- Revenues

# FRED 82 – HE impacts

S23 Revenue: new section likely to impact royalties, conferencing, catering and subsidiary services. Agent/principal guidance is more direct.



S14: Investments in associates: more guidance given on ‘significant influence’ and how this is defined (other than voting rights)



S20 Leases: finance/operating lease distinction no longer relevant. Most leases will be recognized as ROU on the balance sheet with a liability

# SORP development

FRED 82 changes to be considered update to FRS 102 to follow.

Expect to see an updated FEHE SORP to include these changes.





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