Higher Education & the External Environment

HE Estates Forum

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Deputy Chief Operating Officer
Format of Presentation

• About Loughborough
• BREXIT
• International Students
• North America
• HE Environment
Our outstanding campus
Largest single site green campus in the UK
External Measures

- Guardian HE League Table: 4<sup>th</sup> (2016) vs. 11<sup>th</sup> (2015)
- Complete University Guide: 7<sup>th</sup> (2016) vs. 11<sup>th</sup> (2015)
- University of Year 2015 (What Uni awards voted by Students) & 1<sup>st</sup> for Facilities 2017
- First for Student Satisfaction 2014 - International Student Barometer
- 7 Queens Anniversary Prizes - (Only bettered by Oxford)
External Measures – Facilities & Sport

• 1st Student Experience 2016 – *Times Higher Education Student Experience Survey* and 1st for Facilities 2015, 2016, 2017
• University of the Year for Sport 2014
• Student Satisfaction Quality of Life – Lloyds Bank Survey
• Loughborough 17th Ranked as a country at Rio Olympic Games and ranked 10th in Paralympics
3 Reasons Why I don’t bet

• Leicester City winning the Premier league
• We vote to leave Europe
• Trump gets voted as President
• Betting £10 on Donald Trump, Brexit and Leicester winning the Premier League would have returned £30 million – The Independent

• Ps – and a general election on 8 June 2017!!!
With a fair wind we can take on Europe!
The demographics that drove Brexit

Britain has voted to leave the EU, a decision that has left millions of Remain voters asking how this happened, and who were the 17.4m people who voted Leave. The five characteristics below were among the most strongly correlated with the share of the vote for Leave, when measured across the 382 voting areas. Every circle below represents one voting area.

- **Share of vote for Leave**
  - Areas with high numbers of degree-educated people tended to vote Remain.
  - Unsurprisingly, areas with large numbers of people in jobs requiring a degree also leaned Remain.

- **% with a degree vs. % in professional occupations**
  - Areas where large numbers of people do not hold a passport — an indication they have not been abroad recently — leaned Leave.
  - This relationship is weaker, but still notable. The highest Leave votes tended to come from low income areas.

- **% without a passport vs. Median weekly gross earnings (£)**
  - Age was another key factor. Younger people voted overwhelmingly for Remain, but were fewer in number, dampening the overall impact of age.

Referendum results: Press Association
Demographic data: UK Census, Office for National Statistics
Graphic by John Burn-Murdoch / @burnmurdoch
Values

- Older generation v younger generation
- What does this say about our values as a nation?
- Higher Education seen as having liberal values, do we live in an Ivory Tower?
- Is this a wake up call? Protest votes for BREXIT, and America
Scotland v England
We don’t have a Scooby what the plan is!
Policy operating in a vacuum
Economic impact of International students – source UUK

**THE ECONOMIC IMPACT OF INTERNATIONAL STUDENTS (EU AND NON-EU)**

**UK EXPORT EARNINGS**

£10.7bn
In 2011–12, the higher education sector as a whole generated an estimated £10.7 billion of export earnings for the UK.

**OVERSEAS STUDENTS**

435,235 students
UK universities attracted 435,235 students from outside the UK in 2011–12. 70% were from outside the EU.

**£4.9bn**
Off-campus expenditure
International students buy goods and services off-campus. In 2011–12 their estimated expenditure was £4.9 billion, £3.4 billion of which was from non-EU students alone.

**STUDENT EXPENDITURE**

£4.4bn
Expenditure by international students on fees and accommodation amounted to £4.4 billion in 2011–12. £3.8 billion was from non-EU students alone.

**OUTPUT GENERATED**

Nearly 20% of the output generated by the higher education sector can be attributed to the enrolment of non-EU students (£13.9 billion of £73 billion).

**JOBS GENERATED**

136,639 jobs
In 2011–12, the higher education sector generated 757,268 full-time equivalent jobs – 18% of these jobs can be attributed to the enrolment of non-EU students (136,639 jobs).
The poll, based on the views of over 2,000 British adults, found that:

• Of those that expressed a view, 75% say they would like to see the same number, or more, international students in the UK

• Of those who expressed a view, 71% say they would support a policy to help boost growth by increasing overseas students, with only 7% saying they would strongly oppose such a policy. 25% of British adults did not express an opinion on this issue

• 91% think that international students should be able to stay and work in the UK for a period of time after they have completed their study

• Just 25% of leave and 23% of remain voters said that they think of international students as immigrants

• Of those that expressed a view, 81% agree that international students have a positive impact on local economies and towns in which they study

• Around one in five British adults (19-23%) did not express an opinion on each of these issues
Trump Election

Who voted for Trump?
White people, generally less educated, generally older.
# US Trade Balance – the special relationship?

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country/District</th>
<th>Exports</th>
<th>Imports</th>
<th>Total Trade</th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>World</td>
<td>1,454,624</td>
<td>2,188,940</td>
<td>3,643,564</td>
<td>-734,316</td>
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<tr>
<td>1</td>
<td>China</td>
<td>115,775</td>
<td>462,813</td>
<td>578,588</td>
<td>-347,038</td>
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<tr>
<td>2</td>
<td>Canada</td>
<td>266,827</td>
<td>278,067</td>
<td>544,894</td>
<td>-11,240</td>
</tr>
<tr>
<td>3</td>
<td>Mexico</td>
<td>230,959</td>
<td>294,151</td>
<td>525,110</td>
<td>-63,192</td>
</tr>
<tr>
<td>4</td>
<td>Japan</td>
<td>63,264</td>
<td>132,202</td>
<td>195,466</td>
<td>-68,938</td>
</tr>
<tr>
<td>5</td>
<td>Germany</td>
<td>49,362</td>
<td>114,227</td>
<td>163,589</td>
<td>-64,865</td>
</tr>
<tr>
<td>6</td>
<td>South Korea</td>
<td>42,266</td>
<td>69,932</td>
<td>112,198</td>
<td>-27,666</td>
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<tr>
<td>7</td>
<td>United Kingdom</td>
<td>55,396</td>
<td>54,326</td>
<td>109,722</td>
<td>+1,070</td>
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<tr>
<td>8</td>
<td>France</td>
<td>30,941</td>
<td>46,765</td>
<td>77,706</td>
<td>-15,824</td>
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<tr>
<td>9</td>
<td>India</td>
<td>21,689</td>
<td>45,998</td>
<td>67,687</td>
<td>-24,309</td>
</tr>
<tr>
<td>10</td>
<td>Taiwan</td>
<td>26,045</td>
<td>39,313</td>
<td>65,358</td>
<td>-13,268</td>
</tr>
</tbody>
</table>
HE Environment

- Competing Market for Students
- Financial Pressures
- Teaching Excellence Framework
- Recruitment of international and EU students
- Pension contributions
- Unsustainable capital programme
- Increase in backlog maintenance - £3.6Bn
Students at the Heart of the System

• £9k Fee has resulted in students becoming “consumers” for commercial services and “partners” to gain their academic qualification

• With a largely deregulated market Universities are competing to attract students, the Estate and Facilities play an important role and need to be commercially run and flexible to respond to change

• The £9k fee is being eroded by inflation putting extra pressure on Universities to reduce their costs
Quotes from “Financial Health of HE 14/15-17/18 – Forecasts” Ref: Hefce 2015/29

• Surplus average of 3.9% for sector could be wiped out by a 5% reduction in public funding
• There is a widening gap between the lowest and highest performing institutions
• The trend of increasing borrowing and reducing liquidity is unsustainable in the long term
• The trend for capital investment is set to be 60% higher for next 4 years at an average of £4.26bn
The importance of “Other” Income

- In terms of different types of income, the lowest rate of growth income per square metre was associated with research space (just over 16 per cent) and the highest with the category designated as other income at 87 per cent. This suggests that the sector has been diversifying its income base and increasing sources in addition to teaching and research.

Source: EMS data (AUDE)
<table>
<thead>
<tr>
<th>HE Income and Expenditure</th>
<th>Year</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>£30.7Bn</td>
<td>£33.2Bn</td>
<td></td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>£29.4Bn</td>
<td>£31.2Bn</td>
<td></td>
</tr>
<tr>
<td>Surplus/Deficit of Sector</td>
<td>£1.3Bn</td>
<td>£2.0Bn</td>
<td></td>
</tr>
<tr>
<td>Contribution of “Other” Income</td>
<td>£5.6Bn</td>
<td>£6.1Bn</td>
<td></td>
</tr>
<tr>
<td>Impact on surplus/deficit without other income</td>
<td>-£4.3Bn</td>
<td>-£4.1Bn</td>
<td></td>
</tr>
</tbody>
</table>
Make your Estate work hard

Seek commercial opportunities for other income:
• Residential Accommodation
• Catering & Conferences
• Philanthropy
• Rental Income for spin out or third party
• Sports Facilities

Table 4: Surpluses under modelled scenarios

<table>
<thead>
<tr>
<th>Scenario</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected surpluses</td>
<td>£687M</td>
<td>£1,031M</td>
<td>£1,081M</td>
</tr>
<tr>
<td>as a % of total income</td>
<td>2.3%</td>
<td>3.3%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Modelled surpluses following a cumulative reduction in full-time home</td>
<td>£271M</td>
<td>£171M</td>
<td>(£237M)</td>
</tr>
<tr>
<td>and EU undergraduate fee income (5% per year)</td>
<td>0.9%</td>
<td>0.6%</td>
<td>(0.8%)</td>
</tr>
<tr>
<td>as a % of total income</td>
<td>1.3%</td>
<td>1.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Modelled surpluses following removal of forecast overseas fee income</td>
<td>£366M</td>
<td>£358M</td>
<td>£56M</td>
</tr>
<tr>
<td>growth</td>
<td>1.3%</td>
<td>1.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>as a % of total income</td>
<td>1.3%</td>
<td>2.3%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Modelled surpluses following an increase in staff costs (2% per year)</td>
<td>£372M</td>
<td>£705M</td>
<td>£742M</td>
</tr>
<tr>
<td>as a % of total income</td>
<td>1.3%</td>
<td>2.3%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Surpluses following a combination of all three of the above scenarios</td>
<td>(£365M)</td>
<td>(£829M)</td>
<td>(£1,599M)</td>
</tr>
<tr>
<td>as a % of total income</td>
<td>(1.3%)</td>
<td>(2.8%)</td>
<td>(5.4%)</td>
</tr>
</tbody>
</table>

Potential BREXIT & Home Office Policy impacts
BREXIT and Impact on HE?

• The operating environment was already challenging this has now increased as we begin to leave the EU
So what can you do about it? - Spheres of Influence