Owning the chaos

What’s going on and why does it matter
What they (you) think about

- Institutional Performance
- Institutional Mission
- Risks
Recent NICs cuts offset freezes for about half of employees...

Effect in 2024-25 of tax changes since 2021

Change in annual tax liability

Income tax and NICs threshold changes and freezes

4p NICs cuts

Total change

Note: All amounts are for employees. Figure assumes changes to employer NICs are fully incident on employees, and gives changes based on earnings if employer NICs had not been raised, in 2024-25 prices.
Population growing more rapidly – implications for spending

Source: OBR population estimates from November 2021, November 2023, March 2024

Public service spending

© Institute for Fiscal Studies
Cuts pencilled in for after the next election

Illustrative change in day-to-day funding implied by latest plans, 2024–25 to 2027–28

- 1.0% growth in line with long-run NHS average
- 3.8% held flat in real-terms
- 6.8% growing to 2½% of GDP by 2030
- 12.2% kept at ½% of GDP
- 2.1% £18bn of cuts for other unprotected budgets (incl. local government, further education, courts, prisons, HMRC, etc.)
- -3.2%
Post-election spending plans

Average annual real-terms growth 2024–25 to 2028–29

Unprotected services in England facing cuts of up to 3.5% per year over next parliament

Compared to around 6% per year 2010 to 2015

Top up of £10bn – £20bn required to avoid cuts

Note: Projected increases in protected and unprotected spending after 2024–25 depend on (1) what is assumed to happen to protected areas and (2) how much of HM Treasury’s £9.2 billion Reserve for 2024–25 is allocated to protected and unprotected areas. The ranges provided here are not intended to cover all possible eventualities but to represent our assessment of the set of most plausible values.

Source: Author’s calculations based on HM Treasury Spring Budget 2024 and OBR Economic and Fiscal Outlook March 2024.
With the post-SR21 envelope for total RDEL spending provided by the Treasury, these assumptions would leave other ‘unprotected’ RDEL spending (accounting for just under a third of day-to-day departmental spending) needing to fall by 2.3 per cent a year in real terms from 2025-26. If defence and ODA spending increased in line with the Government’s ambitions outlined above, this would lead to unprotected spending needing to fall by an average of 3.6 per cent a year. Delivering a 2.3 per cent a year real terms fall in day-to-day spending would present challenges. Performance indicators for public services continue to show signs of strain and there are other near-term fiscal risks, such as the potential need for countries to provide a greater amount of aid to Ukraine and alleviate funding pressures on local authorities. Longer-term pressures on public spending, such as from climate change and an ageing population, are also building, as discussed in our Fiscal risks and sustainability reports.
Change in family disposable income between April 2015 and April 2024 by UK region

- £1,400
- £1,000
- £600
- £200
“Every week, we see another neglected liability emerging: collapsing classrooms, crumbling flood defences, failing tower blocks, overwhelmed hospitals, understaffed social care, spouting sewers, lethal housing. What would it cost to put the country right, to restore general prosperity and a functioning state?
State of the state

- NHS Funding Deficit: Historical shortfall of £200bn; an additional £7bn per year needed for proper funding, plus £10bn per year to address the historic shortfall.

- Water System Overhaul: Estimated at £350-£600bn for modern sewerage systems in England; water companies spending £1.4bn annually on improvements. Water supply overhaul might cost an additional £100bn; with lower sewer estimates, a further £22bn in annual spending over 20 years.

- Flood Control: Current budget of £5.2bn over six years; potential increase needed due to climate risks.

- Housing: Building 3.1m council homes estimated at £10.7bn annually; net cost over 20 years approximately £3.8bn per year.

- Combustible Cladding Removal: True cost estimated at £50bn; government budgeted only £5bn. Refurbishing unsafe tower blocks could cost around £15bn; allocate £3bn annually for these crises.

- School Infrastructure: Restoring Building Schools for the Future programme and addressing repair backlog might cost around £10bn annually.

- Public Building Repairs: Parliament refurbishment costs £7-13bn; additional annual government estate repair and upgrade costs of at least £2bn.

- Transport Network Overhaul: Government allocated £27.4bn until 2025 for road upgrades; electrifying railways might cost £15bn in total, with a potential saving of £5bn annually.

£60bn annually
The fiscal illusion

• Each shift to loans moves burden towards graduates
• Until 2012 most loans repaid in full
• 2012 system substantially moves cost into loans
• Cost of write off (subsidy) only booked on write off
• Change (removal) fiscal illusion means write off cost now “live” – and very high
Shifting to graduates

2008: £1,000 fees
2004: £3,000 fees
2012: £9,000 fees
2016: Grants to loans
2018: May raises repayment threshold
2021: Threshold lowered and term raised to 40 years
**England 2022 Starter**

- **Repay**: 9% over
- **Maximum Term**: 30 years (from April after leaving)
- **Interest Added**: Up to RPI +3%
- **Impact**: State pays 44p per £1, only 23% likely to clear in full

**Notes**:
- £27,295
- Newly frozen until 2025
- On £30,000 income you repay £243/yr
INTEREST ADDED

Up to RPI +3%
RPI
(so no ‘real’ cost)
<table>
<thead>
<tr>
<th>ENGLAND 2022 STARTER</th>
<th>REPAY</th>
<th>MAXIMUM TERM</th>
<th>INTEREST ADDED</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>9% OVER</td>
<td>£27,295</td>
<td>30 YEARS</td>
<td>Up to RPI +3%</td>
<td>STATE PAYS 44p PER £1</td>
</tr>
<tr>
<td>NEW: frozen until 2025</td>
<td>on £30,000 income you repay £243/yr</td>
<td>(from April after leaving)</td>
<td>Only 23% likely to clear in full</td>
<td></td>
</tr>
<tr>
<td>ENGLAND 2023 STARTER</td>
<td>9% OVER</td>
<td>40 YEARS</td>
<td>RPI (so no ‘real’ cost)</td>
<td>STATE PAYS 19p PER £1</td>
</tr>
<tr>
<td>£25,000</td>
<td>on £30,000 income you repay £450/yr</td>
<td>(from April after leaving)</td>
<td>52% likely to clear in full</td>
<td></td>
</tr>
</tbody>
</table>
Financial challenges

WHAT UNIVERSITY FDS ARE FACING

• Fixed PFI costs preventing contraction
• Energy costs
• Staff pay reductions in real terms
• Student maintenance costs
• Higher education estate
• Investment in STEM facilities
• Wider running and regulatory costs
• Student support costs
• Regulatory costs
• Transfer of costs away from state

They’re not crying wolf this time...
Money

THE SECTOR IS NOW IN DIRE STRAITS

• Covid = lower costs and furlough
• Franchising = under lots more scrutiny
• International = in now rapid decline
• London/TNE = saturated

SAVING MONEY

• Systems change (pushing to self-service)
• Management change (removing a layer)
• Curriculum change (low recruiting courses, pathway collapse, academic model change)
• Provider change (groups, full blown mergers, rescues, takeovers)
Feeling the Squeeze: cost pressures in HE in 2023-24

Universities continue to face persistent cost pressures:

**Long-standing challenges**
- More pressure than ever to deliver ‘value for money’
- Continued competition for home students
- Aisling infrastructure (both physical and digital)
- Costs of retaining students

**Current challenges**
- Record energy and commodity prices
- Rising interest rates
- Unprecedented wage inflation
- Post-Covid-19 adaptation / recovery
- Supply chain pressures
- War for talent and the ‘Great Resignation’

**Challenges on the horizon**
- Home tuition fee stagnation
- Changing nature of teaching, learning and researching
- Impact of digital/blended learning and working
- Threats to international student recruitment
- Cost of living crisis amongst staff and students
- Challenges of casualisation and industrial action

Addressing inefficiencies, when combined with investment in technology, can be a key part in improving service quality:
- More efficient and effective ways of working amongst staff
- Faster and more reliable advice and support for students
- Fewer manual tasks and less duplication
- Opportunities for support services to be proactive rather than reactive
- Freed-up cash for reinvestment where it really matters
1.2 Stabilise: Create a platform for growth

Stabilise
- Prioritise stabilisation and identify quick wins.
- Short-term cash flow forecast, create a cash steering committee.
- Review risk of covenant breaches.
- Review key supplier contracts.
- Improve controls over purchasing on non-essential items.
- Assess in light of OFS regulations.

Re-plan
- Develop Rapid Realignment Plan
  - Revised in-year forecast and 1-3 yr budgets.
  - Detailed assumptions and dependencies.
  - Prioritise and quantify the impact of key initiatives – e.g.:
    - Academic portfolio review.
    - Business and operating model review.
    - Wider estates strategy.
- Build Full Financial Model, including P&L (I&E), balance sheet and liquidity, RoI timescales.
- Consider the financial and liquidity options.
- Size the cash and investment requirement and understand the funding options available.

Execute...
- The execution of the realignment plan is a full time project requiring full-time focus.
- The plan should be supported by an execution schedule with responsibilities, milestones, and continuous progress tracking.
- Once the execution is in motion, it is key to understand the strategic elements of the longer-term plan.
- A stakeholder Communication Plan is also required - including lenders, unions, Office of Students, etc.
2.2 Realign: Academic Portfolio Review

University courses are about much more than financial contribution, but the detail will enable you to make data-led decisions across the portfolio.

Academic Portfolio Review provides an objective and holistic understanding of the current performance and future potential of the entire academic portfolio, at module level. This will then inform your strategy and its short and long term initiatives.

- An in-depth and actionable view of the contribution of each programme and module to EBITDA level
- A full understanding of cash / cost flows across the institution
- An assessment of the strategic and growth potential of each programme and module from a range of perspectives.

- Agreement of strategic direction from four different angles: Grow, Optimise, Review or Remove
- Return on Investment (RoI) modelling based on market data, revenue forecasting and teach-out scenarios

Non-financial considerations should also be assessed including:
- potential market demand module / programme /department growth trajectory;
- contribution to the strategic direction and overall reputation of your institution;
- focus and enablement of student and staff diversity;
- current and historical departmental context and culture.
Why?

**WHY IS UK HE SO EXPENSIVE**

- Research costs?
- Administration?
- Management?
- Fewer "teaching only" academics?
Why?

WHY IS UK HE SO EXPENSIVE

• Research costs?
• Administration?
• Management?
• Fewer "teaching only" academics?
• SSR generally lower
• Completion faster (cost per cohort closer to averages)
• Extreme subject specialisation – very inefficient
• More done “for” students (esp through professional services)
• High costs in many areas
• Debt levels – US facilities and sales on EU funding and regulation
Hours worked if employed, Jan-Mar, FT UG FD

- 35 plus
- 15-34.9
- Under 15

2013

2018

2019

2022

2023
UK economy

WHAT’S DRIVING DECISIONS? THE TREASURY

• High vacancy rate (Brexit)
• Low productivity (Investment)
• Low participation (Health)

• It’s helpful for FT students to be working
• It’s also helpful if they’re not FT students

For the first time, more spend on education doesn’t feel like the obvious answer to any of the problems
Students and food

<table>
<thead>
<tr>
<th>Worried food would run out in next two weeks</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very or Somewhat</td>
<td>32%</td>
</tr>
<tr>
<td>Not very or Not at all</td>
<td>52%</td>
</tr>
<tr>
<td>DN/PNTS</td>
<td>15%</td>
</tr>
</tbody>
</table>
**Students and food**

<table>
<thead>
<tr>
<th>Worried food would run out in next two weeks</th>
<th>How it differs by domicile</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overall</td>
</tr>
<tr>
<td>Very or Somewhat</td>
<td>32%</td>
</tr>
<tr>
<td>Not very or Not at all</td>
<td>52%</td>
</tr>
<tr>
<td>DN/PNTS</td>
<td>15%</td>
</tr>
</tbody>
</table>
## Students and food

<table>
<thead>
<tr>
<th>Worried food would run out in next two weeks</th>
<th>Home domiciled</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overall</td>
</tr>
<tr>
<td>Very or somewhat</td>
<td>31%</td>
</tr>
<tr>
<td>Not very or not at all</td>
<td>53%</td>
</tr>
<tr>
<td>Don't know or PNTS</td>
<td>16%</td>
</tr>
</tbody>
</table>

(UK-domiciled PGTs particularly feeling pinch)
Cost of living

**ENDLESS CHOICES**
- Unpaid internships
- Private mental health support
- Coffee with the course
- Clubs and socs
- Working more than 15 hours a week

**BUFFER**
- Foreign trips
- Multiple volunteer positions
- Living within half an hour of campus
- Being a course rep

**DANGER**
- Heating or eating?
- Dropping out

- Excessive student income
- Ideal student income
- Minimum viable income
Students

- Intergenerational economic issues
- Slide into poverty
- Housing
- Mental health
- Extreme politics
- Apathy towards institutions
- Burdens and time poverty
- Lack of immersion
- Lack of things to become immersed in
Most disadvantaged UK students are going to top universities

Research shows university students from least elite top universities than 25 years ago

Universities are ‘due avoid ‘being cancell

Former lecturer raises alarm after bel threats left him fearing for his life

Almost a third of graduates 'overeducated' for their job

Left-wing Cambridge University students say they ‘feel unsafe' after Conservatives book out hall for dinner
There have been shifts before

Trow 1973 on shift from elite to mass:

1. Equity and access: Struggle to provide equitable access to all social groups
2. Funding and resources: Challenges in securing sufficient resources to support expanded system, burden of costs shifting to students through fees
3. Quality: As the system expands, dilution of standards and risk education becomes more vocational and less focused on intellectual rigour
4. Institutional diversity: More diverse range of institutions to cater to the varied needs and abilities of a broader student body, stratification and diff levels of quality and prestige
5. Role: Conflict over purpose —whether as centers for research, professional training, or liberal education— subject of debate
6. Labour market outcomes: Perceptions of underemployment or a devaluation of degrees
7. Cultural and social change: Massification would bring significant cultural and social changes, as higher proportion exposed to the values and norms of HE
WIWAS syndrome
Use of AI could create a four-day week for almost one-third of workers

Thinktank study highlights productivity gains, as well as improvement in work-life balance for 28% of the workforce in Britain and the US, as a result of implementing artificial intelligence.
What is cheating?

If ask an LLM to explain something to me, that’s probably not cheating.

If I give it a chunk of text and ask it to correct grammar and spelling is that cheating? If I then ask it to rewrite that chunk of text in line with its feedback, is that cheating?

If I ask it to look at a chunk of text and give me feedback on it in terms of clarity or strength of argument, is that cheating? If I then ask it to rewrite that chunk of text in line with that feedback, is that cheating?

If I ask it for feedback on whether my argument is compelling or original, is that cheating?

If I ask it to suggest other arguments I could make that are related or other angles to explore, is that cheating?

If I ask it to find related research topics or debates or other authors on an issue, and then rinse repeat the above, is that cheating?

If I send it the marking rubric and ask it to grade my draft against said rubric, ask for suggestions to improve the mark and then ask it go ahead and redraft to improve the mark, which of those are cheating?
Who do we catch?

- Determined to cheat
- Desperate or confused
- Would never never cheat
Over the last month, how often have you felt lonely?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily</td>
<td>19%</td>
</tr>
<tr>
<td>Weekly</td>
<td>31%</td>
</tr>
<tr>
<td>Monthly</td>
<td>22%</td>
</tr>
<tr>
<td>Once/twice</td>
<td>12%</td>
</tr>
<tr>
<td>Never</td>
<td>16%</td>
</tr>
</tbody>
</table>
Lacking Social Connection

- Smoking up to 15 cigarettes daily
- Drinking 6 alcoholic drinks daily
- Physical inactivity
- Obesity
- Air pollution

Odds of Premature Mortality
Who’s lonely?

I feel lonely at university

- **Strongly agree**
- **Somewhat agree**
- **Neither agree nor disagree**
- **Somewhat disagree**
- **Strongly disagree**

By Cibyl & Wonkhe
Self-identified Disabled students made up a third of the sample.
What would help you feel more connected?

<table>
<thead>
<tr>
<th></th>
<th>Say they are not lonely</th>
<th>Say they are lonely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mental health support</td>
<td>18%</td>
<td>21%</td>
</tr>
<tr>
<td>121 Mentoring</td>
<td>19%</td>
<td>22%</td>
</tr>
<tr>
<td>Sport</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Staff open door hours</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td>Better pastoral care</td>
<td>23%</td>
<td>26%</td>
</tr>
<tr>
<td>Socials with staff</td>
<td>24%</td>
<td>26%</td>
</tr>
<tr>
<td>SU events</td>
<td>34%</td>
<td>33%</td>
</tr>
<tr>
<td>Faculty/department events</td>
<td>42%</td>
<td>38%</td>
</tr>
<tr>
<td>Extra curricular activities</td>
<td>43%</td>
<td>42%</td>
</tr>
<tr>
<td>Social with other students</td>
<td>51%</td>
<td>53%</td>
</tr>
<tr>
<td>More time on campus</td>
<td>61%</td>
<td>56%</td>
</tr>
</tbody>
</table>
Who’s happy with support?

<table>
<thead>
<tr>
<th>Has friends inc on the course</th>
<th>Has friends, no course friends</th>
<th>No friends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Happy with support</td>
<td>83.9%</td>
<td>76.9%</td>
</tr>
<tr>
<td>Not happy with support</td>
<td>16.1%</td>
<td>23.1%</td>
</tr>
</tbody>
</table>
When we picture the “traditional” young student living away from home, spending their first year on campus and getting involved in student life and clubs and societies, we tend to consider the rich immersion of a range of formal and informal, educational and social in-person activities to be beneficial.

Deliver everything in-person, and we disadvantage and freeze out the people we need involved in higher education. Move too far towards curriculum flexibility, and the stripped down “experience” ends up instrumentally delivering the qualifications but not many of the wider benefits woven into the rites of passage.

TL;DR – it’s hard to be a “day visitor” to a boarding school and still feel involved. But if the posh people get lots of out the boarding school, shouldn’t more people experience it?
Together...

- Economic situation dire
- High demand to “experience” university
- We may need less “academia” and “teaching”
- AI requires us to work out what we need humans to be able to do
- Employers (still) want human skills
- Society needs communities
### Academic Year Breakdown

<table>
<thead>
<tr>
<th>Semester 1</th>
<th>Semester 2</th>
<th>Semester 3</th>
<th>Semester 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Academic</td>
<td>Academic</td>
<td>Academic</td>
<td>Academic</td>
</tr>
<tr>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Academic</td>
<td>Academic</td>
<td>Academic</td>
<td>Academic</td>
</tr>
<tr>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Academic</td>
<td>Academic</td>
<td>Academic</td>
<td>Academic</td>
</tr>
</tbody>
</table>

- **120 credits a year**
- **Graduate skills**
- **Social capital**
- **Employability**
- **Part-time work**
<table>
<thead>
<tr>
<th></th>
<th>Academic</th>
<th>Applied</th>
<th>Work</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>120 credits a year</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>
How change happens

**01 HISTORY AND CULTURE**
We've always done it this way

**02 LAW OR REGULATION**
We're compelled to do it

**03 FUNDING INCENTIVE**
There's money available for us to do it

**04 SECTOR LED REVIEW**
We've agreed we should all be doing it – megatrends, moral pressure, politics

**05 COPYING**
Another university is doing it

**06 INNOVATION**
We've come up with a new thing to do or way of doing it
Students here have a vision for the future of education
Thank you

Get in touch
jim@wonkhe.com
wonkhe.com