

WONKHE

Owning the chaos

What's going on and why does it matter

MARCH 2024, UK COMPUTING SUMMIT

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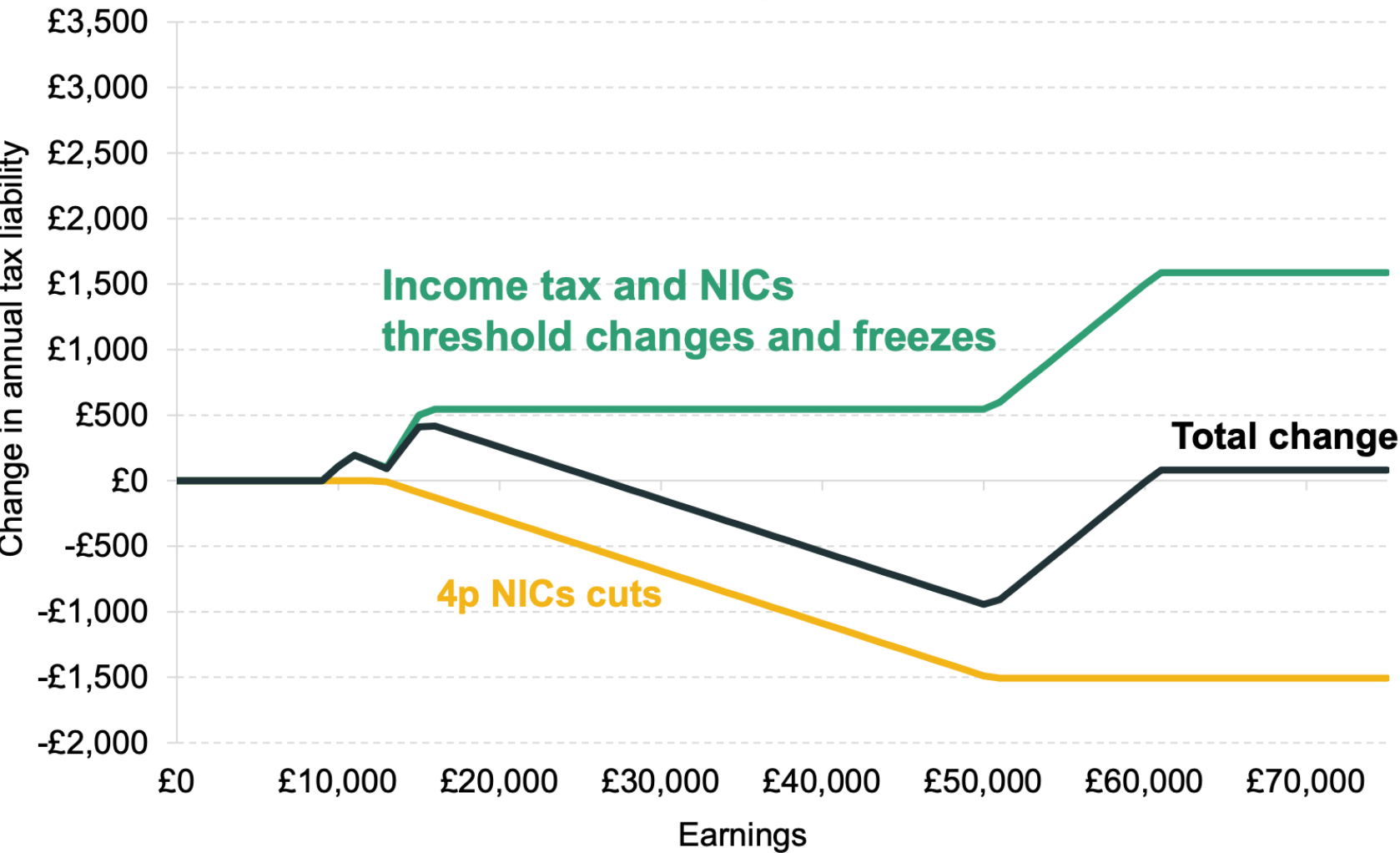


What they (you) think about



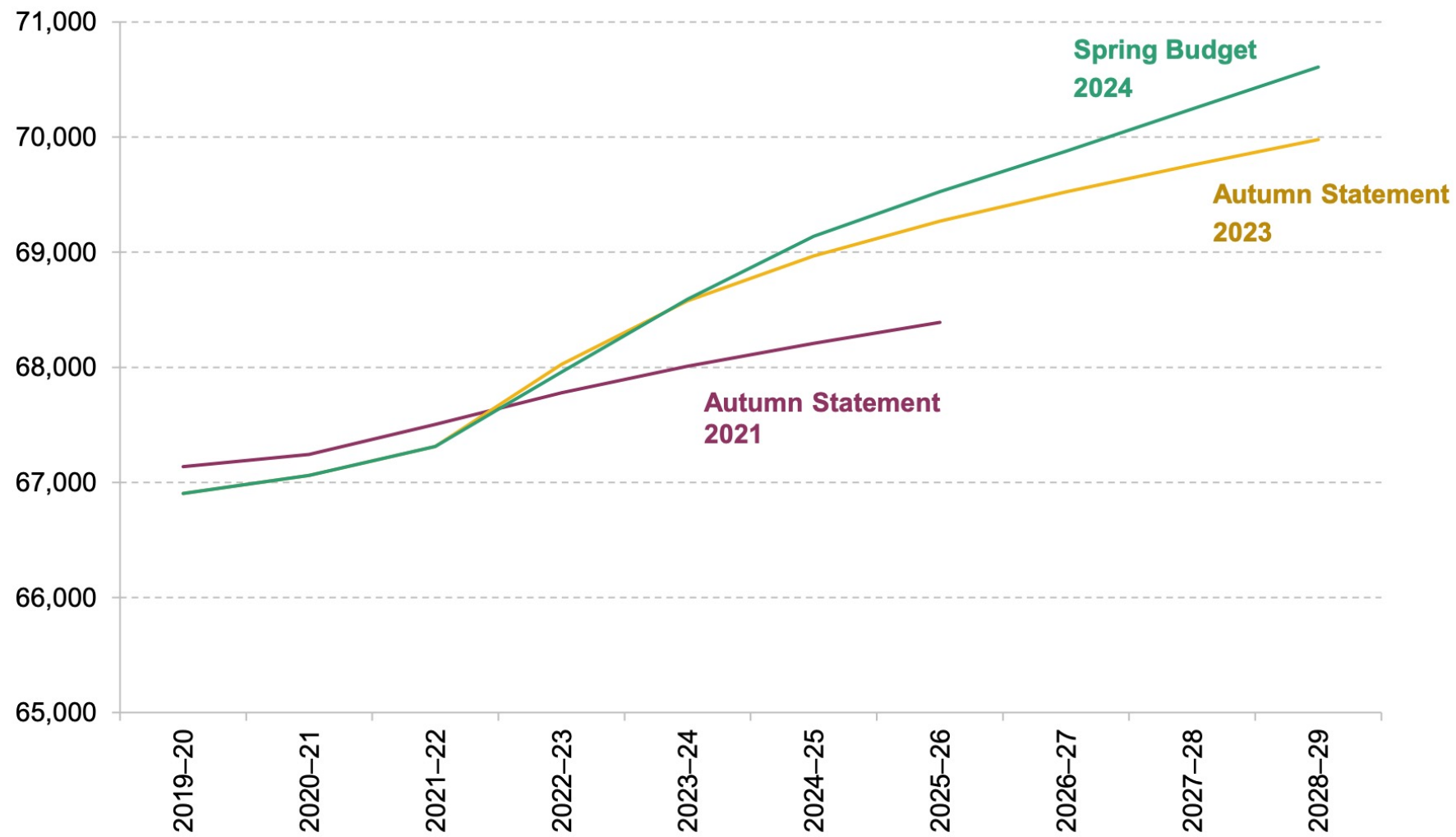
Recent NICs cuts offset freezes for about half of employees...

Effect in 2024-25 of tax changes since 2021



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

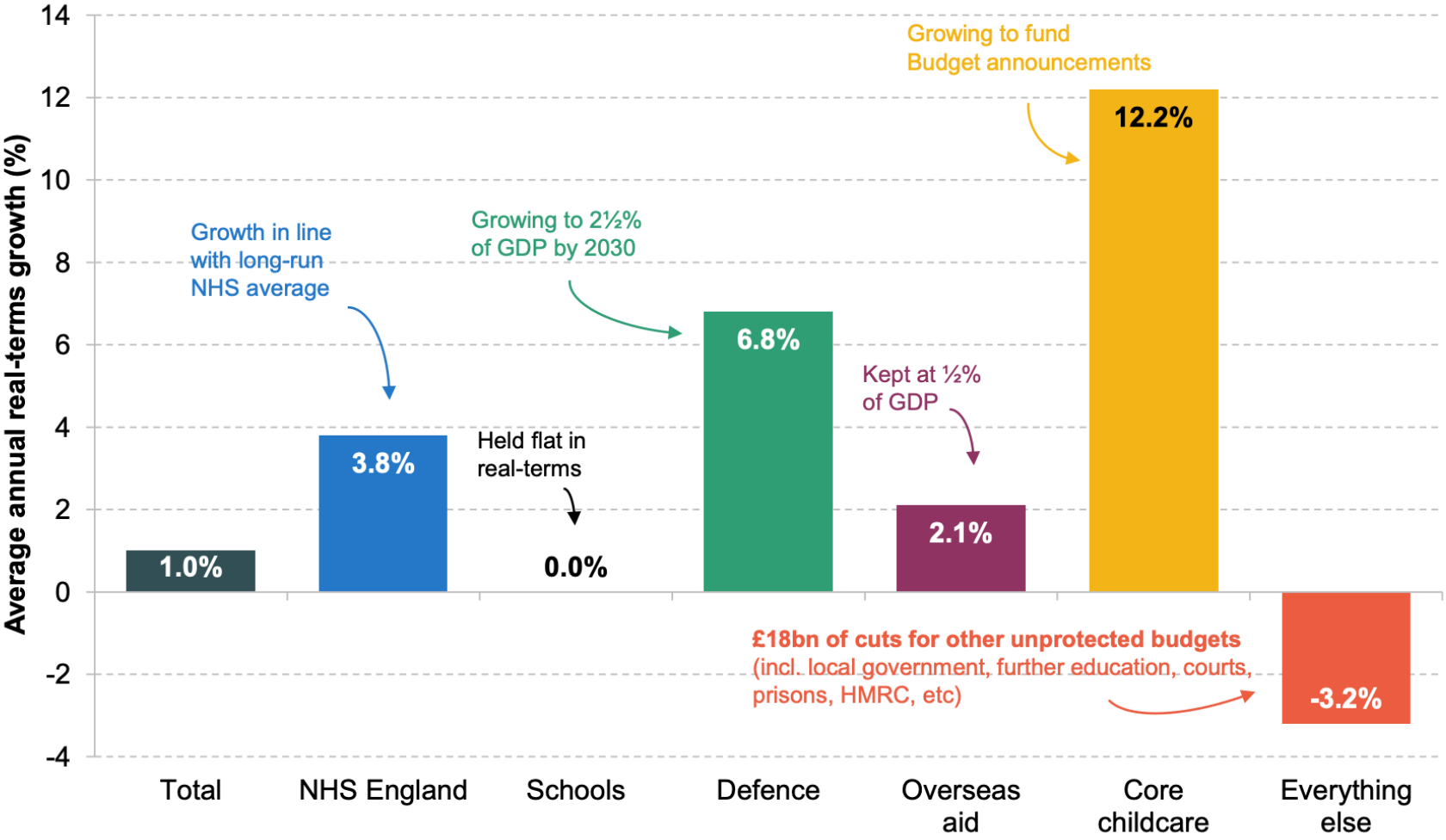
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Cuts pencilled in for after the next election



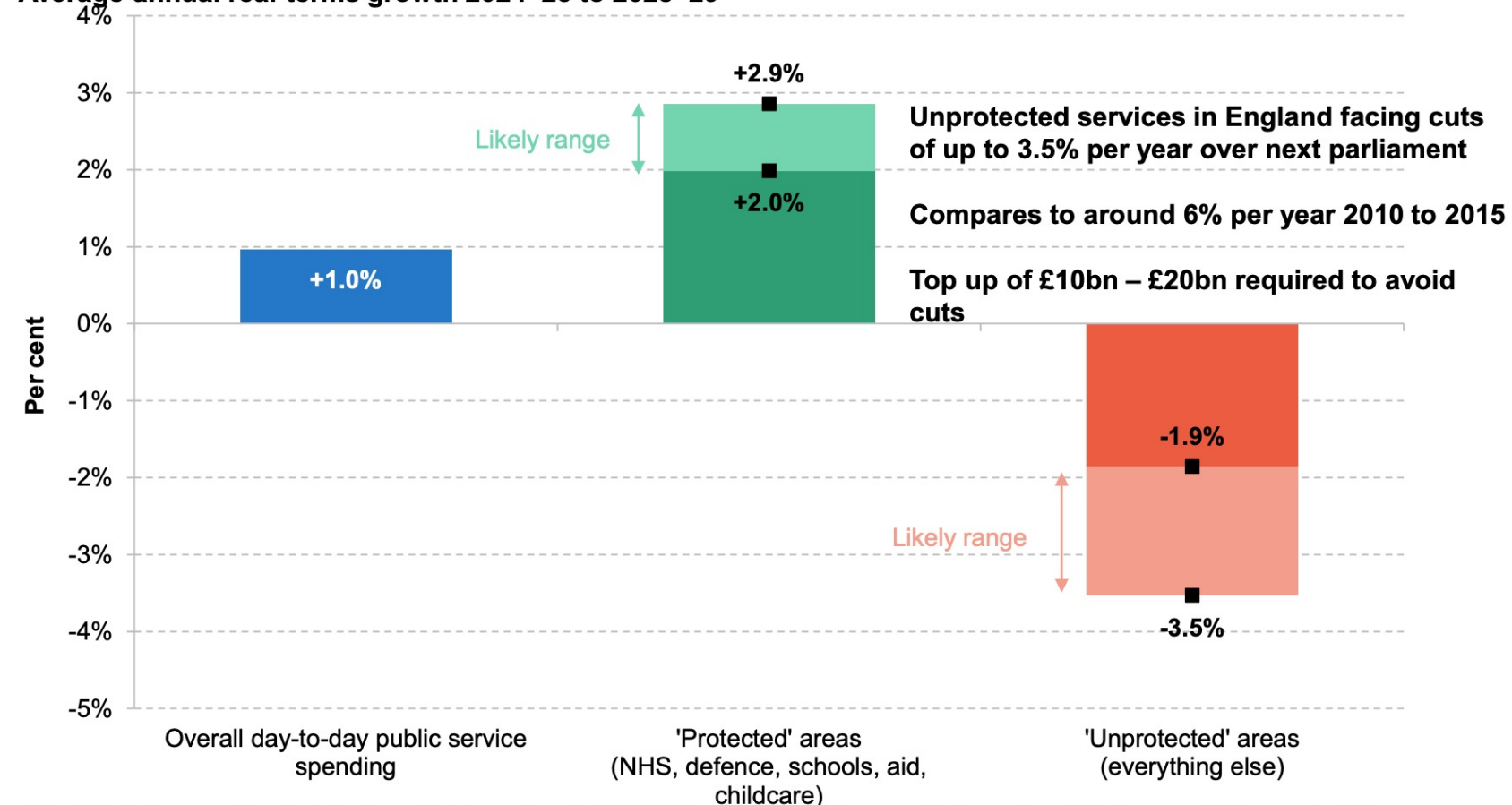
Illustrative change in day-to-day funding implied by latest plans, 2024–25 to 2027–28



Post-election spending plans



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



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.

Public service spending

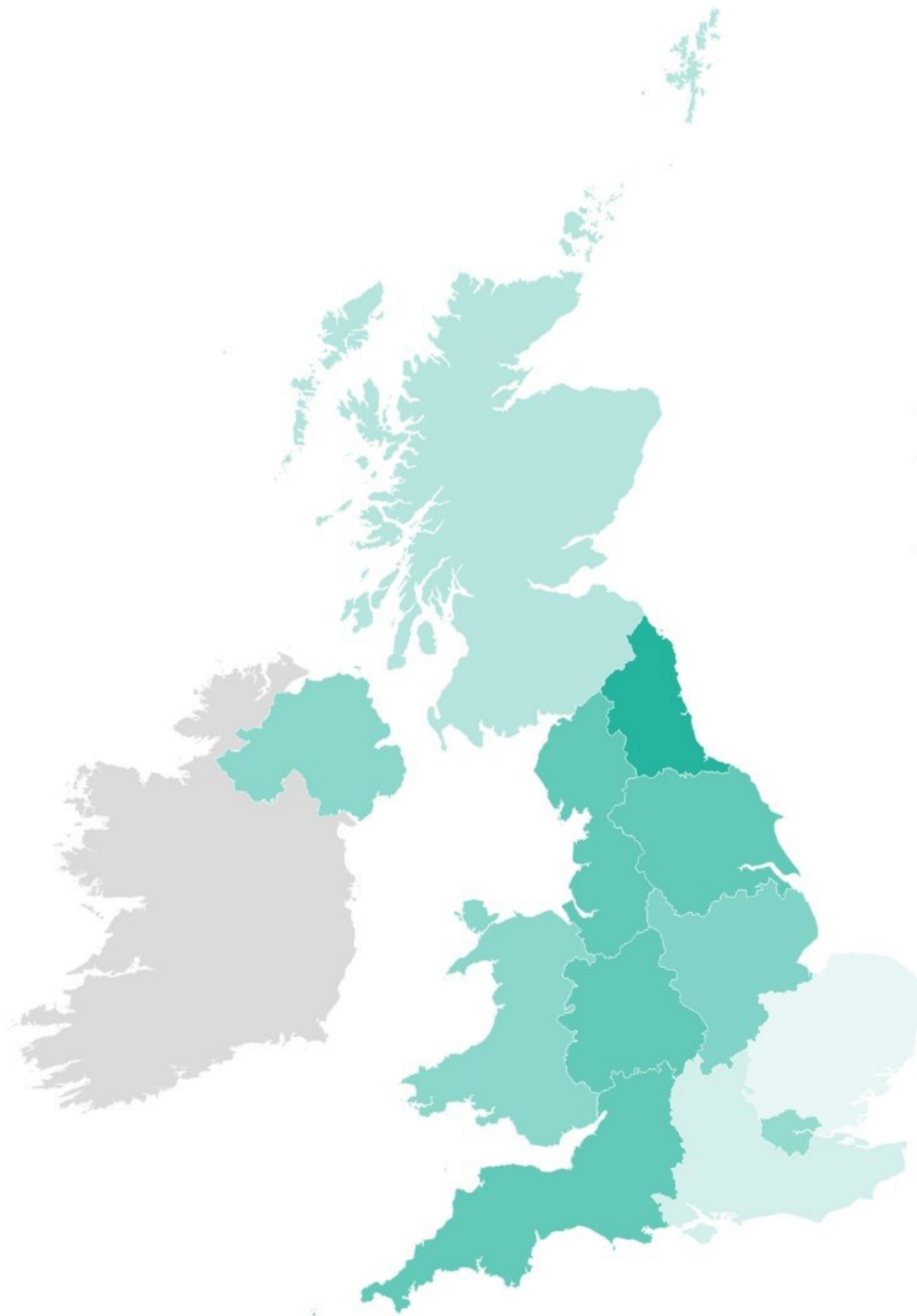
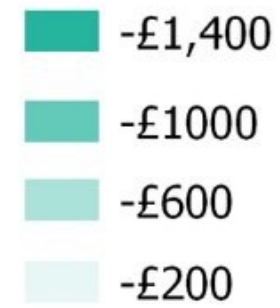
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OBR Mar 2024

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.^d 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^e 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**

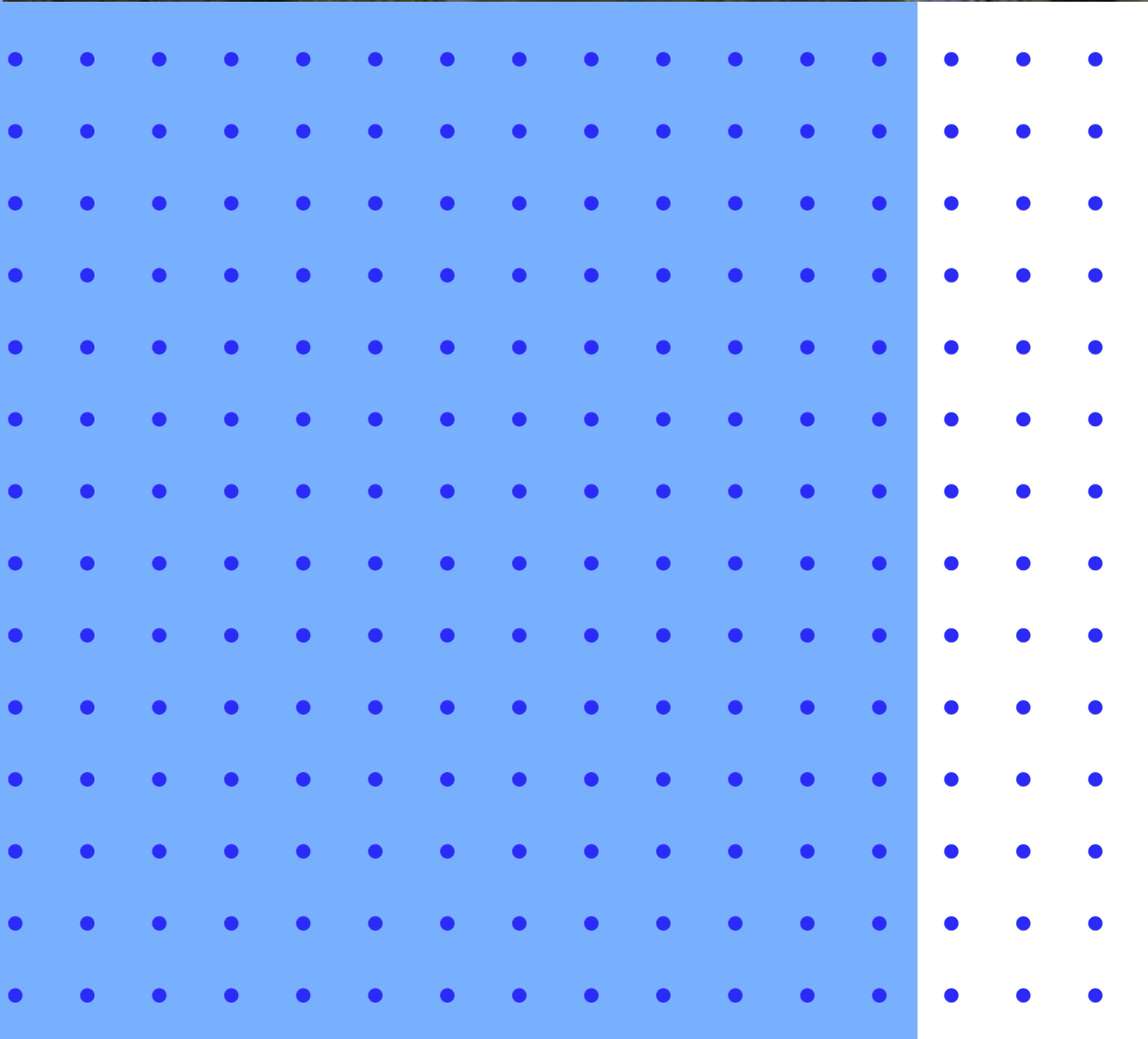


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“Every week, we see another neglected liability emerging: collapsing classrooms, crumbling flood defences, failing tower blocks, overwhelmed hospitals, understaffed social care, spouting sewers, lethal housing. What would it cost to put the country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

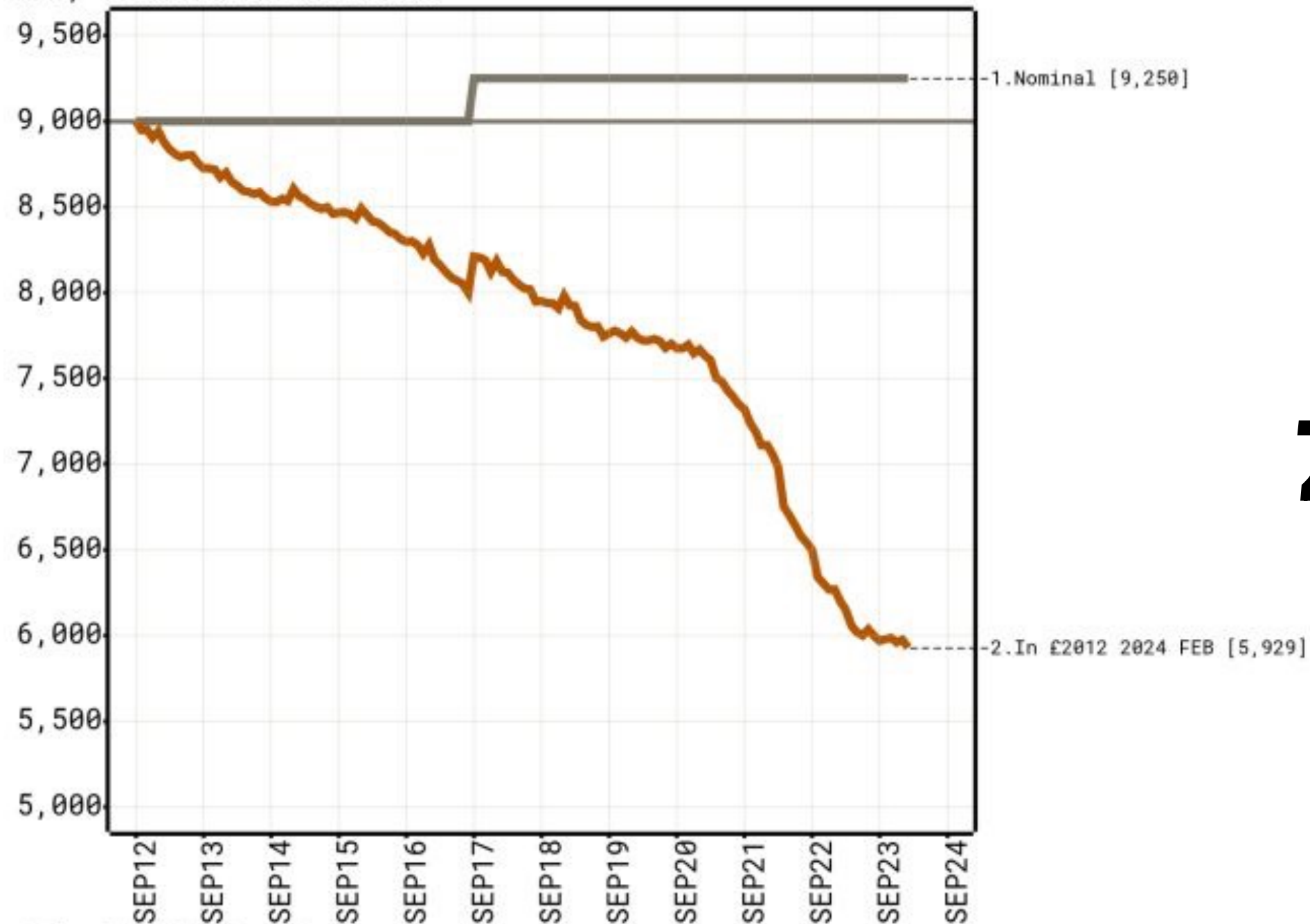


State of the state

- 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

English FT UG tuition fee cap, actual and inflation adjusted
RPI, from SEP12 reference

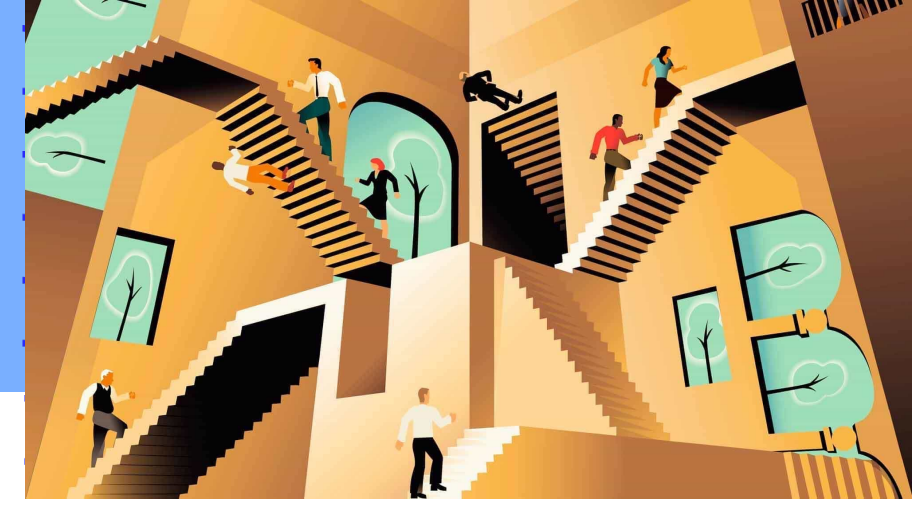


£5,929

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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

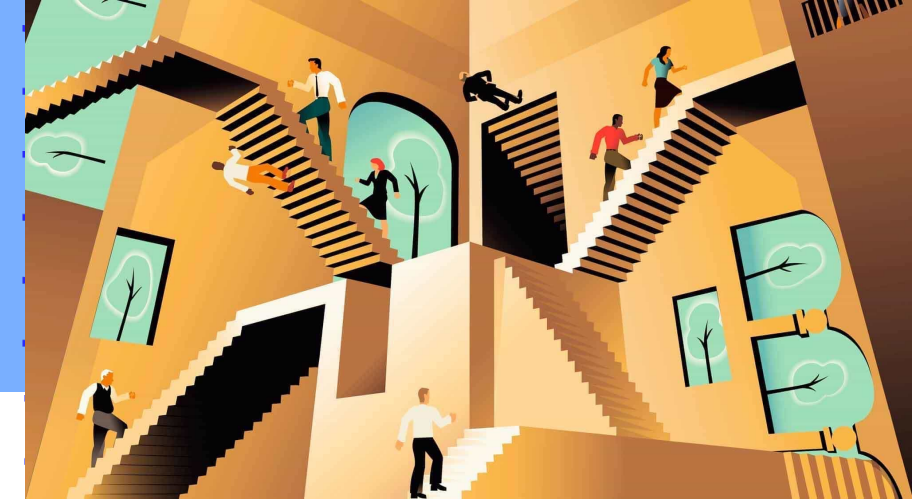
2004: £3,000 fees

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

£27,295
NEW: frozen until 2025
on £30,000 income
you repay £243/yr

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

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**INTEREST
ADDED**

**Up to
RPI
+3%**

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RPI

(so no 'real'
cost)



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ENGLAND 2022 STARTER

REPAY

9% OVER

£27,295
NEW: frozen until 2025
on £30,000 income
you repay £243/yr

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

ENGLAND 2023 STARTER

9% OVER

£25,000
frozen until 2026/7
on £30,000 income
you repay £450/yr

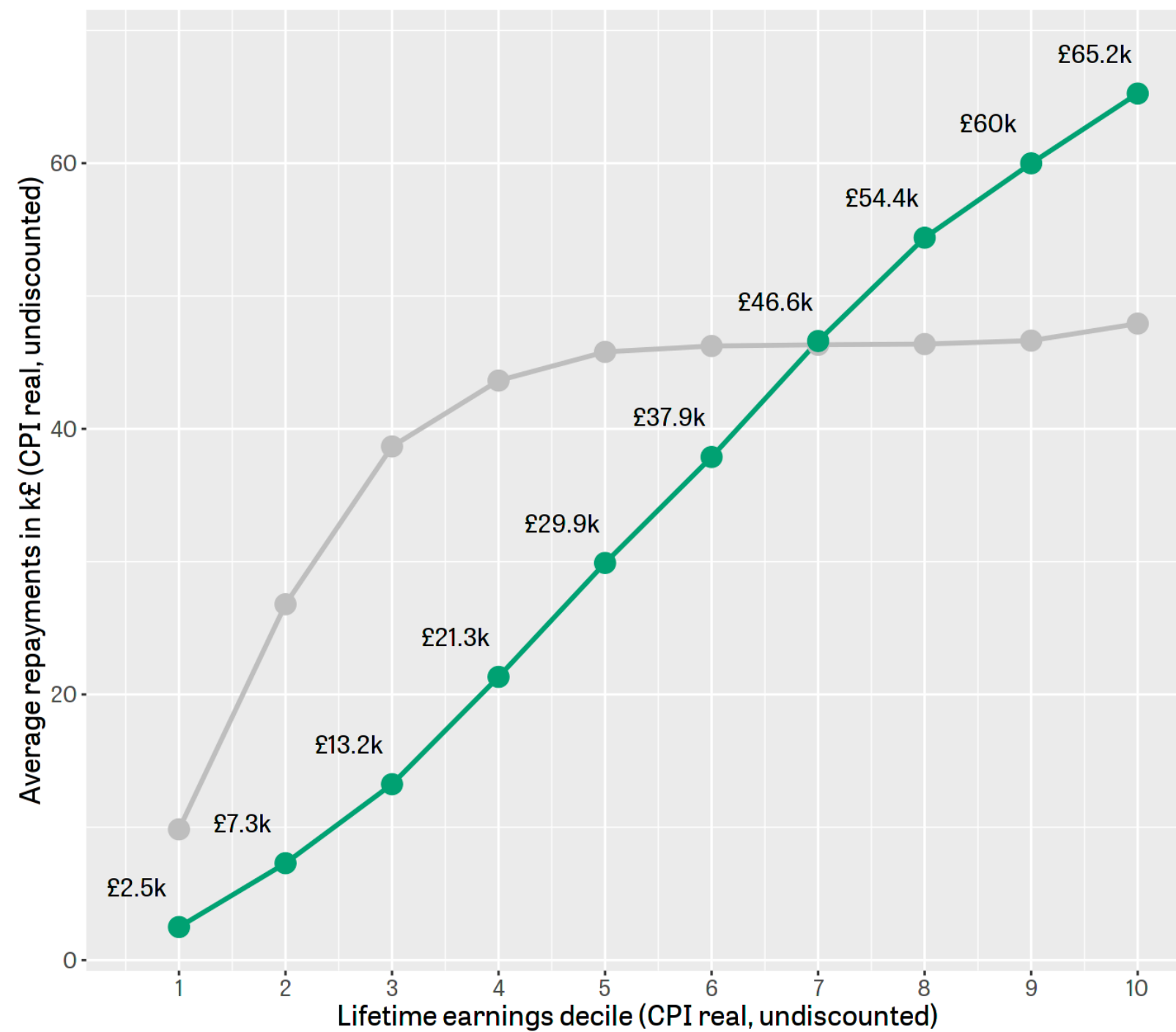
**40
YEARS**
(from April
after leaving)

RPI
(so no 'real'
cost)

STATE PAYS
19p
PER £1
52% likely to
clear in full



Repayments by lifetime earnings decile (CPI real, undiscounted)



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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. Stabilise

Stabilise

- [illegible]



- ## Execute...

Figure 1: Performance indicators for the top 100 companies in the world.

The chart displays performance indicators for the top 100 companies in the world, categorized by 'Worsen/reduce resource' (red) and 'Improve resource' (green). The indicators are grouped into 'Source indicators' and 'Change indicators'.

Source indicators:

- Number of Finance Function FTEs per \$100M revenue: 24.0 (2019), 22.0 (2020)
- Number of AP FTEs per \$100M revenue: 5.9 (2019), 2.2 (2020)
- Number of AP FTEs per \$100M revenue: 1.7 (2019), 0.9 (2020)
- Number of management accounts FTEs per \$100M revenue: 4.5 (2019), 1.0 (2020)

Change indicators:

- Percentage of Finance Function time allocated to transaction processing: 100.0 (2019), 72.5 (2020)
- Percentage of Finance Function time allocated to transaction processing: 42.0 (2019), 46.0 (2020)
- Percentage of Finance Function time allocated to transaction processing: 30.0 (2019), 30.0 (2020)
- Number of invoices processed monthly per AP clerk: 14,357 (2019), 16,050 (2020)
- Number of invoices processed monthly per AP clerk: 35,500 (2019), 35,500 (2020)
- Number of invoices processed monthly per AP clerk: 54,094 (2019), 54,094 (2020)
- Number of invoices processed monthly per AP clerk: 5,200 (2019), 5,200 (2020)
- Number of invoices processed monthly per AP clerk: 6,528 (2019), 6,528 (2020)
- Number of invoices processed monthly per AP clerk: 7,750 (2019), 7,750 (2020)
- Number of invoices processed monthly per AP clerk: 9,500 (2019), 9,500 (2020)
- Cycle time (days) for complete month-end close: 7 (2019), 7 (2020)
- Cycle time (days) for complete month-end close: 5 (2019), 5 (2020)
- Cycle time (days) for complete month-end close: 3 (2019), 3 (2020)

Notes:

- 2020 data is preliminary.
- Peer group is based on S&P 500 companies with turnover up to \$100 million.
- AP = Accounts Payable.

2.2 Realign: Academic Portfolio Review

2. Realign

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.



'The Exam Question'

- 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.





How can we take action

- 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



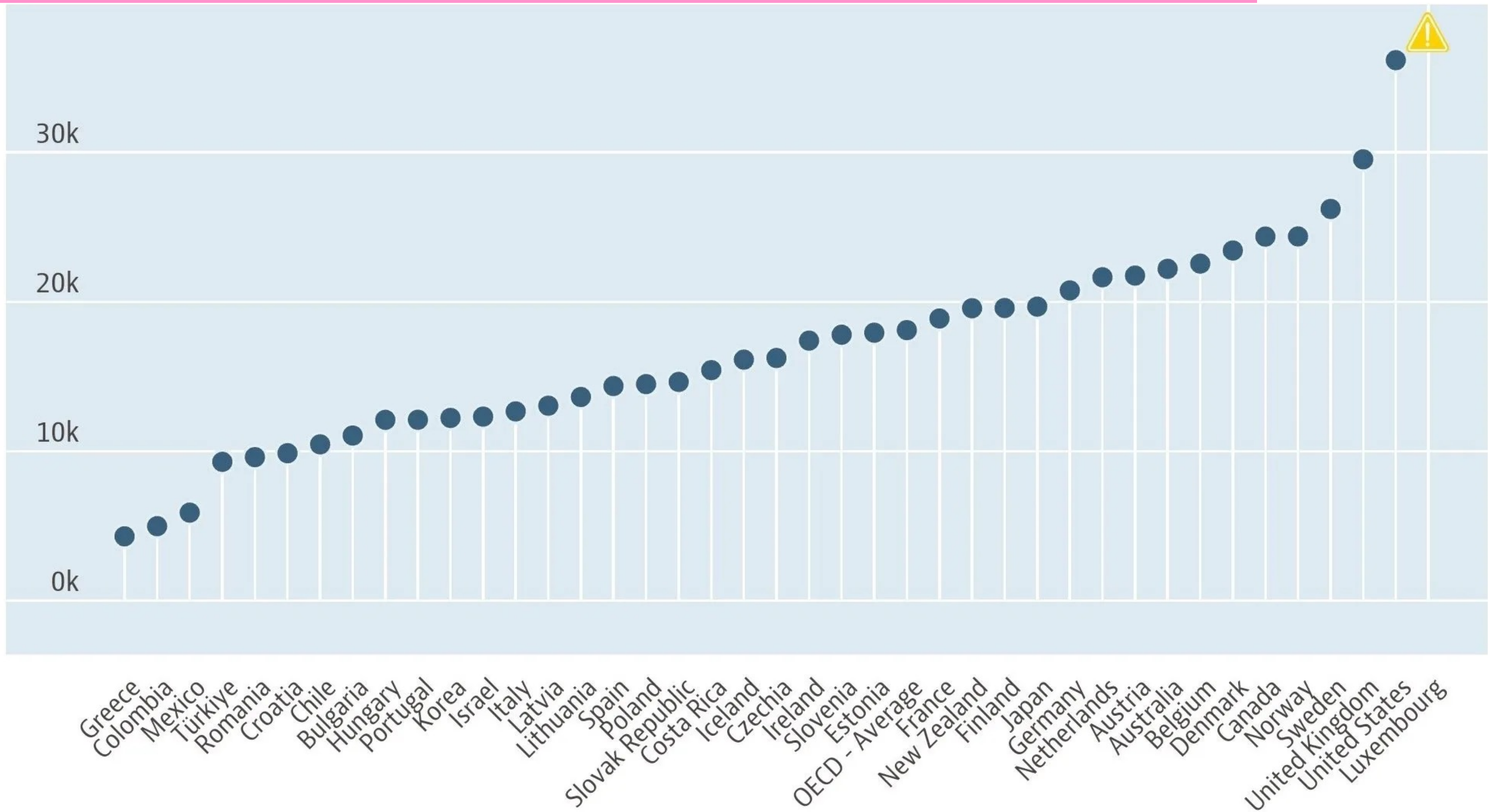


Be sure to consider wider non-financial factors

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**.

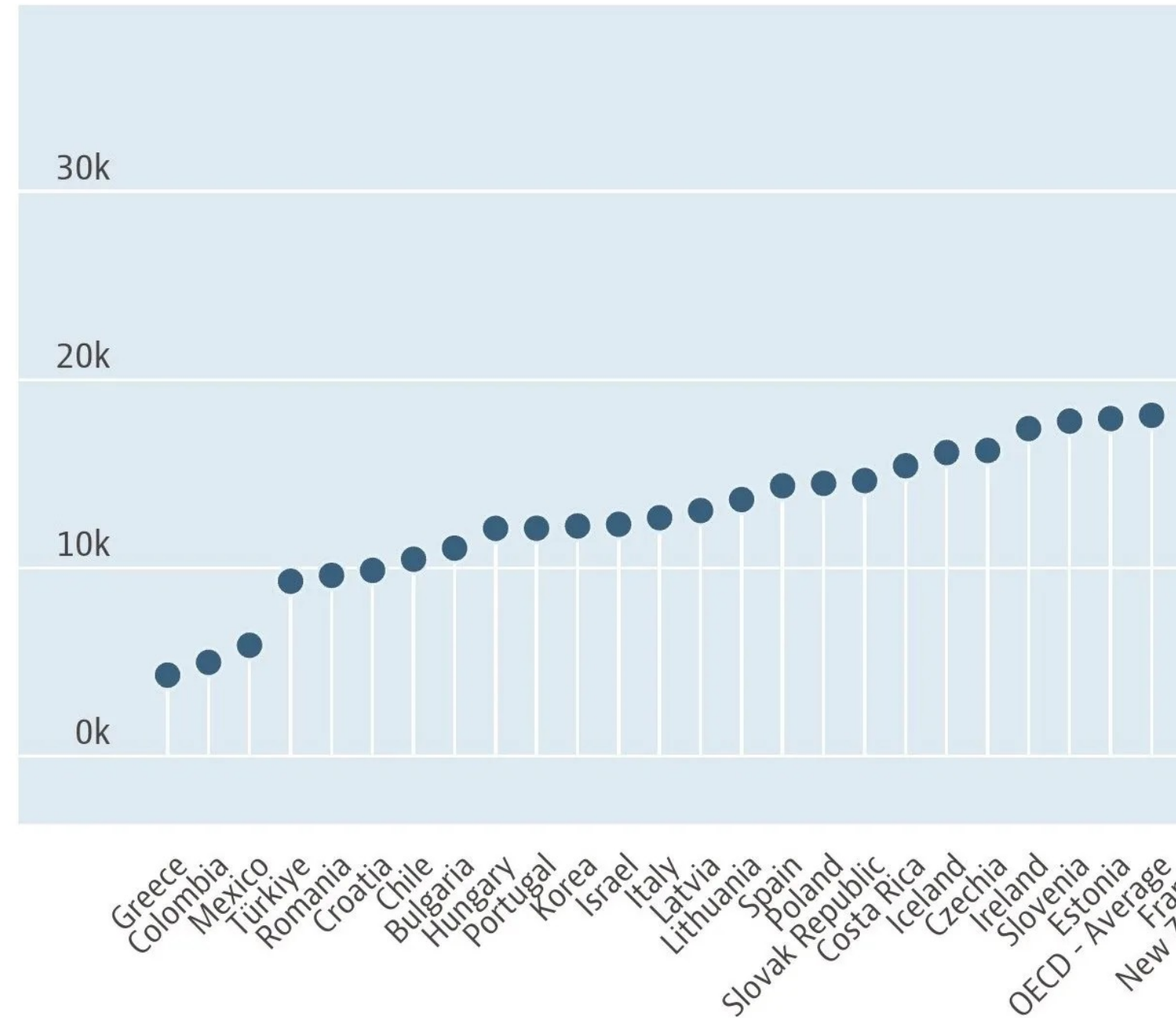




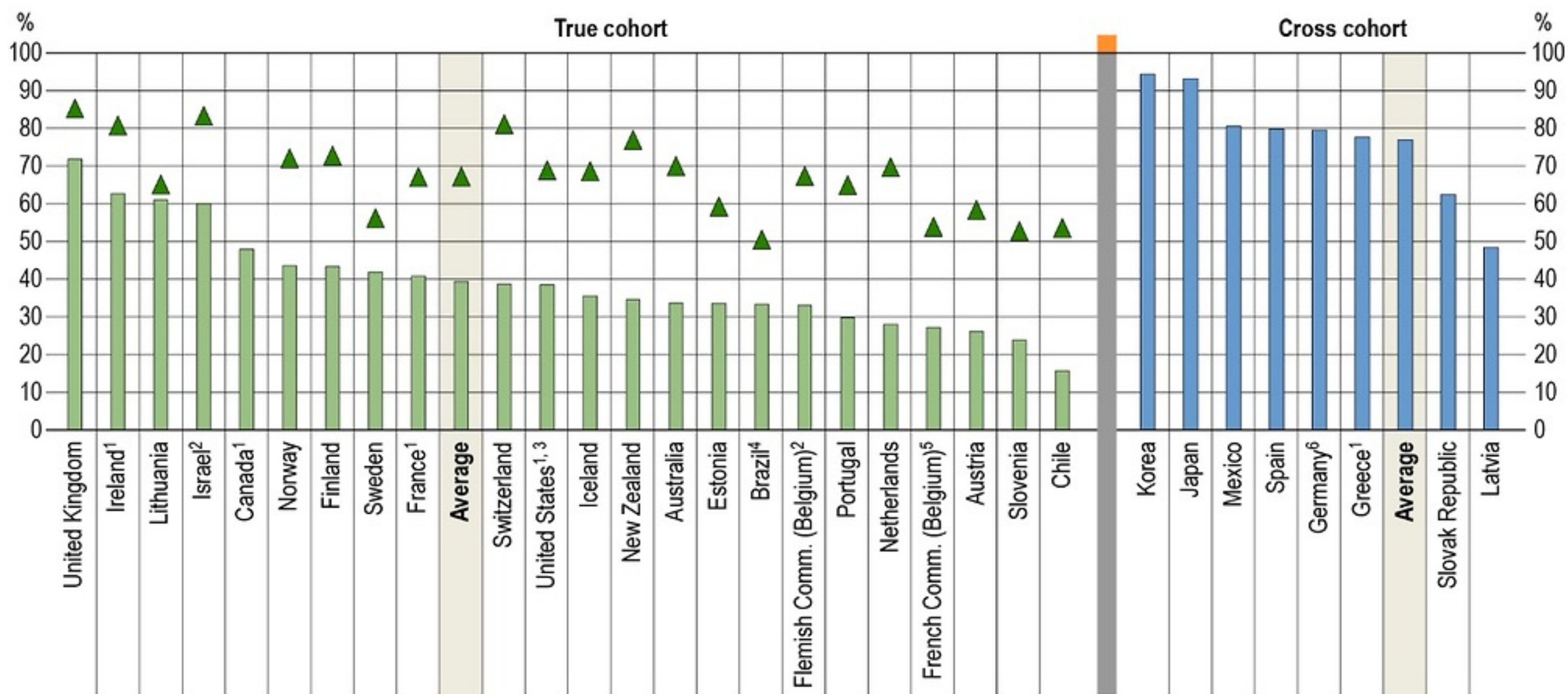
Why?

WHY IS UK HE SO EXPENSIVE

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



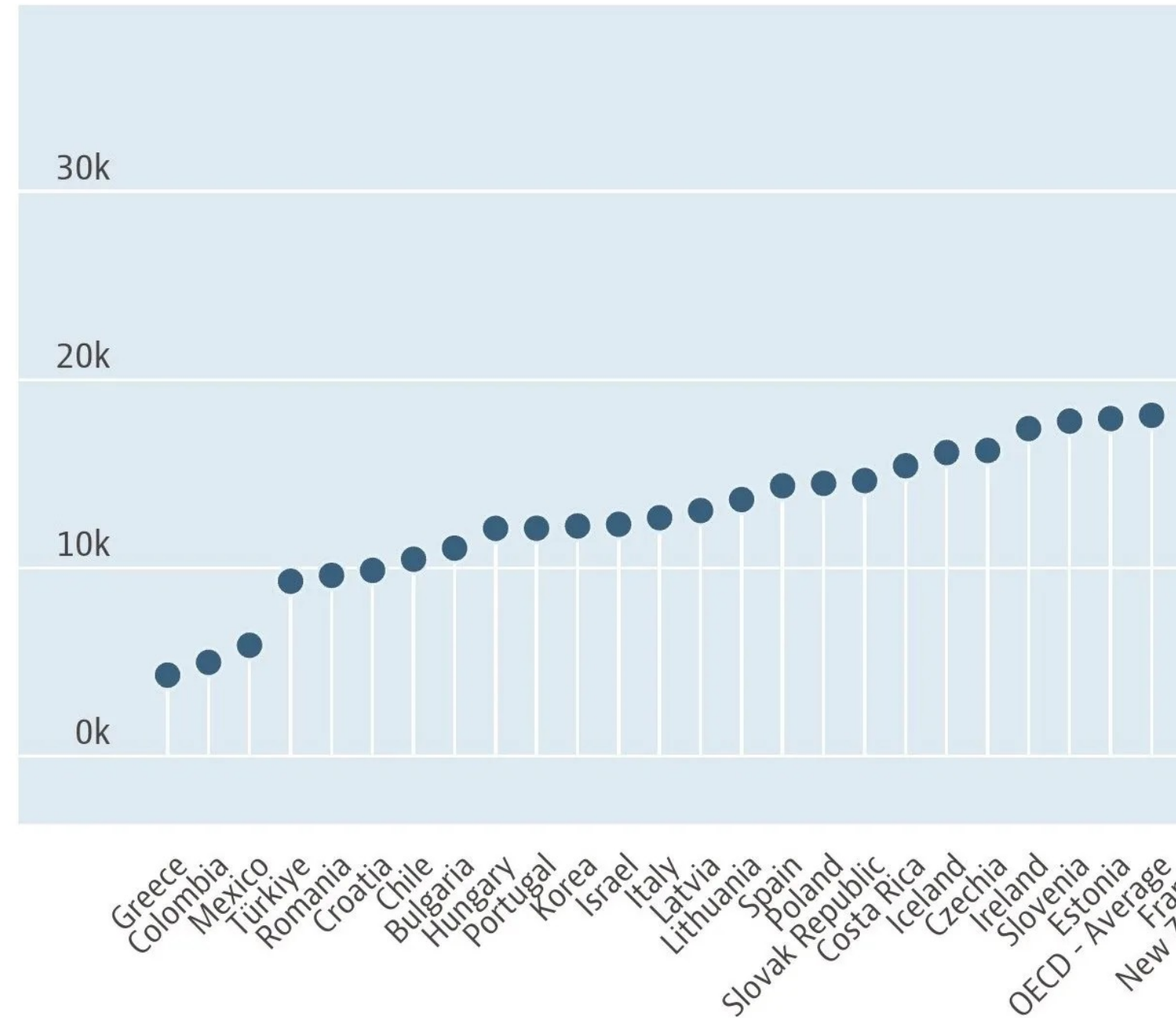
- ▲ Completion rate by the theoretical duration plus three years
- Completion rate by the theoretical duration



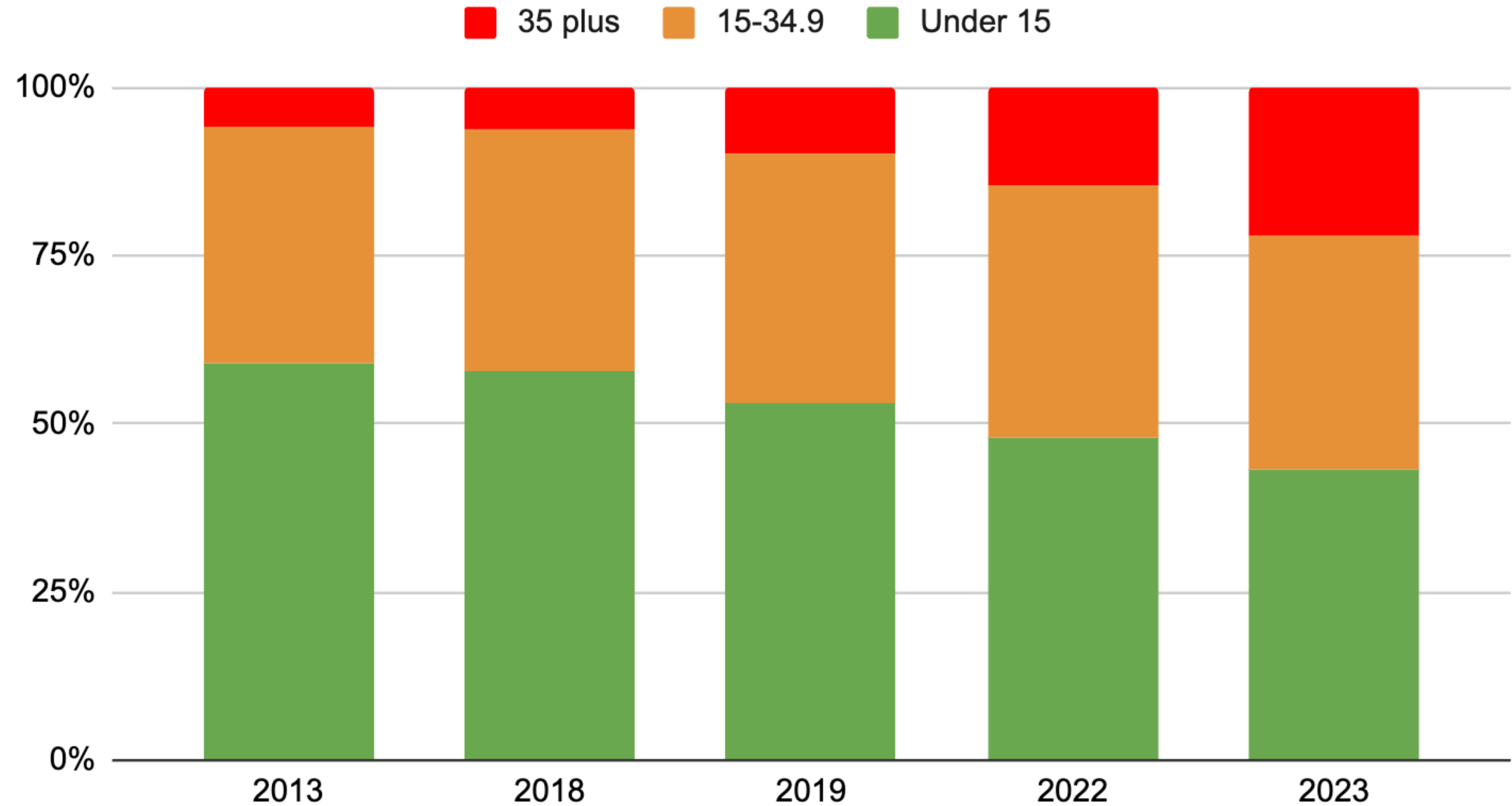
Why?

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



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

Number of vacancies in the UK, seasonally adjusted, July to September

2004 to July to September 2023



Students and food

Worried food would run out in next two weeks		
		Overall
Very or Somewhat		32%
Not very or Not at all		52%
DN/PNTS		15%



By Cibyl & Wonkhe

Students and food

		How it differs by domicile			
Worried food would run out in next two weeks		Overall	UK	EU	Non-EU
	Very or Somewhat	32%	31%	26%	40%
	Not very or Not at all	52%	53%	61%	46%
	DN/PNTS	15%	16%	14%	14%



By Cibyl & Wonkhe

Students and food

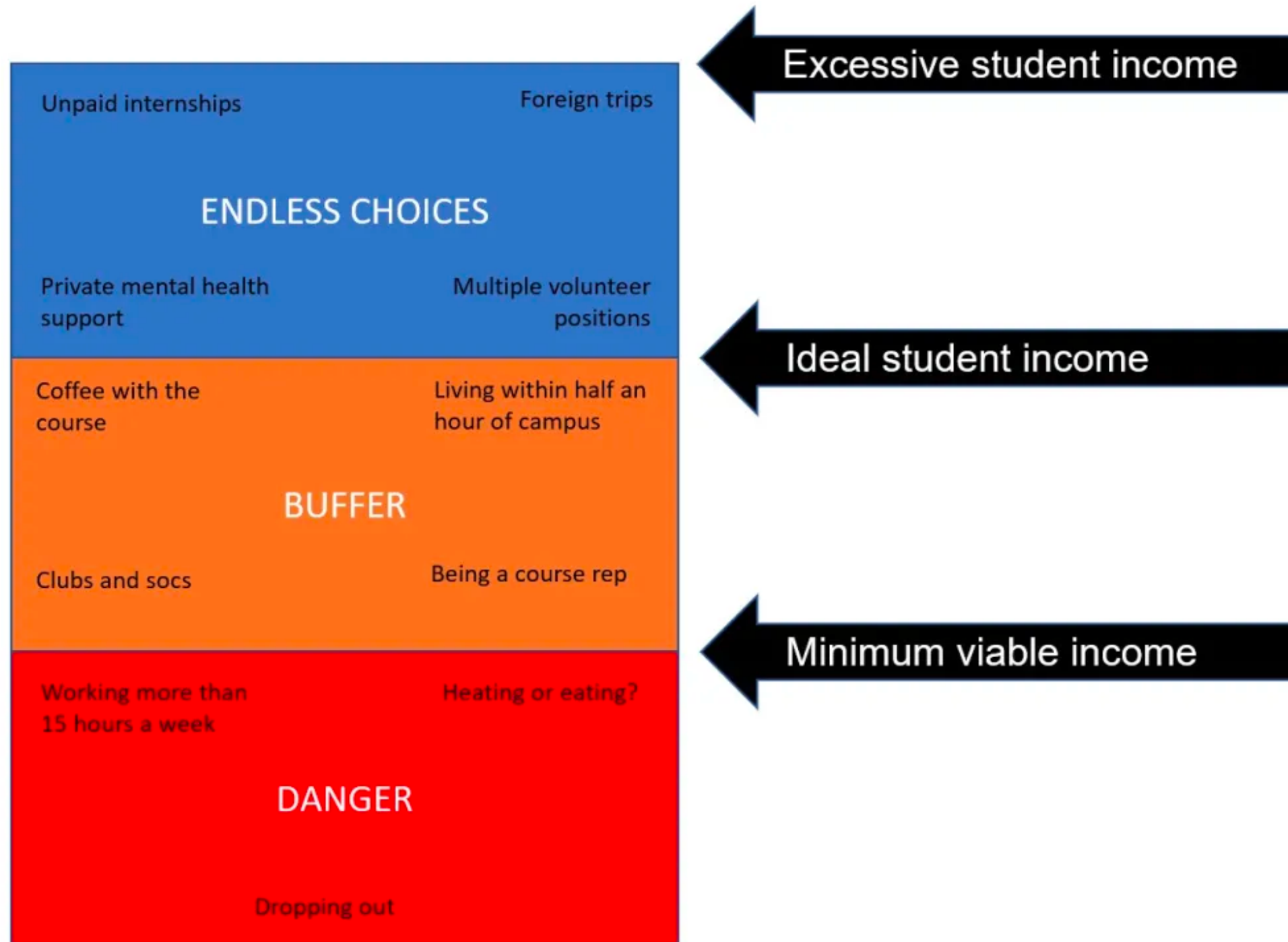
Home domiciled					
Worried food would run out in next two weeks		Overall	First in family	Bursary	State educated
	Very or somewhat	31%	33%	39%	32%
	Not very or not at all	53%	52%	47%	53%
	Don't know or PNTS	16%	14%	14%	16%

(UK-domiciled PGTs particularly feeling pinch)



By Cibyl & Wonkhe

Cost of living



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

UK universities

Added

Most disadvantaged UK students are going to top universities

Research shows university students from less advantaged backgrounds are going to top universities than 25 years ago



Universities are 'dun avoid 'being cancell

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

By Louisa Clarence-Smith, EDUCATION EDITOR

13 February 2023 • 7:54pm



The Big Read UK universities

Added

The looming financial crisis

Almost a third of graduates 'overeducated' for their job

29 April 2019 • Comments



Left-wing Cambridge University students say they 'feel unsafe' after Conservatives book out hall for dinner



MOST POPULAR



43 (Actually) Good Early Deal Friday Deals in the UK

BY WIRED



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There have been shifts before

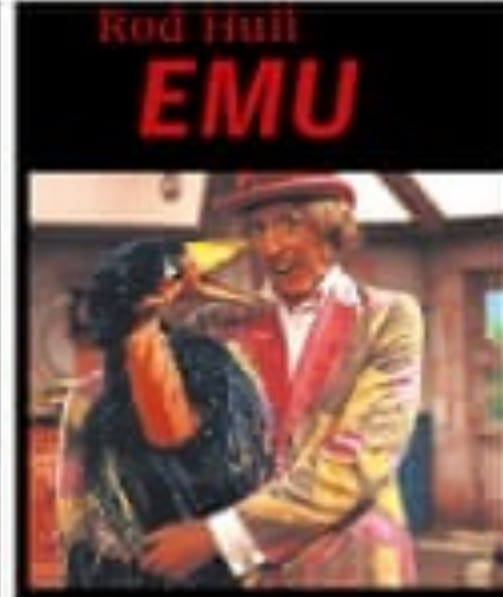
Trow 1973 on shift from elite to mass:

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



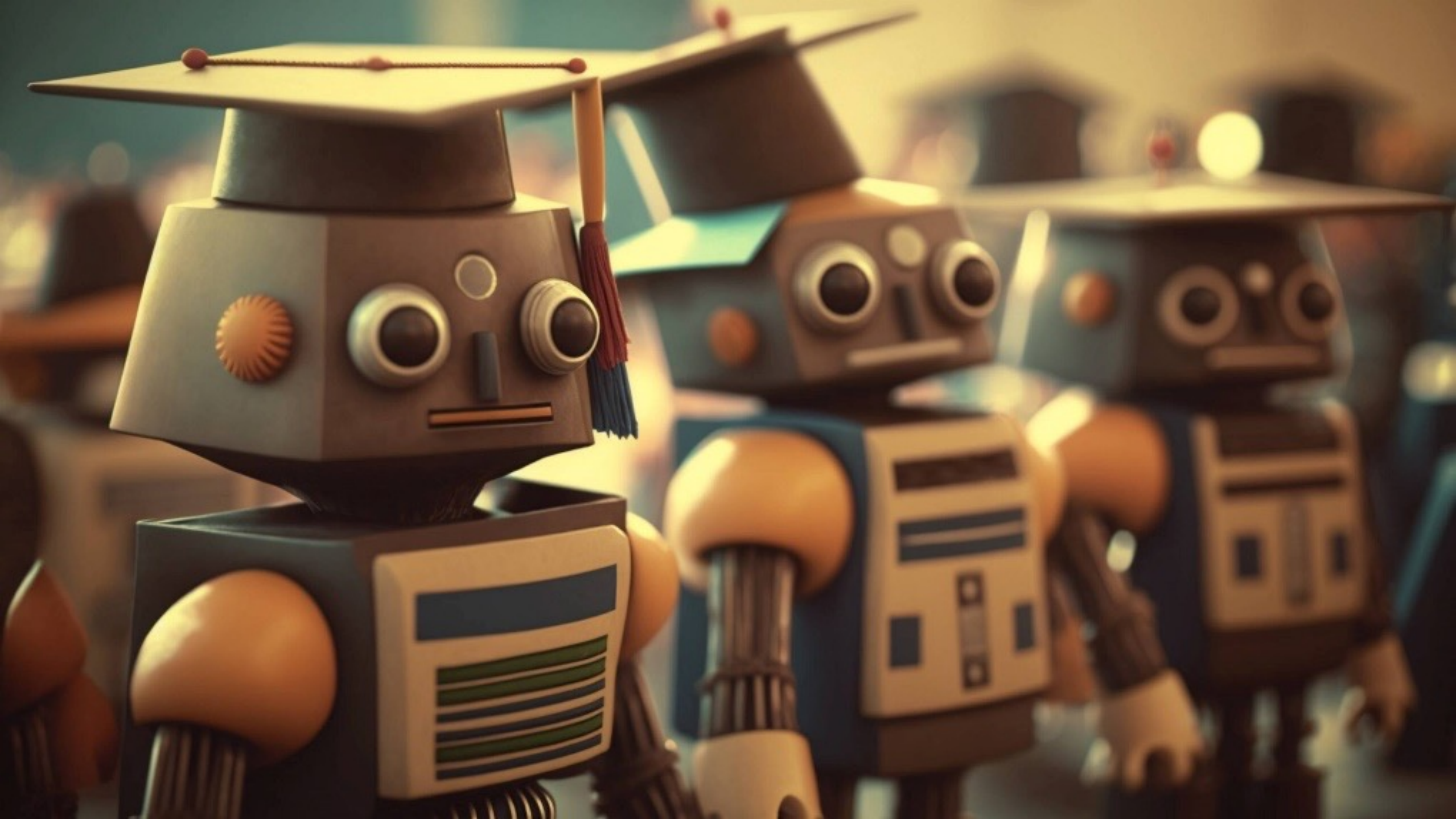
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WHO REMEMBERS



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WIIWAS 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



📷 Commuters on London Bridge. The City of London is one of the UK authorities the study indicates has the highest potential for workers to reduce their hours. Photograph: James

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SUs

What is cheating?

If I 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?

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Who do we catch?

Determined
to cheat

Desperate or
confused

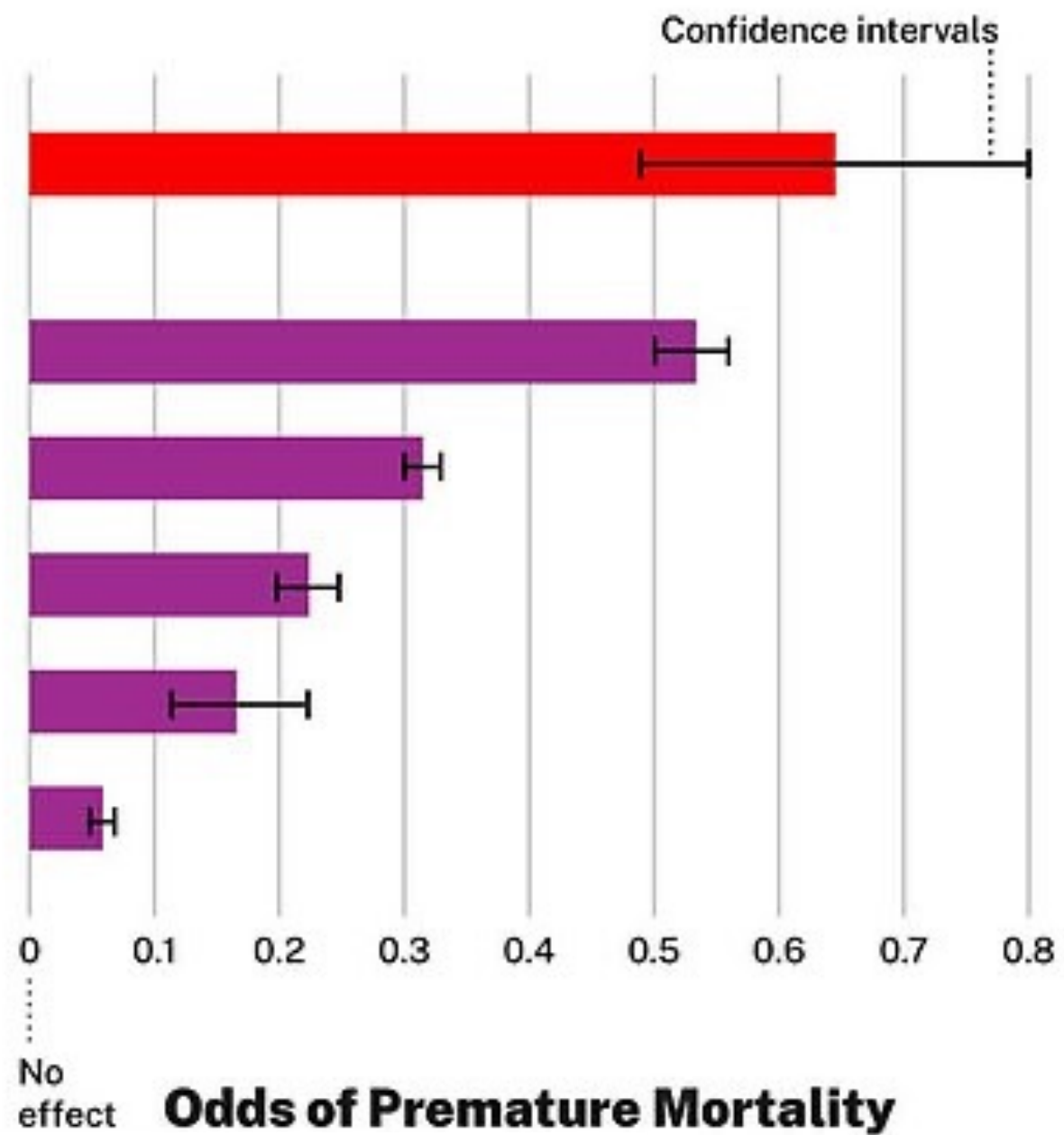
Would never
never cheat

Over the
last month,
how often
have you
felt lonely?

Daily	19%
Weekly	31%
Monthly	22%
Once/twice	12%
Never	16%



By Cibyl & Wonkhe



Lacking Social Connection

Smoking up to 15 cigarettes daily

Drinking 6 alcoholic drinks daily

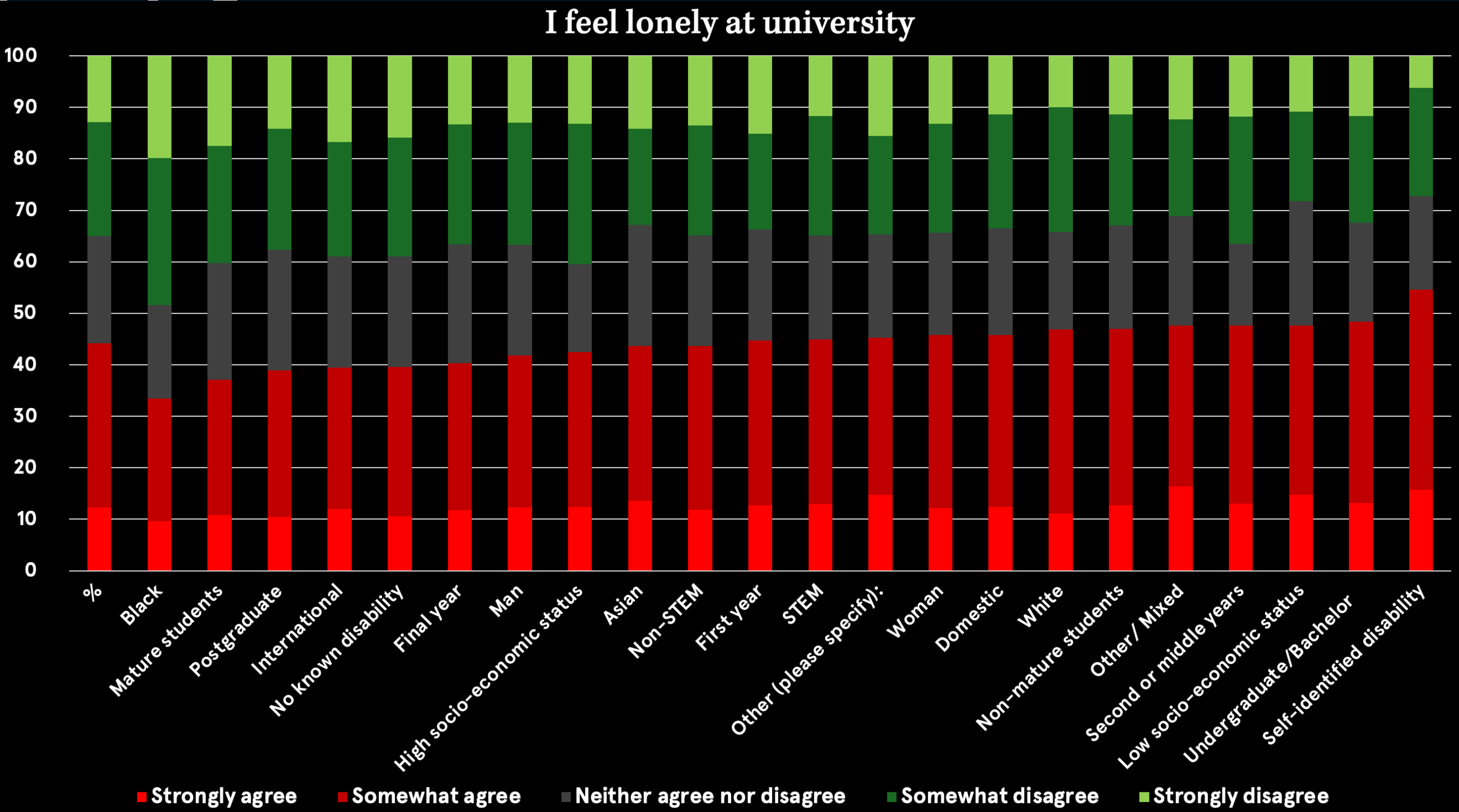
Physical inactivity

Obesity

Air pollution

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Who's



By Cibyl & Wonkhe

Self –identified Disabled students made up a third of the sample



By Cibyl & Wonkhe

What would help you feel more connected?

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



By Cibyl & Wonkhe

Who's happy with support?

	Has friends inc on the course	Has friends, no course friends	No friends
Happy with support	83.9%	76.9%	56.3%
Not happy with support	16.1%	23.1%	43.8%



By Cibyl & Wonkhe

The puzzle

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?



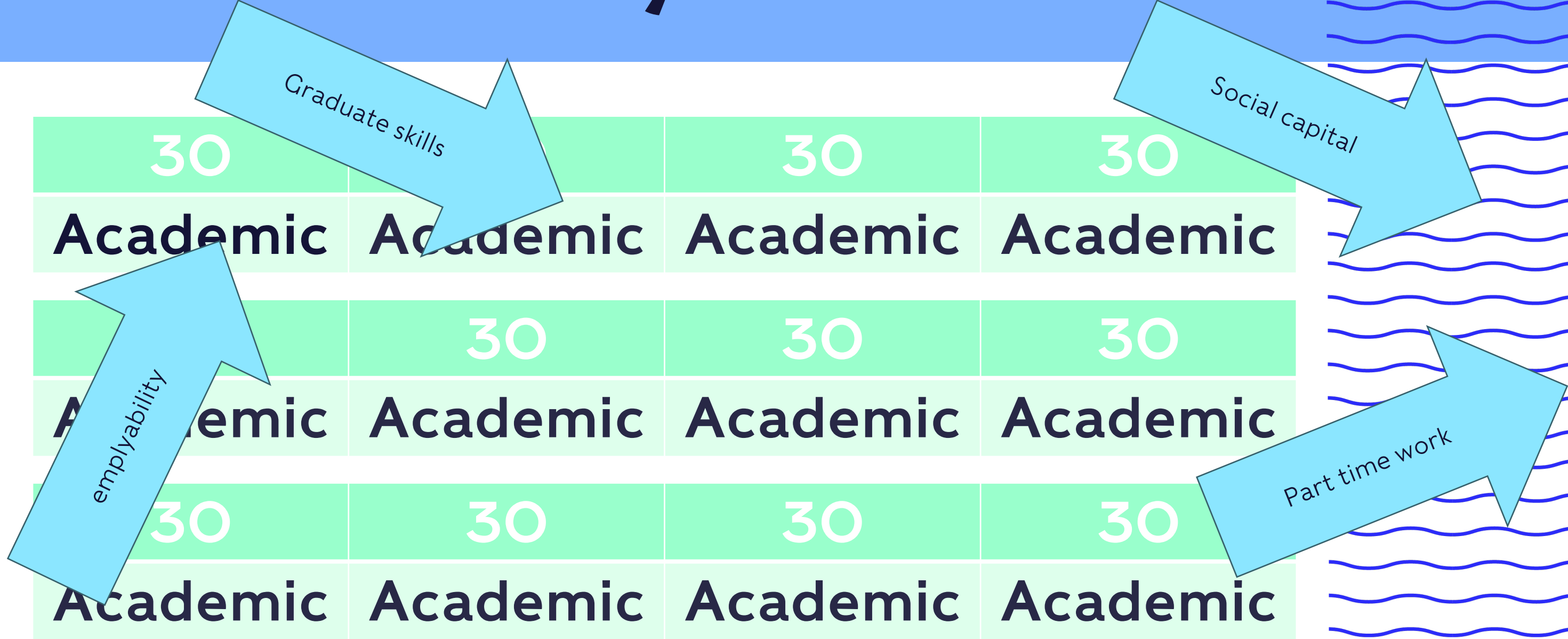
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Together...

- 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

120 credits a year



120 credits a year

30	30	30	30
Academic	Applied	Work	Service
30	30	30	30
Academic	Applied	Work	Service
30	30	30	30
Academic	Applied	Work	Service



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
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wonkhe.com