



# University funding challenges in the 21st century

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# Summary

In this white paper we will outline some of the key funding challenges faced by British universities.

We will also go into further detail about how many universities raise funds for their institutions and use examples from some of the main universities in the UK.

Our report looks at the role commerce and trading plays in procurement and development within an educational facility.

It will also look at the role of foreign students in the UK and the financial impact they have on universities in the UK.

With many institutions struggling to attract foreign students, due to rising fees and competition, it is vital that universities are able to continue to remain profitable going forward.

This report will also examine the impact of higher education fees on domestic students, and the steps universities are taking to assist those from disadvantaged backgrounds.

The costs of maintaining higher education facilities can be exponential for many universities, and this white paper will look in detail at the costs involved.

We will examine data from a number of higher education institutions across the UK including Oxford, the London School of Economics, the School of Oriental and African Studies, Kings College, City University, Birmingham and Sheffield.

The report will also incorporate data from UKCISA and the National Union of Students.

We will take a close look at where university funding comes from, how they spend their money, and the various factors that have an impact on the finances of higher education institutions over time.

Universities play an important role in their local communities and in conducting world-class research that makes a difference to our society over time.

They are also a major source of employment in many cities across the UK and contribute significantly to the local and national economy.

In order to stay competitive, it is important they are able to continue to access the funds that they need to provide a service to students over time.

This report will draw together some of the major challenges faced by universities going forward and the solutions they put in place to resolve them.

The white paper will cover:



### **Where university funding comes from**

This section will examine the key sources of university funding. It will look in detail at how universities make their money and finance developments at the institutions.



### **How universities spend their money**

This will draw together statistics from a number of institutions and look at some of the biggest sources of expenditure for many universities across the UK.



### **Economic impact of foreign students**

Many universities draw in extra finances from the higher tuition fees paid by foreign students. We will look in detail at the impact this has on the overall service and the facilities provided by universities.



### **Impact of higher fees on domestic students**

In 2012, the university fee cap rose from £3,000 per year until £9,000. We will examine the effect this has had on domestic students and the additional strain it has caused.



### **Impact of universities**

Universities contribute significantly to the UK in a number of ways. This section will look at just a few of the examples of the ways in which some universities in the UK serve their communities.



### **Conclusion**

This will draw together some of the key findings discussed in the report, to paint a picture of the way in which universities raise funds, spend their money and help their communities.

## Where university funding comes from

Universities are not-for-profit organisations that raise funds in a number of ways. Some of the main ways universities make their money are:

- Tuition fees
- Campaigns
- Rent facilities
- Run summer courses
- Grants
- Foreign students

We will look at these in detail and examine some of the average returns these can generate from universities.

### Grants

Most of the grants for university come from the Higher Education Funding Council (HEFC), which makes up around one sixth of university funding.

In March this year, the HEFC announced the initial allocations of grant for the 2014-15 academic year for each university and college they fund. The amount of money received, depends on a number of factors including student intake, expenditure and maintenance costs.

Between 2014-15, the total HEFCE grant available will be £3.8 billion for colleges and universities.

#### The funding breaks down as:

£1.6 billion for research  
 £160 million for knowledge exchange  
 £1.6 billion for teaching  
 £440 million in capital grants  
 £143 million for national facilities and initiatives funding

### Tuition fees

Since 2012, the cap on tuition fees has been lifted from £3,000 to £9,000 per year. This provides a much-needed source of income for the universities.

However, the rise in fees came about shortly after a cut in grant funding from the government, via the HEFC.

£18,759



Foreign students pay a substantially higher amount for fees typically around £18,759.

£38,532



However, those who are studying at a leading institution in London may pay around £38,532.

## Campaigns

Many universities across the UK run fundraising events and campaigns and put it towards facilities and research.

For example, Oxford University hosted a scheme called Oxford Thinking: The Campaign for the University of Oxford. It was the biggest fundraising campaign in European university history and one of the largest in the world. Its objective was to raise £1.25 billion to support teaching, research and facilities. Fundraising began in August 2004 and the official launch of the campaign was in May 2008 at which time £575 million had been raised.

In 2010, it was announced that the campaign passed its £1 billion milestone.

Other universities such as the University of Leicester rely primarily on trading, grants and donations.

**Rental accommodation and summer facilities**  
Many universities choose to rent their facilities out throughout the year. This includes lecture theatres, halls and study rooms.

Some institutions, such as the University of York, Goldsmiths University, Kings College, University of Kent at Canterbury, make significant amounts of money by renting out their student rooms during the summer holidays.

For example, when it comes to rental accommodation, a premier ensuite room at the University of York, costs £59.99 per week, per visitor, and comes with a four week minimum booking.

Therefore each visitor could potentially bring in a minimum of £240 extra over one month, and £720 between June and July.

At the University of Kent studio flats are let from £120 per week in the summer, while single ensuite rooms are available from £99.

Guests are required to stay for a minimum of one week. Over a three month period, that could potentially bring in up to £1,440 per person for student accommodation.

Other universities, such as the London School of Economics, offer visitors a range of accommodation options during the summer, or vacation periods, with up to £150 per night charged for a luxury, self-contained apartment, and £45 for a standard room.

Although the precise number of participants at these university summer courses are not known, what is clear is that universities can potentially generate thousands from these summer courses and rental accommodation alone.

During these months, students at the universities are either offered alternative accommodation on university grounds or choose to stay elsewhere. Universities also run a number of summer courses and activities as another way of raising money for their institutions.

Universities also make a significant amount of money by renting lecture theatres and summer rooms.

The price varies depending on the university, the room capacity and the event.

For example, the university of Chelsea charging up to £1,500 for the use of a their 120-seat capacity Julian Bloom Lecture Theatre for a full day, while the university of West London, charges up to £1,000 for a full day use of a lecture theatre the same size in Brentford.

Other institutions, such as the University of Oxford, charge up to £1650 for a full day's use of their complexes, and between £800-£1,000 for various lecture theatres and facilities. Although there is a wide variation when it comes to prices, it is clear that universities are able to generate millions each year, by renting out their lecture theatres and facilities.

# How universities spend their money

Universities spend their money in a number of different ways and are often asked to explain how they are using the income they generate from variable fees.

There are several main things that universities spend their money on. These include:

## Research

Universities play a vital role in the pioneering research that can uncover new medical treatments, technological developments and societal trends.

This research can potentially have implications not just for the UK, but internationally.

Therefore, billions of pounds are spent each year collectively by universities in this area.

In this report, we will discover how for the vast majority of universities, research is the biggest expenditure and has steadily increased over the years.

## Facilities

Universities spend millions on providing new facilities each year. This includes funding for maintenance, teaching, social clubs, new centres, materials and equipment, and shops.

These facilities help to improve the overall experience of students and are essential in providing an environment conducive to teaching and learning.

## Providing financial support to students

In 2011–12, universities in England spent a total of £431.4 million on improving and sustaining access to education for low-income groups, according to Universities UK. This was equivalent to 23 per cent of their fee income and was more than 3.5 times the expenditure in 2006–07.

Following the 2012 higher education reforms, universities estimate their expenditure will grow to £673.2 million (27 per cent of fee income) in 2014–15.



The way that universities spend their income will differ widely, and in this report, we look at some of the main things that universities spend their money on.

## Access to education

In 2011–12, universities in England spent a total of 431.4 million on improving and sustaining access to education for low income groups. This was equivalent to 23 per cent of their fee income and was more than three and a half times the expenditure in 2006-2007.

Case studies serve to demonstrate the different ways in which universities are responding to their students and investing in enhanced teaching facilities, research, financial assistance and university estates.

Below we have included some brief examples of the way some of the universities across England divide their budget.

### London School of Economics (LSE)

The annual accounts published by the LSE in December 2013 shows that total expenditure grew by 6.2 per cent over the last academic year, with pay costs rising by 4.0 per cent.

Other operating expenses rose by 8.3 per cent. Staff costs accounted for £130.9 million of its expenditure between 2012-13, while it spent 91.7 million on other operating expenses. These include academic services, administration, student facilities and amenities, scholarships and bursaries, and university estates.

### City University

The majority of expenditure for City University between 2012-13 was spent on staff costs, which accounted for 56 per cent of its income at £102.9 million.

Around £3.1 million was spent on staff restructuring costs and came to just one per cent of the total, while other operating expenses totalled £70.6 million – which represented 36 per cent of its expenditure.

Depreciation cost £13.9 million – accounting for seven per cent of its income.

### Oxford University

In Oxford University, the biggest source of income continued to be research grants and contracts at 40.2 per cent.

Between 2011-12, total expenditure increased by 6.8 per cent to £1,037.4 billion. The vast majority of its outgoings were staff costs including research, which accounted for 52 percent of its spend.

A further 16 per cent of its funds were spent on other operating costs, while 15 per cent went towards other research costs.

It also spent six per cent on premises and depreciation respectively, with five per cent going towards college costs.

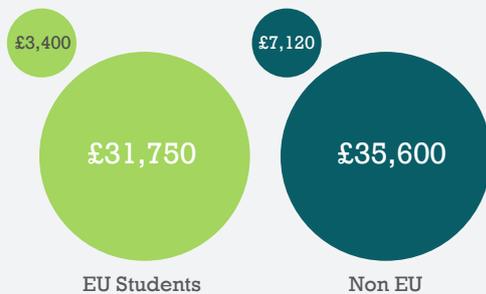
### London Metropolitan University

In line with most other universities across the UK, the vast majority of expenditure at London Metropolitan University, was staff costs which amounted to £76,165. This also includes the cost of research. The university also spent £38,028 on other operating expenses, with £8,548 spent on depreciation.

Regardless of their status in the country, all of these universities have one thing in common: their biggest costs were staff and research costs. This is hardly surprising. With institutions constantly striving to improve their offering to students, maintaining their status as the pinnacle of scientific and academic research is essential.

## Economic impact of foreign students

Between 2010-11, fees ranged from £3,400 to £31,750 for home and EU students, and from £7,120 to £35,600 for non-EU students.



Additional research by the Department for Business, Innovation & Skills (BIS) showed that the total value of UK education and training exports to the economy was £14 billion, with a projection that this could rise to £26 billion by 2025.

Foreign students help maintain the UK's research base especially in science, technology, engineering and mathematics. They account for over 40 per cent of UK postgraduate students, with 50 per cent of those doing full-time research degrees. The money they spend also sustains thousands of jobs across the economy, both in colleges and universities.



## Impact of higher fees on domestic students

The increase in tuition fees has had a measurable impact on many British students. Earlier this year, new research published by the Office For Fair Access revealed that there was a 17 per cent drop in the number of first-year undergraduates at UK universities in the inaugural year of higher tuition fees.

Overall, there was a 12 per cent fall in new, full-time undergraduate students. At the same time, there was a 19 per cent drop in part-time undergraduate students.

Clearly, the increase in tuition fees is making some students reconsider their decision to go to university.

However, many higher education institutions are taking steps to address this and improve access for disadvantaged students through grants, bursaries and scholarships.

For those who started university after 2012, student loans are also currently only repaid once the recipient starts earning over £21,000 a year. Those who earn below that amount, do not make repayments. Therefore, from that perspective, the actual impact of higher fees on domestic students is negligible compared to the perceived expense.



Full time undergraduate students



Part time undergraduate students

## Impact of universities

Universities benefit the UK economy in a number of ways. They help to boost employment levels within the country and contribute significantly to research and the educational attainment of students.

They also serve their local communities by providing facilities, talks and local jobs to people within their area.

Research is a particularly important area for many universities. Whether it is understanding the way viruses work, presenting new findings regarding stem cell research, or making other important sociological and scientific discoveries, higher education institutions are responsible for most of the important research carried out today.

It is therefore not surprising that most universities spent the vast majority of their budget on research and staff costs.

According to figures published by Universities UK, universities contribute billions to the economy every year.

Its statistics showed that between 2011–12 for example, the higher education sector made a substantial contribution to economic activity, and generated over £73 billion of output (both in terms of direct and indirect effects).

In addition, universities contributed 2.8 per cent of UK GDP, up from 2.3 per cent in 2007.

They also contribute a lot in terms of employment with figures showing that universities generated significant employment opportunities across the economy, and accounted for 2.7 per cent of all UK employment. This represents a rise from the 2.6 per cent seen in 2007 and is equivalent to 757,268 full-time jobs.

Furthermore, the higher education sector generated an estimated £10.7 billion of export earnings for the UK in 2011–12. Some £3.8 billion of this was from expenditure on fees and accommodation from foreign students, and a further £3.4 billion was from expenditure on goods and services bought off-campus by overseas students.

## Conclusion

The last few years has brought a number of challenges for British universities. The rise in tuition fees, combined with the economic downturn, and the reductions in the grants given to higher education institutions have all presented new obstacles for universities.

As more and more students - both domestic and overseas - have reconsidered their decision to enrol, universities have stepped up their efforts to offer better value for money to students and improve their services.

Whether this is done through spending more money on teaching and research, investing in facilities or creating more opportunities for disadvantaged students through bursaries and scholarship programmes, it is clear that universities are rising to the challenge.

Although the increase in tuition fees has undoubtedly helped to bring more income to higher education institutions, this has also coincided with a reduction in government funding.

As a result, more and more universities such as Oxford, have been forced to step up their fundraising efforts as part of a bid to continue offering world-class facilities to both students and the communities that they serve.

With higher education playing such a vital role in their local communities and contributing significantly to the economy, it is vital that more efforts are made at a governmental level to invest in and support universities across the UK.





### **About Nviro**

Nviro, is a contract cleaning company and specialist provider of cleaning, hygiene and facilities management services with a strong track record of service delivery spanning over 20 years.

A regional contract cleaning company, every day we clean 1,400,000sqm of floor space for more than 130 public and private sector organisations covering 600 sites across London and the south of England.

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