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Higher Education Finance Directors Survey 2015

"Costs out...students in"

Contents

About this publication

In developing this publication, Deloitte LLP has combined perspectives from a number of Finance Directors of Higher Education Institutions with its own expertise and experience in local public sector delivery and education reform.

Foreword

Welcome to our Higher Education Finance Directors Survey. This is our third survey of the Higher Education sector, which has canvassed the views of Directors of Finance, Chief Finance Officers and those with a senior view of the financial operations of their institutions.

Our previous surveys were titled "Uncertain Optimism" (2013) and the "Prudence Paradox" (2014) – reflecting a sector in a period of unprecedented change and transition. Within our 2015 survey these views have continued. We observe a downward trend in optimism regarding the sector and a continued upward trend in uncertainty. This may be reflecting, in the interim (and subsequently alleviated), ongoing uncertainty arising from the forthcoming Higher Education Green Paper, to be published in Autumn 2015.

In this survey, we have canvassed the views of financial leaders from across the sector and taken a snapshot in time of their perspective on a range of issues and priorities. As well as including the questions we asked in 2013 and 2014 we have added a range of new topical questions to gain greater insight into the issues facing university finance directors, reflecting both changing priorities and the student number regime.

We would like to express our thanks to those who took the time to complete the survey, and to the British Universities Finance Directors Group (BUFDG) for their support in facilitating completion by its membership.

It is our intention to continue to survey the sector on an annual basis to track responses over time. This year we changed the timing of the survey to follow the general election, and would like to thank the 37 respondents who participated. For 2016 we will return the survey to its usual April timeline.

We would like to increase the number of respondents in the future and welcome your comments, ideas and feedback, so that we can ensure the reports remain relevant, insightful and of value to you and your institution.

Julie Mercer
Partner
Deloitte Higher Education

Key messages

Finance Directors (FDs) now seeing cost reduction as a key priority.

Last year we commented that Higher Education Institutions (HEIs) were facing a number of pressures and challenges – in 2014 fee levels were set to remain at £9,000 for the foreseeable future (the Teaching Excellence Framework and its impact on fees had not yet been considered) whilst increased expenditure was being driven by wage inflation as well as the need to support the student experience and fund improvements to teaching facilities. In 2014 74% of respondents anticipated increased costs, a trend that has continued this year, with a rise to 79% of Finance Directors (FDs) now seeing cost reduction as a key priority.

There is a relatively risk averse tone throughout responses driven by what many FDs see as a rising level of uncertainty post election. This may shift following clarification of the Government's strategy with the publication of the Green Paper in Autumn 2015, although there may be an ongoing 'wait and see' approach to developments. The introduction of a Teaching Excellence Framework and any potential linkages to fees and student recruitment may further influence risk averse behaviour in the short term.

Comparisons with the corporate sector are telling – whilst the general direction of travel of responses is the same, university FDs are less positive about taking risk onto the balance sheet than their corporate counterparts and have a much higher perception of uncertainty than the corporate sector. In addition, university FDs are much more definitive than their corporate counterparts that sector surpluses will decline when compared to corporate profits, despite the view that revenues are to increase. This may reflect the consideration that the marginal revenue from student fees remains fixed whilst costs continue to rise, with the consequent strategic focus on increasing the volume of student numbers to meet these fixed costs.

This is also potentially reflected in the brakes starting to be applied to capital expenditure – whilst this is still a key strategic priority for 2015 the commitment to continue to increase spending is not as marked – this is either a result of the general risk averse approach or reflective of a sector taking stock following recent capital spending. Across other strategic priorities, we have noted the generally positive tone with regards to student recruitment and the changes to the student number control regime. Whilst this is positive in terms of domestic and EU students, it appears that international student recruitment, and government policy in this area, are keeping FDs awake at night. This is also reflected in more general international activity, which is also scaling back as a priority area.

So, what does this tell us? Despite the bedding in of the fees regime and a clear majority government, the sector appears to be more uncertain and risk averse than in the last two years. There is considerable concern as to how the expected rising costs are to be addressed; although the need to deliver a high quality student experience is now embedded as a key strategic focus for FDs. The key question now appears to be how this will continue to be funded, especially in an environment where the 'cost to serve' will continue to increase, but the price being charged does not. Whilst there are a number of individual courses and teaching methods which will continue to be profitable, there remains a funding challenge with regards to equipment and teaching intensive courses in their current form.

In addition, this level of uncertainty potentially acts as a barrier to innovation; with many institutions considering a short to medium term approach to teaching and servicing their current student body there appears to be a reduced focus on any long term considerations for the ongoing global eminence of the UK Higher Education system.

Section 1: Increasing uncertainty

Levels of external financial and economic uncertainty facing HEIs have continued to increase in 2015. This could reflect the impact of government policy and the expectation that surpluses will decline over the next 12 months. The uncertainty is far higher than that of their corporate counterparts.

This year we have again seen another increase in the general level of financial and economic uncertainty amongst our respondents. All of those surveyed now believe there is an above normal level of uncertainty, with almost a fifth now rating the level of external uncertainty as "very high".

This uncertainty manifests itself in a belief that costs will increase and surpluses decrease, despite a general confidence that income will increase, although each of these measures are significantly less certain than we see in the corporate sector.

Increasing uncertainty could point to concerns regarding the status of UK Higher Education internationally. Home Office policy is increasingly unpopular and regarded by respondents to negatively impact institutions' ability to recruit international students. There is a clear view that costs are continuing to rise and cost inflation will soon remove any advantage resulting from the increase in the fee cap. Other policy changes, such as the removal of student number controls may also contribute, although our survey references that HE FDs appear to be more optimistic about the impact of this policy than last year.

The levels of uncertainty amongst HE FDs appear to be far higher than their corporate counterparts, 57% of whom rate the general level of external financial and economic uncertainty as above normal. Whilst a consistent upward trend across both corporate and HE FDs is observed, the 12 month increase across Higher Education is more marked. This could reflect the different drivers of uncertainty across the sectors.

Figure 1. How would you rate the general level of external financial and economic uncertainty facing your HEI?

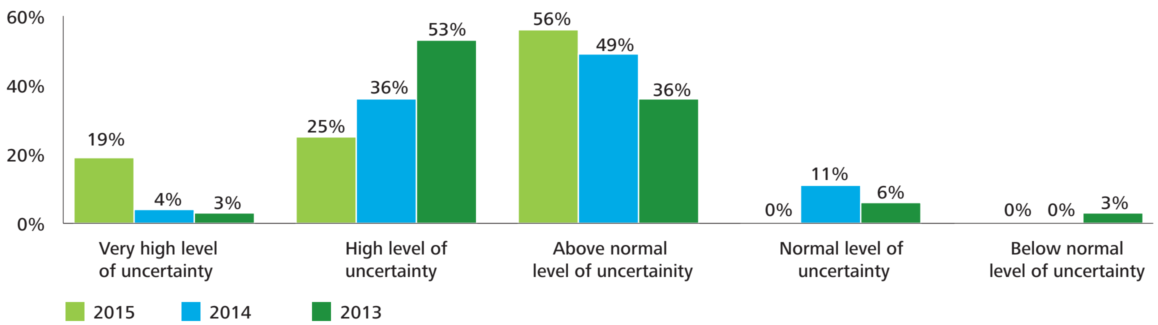
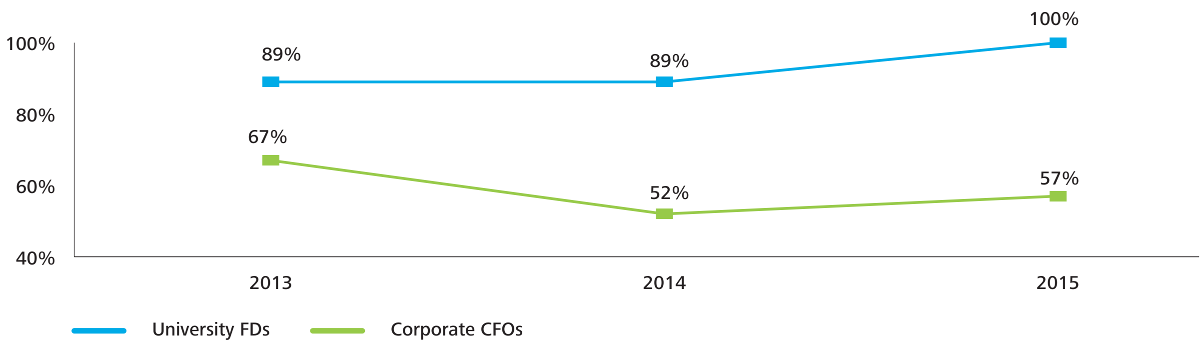


Figure 2. How would you rate the general level of external financial and economic uncertainty facing your HEI?



The uncertain tone of HE FDs is also reflected in their prediction that a number of key financial metrics will move in an adverse direction over the next 12 months. We also see a rather more negative picture being painted by HE FDs compared with the corporate CFO Survey respondents.

Declining surpluses

On average, HE FDs felt there is a 69% chance of surpluses declining over the next 12 months compared to 22% in the corporate sector – a considerable differential when taking into account the additional revenue generated since the change in fees. Given the view that surpluses are expected to decline, the inference is that this decline is attributable to increasing costs – in 2014 a key strategic priority for FDs was reducing costs, which appears to be a recurring concern.

Almost 90% of respondents feel there is a more than 50% likelihood of surpluses decreasing, while corporate CFOs are more optimistic, with only 8% of respondents predicting a greater than 50% chance of declining profits.

The data shows some variance by region, with Scottish and London FDs relatively more pessimistic about UK HEI surpluses over the next 12 months. This is potentially reflective of the number of HEIs in London constrained by size and due to the costs of property, are unable to take advantage of the removal of Student Number Controls. Within Scotland this may reflect a perspective driven by a different policy landscape.

Fig 3. Likelihood of a year on year decline in UK HEI surpluses/UK corporate profits over the next 12 months

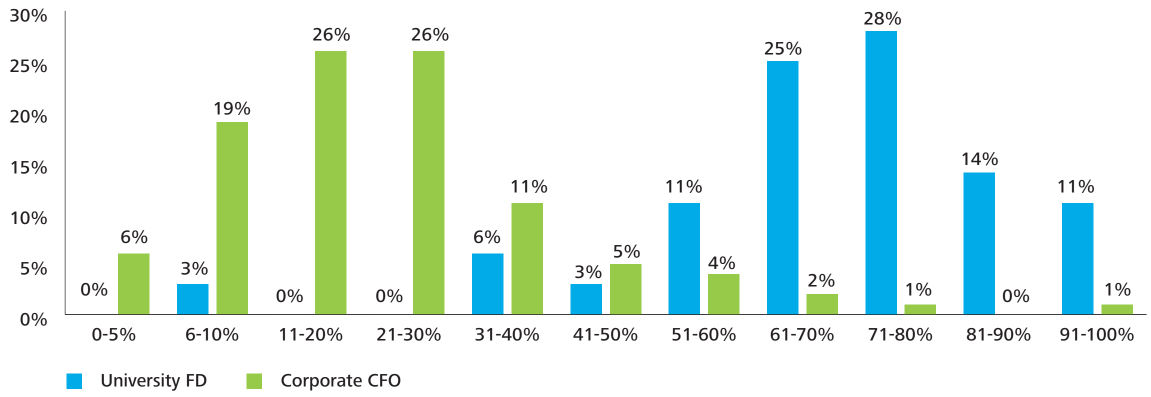
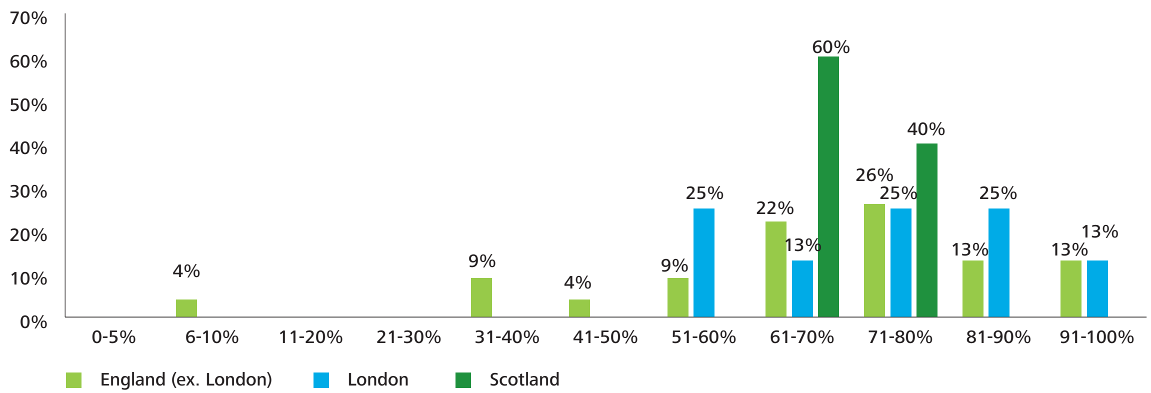


Fig 4. Likelihood of a year on year decline in surpluses over the next 12 months by HEI location



Rising revenues

Despite the general tone of caution our respondents are confident that revenues will increase over the next 12 months. The increase in revenues is particularly true of those at research-intensive institutions, where 80% thought revenues would increase somewhat, potentially driven by clarity regarding the outcome of the Research Excellence Framework.

Those at teaching focused institutions were slightly less upbeat, with 62% expecting revenue growth. This may be due to concerns regarding the increased competition for undergraduate students with the removal of Student Number Controls.

In addition, HEIs have been looking to diversify their income sources over a number of years through increases in partnerships, professional training and philanthropy and alumni engagement. Research intensive HEIs have typically been stronger in developing income streams through philanthropy to fund specific projects and/or positions, as well as engaging with their former students, which may drive the more positive view of revenue.

Faster rising costs

Continuing the theme of previous years, the majority of those surveyed (72%) expect their costs to increase over the next 12 months, with only 6% expecting them to decrease. The proportion expecting them to rise significantly has edged up to 9%. Responses to this are explored further in section 5.

Fig 5. How do you expect revenues to change over the next 12 months?

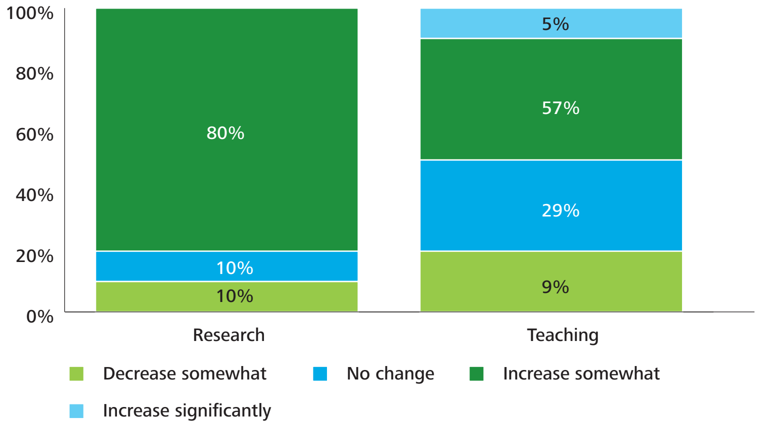
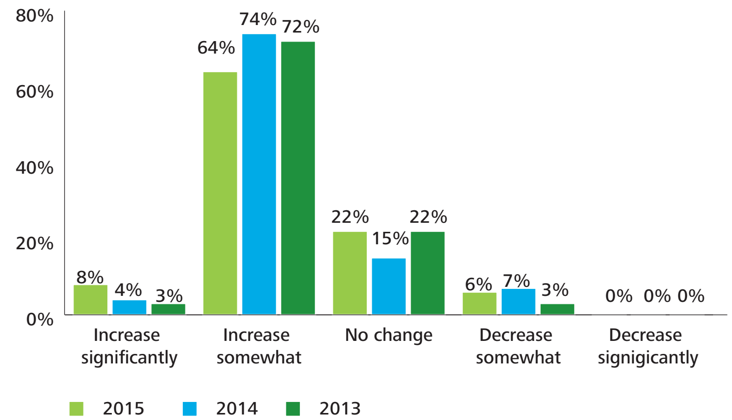


Fig 6. How do you expect operating costs to change over the next 12 months?



Reducing operating margins

These increased costs are expected to precipitate a reduction in operating margins and diminishing cash balances. 58% of respondents predict a decrease in operating margins with only 17% expecting margin growth. This is a more pessimistic view than in 2014 where 47% of respondents predicted a reduction in operating margins and 24% predicted margin growth.

Again the overall HE FD view contrasts starkly with the corporate CFO's view, where overall respondents expect operating margins and cash balances to increase by 25% and 11% respectively.

Fig 7. How do you expect the following to change over the next 12 months?

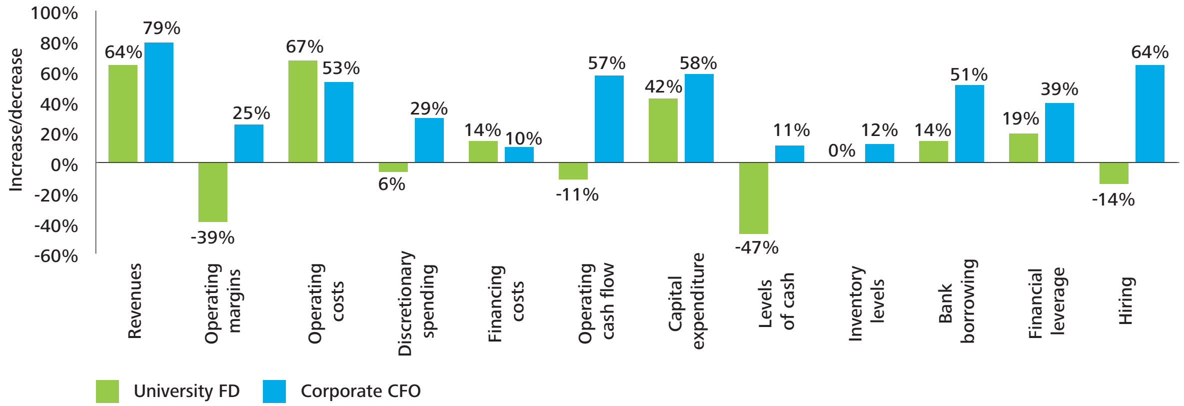
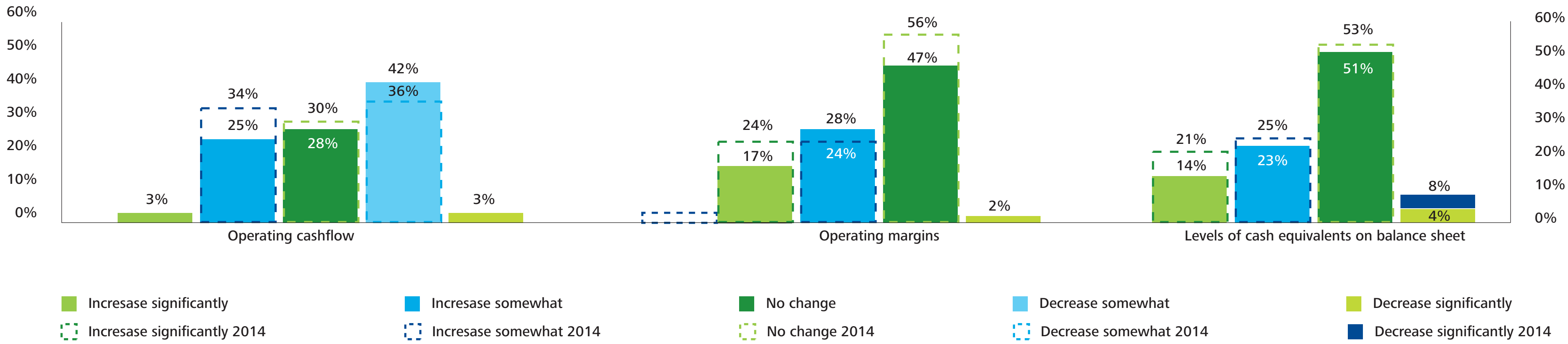


Fig 8. Top 3 Decreases 2015 & 2014



Section 2: Reduced risk appetite

Overall appetite amongst HE FDs for taking greater risk onto their balance sheets is low, despite credit being cheaper and more readily available than previous years. Growth in capital expenditure is expected to slow significantly compared to previous years.

Increasing doubts around the external forces impacting the sector have heightened caution amongst our respondents. The majority (61%) feel that now is not a good time to be taking greater risk onto their balance sheets – this is higher than both the corporate sector where 45% regard now as not a good time to take greater risk on to the balance sheet and the HEI figure from 2014 when 57% regarded it as not a good time to take greater risk on to the balance sheet.

If this level of caution influences behaviour it could lead to a stifling of innovation and investment, reinforcing the status quo. Getting the right balance between managing or reducing costs while investing in new initiatives to support changing market pressures will be the challenge if, in the medium to long term, the UK Higher Sector is to compete on the global stage.

This rather more cautious view is taken in spite of a climate where credit is cheaper and more readily available. In particular the percentage of respondents saying new credit was now very cheap has surged from 2% to 17% in the last year. With interest rates unlikely to increase before well into 2016, this position is expected to continue.

Fig 9. Is this a good time to be taking greater risk onto your balance sheet?

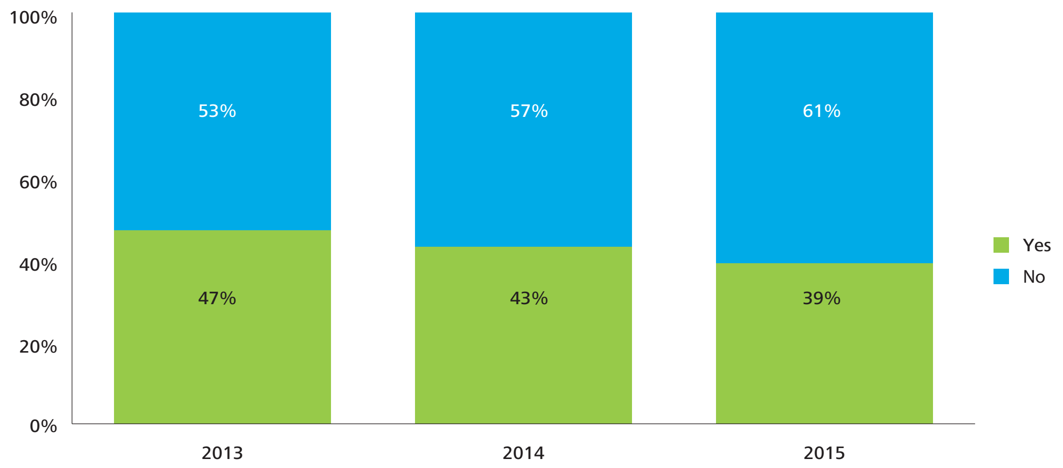


Fig 10. How would you rate the overall cost of new credit for HEIs?

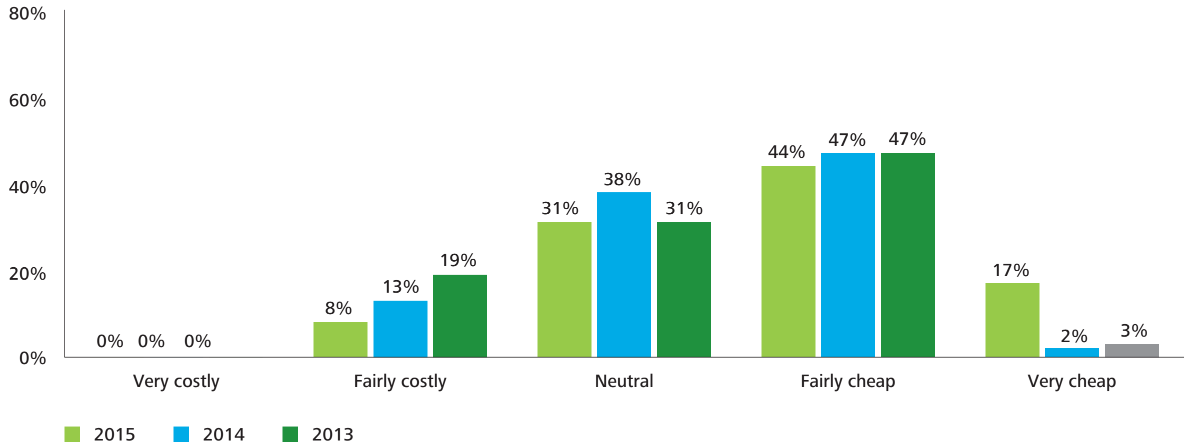
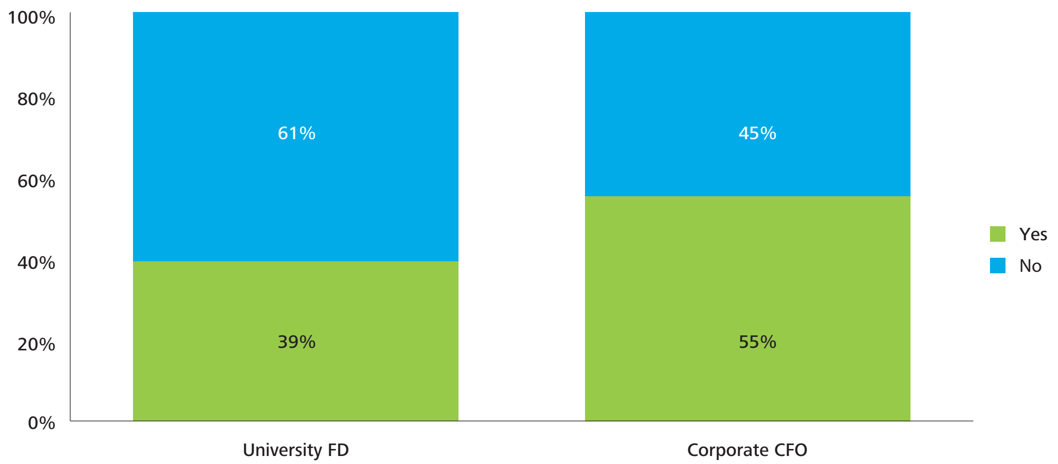


Fig 11. Is this a good time to take greater risk on your balance sheet?



With regards to credit cost and availability FDs at HEIs held similar views to those in the corporate sector, albeit less upbeat. This has been the case since our survey began in 2013, with perceptions on credit trending positively as the spectre of the 2008 financial crisis dims.

Comparing prediction for credit demand in 2014 with the actual credit demanded in the last 12 months we see that the majority of respondents saw no change in their demand for credit despite having predicted an increase last year. This appears to reflect the reduction in risk appetite across the sector and the wait and see approach being adopted by FDs.

The outliers are of note, with an increase in the percentage of FDs who saw the demand for credit increase significantly when compared to predicted, and those who saw demand decrease significantly. Two forces may have potentially shaped this.

Firstly the results of the Research Excellence Framework may have driven a need to increase credit where income was reduced, or conversely to reduce the demand for credit based on a better than expected outcome.

Secondly, the period to the general election may have impacted investment. Given the level of uncertainty and aversion to risk highlighted earlier, it may be that FDs have scaled back on demand for credit to adopt a "wait and see" approach during 2015, only increasing credit to fund core and existing activities.

Fig 12. Relative changes in the overall cost and availability of new credit for corporates and HEIs

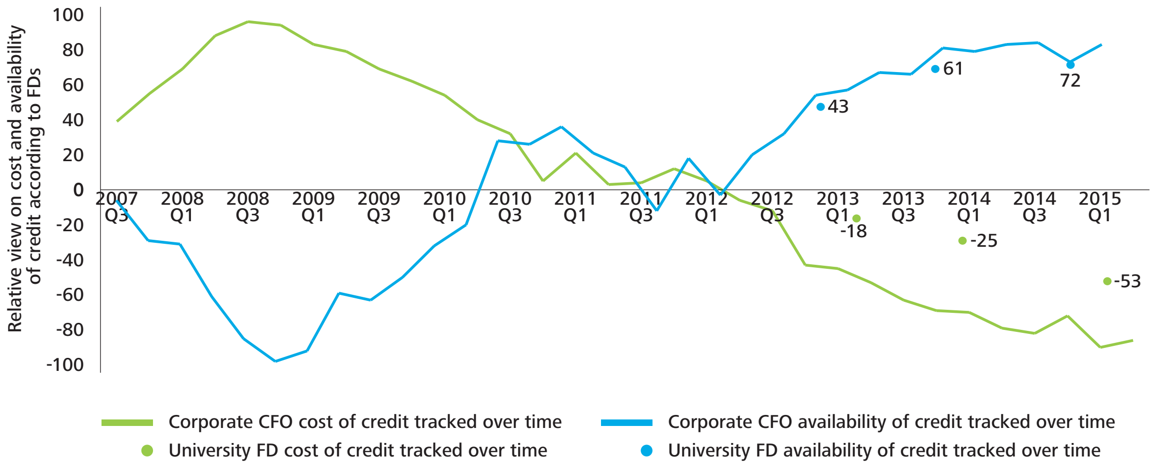


Fig 13. Comparison of last year's predicted demand for credit vs. this year's actual demand for credit

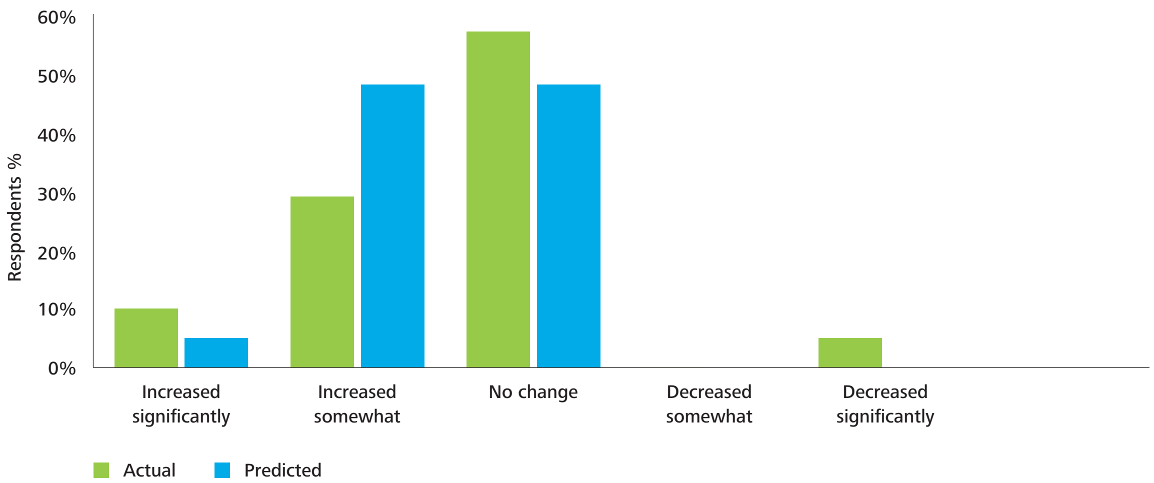


Fig 14. How do you expect capital expenditure to change over the next 12 months?

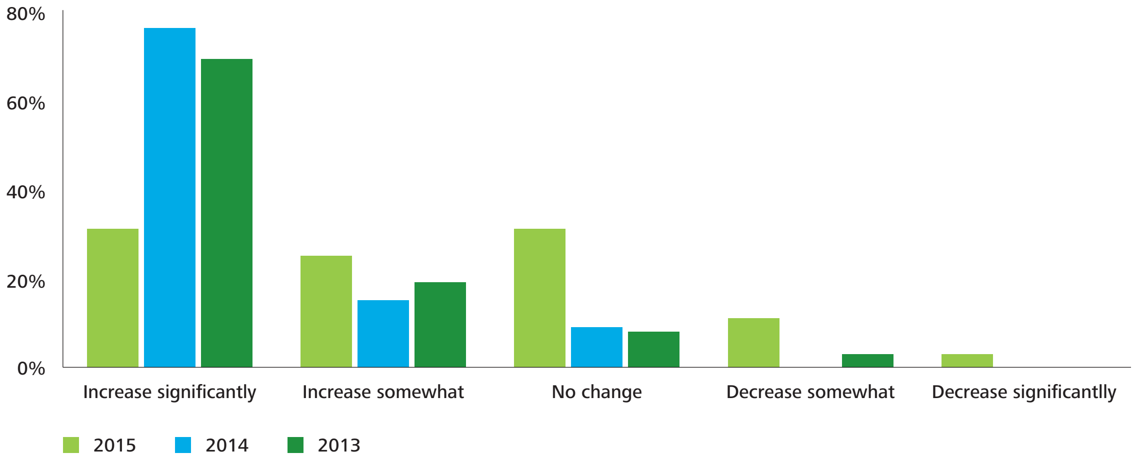
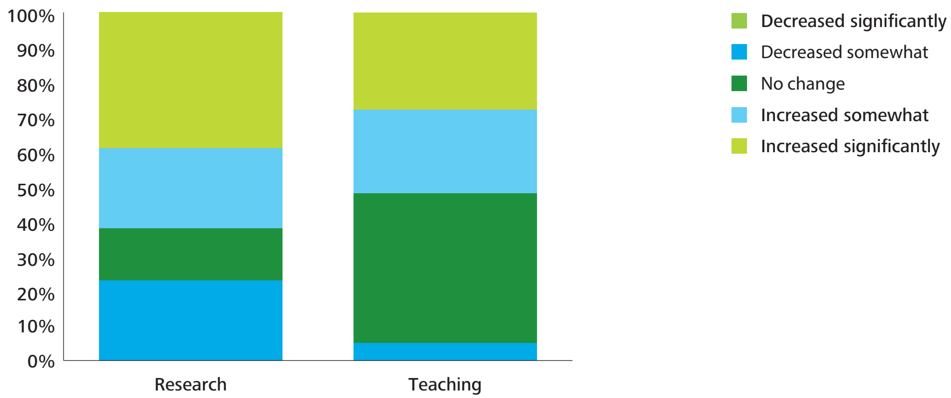


Fig 15. How do you expect capital expenditure to change over the next 12 months?



In the 2013 and 2014 surveys our respondents signalled that capital expenditure would be a key priority for their institutions. This year's responses indicate that HE FDs are beginning to apply the brakes to these previous high increases in capital expenditure. Now only 31% expect significant increases and a further 25% expect capex to increase somewhat. This is significantly less than in 2014 when over three quarters of respondents expected a significant increase in capex.

Whilst those predicting an increase still outnumber the 14% who believe there will be a decrease in capex, it certainly points to a tempering of the bullish mood of the last two surveys. This is not necessarily a surprise considering many institutions have spent the last few years responding to policy signals stemming from the Browne Review in 2010, and potentially now have less headroom for further increases.

We can see that a particularly high proportion of teaching-focused institutions expect to see no change in the level of capital expenditure, showing signs of a move towards stability in spending. This may be reflective of the general financial uncertainty and/or that investment in teaching facilities has already been committed, with investment being maintained in order to support Universities infrastructure. In addition, consideration of the future Teaching Excellence Framework may be driving ongoing investment in teaching facilities, as well as the continued drive to increase student recruitment. We are also seeing new innovative models including partnership approaches aimed at reducing initial capita outlays and aligning investment with associated income/revenue streams.

Section 3: Prioritising the student experience

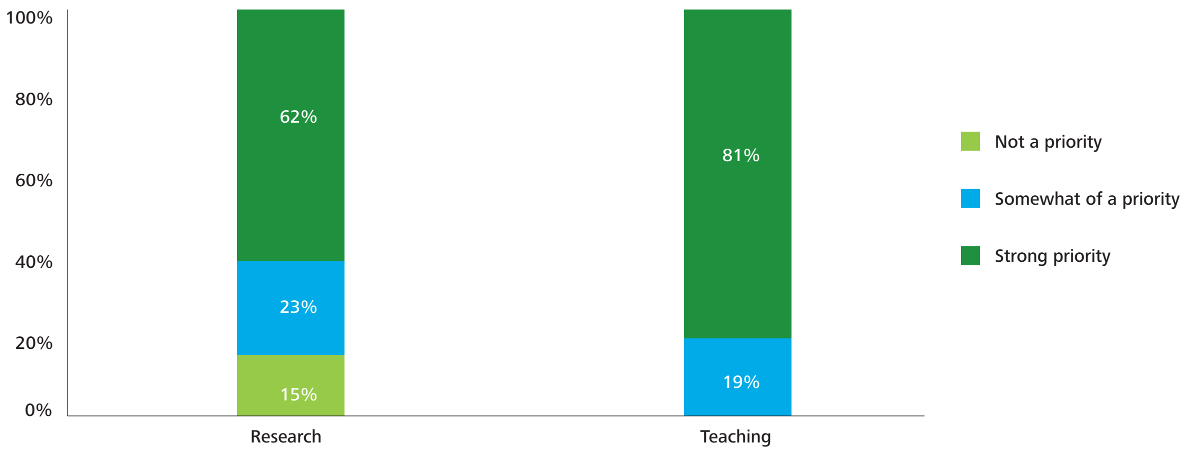
Enhancement of the student experience was the number one priority surveyed by quite a margin, ahead of cost reduction and estates investment.

The rise in student expectations has been a pervasive theme across the sector since the advent of the £9,000 fee cap. As a result of the shift in funding away from the state towards the individual, students are increasingly likely to see themselves as consumers. They expect a measurable return on their investment in the form of academic quality, employability and the facilities offered to them by universities. These expectations are also stoked by the perception amongst many students that universities have more money to spend as a result of the increased sticker price.

When faced with increased student expectations along with an increasingly competitive environment, enhancing the student experience is increasingly becoming a necessity for universities. Our survey echoes this sentiment, demonstrating that enhancement of the student experience is a priority for 94% of the FDs polled. It was the number one priority surveyed by quite a margin, with 69% citing it as a strong priority – ahead of cost reduction and estates investment, each with 56%. The need to enhance the student experience is felt most starkly by those at teaching-focused institutions, all of whom said it's at least somewhat of a priority, with the vast majority (81%) rating it as a strong priority.

Fig 16. Percentage of HE FDs reporting enhancing the student experience as a priority

Fig 17. To what extent is enhancing the student experience a priority for your business over the next 12 months?



> "In my experience, every university has student experience as a strategic risk – however, the specifics of this risk are often not captured. For instance – who are we really competing with and what aspects of the student experience and/or NSS will really hit our numbers? Also, student experience strategies are not driven by what the data tells them. – Universities could utilise Analytics to use this data in real time to drive their approach in addressing this risk."

Richard Evans – Director, Risk Advisory

Fig 18. Strong priorities for HE FDs

Key Priorities	% who see as a strong priority
Enhancing the student experience	69%
Investment in estates	56%
Reducing costs	56%
Increasing international student numbers	44%
Investment in information	44%
Increasing research funding	39%
Technology	39%
Understanding the effectiveness of the finance function	36%
Increasing UK Student Numbers	33%
Increasing philanthropic income	33%
Addressing digital technology in teaching	31%
Introducing new products/services or expanding into new markets	31%
Improving the effectiveness of the finance function	28%
Increasing the student entry tariff	25%
Expanding international activities (e.g. overseas campuses)	19%
Increasing corporate partnerships	14%
Developing social media strategies	14%
Reducing fraud	11%
Expanding by acquisition/merger	11%

The potential contradiction of having to spend on enhancing the student experience whilst being concerned about cost and the uncertainty of the external environment was a key theme of our 2014 survey.

The student experience is a key challenge for every university, with considerable focus on what this means to the institution and how it can be continually improved. What will be particularly interesting will be to observe whether strategies to recruit and retain students will differentiate further between institutions, especially given the changes in the student number control regime.

It is surprising to see that social media strategies are relatively low in terms of FDs "strong priorities" agenda given the linkage, access to and pervasiveness of technology for both current and future students. However, we recognise that across wider priority areas technology is relatively high as a focus area and that the low focus on social media may be reflective that addressing social media issues is a challenge outside of the FDs remit and the priority to address long term underinvestment in core systems and infrastructure first.

International activity such as investment in overseas campuses has also reduced in its relative priority since 2013 and 2014. We have seen some challenges manifest themselves in developing overseas campuses and partnerships, and a renewed focus on the domestic student market in response to the relaxation of student number controls.

Section 4: Technology and students

Technology was the highest priority for HE FDs, supplementing the recruitment of students.

When considering strong and somewhat of a priority responses, technology becomes the highest priority. This is the first time this has appeared as the top priority when combining both categories, showing that this is an increasing focus for universities, supported by the investment in information and addressing digital technology in teaching.

There is significant clustering around the top 9 priorities with increasing student numbers, technology and infrastructure, alongside reducing costs and increasing income streams showing clear delineation from the rest of the priorities noted in our survey.

Investment in estates remains cited as a strong or somewhat of a priority to 94% of those surveyed and ranked the second strongest priority with 56% seeing estates investment as a strong priority for their institution.

The ongoing focus on international student numbers is consistent with previous surveys. This is key to addressing the cost issues raised as the fees are higher than in the home/EU market. This also potentially reflects the high priority focussed on postgraduate student recruitment.

Whilst increasing philanthropic income continues to be a key priority, this is less so than in previous years. This may be driven by the short to medium term focus on increasing student numbers – given 100 additional students increases revenue by £900k, as well as the wider associated spend by those students, FDs may see this as having much greater near term financial impact than longer term philanthropic investments.

Fig 19. Key priorities for HE FDs

Ranking	Key Priorities – Strong and somewhat of a priority	% strong and somewhat of a priority
1	Technology	97%
=2	Enhancing the student experience	94%
=2	Investment in estates	94%
=2	Reducing costs	94%
=2	Increasing international student numbers	94%
=2	Investment in information	94%
=2	Increasing postgraduate student numbers	94%
8	Addressing digital technology in teaching	89%
=9	Understanding the effectiveness of the finance function	83%
=9	Increasing philanthropic income	83%
=9	Increasing research funding	83%
=9	Introducing new products/services or expanding into new markets	83%
13	Improving the effectiveness of the finance function	75%
14	Increasing undergraduate student numbers	72%
=15	Increasing UK student numbers	69%
=15	Developing social media strategies	69%
17	Increasing corporate partnerships	64%
18	Reducing fraud	47%
=19	Increasing the student entry tariff	39%
=19	Expanding international activities (e.g. overseas campuses)	39%
21	Expanding by acquisition/merger	8%

Section 5: Focus on cost reduction

Fig 20. To what extent is reducing costs a priority for your business over the next 12 months?

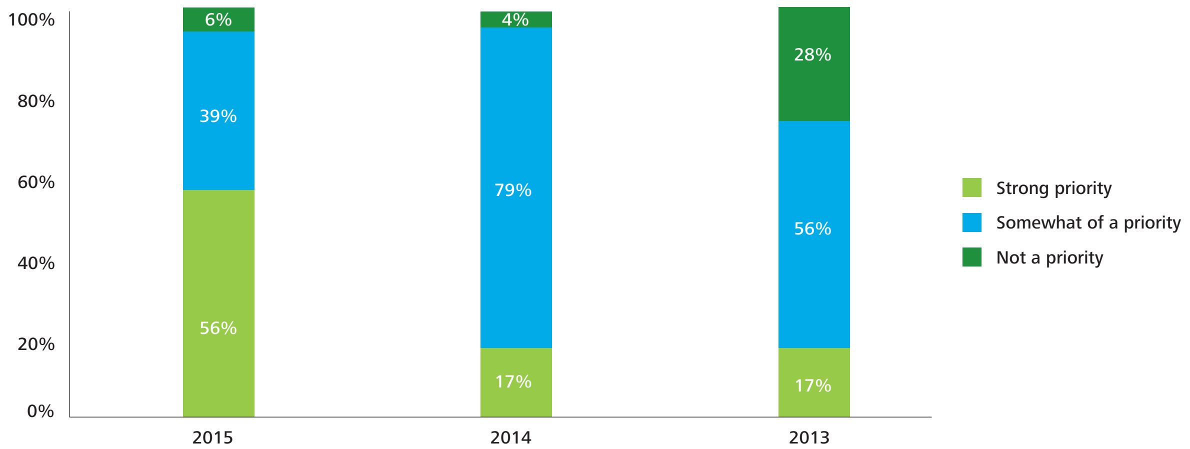
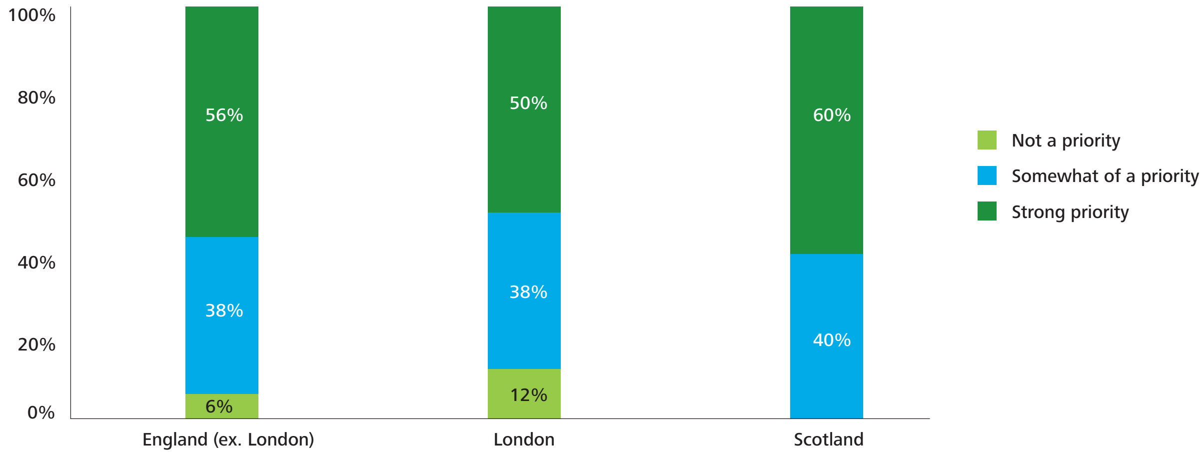


Fig 21. To what extent is reducing costs a priority for your business over the next 12 months by region?



Focus on cost reduction was the third strongest priority of HE FDs.

In response to the Diamond Review and as the sector becomes increasingly less reliant on public sources of funding, HE FDs have steadily increased their focus on cost reduction as a priority. What we see in the sector is a focus on reducing the cost of administrative activities to invest more in the front line and enhancing the student experience.

This is likely to continue with the injection of increased competition into the system from the removal of Student Number Controls. Between 2013 and 2014 we saw a rise in the proportion seeing cost reduction as somewhat a priority from 56% to 79%. This year the focus has intensified, with those seeing it as a strong priority increasing from 17% to 56% – the largest relative rise across all priority areas.

Overall, cost reduction is joint second in the list of strong priorities for our FDs and follows the overwhelming sentiment that operating costs are set to rise over the next 12 months. Our regional analysis of the data demonstrates that this picture is consistent across geographies.

The tone amongst the University sector is more cost focused than corporate CFOs who are increasingly shifting their efforts towards expansionary activity. This follows a significant amount of cost reduction amongst corporates in the wake of the global financial crisis and perhaps signals that they are beginning to see diminishing returns on cost reduction activity.

University FDs, on the other hand, clearly indicate there is still some way to go in reducing costs across the sector. This is not to say the sector hasn't already made strides in the area of efficiency – savings are running at twice the level they were in 2008, and actual efficiencies have exceeded targets since 2007. (Deloitte – *Making the Grade, 2015)*

One of the areas identified for cost reduction was in back office cost sharing amongst HEIs, where 72% of respondents indicated there were savings to be made, up from 62% in 2014. The attitude towards back office cost sharing is consistent across the research and teaching-focused institutions surveyed, but there is some disparity when comparing responses regionally with 78% of those surveyed from England (excl. London) stating there are cost savings to be made, compared with 63% in London.

Where cost sharing may work for universities is where the institutions share a geographic location or are not in direct competition with each other. Looking forwards, developments in technology make the gains from back office cost sharing more attractive and less constrained by geographic factors.

Fig 22. To what extent is cost reduction a priority for your business over the next 12 months?

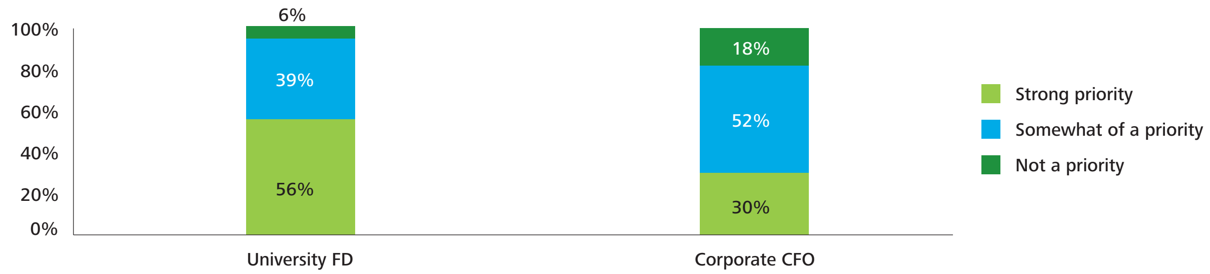


Fig 23. Do you believe there are significant savings to be had from back office cost sharing?

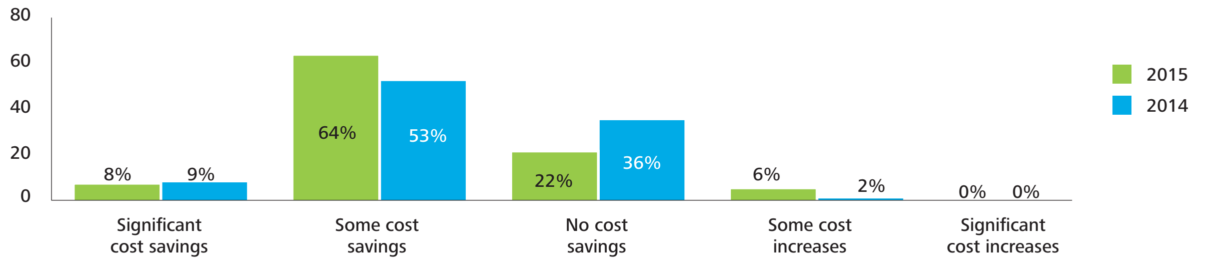
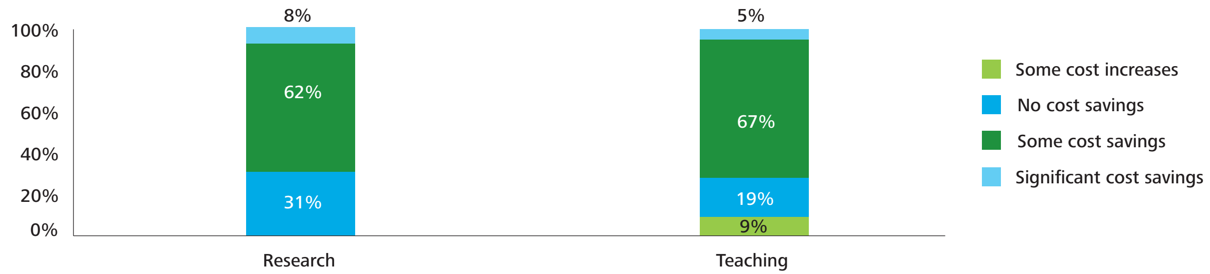


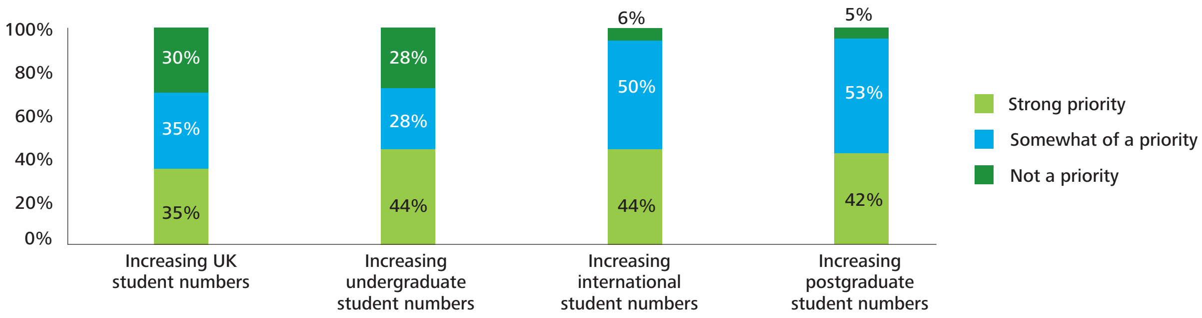
Fig 24. Do you believe there are significant savings to be had from back office cost sharing?



Section 6: Continued focus on attracting international students

International students are a key areas of focus for HEIs looking to grow their student numbers.

Fig 25. To what extent are these a priority for your business over the next 12 months?



"While the majority of universities see increasing their student numbers as a priority, responses suggest that the focus will be growing the international student segment for both undergraduates and postgraduates. Given the potential for higher fee levels from these students, we would expect to see income from these students to become increasingly important for universities."

Haris Irshad – Deloitte Consulting

In terms of student number growth, international students are seen as a key area of focus for our respondents with 94% of our respondents viewing growing this as a strong or somewhat of a priority and 44% seeing this as a strong priority. Although our opening points highlighted a reducing focus on international activities as a result of government policy which could reduce the perceived attractiveness of the UK as a higher education destination, external studies continue to show the UK higher education sector as being highly regarded internationally.

The latest data from HEFCE illustrates an increasing reliance on international tuition fee income. The income generated through tuition fees from international (non-EU) students increased by 10% (£295 million) between 2012-13 and 2013-14 at English HEIs. Much of this can be explained by an increase in fees rather than a growth in the overseas student population, which only rose by 1.7%. (HEFCE, Higher Education in England: Key Facts, July 2015)

The fact that growing undergraduate student numbers is a strong priority for 33% of our respondents, reflects the increasingly competitive mood amongst a number of institutions in the undergraduate student market as we have referenced throughout the survey. This comes at a time when the sector in England faces a demographic challenge, with the number of 18 year olds set to fall by 75,000 between 2015 and 2020. Whether this figure can be counteracted by the removal of the student number cap, and any increase in the participation rate, is up for debate. However, the data shows that not all institutions are focused on growth in this area. More than a quarter (28%) do not see this as a priority area.

As we enter the first intakes of students who are considering post graduate education under the £9,000 fee regime there is a real focus on increasing postgraduate student numbers amongst respondents. In delivering this strategic aim it will be key to establish how to fund and differentiate their offerings.

When analysing the institutional split of responses, both research and teaching-led institutions have indicated a broad ambition to grow their student populations. However, those with a teaching focus are more inclined to see this as a strong priority (49%) compared with FDs at research-led universities (33%).

Whilst a number of institutions have expressed a desire to grow their student populations, this growth is likely to be on domestic campuses. International expansion, for example through overseas campuses, appears to be far less of a priority for those surveyed this year – down from 78% in 2014 to 39% now.

In addition expansion by M&A is not a priority for 92% of this year's respondents. This is consistent with previous surveys.

Fig 26. Strategic focus on growing overall student populations

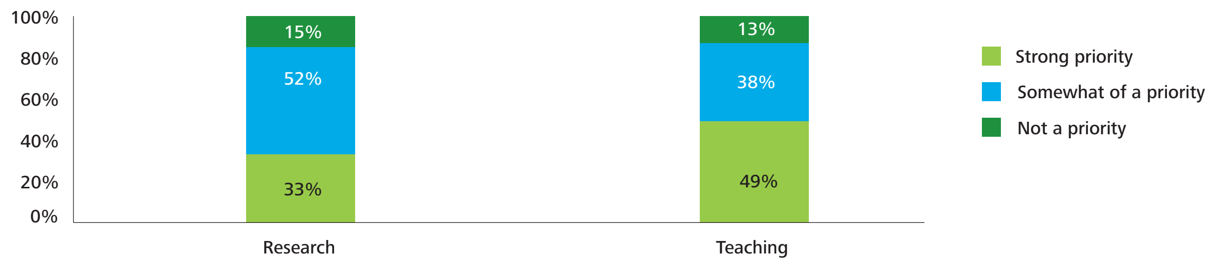


Fig 27. Lowest priorities

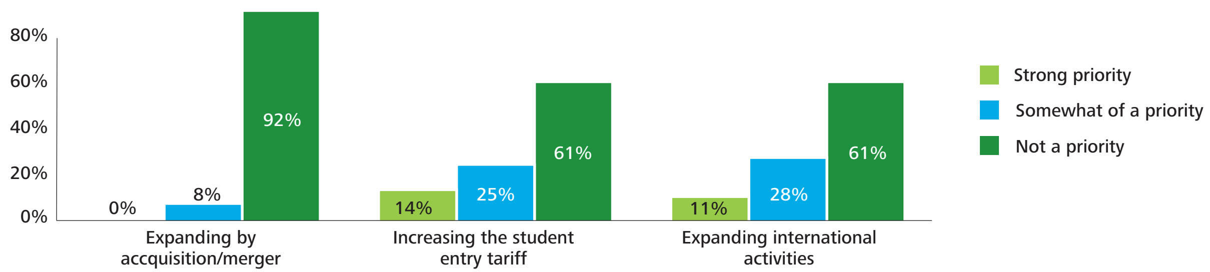
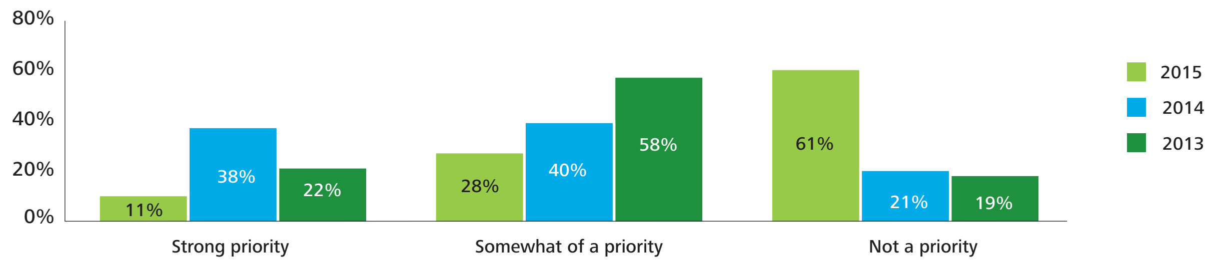


Fig 28. Expanding international activities



Section 7: Reaction to government policy

Overall attitude to the removal of student number controls is positive, with more HEIs believing it will have a positive impact and fewer feeling it will have a negative impact.

Fig 29. How do you believe the government policy on the removal of the student number controls will affect your institution/the sector?

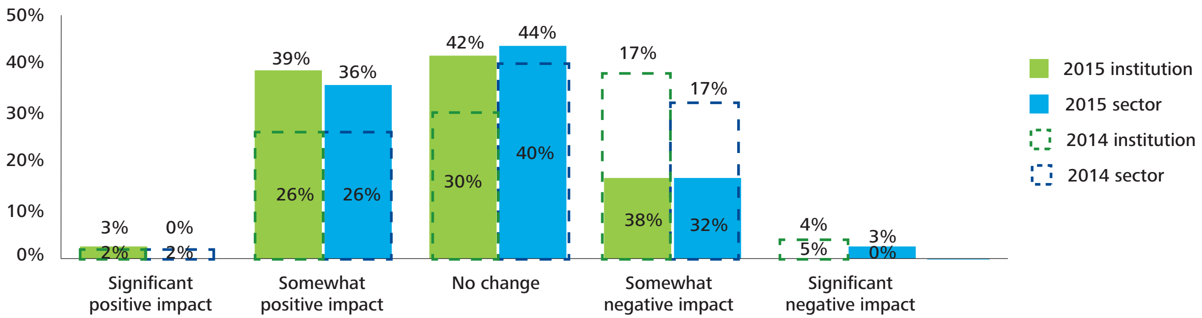
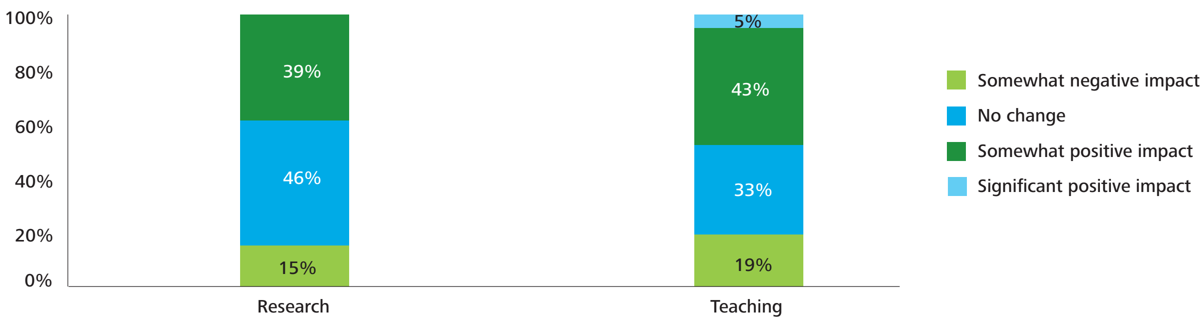


Fig 30. How do you believe the government policy on the removal of the student number controls will affect your institution for 2015/16?



This year's survey results show that FDs appear to be more optimistic about the government's Student Number Control policy, but are increasingly alarmed by its Visa policy.

One-fifth of respondents feel the government's impending removal of Student Number Controls will negatively impact the sector as a whole, down from 32% in 2014. Even less (17%) feel the removal of controls will negatively impact their own institution, down from 42% in 2014.

Those believing the policy will have a positive impact on the sector as a whole has increased to 36%, from 28% the year previous. At their own institutions, FDs are slightly more optimistic, with 42% thinking the cap removal will have a positive impact.

This was broadly consistent across institution types, with respondents from both Research and Teaching Universities feeling it will have a positive impact on their institution.

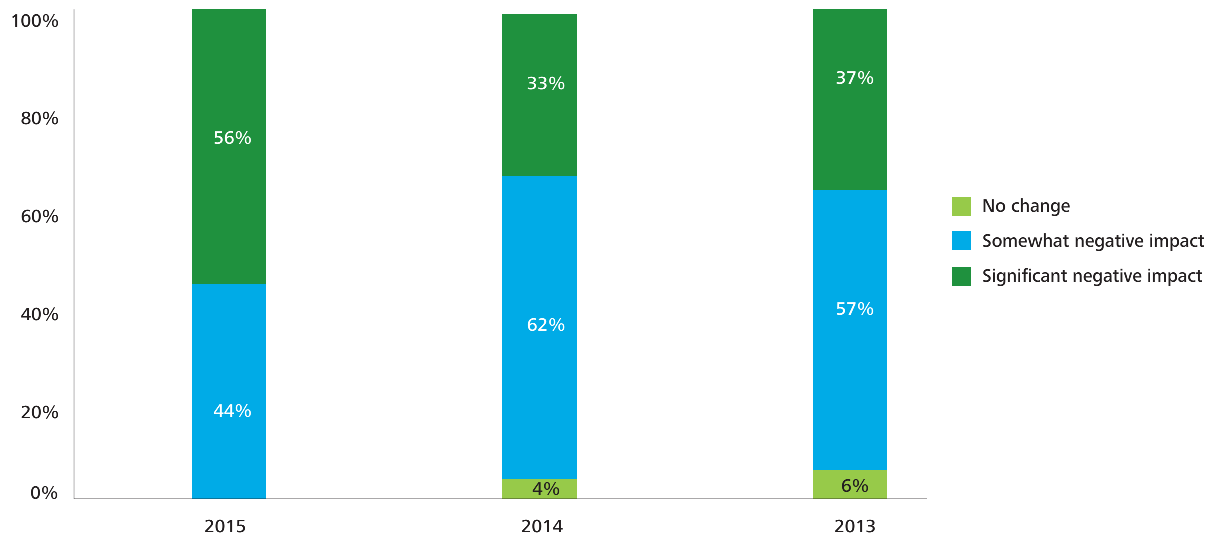
However, there continues to be an overwhelmingly negative view on the subject of government policy and its impact on international recruitment. All of our respondents said that government policy is having a negative impact on international recruitment across the sector, with 56% believing it has a significant negative impact, up from 33% last year.

This will be of concern to 90% of the FDs we surveyed who see growth in the international population as a priority.

"Student migration is a key contributor to the UK economy. The UK has world renowned schools and universities and in order to attract the brightest and the best international students, student immigration policy needs to remain competitive."

Jurga McCluskey, Partner Head of UK Immigration

Fig 31. How do you regard the impact of government policy on International Student Recruitment across the sector?



The ten takeaways

1. There is an increase in the levels of uncertainty compared to 2013 and 2014 despite, (or because of) the definitive election result and in the period prior to the publication of the Green Paper.
2. There is a clear expectation that costs are set to increase with cost reduction an increasing priority for FDs. With increasing revenues this is seen as the key lever for managing surpluses.
3. There is an increasingly risk averse tone from FDs reflecting the levels of uncertainty and not withstanding the cost and availability of credit.
4. Technology is an emerging area of strategic focus to help run the business and improve the student experience.
5. There is a clear focus on increasing student numbers with the removal of Student Number Controls. At present this appears a volume based strategy, with changes to the entry tariff not a strong priority.
6. Developing philanthropic income is reducing as a priority.
7. The key focus for FDs is on enhancing the Student Experience supporting recruitment and retention of the student body.
8. There is limited focus on social media strategies and how this can support the student experience – over time we expect this to become a key priority linked to the use of technology.
9. Investment in the Estate, primarily on Teaching facilities, continues to be a key priority.
10. There is a generally positive view of the impact of the Student Number Controls policy but an overwhelming negative perception of the government immigration policy and its impact on the recruitment of international students.

Key contacts

Julie Mercer
Partner – Consulting
020 7007 8292
julieemercer@deloitte.co.uk

Richard Evans
Director – Risk Advisory
01727 885740
rievans@deloitte.co.uk

Keith Stewart
Director – Consulting
0191 202 5438
kestewart@deloitte.co.uk

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198

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