



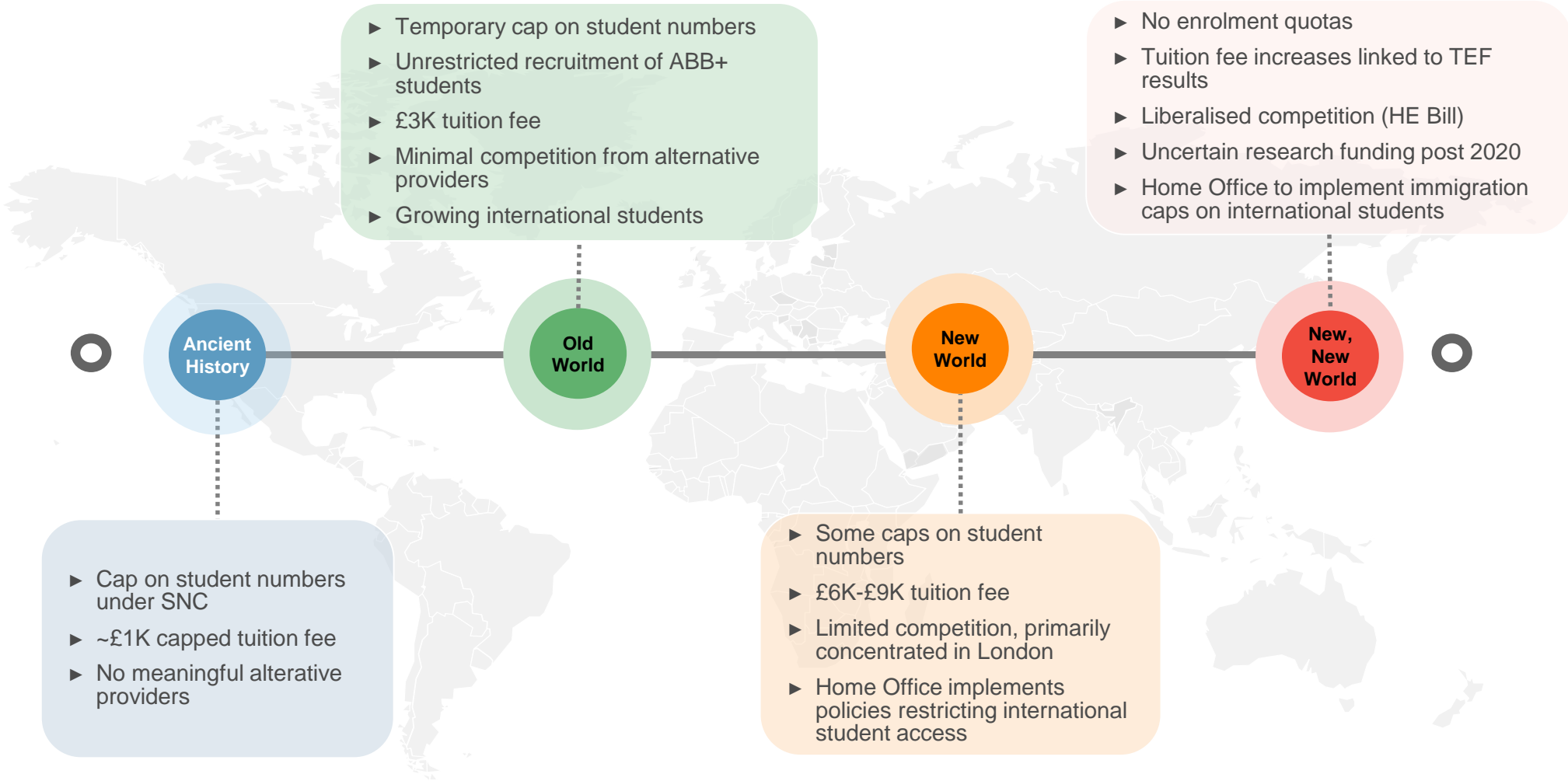
PARTHENON

What now? HE Strategy in the New, New World

Matthew Robb
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Evolution of Higher Education Landscape



New World

The new HE world is changing at a rapid pace as a result of the multiple forces in the market; institutions are being challenged as never before to redefine their positions



Brexit

- ▶ Depending on exit negotiations, EU students could be charged international fees
- ▶ Horizon 2020 research grants will be guaranteed before leaving the EU; long term participation will hinge on negotiations. Challenges over UK institutions leading research



TEF

- ▶ TEF is primarily used as a mechanism for the government to split universities between fee tiers
- ▶ Critics of TEF believe that scoring does not measure teaching quality but emergence of TEF can put some Teaching/Cusp universities in a more favourable position regardless



Ongoing Immigration Restrictions

- ▶ Despite political and external pressure to relax regulations on international students, Theresa May will likely continue with restrictive policies in an effort to control net migration. International students contribute to a large proportion of university margin



New Entrants and Liberal Competition

- ▶ Private providers are already entering the market and have taken significant share of London Teaching enrolments
- ▶ Acquiring degree awarding powers has been made easier since reforms in the previous Coalition Government; further TDAP liberalisation has been outlined in the latest Bill



Apprenticeships

- ▶ Apprenticeship levy introduced targeting 3M starts by the end of 2020. Total funding significantly increased (~£3B)
- ▶ Some universities have started to offer Degree Apprenticeships in response to this change



Online

- ▶ There is an emergence of student population who are open to trying online degrees
- ▶ Some universities are now offering delivery of postgraduate online courses
- ▶ Emergence of short courses as an entry route to the labour market



Cyber Security

- ▶ 35% of the Public Sector including HE do not have a threat management program and 53% do not monitor employee use of data as it leaves the network
- ▶ With the emergence of online method of delivery, this may increase the network's vulnerability to cyber breaches

University Segmentation

Parthenon-EY has created several university segments based on course focus and ranking



Broad-based Research

Russell Group, Oxbridge and UK universities with wide research focus

- ▶ **Number of universities:** 22
- ▶ **Enrolments in sector:** ~534K
- ▶ **Example universities:**
 - ▶ Oxford, Cambridge, UCL, LSE, KCL, University of Leeds, Cardiff University



Teaching Universities

Universities with >50% vocational enrolments Or >50% of income from tuition

- ▶ **Number of universities:** 53
- ▶ **Enrolments in sector:** ~780K
- ▶ **Example universities:**
 - ▶ East London, London Met, Greenwich, Nottingham Trent, Anglia Ruskin



Teaching Universities International

Universities with >50% vocational enrolments Or >50% of income from tuition And >15% international enrolments

- ▶ **Number of universities:** 12
- ▶ **Enrolments in sector:** ~170K
- ▶ **Example universities:**
 - ▶ Essex, Westminster, Sunderland, Cardiff Met, Coventry



Specialist Teaching

Niche institutions with teaching focus (mostly Arts and Music)

- ▶ **Number of universities:** 25
- ▶ **Enrolments in sector:** ~196K
- ▶ **Example universities:**
 - ▶ Birbeck College, Royal College of Art, Royal College of Music, OU



Specialist Research

Niche institutions with research focus

- ▶ **Number of universities:** 6
- ▶ **Enrolments in sector:** ~20K
- ▶ **Example universities:**
 - ▶ Institute of Education, Cranfield, Royal Veterinary College



Cusp Universities

Universities between research- and teaching-focussed; above 100 in REF ranking And between 20-50% vocational enrolments

- ▶ **Number of universities:** 24
- ▶ **Enrolments in sector:** ~343K
- ▶ **Example universities:**
 - ▶ Loughborough, SOAS, Kent, Goldsmiths, Kingston, Aston, Lancaster

New World Challenges

Each segment is exposed to challenges in the market to varying degrees



Broad-based Research

- ▶ BBR are generally **resilient** due to global reputation and high domestic demand
- ▶ Some **research** funding risk after 2020



Teaching Universities

- ▶ Teaching universities are exposed to **increasing competition** from alternative post-secondary options



Teaching Universities International

- ▶ Teaching International universities face all of the same risks as TU
- ▶ **Over-index on international students** can be challenging in light of more restrictive student immigration policies



Specialist Teaching

- ▶ Specialist teaching universities have a relatively **strong proposition** given its niche focus in particular sectors
- ▶ However, **high cost base** per course has accelerated some mergers in this segment



Specialist Research

- ▶ Specialist research universities are somewhat insulated due to subject-matter focus
- ▶ Some **research** funding risk after 2020



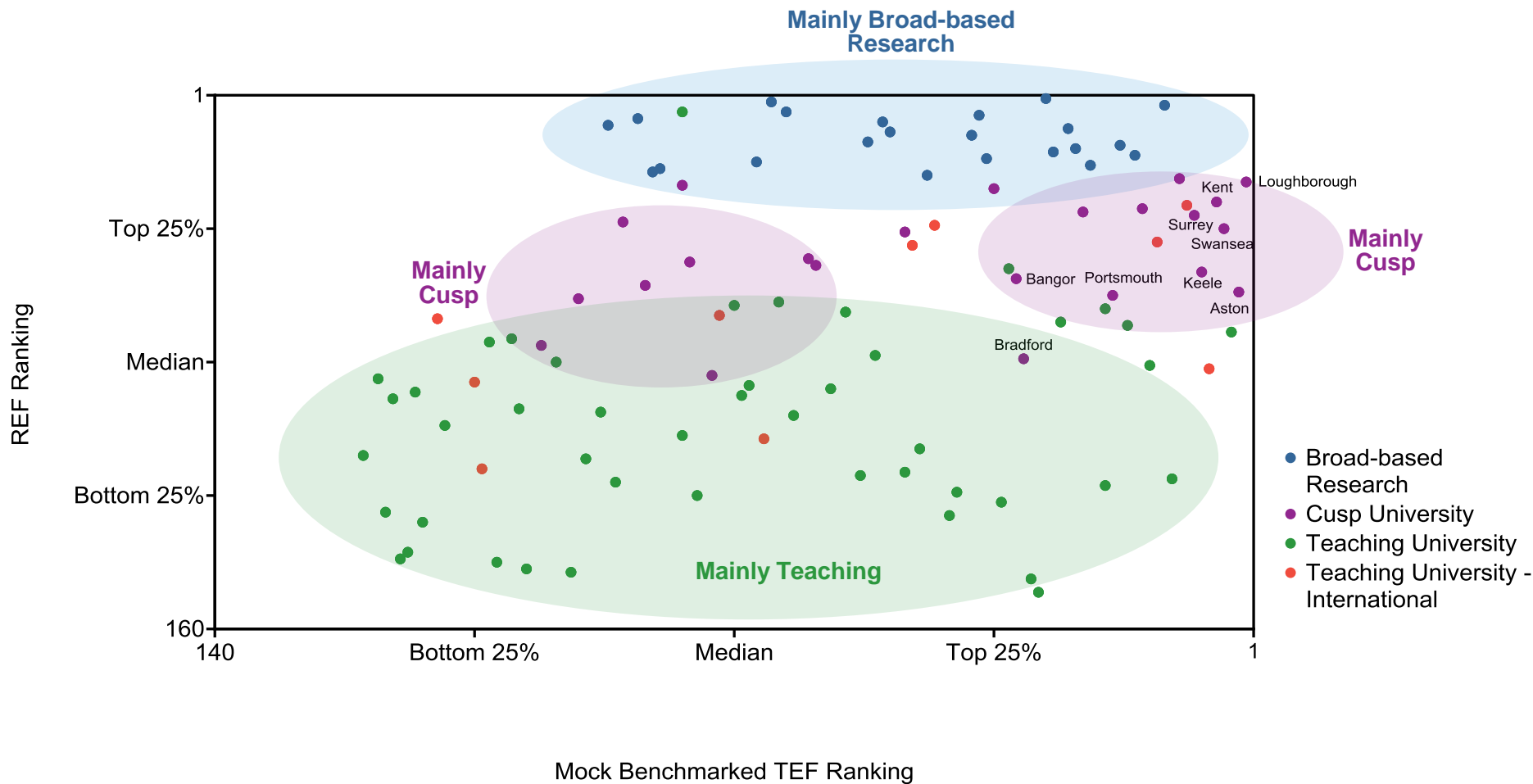
Cusp Universities

- ▶ Cusp universities tend to **struggle with coherent brand message** given that they are both research and vocationally focused

New World Segments – One lens to consider

Introduction of TEF ranking may alter students decision-making process and increase competition between Cusp and Teaching Universities

Mock Benchmarked TEF Ranking vs. REF Ranking, by Segment*



Note: *Specialist Teaching and Specialist Research universities not included due to lack of TEF data
Source: Times Higher Education, HESA

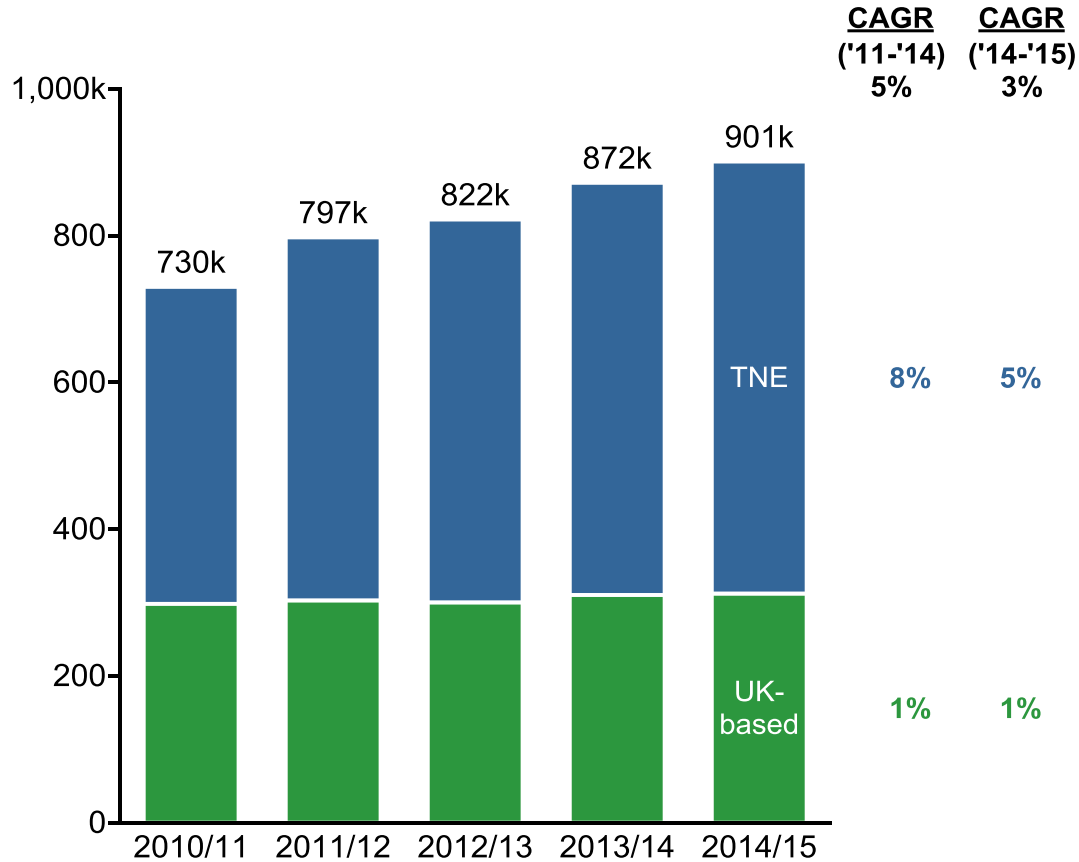
Options

- ▶ TNE
- ▶ Digital Offers
- ▶ Estate Strategy
- ▶ Apprenticeship Risks
- ▶ Mergers
- ▶ Joint Ventures

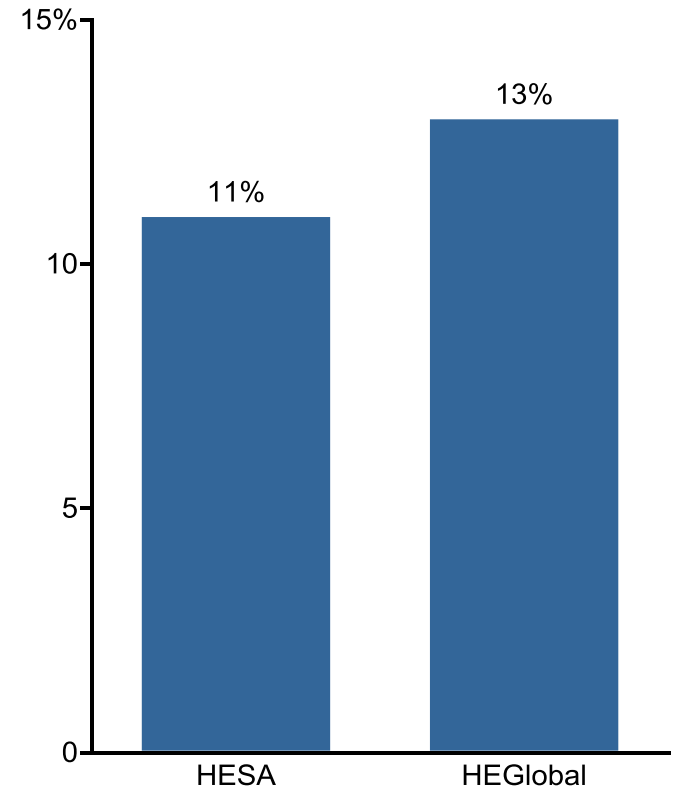
Rise of TNE

Increasing demand for higher quality education and rising participation rates in source countries have accelerated TNE growth in recent years

International Student Enrolments, TNE vs. UK-based, 2010/11–2014/15



Growth in TNE Enrolments at UK HEIs, 2013/14 to 2014/15; HESA vs. HEGlobal*



Note: *HEGlobal data is gathered from a survey of UK TNE providers; responses account for 2/3 of TNE students; Oxford Brookes ACCA students are excluded
Source: HESA, British Council, HE Global

TNE

UK Teaching and Cusp Universities have developed successful TNE partnerships through different models



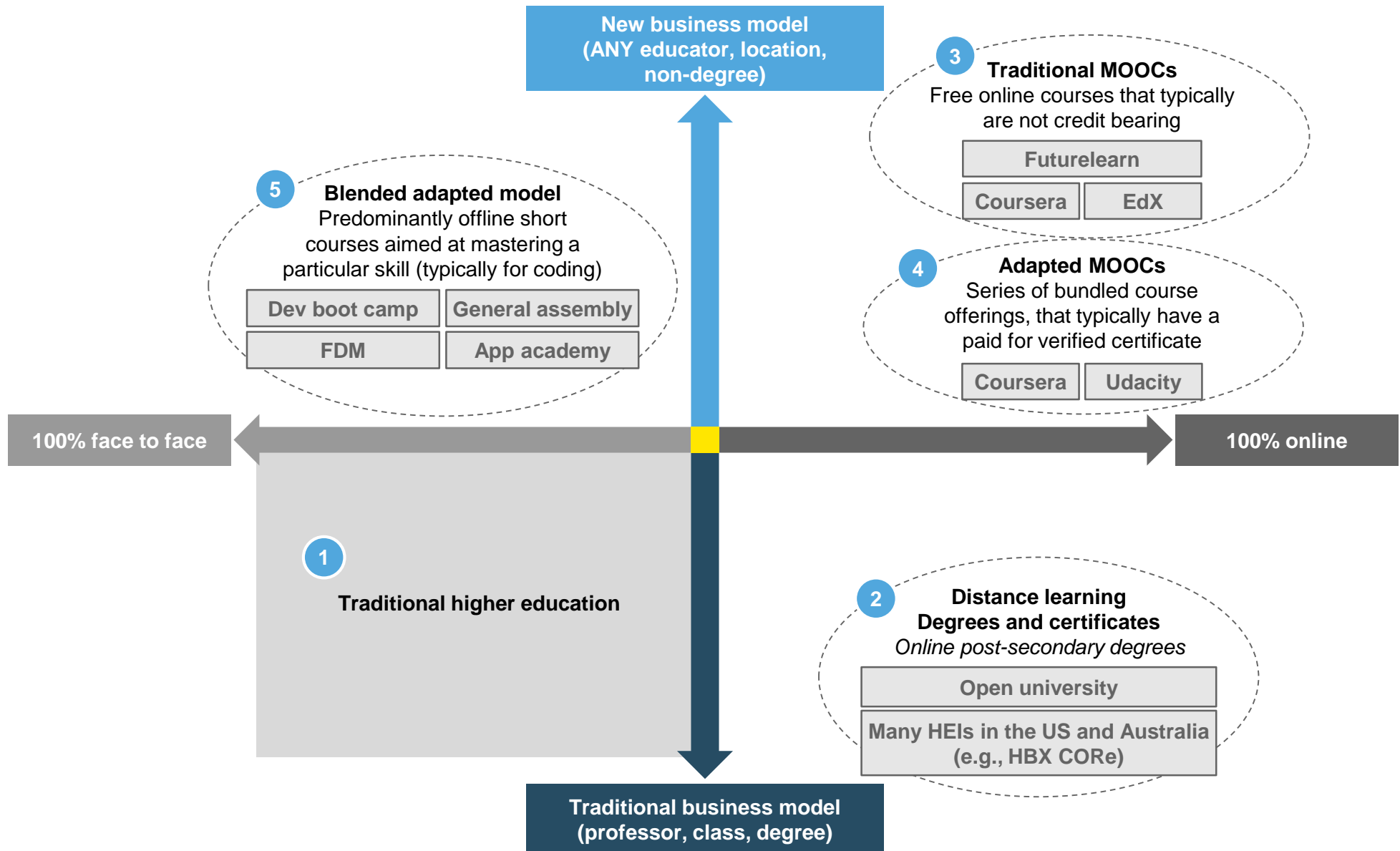
UNIVERSITY of
BRADFORD



Host Country	Malaysia (Kuala Lumpur)	Pakistan (Punjab region)
TNE Model	Partnership: degree validation	Franchised degrees
No. of TNE Students	6,110	275

Digital Offers

As traditional HE moved online, MOOCs opened up mimicking both the games market and “freemium” technology and B2C models



Digital Offers

Market is responding to demand as Liverpool-Laureate partnership became the first successful collaboration in the UK, achieving reasonable scale

Laureate and Liverpool University have had a longstanding partnership which has grown in reach and scale

Laureate has leveraged its success with Liverpool University to partner with additional institutions, such as Roehampton University



- ▶ Laureate is the exclusive education partner of the University of Liverpool, delivering **online graduate and doctoral programmes** in more than **175 countries**

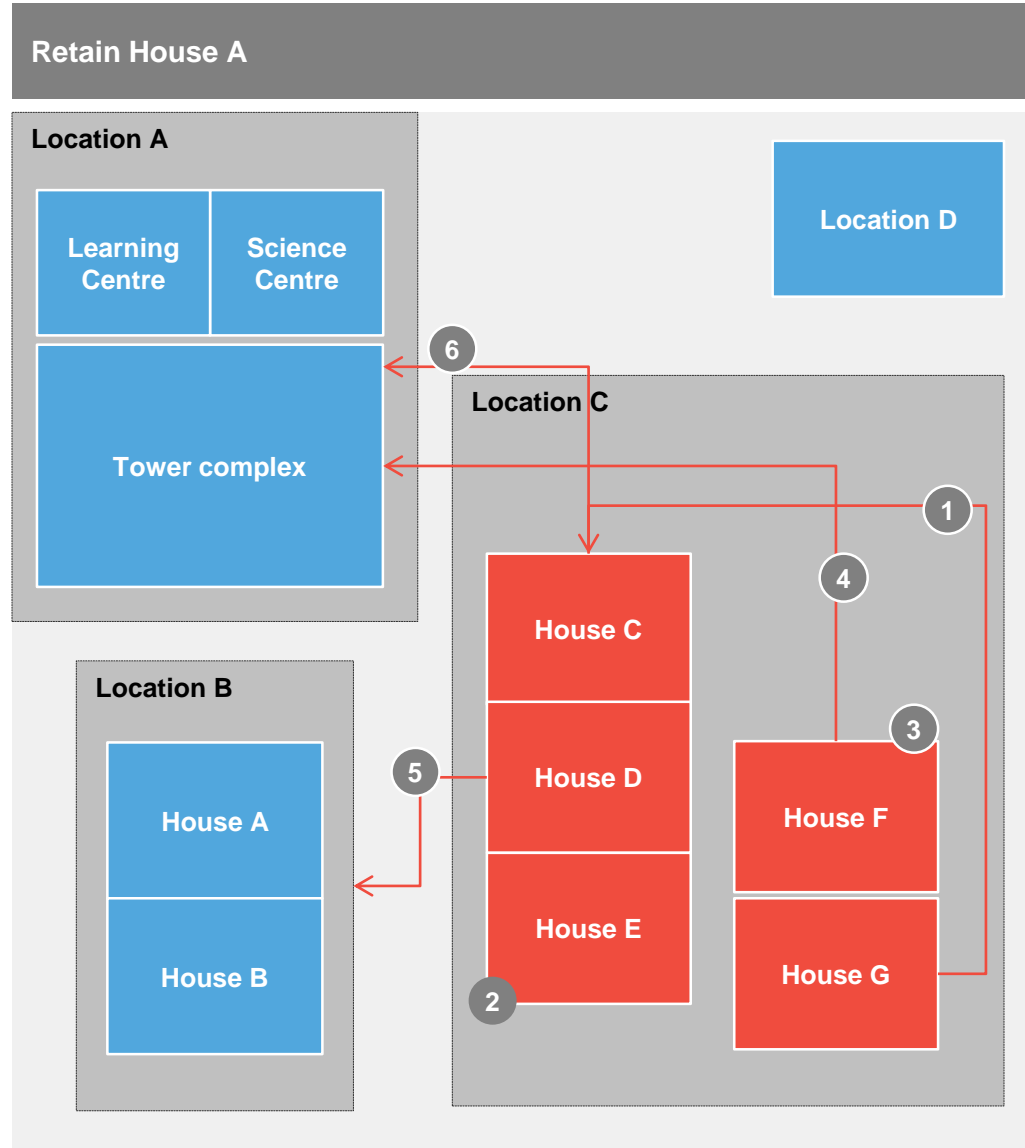


- ▶ In 2012, Laureate announced an exclusive partnership with Roehampton University
- ▶ The University reports that **more than 2,000 working professionals from 130 countries** are studying with Roehampton Online

Estate Strategy

Struggling universities have looked at redesigning their estate strategy to cut costs and remain competitive

De-branded Case Study



Key movements

1 Relocation of Campus from X Road to House A

Year 1

2 Sale of House B

3 Sale of House C

Year 2

4 Relocation of Campus from House D to Location A

Year 3

5 Disposal of House E and relocation to Location B

6 Relocation of Campus from House A to Location A

Year 4

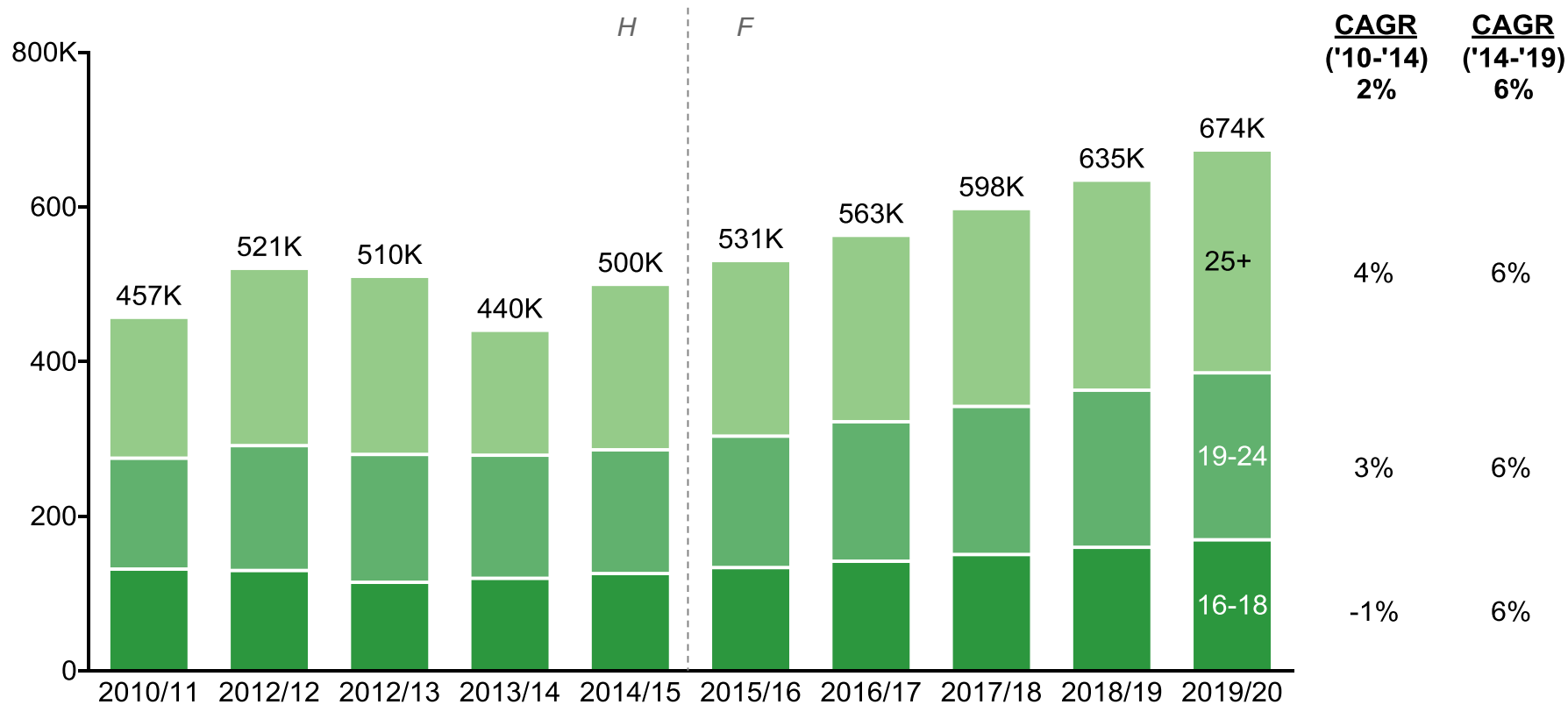
xxx Building to remain

xxx Building to be disposed or vacated

Apprenticeship Risks

The Government introduced an Apprenticeship Levy to be paid by all employers with a payroll bill exceeding £3M to meet its 3M apprenticeships target

UK Apprenticeship Starts, by Age, 2010/11 – 2019/20F



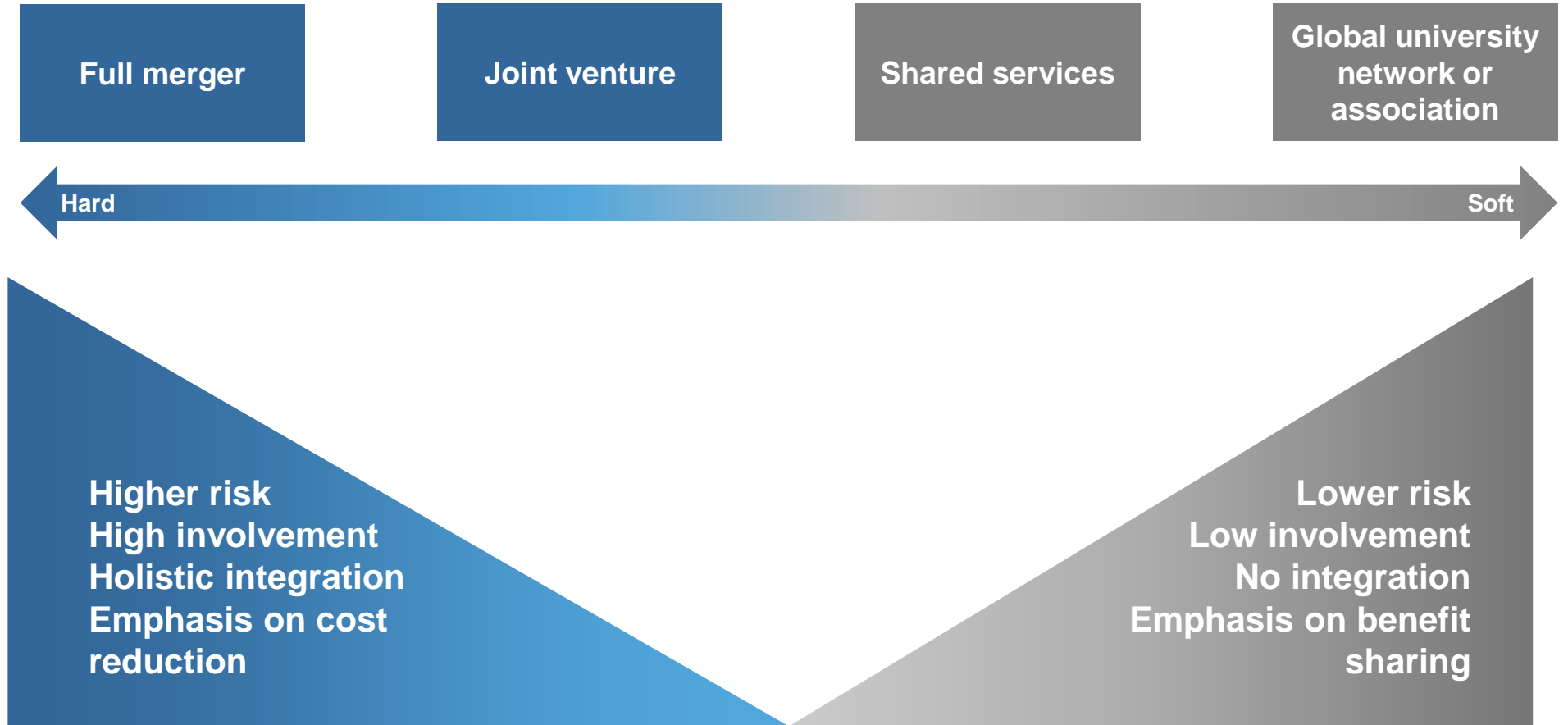
Apprenticeship Risks

Some universities have started introducing Degree Apprenticeships to mitigate threat of apprenticeships

Current Degree Apprenticeships	Features	Benefits
	<ul style="list-style-type: none">▶ Degree Apprenticeships include full bachelor's or master's degree; time is split between university study and workplace, students will be employed throughout studies▶ Co-designed by HEIs and employers▶ Training is paid for by the government (2/3rd) and the employer (1/3rd)▶ Last up to 4 years (but no fixed duration)	<ul style="list-style-type: none">▶ Offer paid workplace learning and the prestige of an HEI degree▶ A route to a 'free degree'▶ More flexibility than sandwich degrees

Merger

Universities have formed varying levels of partnerships to build operational and cost efficiency






Merger

Several universities have successfully merged to save on administrative and overhead costs



Example mergers in the US and UK:

	+	
Georgia Health Sciences University		Augusta State University
	+	
Victoria University of Manchester		UMIST A Centre of Excellence Since 1924
	+	
Surrey Institute of Art and Design University College		Kent Institute of Art and Design

Benefits of Merging:

- ▶ Cost efficiencies through economies of scale
- ▶ Save on back office costs
- ▶ Create synergy with academic programs
- ▶ Operational efficiencies

*“Costs are going up, the number of new students is flat, and a lot of colleges and universities are experiencing the squeeze. Everyone is looking for ways to **operate more efficiently.**” – Richard Carter, President of City University of Seattle, Hechinger Report*

*“In this era of public funding cutbacks, several states are seeking to consolidate campuses within the public university systems...they are largely viewed as **credit positive because they foster operating efficiencies and reduce overhead costs amid declining state support.**” – Moody’s, US Higher Education Outlook*

Joint Venture

Joint ventures are also formulated as a response to emerging competition



- ▶ The course content was developed by WMG and Dyson engineers
- ▶ Dyson will give students a job in the R&D team and cover the tuition fees



- ▶ Combines together KPMG's workforce analysis and OU's apprenticeships and online learning programmes
- ▶ The partnership follows the Apprenticeship Levy announcement and is aimed to help organisations to deliver large-scale apprenticeship training to employees

Matthew Robb, Managing Director



Matt joined Parthenon-EY in the autumn of 2010, after working in both public and private sectors within the education industry. Matt previously worked at McKinsey & Co., where he led strategy and organisation work in a wide range of contexts.

For seven years, Matt worked in the education support services sector, holding P&L responsibility. He led teams working on school improvement, academy development, the Building Schools for the Future programme, and on children's services technology and management information.

Since joining Parthenon-EY, Matt has led our education work in the UK and Europe. He has led work across every stage and sub-sector of education in the UK and across Europe, including public and private schools (K-12), vocational and further education, universities and support services. He has worked in buy and sell-side diligence, leadership, organisation, international strategy, marketing and sales force strategy and general corporate strategy.

Matt holds a degree in Natural Sciences from the University of Cambridge and was the Gatsby Scholar.

Corey Dixon, Senior Consultant



Corey Dixon joined Parthenon-EY in 2010 and works within the firm's Education Practice. He has worked within the majority of education verticals for corporate, private equity and public sector clients.

Corey also spends a portion of time working within business services, particularly data provision and data intelligence businesses

Corey leads much of the analytical work in the London office, including techniques such as econometrics (panel and time series), site performance and cluster analysis.

Corey received his undergraduate degree from Oxford University with a degree in Philosophy, Politics and Economics where he served as President of the Oxford Union. He currently serves as both a school governor in London and an Access to Higher Education Project tutor.