

HEPI Annual Conference 2018

From Funding to Fining: Universities in the new age of regulation

7 June, 2018 - PwC, Embankment Place, London, WC2

Good morning.

I'd like to start by thanking HEPI for capturing in the overarching focus of this Conference the implicit trajectory of a sector characterised by constant evolution and continuing successes. At the University Partnerships Programme we take a keen interest in student demand for higher education and as we are in partnerships that will last for fifty years or more, we take a long term view on the UK sector as a whole.

When HEPI recently published its "Demand for Higher Education to 2030" I was given pause for thought regarding how the sector has developed over the last few decades. The increase in overall rates of participation since the 1992 Further and Higher Education Act is a remarkable achievement, and in the context of a steep decline in the birth rate of 18 year olds; the increase in the costs of higher study; a change in student expectations and changes to regulation, it is feat that should be both celebrated and bear some scrutiny.

The resilience of UK Higher Education in spite of these challenges has resonances of Galileo's "And yet it moves". The sector has maintained its status as a leading destination for globally mobile students and the vital empirical signs remain good. And indeed, as HEPI's own analyses suggest, there is good evidence for growth in future demand.

This speaks volumes for a sector generating £95bn of output for the UK economy and 940,000 jobs. However, this is by no means a

reason for complacency. With BREXIT, an increase in the volume and intensity of international competition and a new regulatory architecture; the characteristics of what the next decade or so look like, are far from settled. For UPP, this year marks the twentieth anniversary of our first partnership, so we have spent some time looking back at how the sector has changed as well as preparing ourselves for what the next two decades will look like. The one thing we can say for certain is that UK HE will continue to evolve and that's why this Conference is so important as a forum to discuss the possible future scenarios.

To that end, I would like to touch on some of the key themes we will discuss during the day.

Firstly, the struggle to understand what value for money looks like in higher education. I am looking forward to learning more about how students perceive the concept from the findings of the new HEPI Student Academic Experience research, being launched this morning. In particular I will also be interested in those elements which touch on value for money perceptions relating to investment in campus infrastructure, accommodation and commuting students.

Value for money is complex and always has topographical characteristics – how you conceive it depends where you are standing. It is this complexity that makes the task of Philip Augar – even as an investment banker of such renown - such an unenviable one.

Today we will also consider what a positive student academic experience looks like in the new regulatory environment. The current trajectory seems to be one led by a combination of greater transparency in the costs of provision and continuing innovation of how the academic experience is delivered.

Universities will, I think, seek to extend the temporal nature of their relationship with their students. Prior to enrolment, universities will get more involved in helping students transition to independent study and living. Following graduation, institutions may become more involved in helping students stay in the cities where they graduate by investing in graduate commercial ventures or by developing flexible and affordable accommodation – currently called “Co-Living” – on their own campuses.

Graduate retention is a crucial symptom of the economic prospects of a city - a driver of future growth, productivity and prosperity. Retention is also central to evaluating the role of universities as civic and economic institutions within their communities – delivering what Richard Florida referred to in his book “The Rise of the Creative Class” as the three T’s - Talent, Tolerance and Technology.

Today’s Conference will also consider future trends and disruptors in Higher Education. I would argue that the development of Massive Open Online Courses have yet to live up to the disruptive hyperbole with which they are often associated. Harvard and MIT research into 1.7million participants identified that MOOCs demonstrate low levels of final certification at just 25%. This is not to say, of course, that with the resetting and reorienting of expectations identified by the research, MOOC’s might not become increasingly disruptive over time.

The digital delivery of lectures and other content, complementing current modes of delivery, is of course, already with us and is likely to become far more widespread. While trends of more peer learning in a residential environment are steadily making their way into UK HE from sectors across the EU.

Undoubtedly, we will also discuss the prevailing three year residential model of gaining a degree. Research carried out by Cambridge Occupational Analysts a number of years ago identified that the proportion of students planning to stay in their local area halved in the ten years from 2004, whilst research carried out by UPP and Youthsight has shown an unwavering understanding on the part of students that the residential experience is a key element of an expected “rite of passage”.

Whilst the three year campus based model appears an obvious area for innovation, I would argue such a move would need to be tempered by an understanding of the differential completion rates and academic outcomes of students studying on campus and from home.

Whilst I would not dare to enter the debate on the impact of AI on tertiary education with Sir Anthony Seldon at the Conference, it is clear that we should expect future innovation in delivery to involve the typical tension between long-term structural design and the feature requests of students.

Finally, we will be looking at what success will look like for UK Higher Education in a rapidly changing global environment.

In my view UK universities should be explicitly front and centre of the UK’s industrial strategy and this should be a position advocated by Government.

There will be a significant requirement for highly skilled workers to drive a knowledge based economy, exploiting the technological IP and start-up businesses for which our universities are respected world-wide.

But this will require a properly constituted compact with Government.

Such a compact would see

- **Government commit to providing the optimum conditions for universities to autonomously leverage the benefits of research and innovation;**
- **Involve the business community assisting these business to grow for the benefit of the wider economy and;**
- **Equity and capital market funders taking a role in backing these new high tech, high skill businesses with historically cost-effective borrowing.**

At UPP we are looking at the coming decades in higher education with excitement and optimism.

We only work in one sector because we recognise UK HE for the global power that it is, as well as the driver of the knowledge and skills that will be the foundation of future economic success.

We establish long-term partnerships because we believe in the sustainable longevity of university business models and want to support institutions in achieving their goals and aspirations.

I hope by the end of the day, you too will share that optimism with me.