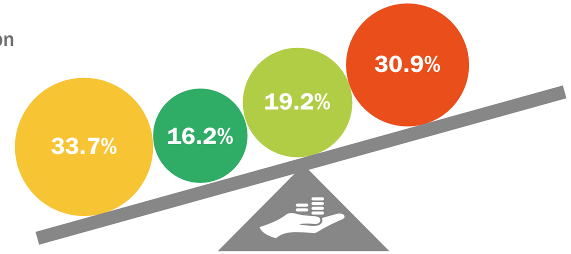
# Income and Expenditure in Higher Education

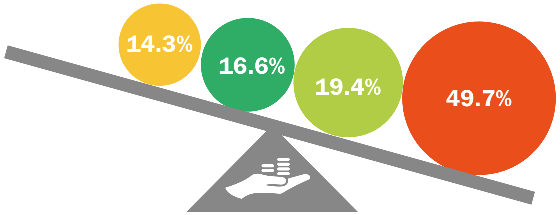
## Where does the money come from?

### Income

**Income in UK HEIs 2009–10 £26.8bn**




**Income in UK HEIs 2016–17 £35.7bn**



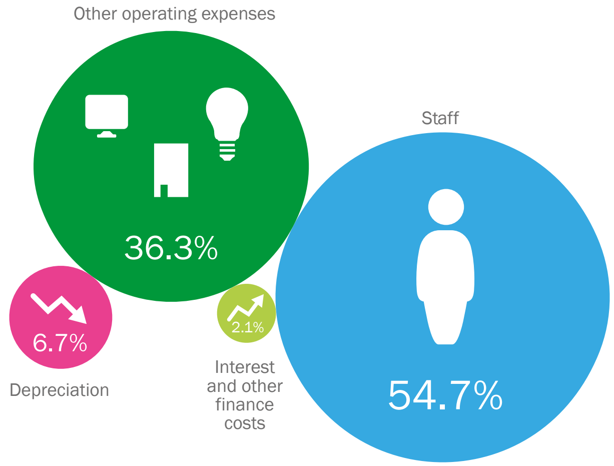

- Funding body grants
- Research grants and contracts
- Other income – including investment income, donations and endowments
- Tuition fees (and education contracts)

Source: HESA.

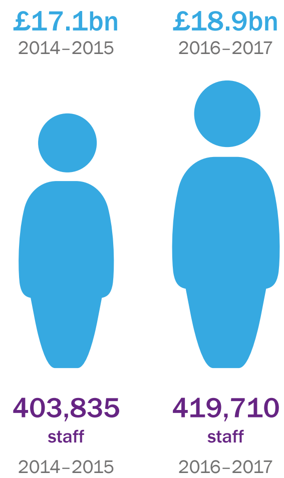
## What do UK HE institutions spend their money on?

### Expenditure

**Total expenditure 2016–17**




**10.2% increase in staff expenditure**

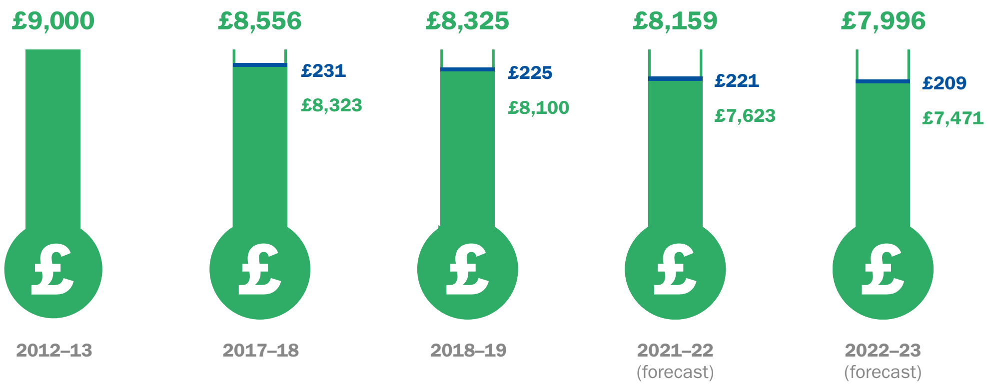



**3.9% increase in staff**

Figures include fundamental restructuring costs 0.2%.
Note: Figures used 2014–15 as a base line as financial data before this point is not comparable due to the new financial reporting framework for higher education (FRS102).

## What are student fees really worth?

**Estimated value of the maximum £9,000 English undergraduate fee from 2012–13**




- £9,000 fee (2012–13 real terms value)
- With uplift in 2017–18 to £9,250 (2012–13 real terms value)

Note: Estimate based on CPI inflation compared to the 2012–13 fee in real terms.
Sources: OBR, ONS and UCEA.

## How do UK HEIs' investments in staff and capital expenditure compare?


**£1.8bn increase** in expenditure on staff

**£0.6bn increase** in capital expenditure on buildings

**£0.05bn increase** in capital expenditure on equipment

Note: Figures used 2014–15 as a base line as financial data before this point is not comparable due to the new financial reporting framework for higher education (FRS102). Source: HESA.

# Income and Expenditure in Higher Education (2)

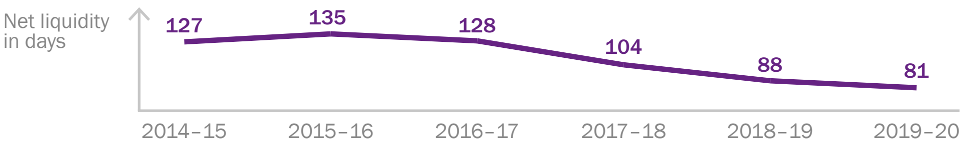
## How do HE institutions maintain and demonstrate financial health?

### Liquidity

**"Strong liquidity is particularly important given the . . . uncertainty and risk in the sector." HEFCE**

HE institutions must have liquidity (i.e. readily available cash balances) – an essential element to financial health. Limited liquidity could mean that staff, bills, suppliers and debts may not get paid.

**Average net liquidity in English HE institutions (as number of days' expenditure)**




Sources: HEFCE.

### Surplus requirements

**"Without increased surpluses and continued government support, there is a risk that the sector will be unable to maintain the scale of investment required." HEFCE**

Surpluses represent the balance of income less expenditure in a given year and are typically presented as a % of income.

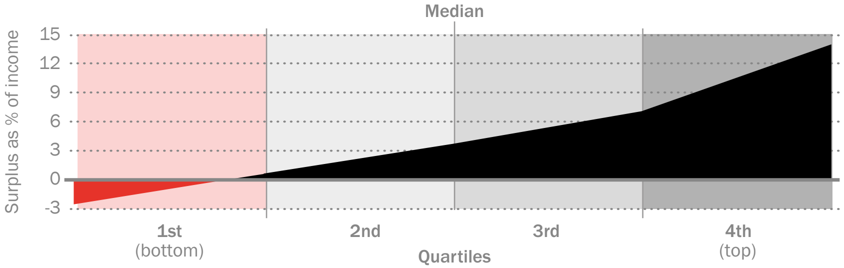
**Surpluses are required to:**

- invest in new facilities and equipment for students and staff
- invest in curriculum development
- manage cash flow
- manage financial risk
- demonstrate financial health to lenders
- maintain campus facilities for students and staff

Note: Since 2015–16 a new Statement of Recommended Practice (SORP) in financial reporting in HE has led to a change in definitions of income and expenditure, which affects the reporting of surpluses. Notably, HEIs are now required to recognise liabilities in respect of defined benefit multi-employer pension schemes.

### Surplus distribution

There is significant variation in surpluses across the sector. The median surplus is 3.6% with an interquartile range of 0.6% to 7%.

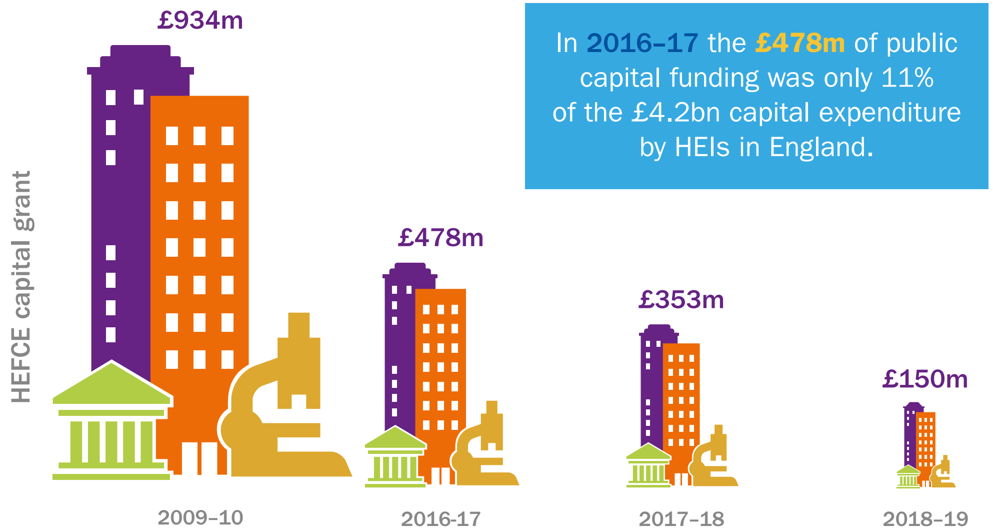



Note: The chart has been adjusted for stylistic purposes but the median and quartiles are based on HESA data. The ends of the distribution have been trimmed to the lower and upper decile for visual purposes to exclude outliers. Sources: HESA 2016–17.

## How do HE institutions maintain investment in buildings and equipment?

### Public capital funding for HE institutions in England

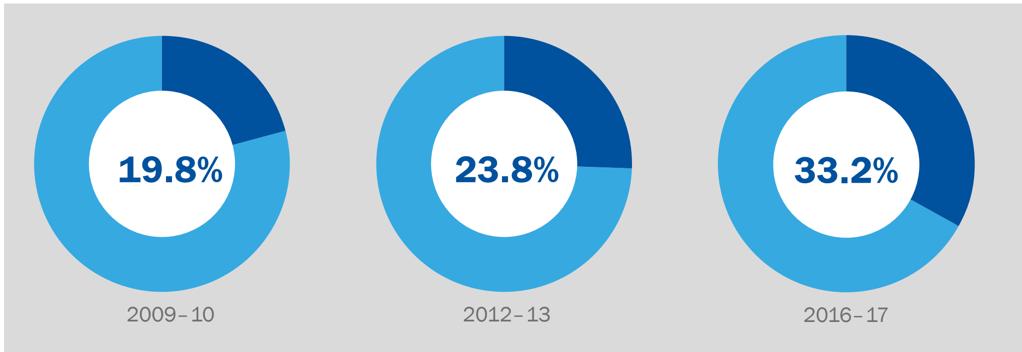
**"Institutions are increasingly reliant on generating increased cash reserves or increasing borrowing to deliver their capital investment programmes." HEFCE**




Sources: HEFCE, Office for Students and HESA.

### Borrowing

As capital funding has been reduced, HE institutions have increased borrowing from 19.8% of income to 33.2% of income.




Note: Borrowing considers bank loans and external borrowing, bank overdrafts, obligations under finance leases and service concessions and loans repayable to funding council. Source: HESA.