



LE
London
Economics

Impact of the Covid-19 pandemic on university finances

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Overview

Commissioned by the UCU, our model estimates the potential impact of the pandemic on **student numbers, finances and institutional sustainability**:

- By splitting the Covid-19 pandemic into a **recessionary effect** and **deferral effect**, we assess the impact on **1st year enrolments and finances at HEI-level** across 4 institutional clusters across the entire UK
- Compared to the **2018/19 cohort** of first-year enrolments, we estimate the impact on:
 - **UK, EU and non-EU-domiciled students**
 - **full-time and part-time students**
 - **Undergraduate and postgraduate students**
- We consider a range of **outcomes** including:
 - Expected decline in **1st year student numbers**
 - Expected decline in associated **tuition fee income and teaching grant income only**
 - **Net cash inflow from operations as a proportion of total income** (as a measure of medium term operational sustainability)
 - Potential impact on **jobs in higher education institutions**
 - **Wider economic impact** on UK economy in terms of output and jobs

There are lots of **caveats** associated with the analysis, but we have taken a very conservative approach..... we have **not** considered **all** higher education institutions, **wider income losses**, multi-year losses, income losses from **continuing students**, nor modelled some of the very high deferral rates being considered **huge uncertainty**



Key numbers: Baseline

965,210

1st year enrolments

64% **UG** / 36% **PG**

81% **FT** / 19% **PT**

41% Clusters 1 and 2

73% **UK** / 27% **non-UK**



In Clusters 1 and 2

40%

of students
and

>50%

of tuition fee income
from non-UK sources
(up to **77%!!**)

£37.6bn

Total HEI income

£17.6 bn tuition fee income

£141 million per institution
(though almost £500m in some cases)

63% **UK** / 37% **non-UK**



9.8%

Net cash inflow from operations
(% of total income: target c. 8%)

7 institutions < 0%
21 institutions < 5%

474,980

HE staff

3,800 per institution
(almost 16,000 in some HEIs)

56% academic posts



Key assumptions

Recession effect

- Based on a **13% contraction** in the UK economy in 2020, we modelled a slight increase in UK FT enrolment and a larger decline in PT enrolment
- We also modelled a decline in international demand for higher education assuming a **4.8% global contraction** in 2020
- Throughout, we incorporated a **differential effect by university cluster** to reflect the fact that some students will potentially ‘trade up’ thereby insulating some higher education institutions

Deferral effect

- In terms of the **deferral effect** of the pandemic, this is the main driver and depends entirely on what the nature of HE provision will be in 2020.
- We modelled a **14%** domestic deferral rate and a **47%** deferral rate amongst prospective 1st year non-UK-domiciled students
- The combined recession and deferral effect of the pandemic is estimated to result in a loss of almost **232,000** 1st year students (**24%**); however, the **financial impact on specific institutions** is significant





Key findings I

↓ 231,895

24% reduction in 1st year enrolments

Clusters 1/2 (↓ 27%)

↓ 16% UK / ↓ 47% non-UK students

↓ 1,845 per institution

↓ 2,690 in Cluster 2

↓ 1,600 in Cluster 3

↓ 30,280

6.3% reduction in HE staff

↓ 240 per institution on average

↓ 1,000 in some institutions

↓ 63,000 jobs throughout the economy

↓ £2.47bn

7% loss in total HEI income

↓ £20 million per institution

↓ £37 million in Cluster 2

Some institutions ↓ £100 million

3.0% (↓ 6.9pp)

Net cash inflow from operations
(% of total income: target c. 8%)

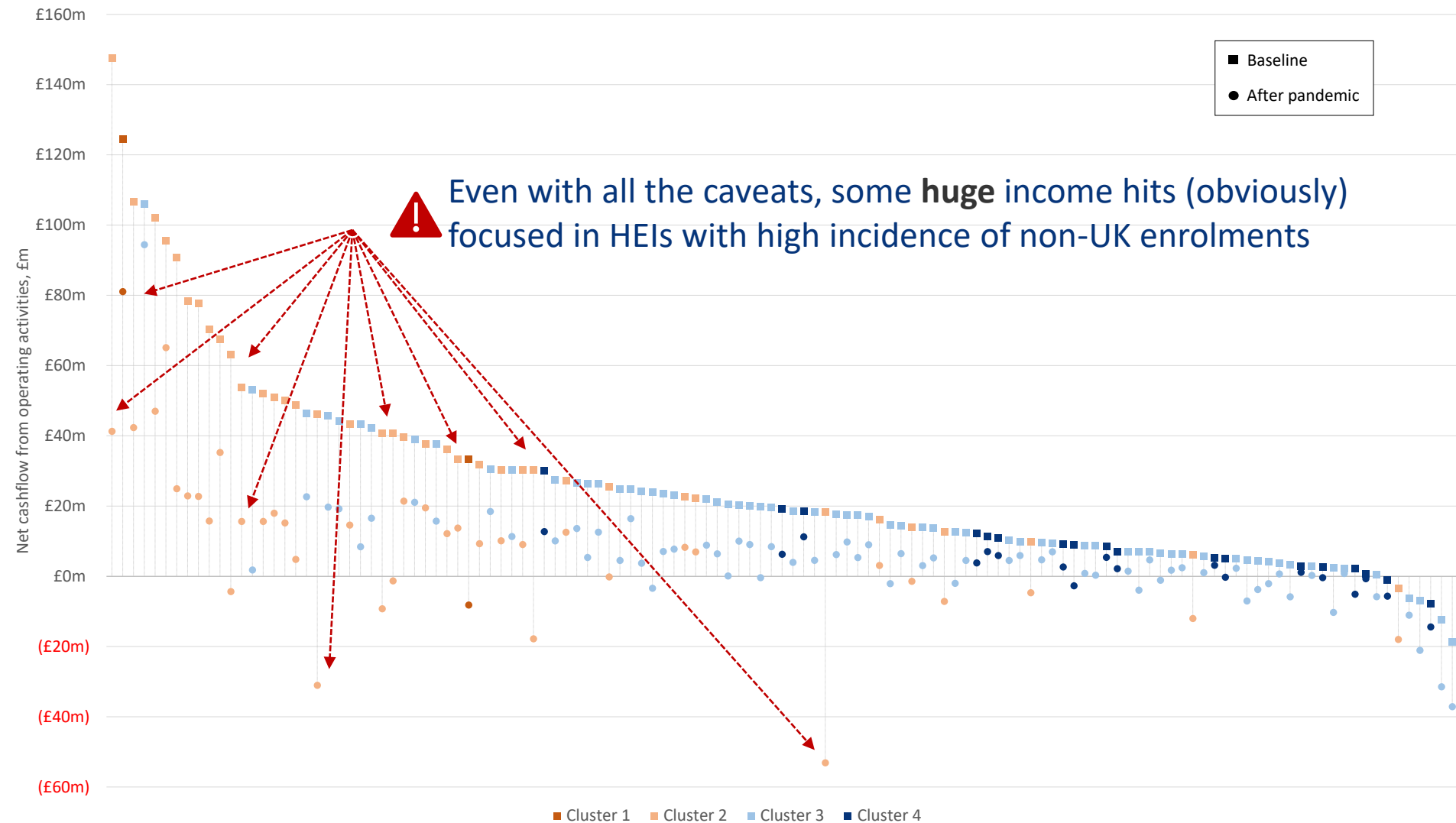
36 institutions < 0% (↑ 29)

91 institutions < 5% (↑ 70)



Key findings II

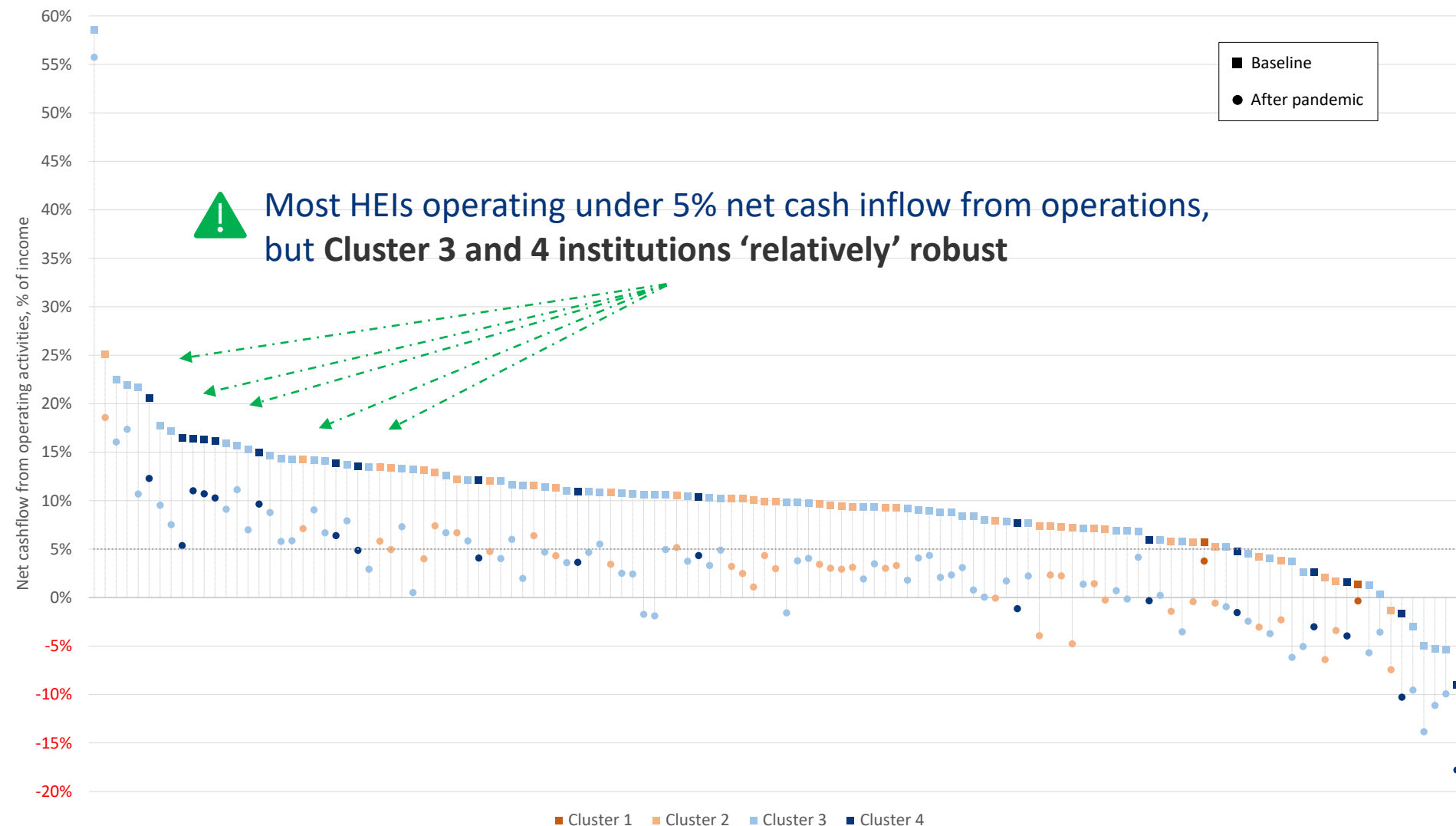
Net cash inflow from operating activities (in £m) in 2020-21, baseline vs. after pandemic, by institution and cluster





Key findings III

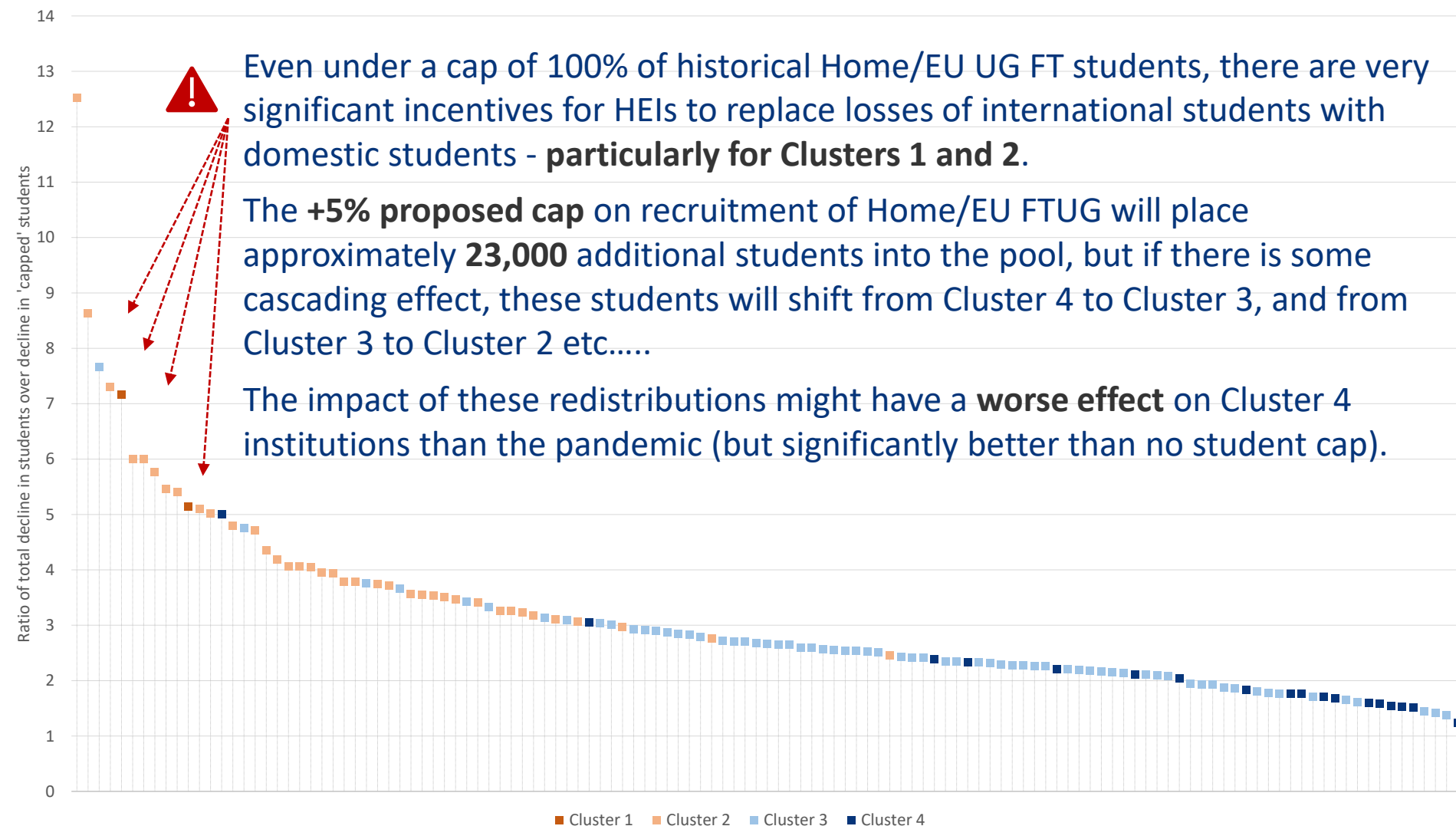
Net cash inflow from operating activities (as a % of income) in 2020-21, baseline vs. after pandemic, by institution and cluster





Key findings IV

Ratio of expected decline in total students divided by expected decline in UK and EU full-time undergraduate students in 2020-21, by institution and cluster



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