

Income and Expenditure in the UK university system in the 21st Century: A Golden Age? (0130)

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INTRODUCTION

In this paper we consider and partially explain diverging patterns of income and expenditure among different types of institution in the UK higher education system. We also examine commonalities and differences among universities in what they have spent their money on during a period of relative plenty.

METHOD

Our analyses make extensive use of HESA data on income, expenditure and staffing for a large sample of over 120 UK universities. Data for the period since 2001 were used to describe patterns and trends over time. A derived variable, total teaching income per student was constructed and used as the dependent variable in multiple linear regression models to explain variations in funding between institutions.

INCOME TRENDS

The real income enjoyed by UK universities has risen markedly in the present century. HESA data show that annual real income of UK universities grew at an average of 5.2 per cent per annum between 2002/03 and 2007/08; in the period from 2007/08 to 2013/14 (for much of which the economy was in recession) it grew rather less rapidly at an annual average of 2.3 per cent. Nonetheless, annual real income was some 48% higher in 2013/14 than it had been in 2002/03. Each of the four main types of UK university – Russell Group, other pre-92, ex-polytechnics and other post-92 universities have seen substantial growth in real income during this time. However, in the latter period, the chief beneficiaries were the Russell Group institutions. This consolidated their prior advantage on measures of income-per-student and income-per-staff member.

Focusing more narrowly on *teaching* income per student Table 1 shows that this also increased substantially for all types of university but growth was again greatest for the Russell Group.

Table 1. Annual average growth rates of real teaching income per student

	2002/03 to 2007/08	2007/08 to 2013/14	2002/03 to 2013/14
Russell	3.0	3.4	3.2
Other pre-92	2.5	1.9	2.1
Ex-poly	3.5	1.9	2.7
Other post-92	3.9	1.1	2.4

These figures prompt two research questions which we explore in the remainder of this paper: Why is there variation in both teaching income per student and income growth rates between different types of university?

To what extent have universities used their increased income to recruit teaching staff thereby enhancing the quality of the teaching delivered to students; and are there systematic differences between university groupings in this respect?

MODELLING TEACHING INCOME PER STUDENT

Cross-sectional multiple linear regression models were estimated for UK universities' teaching income per student in 2013/14. Teaching income per student includes recurrent grant (HEFCE) funding, fees from home and EU students and fees from international students outside the EU. We experimented with a range of variables to explain levels of teaching income per student. The significant explanatory factors were mostly related to the mix of students at the university. Key predictors were the proportion of postgraduates, the proportion of international (non-EU) students and the proportion of STEM students. The growth of overall student numbers was also statistically significant and negatively related to teaching income per student. Major differences also emerge between the different countries of the UK.

In the absence of any other explanatory variables, there were very large differences by type of university in teaching income per student. At Russell Group universities, for example, it was typically some £2,200 per student higher than at other pre-92 universities in 2013/14. The inclusion of explanatory variables reduced this Russell Group 'premium' by about two-thirds i.e. factors such as the larger proportion of international (non-EU) students and the larger proportion of students studying STEM subjects at Russell Group universities could explain a good deal of the difference. Nonetheless, a sizeable advantage of some £700 to £800 per student remained for Russell Group universities even after all relevant factors were included in the statistical model.

EVIDENCE ON EXPENDITURE PATTERNS

The number of managers and non-academic professionals employed in UK universities has grown in recent years. This pattern, while general, is especially marked in the 'richest' group of universities, namely the Russell Group. Numbers grew by 29 per cent across all UK universities between 2004/05 and 2011/12 and by 35 per cent at Russell Group universities. The proportion of managers and non-academic professionals to academic staff rose over the same period from 23 per cent to 28 per cent in the Russell group and from 27 per cent to 33 per cent in other pre-92 universities. Meanwhile the ratio of academic staff per FTE student actually fell slightly for each type of university.

The proportion of teaching-only staff rose from about 10% of all academic staff in 2004/05 to 15% by 2012/13, again with systematic differences observable in the rate of change. The number of research-only staff increased by almost a fifth over the same period. Thus, for academic staff numbers, growth has been concentrated in relatively cheap research-only and teaching-only staff rather than core teaching/research staff (i.e. lecturers and professors).

CONCLUSION

Our analysis has shown that the annual income of the UK university sector grew quite substantially in real terms in the early years of this century and has continued to increase in recent years despite the recession and austerity politics. However, not all universities have

benefited equally. The level of teaching income per student is a function of an institution's position in a hierarchical and heterogeneous sector. The lion's share of increased income has continued to accrue to wealthier universities, and particularly to the elite Russell Group.

While the sector has paid lip service to enhancing the student experience, expenditure on staff has tended to go increasingly on managers and non-academic professional staff. Universities have not expanded their core lecturing staff, but have brought in increasing numbers of associate teaching-only staff as well as short-term research-only staff.