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Funding changing roles in a new environment

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The policy and funding regime for HE has encouraged role convergence …

Unitary public funding model:

	Supply-side entitlement funding
Revenues	Formulaic block grants
Prices	Standard tariffs and fees
Costs	Input-driven delivery models
Margins	Top-sliced, break-even
Investment	Mostly grant dependent
Changes	Government priorities, sector-wide
Success	Satisfy grant terms and contain costs

Sector-wide policy expectations:

- WP and access targets
- Employer engagement and co-funding
- Retention rates
- Research Assessment Exercise (REF)
- QAA process assurance
- Financial memorandum and terms
- Governance and good practice guidance
- HEIF/Knowledge transfer schemes
- Etc., etc.

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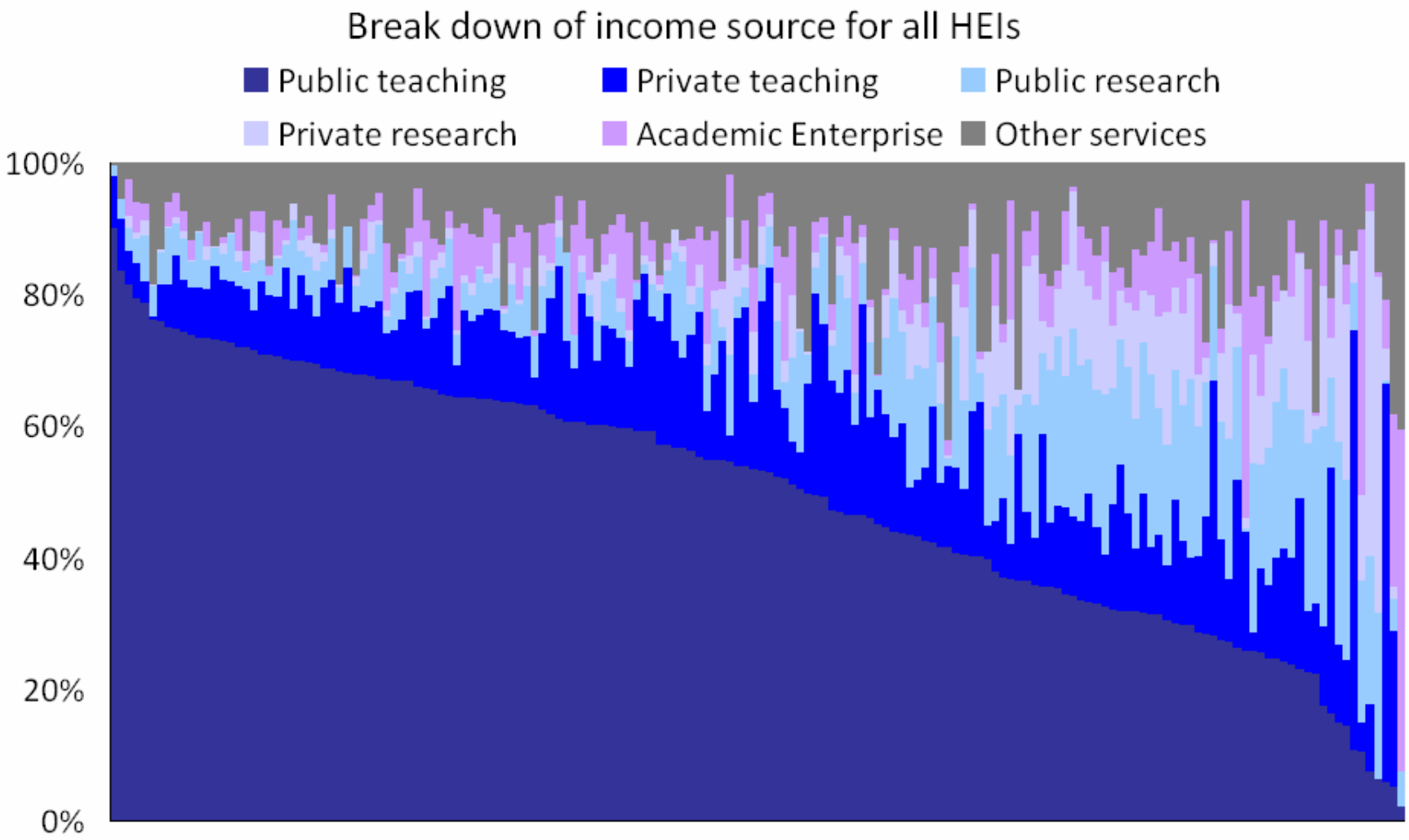
… but the results have been enormous institutional diversity



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The emerging new economics of HE should foster even greater role diversity …

The new economics of earned value:

	Self-sufficiency through earned value
Revenues	Portfolio of revenue sources
Prices	Variable, market-led pricing
Costs	Price-driven flexible cost models
Margins	Devolved contribution management
Investment	Strategic capex management
Changes	Market forces, institution-specific
Success	Deliver tangible value to client groups

Expectations of future roles and structures:

- Research concentration, Ivy League
- Teaching-only institutions
- Flexible, credit-based teaching models
- Separation of teaching and awarding functions
- DAP for corporate and private providers
- Regional rationalisation and mergers
- Combined HE/FE provision
- Etc., etc.

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… but current experiences may suggest otherwise?

Current experiences suggest that simplistic predictions about increased specialisation are simply not tenable:

- All universities have similar diversification objectives
- Few universities generate significant margins from public and charities research
- Teaching can be profitable, but only for half the year
- Knowledge transfer, etc. is often under-charged and loss-making
- Employers have little appetite for funding HE qualifications
- Private providers mostly target very specific sub-sets of the market

BUT the market for ‘academic enterprise’ is relatively untapped and much greater than current HEI revenues, suggesting huge scope for extending the role of universities in the knowledge economy

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Each university must develop its own distinctive role in the new environment

The new economics of HE demand that universities secure self-funding and sustainable roles, based on their distinctive missions and strengths, by developing:

- Balanced portfolios of revenue sources from targeted markets
- Assets that create coherent capabilities for success in target markets
- Intensive and agile deployment of capabilities to meet market demands
- Offers that deliver tangible value and benefits to diverse client groups
- Efficient and intelligent resource management for optimum contributions

This alchemical combination will be different for every university, and will generate a complex diversity of roles within the global economy of learning and knowledge.

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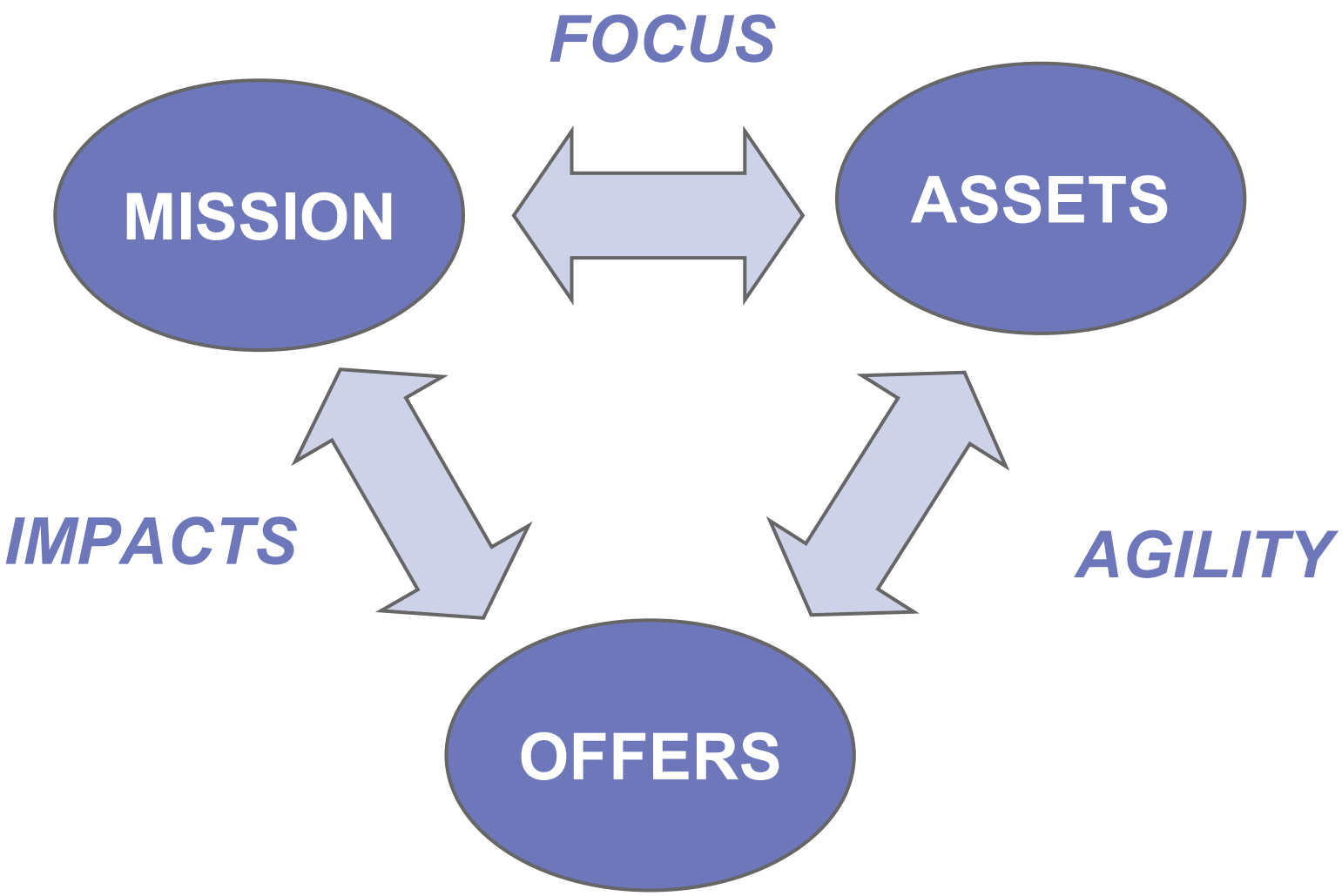
Future, self-funding roles will be forged through new models of institutional strategy



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