

IM, irwinmitchell



The Economic Value of Education

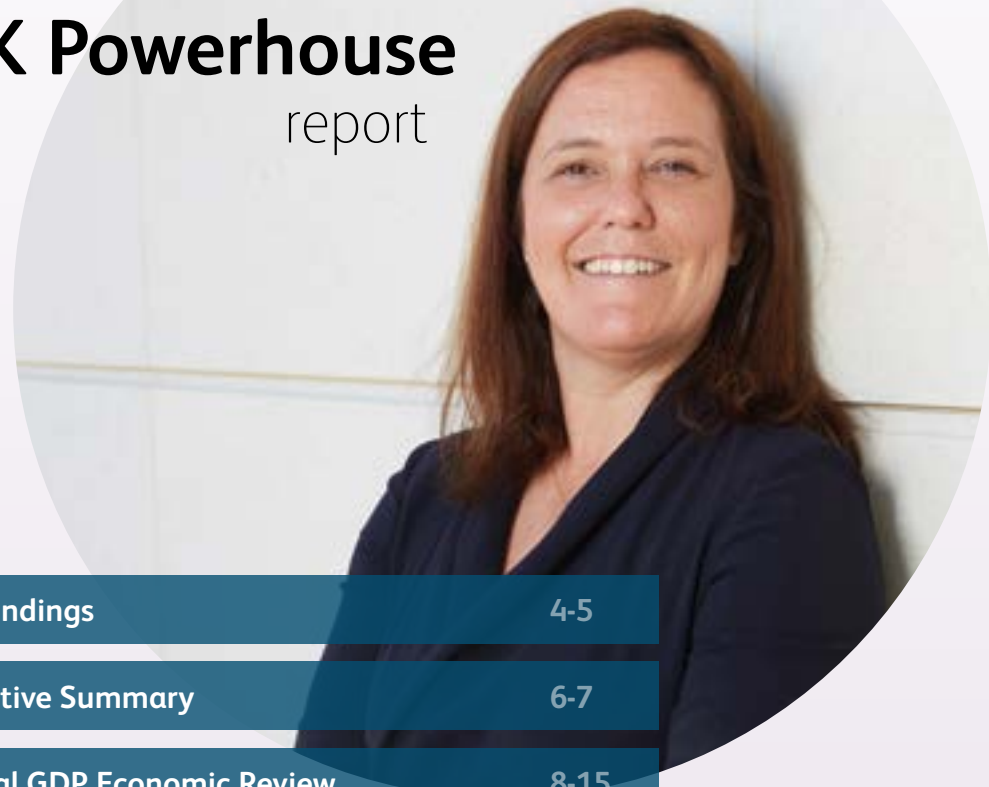
Winter 2017



Welcome

to the Winter 2017

UK Powerhouse report



Key Findings 4-5

Executive Summary 6-7

Annual GDP Economic Review 8-15

City Growth Tracker: Q3 2017 16-19

Forecast: Fastest Growing UK Cities 2018 20-21

Sector in Focus: Education Powerhouse 22-35

Case Studies 36-41

BPP University
Fusion Students
Knight Frank

Victoria Brackett
CEO of Business Legal Services

This Winter edition coincides with the start of a new year and on behalf of Irwin Mitchell, I'd like to take this opportunity to wish you a happy and prosperous 2018.

What's clear from this report is that the next year looks set to be just as tough as the previous 12 months. However, despite low productivity, uncertainty over Brexit and major legislative hurdles such as GDPR to contend with, our economy has remained strong in a number of areas.

In recent editions of UK Powerhouse we've looked at the vital role financial services and technology play in driving economic growth. The spotlight now turns to education, and it is clear from the sector focus from page 22 onwards, our colleges and universities play a hugely significant role in city economic growth.

2018 is also the year when I'd like the new Industrial Strategy to take a big step forward. I welcome the government's bold ambitions contained within the white paper, but more detail for how the UK will meet its target and "become the world's most innovative nation by 2030" is now required.

We certainly have the potential but as our recent 'Go Fourth' report explained, the use of Industry 4.0 technology is currently much lower in the UK than other European countries. A major step change in terms of government investment and support is required, and hopefully we will see decisive action here.

A greater shift towards innovation is welcome, but our economy needs rebalancing in other ways too.

Ensuring all parts of the UK benefit from increased prosperity should, for example, be a priority in 2018. Our 'City Tracker' on page 16 shows slow progress but hopefully when we look back on 2018, we can say it was the year when we started to see changes.

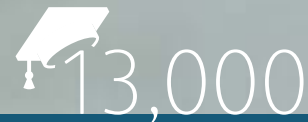
2018 will be full of challenges and disruptions, but if they are approached in the right way, they can provide opportunities for businesses. I'm excited about the year ahead and look forward to working with you to ensure you take advantage of them and are in a strong position to flourish in the future.



Key findings



London is both the largest education employer, with 450,000 staff employed by the sector, and the city with the largest education GVA, at £4.8 billion.



Oxford is the city where education makes up the largest share of employment, at 8%, with the city's university employing over 13,000 people.



The UK economy grew at the slightly stronger rate of 0.4% in the third quarter of 2017, driven by increased household spending.



The number of people aged 16 to 64 in work fell to 75% in the third quarter of 2017.



Employment in Bournemouth grew at 1.3% in Q3 2017, with the banking, finance and insurance sector key to providing jobs for the city.



Cambridge moved from second place back to the top spot for economic growth in Q3 2017, growing 2.2% annually.




The technology hotspots of the so-called 'Cambridge-Milton Keynes-Oxford Arc' are expected to have the fastest growing economies in 2018.



Manufacturers in Derby and Sunderland benefitted from the weak pound, growing the cities' economies by 1.9% and 1.6% respectively.



Irwin Mitchell's Powerhouse Tracker



Official economic data sources for the UK's cities are often dated and fail to provide a reliable snapshot of the UK's localised economies – the last set of regional economic accounts corresponds to the economy in 2015. To more accurately estimate current economic activity, Cebr has utilised a range of more timely indicators to create a 'nowcast' of GVA and employment for a range of key cities across the UK. The latest outputs of this give us a picture of how the regional economies of the UK are performing in 2017.

Key Facts

UK GDP growth increased to 0.4% year-on-year in Q3 2017, driven by household consumption growth. The employment rate (the share of people aged 16 to 64 in work) fell to 75.0% in Q3.

Cambridge returned to the top spot for GVA growth this quarter, growing 2.2% annually. Hull, Derby and Sunderland showed impressive growth relative to other cities and past performance. Hull is the 2017 UK City of Culture, which has drawn many visitors to the city. Manufacturers in Derby and Sunderland have benefitted from the weak pound in recent months.

The sector focus this quarter is education, with particular attention given to UK universities. Since the UK is home to the top two universities in the Times Higher Education 2018 World University Rankings, Britain attracts many students from across the globe, who stimulate demand in the economy and create employment opportunities in university cities. In order to maximise the positive impact of UK universities, particular focus needs to be made on their support of innovation and small businesses in their local areas.

Households

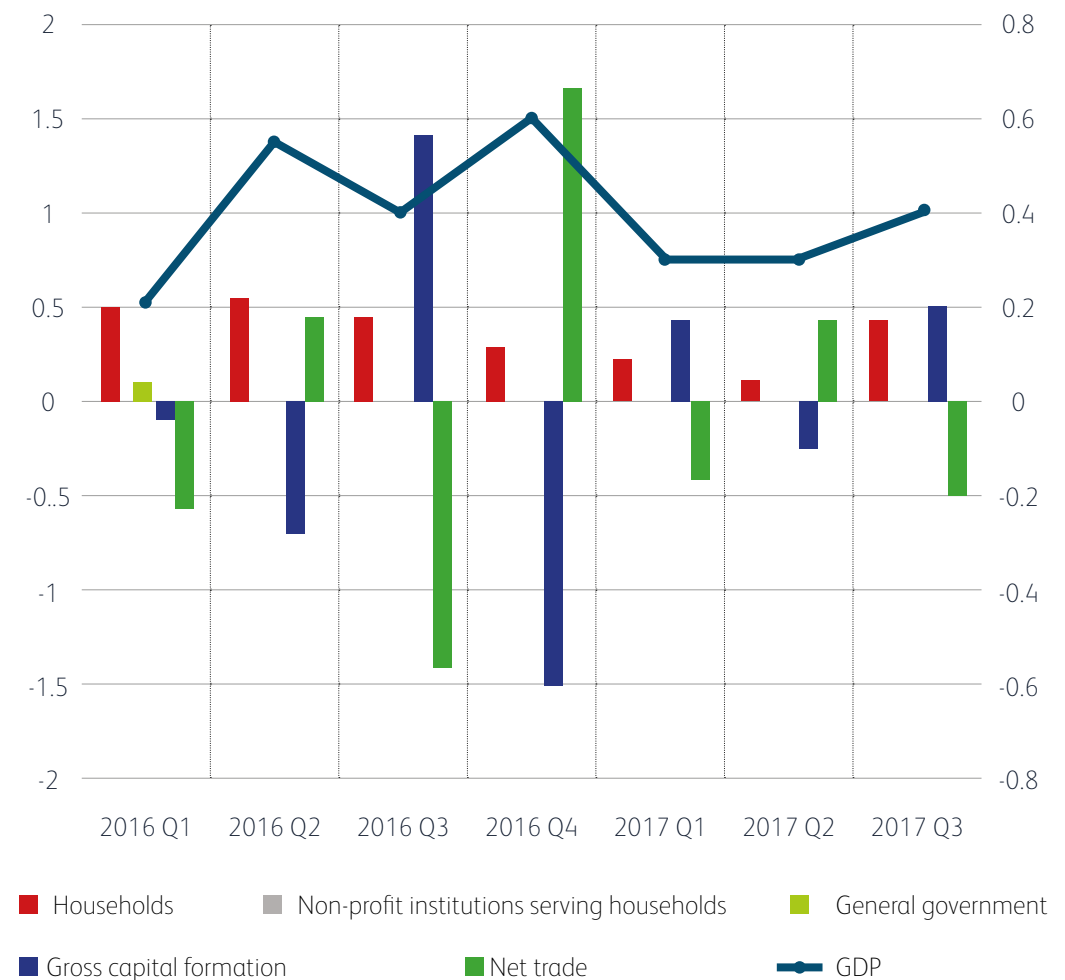
defy real incomes squeeze, as consumer spending growth accelerates

UK GDP annual growth picked up again in the third quarter of 2017 to 0.4%, after standing at 0.3% in the first two quarters. This equates to an annual growth rate of 1.5%, which is now what the OBR forecast UK economic growth to be for 2017, bringing their forecast in line with that of Cebr.

Quarterly household consumption growth accelerated to 0.6% in Q3 2017, up from 0.2% the previous quarter. This boost comes despite data showing that wage growth continues to lag well behind inflation as the squeeze on household budgets persists. There are signs, however, that consumer spending has slowed somewhat in Q3: retail sales volumes fell for the first time since March 2013 in October, contracting 0.3% year-on-year. Cebr expects consumer spending to grow by just 0.1% in the final quarter of 2017.

Turning to firms, business investment growth continued to slow in the third quarter of 2017, falling to 0.2% quarter-on-quarter. Economic and political uncertainty has led to a sharp decline in business confidence in recent months, and the Bank of England's decision to raise interest rates to 0.5% could add to firms' reluctance to invest. Meanwhile, exports fell by 0.7% over Q3, whilst imports grew by 1.1%.

Figure 1 - GDP percentage growth (RHS); UK expenditure components percentage contribution to GDP growth (LHS), quarter-on-quarter



Source: Office for National Statistics, Cebr analysis



“In an uncertain world, it gives great confidence to see the UK in a such a leading position in a crucial sector. Our experience is that UK education institutions at all levels are outward-looking and engaged with the needs of business, as well as being significant in their own right. The key now is to give a clear signal that UK education will be open for business long-term, to students and academics from all parts of the world. It is all to play for, but also ours to lose.”

Laurence Gavin
Partner, Commercial

On a sectoral basis, growth in the third quarter of 2017 was largely driven by the services and production sectors, which experienced quarter-on-quarter growth of 0.4 % and 1.1 % respectively. However, other areas of the economy are struggling: the construction sector contracted by 0.9 % over the third quarter, entering a technical recession.

The latest labour market figures remain fairly positive. The unemployment rate stayed at 4.3 % in Q3 2017, its joint lowest in over four decades. However, the employment rate (the share of people aged 16 to 64 in work) fell to 75.0 % in Q3, from a high of 75.3 % recorded in the three months to July.

There have been three key rising stars in terms of GVA growth this quarter: Hull, Derby, and Sunderland, which rose 29, 27 and 26 places respectively on the GVA powerhouse table.

Despite UK GDP growth marginally improving in Q3, year-on-year GVA growth has slowed in 39 of the 45 powerhouse cities between Q2 and Q3, reflecting changing economic conditions such as high inflation, the weak pound and low wage growth.

There have been three key rising stars in terms of GVA growth this quarter: Hull, Derby and Sunderland, which rose 29, 27 and 26 places respectively on the GVA powerhouse table. Hull is the 2017 UK City of Culture which has drawn many visitors. This has increased consumer spending in the region and driven up GVA. Hotel occupancy was up 13.8 % in the first quarter of the year, compared to the same period in 2016.

GVA growth in Derby rose from 1.6 % in Q2 to 1.9 % in Q3, and the city now stands in third place on the GVA powerhouse table. Manufacturers in the UK have been enjoying increased competitiveness on the global market thanks to the weak pound. Since Derby is home to factories for Toyota, Rolls-Royce and Bombardier Transportation, the city has benefitted in particular from the depreciation. Derby also experienced annual growth in employment of 0.4 %, caused by the improvement in manufacturing prospects.

Sunderland City Council revealed plans in 2015 to transform the city through investment in infrastructure, industry and education, as well as training which has started to have effect. The Sunderland Strategic Transport Corridor is now well into its second phase. When finished, the corridor will offer improved connectivity from the A19 to the Port of Sunderland. Similarly to Derby, Sunderland’s economy has also benefitted from the weak pound boosting manufacturing exports, since the city is home to the UK’s largest car factory (Nissan Motor Manufacturing UK).

Rotherham rose 18 places on the GVA table to rank eighth in terms of growth. It has been building on its historical manufacturing sector specialising in heavy steel in recent years, and now is a key manufacturer of bespoke products for the aerospace, nuclear and transportation industries, driven by research and development in new technologies.

Cambridge moved from second place back to the top of the GVA table this quarter, growing 2.2% annually. The renowned university city benefits from several industrial parks which are leading the way in fields such as wireless technology, display technology and mobile telecommunications. The city's proximity to London also benefits businesses, as the capital city remains the economic hub of the nation.

Milton Keynes, Ipswich and Oxford all grew at 1.9% annually in Q3. Milton Keynes is a front-runner in the UK for technology, being home to several tech start-ups. In addition, the Ipswich Waterfront Innovation Centre which opened last year seeks to support young entrepreneurs, businesses and academics.

Although London remains by far the largest city in terms of GVA, growth in the capital city has notably declined: from 1.9% annual growth in Q2 to 1.2% in Q3.

Moving discussion north to Scotland, Aberdeen experienced the second highest GVA growth in the powerhouse table for Q3 2017, at 2.0%. The falling price of oil in recent years meant that GVA in Aberdeen had taken a hit. However, evidence shows that the city is rebounding. In March 2017, Oil & Gas UK said the city's offshore industry is now in better shape to compete for much-needed investment, and confidence is slowly returning following an intensive two-year drive to improve efficiency, streamline costs and boost productivity. However, the Scottish cities of Glasgow and Edinburgh did not fare so well, as they both fell in their position on the powerhouse table and experienced lower GVA growth year-on-year in Q3 than Q2. The movement may be caused by the squeeze in household budgets in recent months resulting from high inflation and low nominal wage growth. This has caused household spending to decline and so is a drag on growth.

Although London remains by far the largest city in terms of GVA, growth in the capital city has notably declined: from 1.9% annual growth in Q2 to 1.2% in Q3. This slowdown is highlighted by weak house price growth. In September, the annual rate of house price growth was 2.6% in London, compared to 5.4% across the UK.

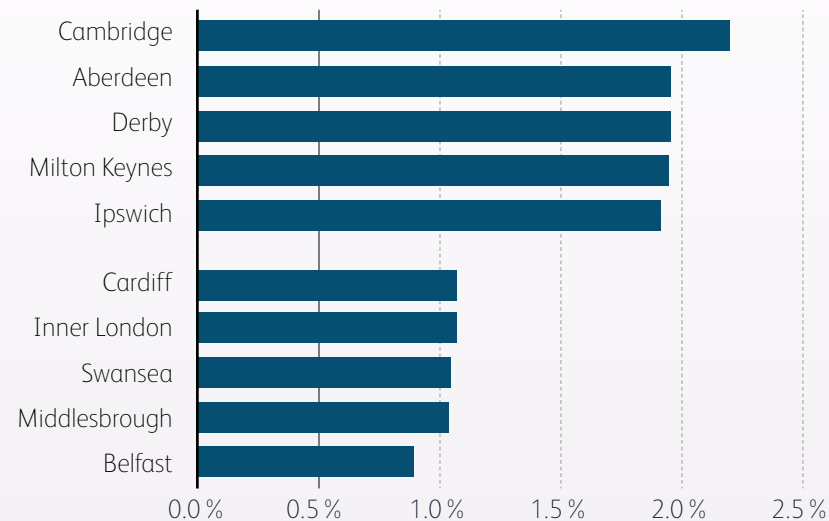


“Investment by developers and providers of purpose built student accommodation not only helps regenerate our towns and inner cities, it acts as a catalyst for increasing the supply of private housing stock in the suburbs. Additionally, students are now consumers and consequently in some instances their living experiences at university have become more akin to a five-star hotel. They want to maintain these standards when they finish studying, but the traditional private rented sector options are no longer suitable. The build to rent market is starting to fill that gap. We can particularly see this trend with more student accommodation developers and providers promoting combined schemes within new projects and Local Authorities are catching on.”

Andrew Wallis
Partner and Head of Student Accommodation



Figure 2 - Top and bottom five cities by annual GVA growth, Q3 2017



Source: Office for National Statistics, Cebr analysis

The average employment growth in the powerhouse cities has fallen from 0.7% in Q2 to 0.6% in Q3. This reflects the story across the UK, for which the employment rate fell to 75.0% in Q3, from a high of 75.3% recorded in the three months to July.

Bournemouth and Exeter top the powerhouse table in terms of employment growth this quarter. Employment in Bournemouth grew at 1.3% in Q3. The banking, finance and insurance sector is key to providing jobs for the city's inhabitants. Bournemouth is home to JP Morgan's Global Technology Hub and the headquarters of leading retirement house builder McCarthy & Stone. Tourism is also an important source of jobs.

Exeter is a key retail hub in the south west of England, serving a wide catchment area due to its high level of connectivity. The city has an international airport and two railway routes into London, which can draw consumers to the city and stimulate job creation. The University of Exeter also plays an important role in employment, helping to create more than 5,300 jobs in the city. In total, nearly 11,000 jobs were generated across the South West by the university¹.

Coventry rose one place on the powerhouse employment table this quarter to third position. Jaguar Land Rover is a large employer in the Midlands city, which stimulates employment growth. The University of Warwick and Coventry University also employ thousands of workers in the city.

¹ <http://growexeter.co.uk/business-news/exeter-business-news-1/university-exeter-injects-1-1-billion->

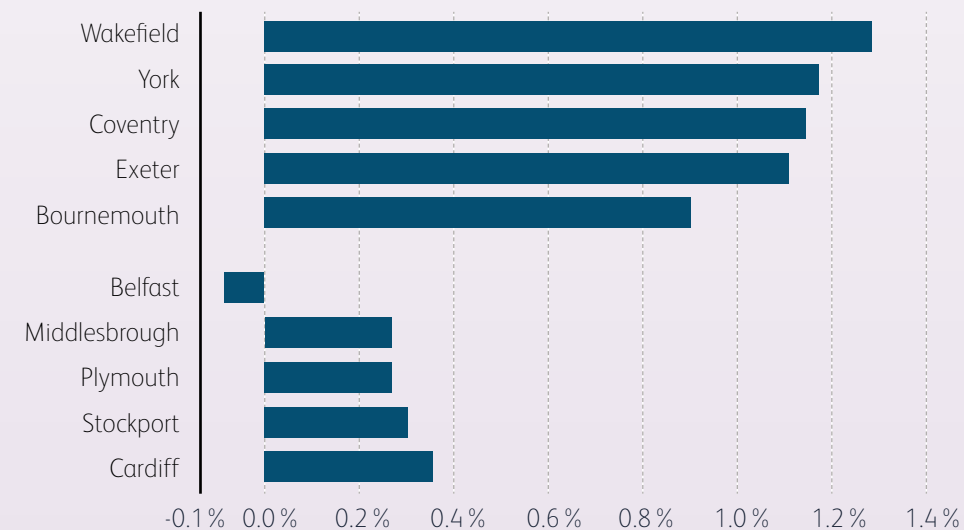
Another Midlands city to have seen notable growth in employment is Wolverhampton, which increased nine places to rank 14th this quarter, with employment growing 0.8% annually. The city has been attracting a number of foreign direct investment projects, which have created more jobs in the region. For example, hydraulic bolt manufacturer Tentec is moving to Wolverhampton in a £10m scheme by its parent company, Atlas Copco.

The Yorkshire cities of York and Wakefield also experienced strong wage growth in the third quarter of 2017. Employment grew 1.1% in York and 0.9% in Wakefield. HSBC announced £1 billion in funding for small and medium-sized businesses in Yorkshire this year, which has boosted the region's GVA and employment growth.

Despite their strong GVA growth, Norwich and Milton Keynes saw a 0.5 and 0.6 percentage point reduction respectively, compared to the last quarter. There may be many reasons behind this fall in growth, including a reduction in migrants as a result of Brexit, as well as firms being unwilling to take on new workers while uncertainty as to the future of UK trade with the EU makes decision-making trickier.

Belfast performed poorly on the powerhouse table this quarter. The city experienced a contraction in employment in Q3. Brexit is having a significant impact on the Northern Irish capital, and the city has not experienced the same pace of recovery as the rest of the UK since the recession.

Figure 3 - Five fastest and slowest expanding cities by year-on-year employment growth in Q3 2017



Source: Office for National Statistics, Cebr analysis

UK Cities in Q3 2017

Powerhouse Table

GVA

League table ranking	GVA Q3 2017, £millions (Annualised, constant 2013 prices)	Growth (YoY)	
1	Cambridge	9,391	2.2%
2	Aberdeen	11,814	2.0%
3	Derby	6,906	1.9%
4	Milton Keynes	10,917	1.9%
5	Ipswich	4,557	1.9%
6	Oxford	8,559	1.9%
7	Norwich	2,850	1.8%
8	Rotherham	4,287	1.8%
9	Hull	5,093	1.8%
10	Wakefield	6,503	1.7%
11	Bristol	13,769	1.7%
12	Peterborough	5,365	1.7%
13	Sunderland	5,695	1.6%
14	York	4,970	1.6%
15	Swindon	6,558	1.6%
16	Southampton	5,837	1.6%
17	Coventry	7,604	1.6%
18	Greater Manchester	59,329	1.6%
19	Portsmouth	5,306	1.5%
20	Stockport	6,055	1.5%

21	Birmingham	24,654	1.5%
22	Glasgow	19,420	1.5%
23	Reading	6,599	1.5%
24	Plymouth	5,120	1.5%
25	Exeter	4,009	1.5%
26	Leeds	21,103	1.5%
27	Stoke-on-Trent	4,724	1.5%
28	Newcastle	9,317	1.4%
29	Outer London	123,729	1.4%
30	Bradford	9,394	1.4%
31	Manchester	16,922	1.4%
32	Bournemouth	4,633	1.4%
33	Leicester	7,389	1.4%
34	Nottingham	8,751	1.4%
35	Brighton	7,068	1.4%
36	Sheffield	11,188	1.4%
37	Wolverhampton	4,562	1.3%
38	London	374,545	1.2%
39	Liverpool	10,775	1.1%
40	Edinburgh	18,140	1.1%
41	Cardiff	9,343	1.1%
42	Inner London	250,816	1.1%
43	Swansea	4,441	1.1%
44	Middlesbrough	3,330	1.1%
45	Belfast	9,713	0.8%

UK Cities in Q3 2017

Powerhouse Table

Employment

League table ranking	Employment Level, Q3 2017	Annual % Change	
1	Bournemouth	95,147	1.3%
2	Exeter	29,836	1.2%
3	Coventry	190,717	1.2%
4	York	119,662	1.1%
5	Wakefield	52,370	0.9%
6	Milton Keynes	63,596	0.9%
7	Stoke-on-Trent	109,297	0.9%
8	Birmingham	562,967	0.9%
9	Reading	122,079	0.8%
10	Swindon	117,650	0.8%
11	Greater Manchester	1,252,630	0.8%
12	Cambridge	131,019	0.8%
13	Nottingham	225,639	0.8%
14	Wolverhampton	115,135	0.8%
15	Oxford	123,809	0.8%
16	Outer London	1,808,985	0.7%
17	London	5,013,163	0.7%
18	Ipswich	80,123	0.7%
19	Liverpool	275,311	0.7%
20	Bristol	333,968	0.7%

21	Rotherham	98,090	0.6%
22	Leeds	439,359	0.6%
23	Manchester	427,702	0.6%
24	Inner London	3,204,178	0.6%
25	Leicester	209,601	0.6%
26	Sunderland	129,426	0.6%
27	Peterborough	103,690	0.6%
28	Norwich	134,760	0.6%
29	Sheffield	283,007	0.6%
30	Newcastle	217,318	0.6%
31	Bradford	214,723	0.5%
32	Glasgow	425,576	0.5%
33	Brighton	152,026	0.5%
34	Aberdeen	184,678	0.5%
35	Derby	138,151	0.4%
36	Southampton	144,280	0.4%
37	Swansea	121,433	0.4%
38	Edinburgh	339,433	0.4%
39	Hull	146,458	0.4%
40	Portsmouth	108,698	0.4%
41	Cardiff	224,451	0.4%
42	Stockport	120,740	0.3%
43	Plymouth	137,760	0.3%
44	Middlesbrough	75,353	0.3%
45	Belfast	21,431	-0.1%

Forecast

Fastest Growing UK Cities in 2018

GVA

League table ranking		GVA Q4 2017, £millions <small>(Annualised, constant 2013 prices)</small>	GVA Q4 2018, £millions <small>(Annualised, constant 2013 prices)</small>	Q4 2018 growth <small>(YoY)</small>
1	Cambridge	9,451	9,658	2.19%
2	Oxford	8,602	8,772	1.99%
3	Milton Keynes	11,035	11,253	1.98%
4	Ipswich	4,603	4,684	1.75%
5	Reading	6,632	6,747	1.74%
6	Southampton	5,862	5,963	1.72%
7	Brighton	7,111	7,230	1.68%
8	Norwich	2,870	2,917	1.62%
9	Portsmouth	5,336	5,422	1.62%
10	Bournemouth	4,649	4,721	1.55%
11	Peterborough	5,394	5,475	1.50%
12	York	4,989	5,061	1.44%
13	Exeter	4,026	4,083	1.41%
14	Rotherham	4,303	4,363	1.40%
15	Derby	6,932	7,027	1.37%
16	Inner London	252,037	255,452	1.35%
17	London	376,667	381,768	1.35%
18	Outer London	124,630	126,317	1.35%
19	Stockport	6,079	6,161	1.35%
20	Wakefield	6,525	6,612	1.33%

21	Birmingham	24,753	25,073	1.29%
22	Glasgow	19,561	19,810	1.28%
23	Nottingham	8,806	8,918	1.28%
24	Manchester	17,031	17,248	1.27%
25	Coventry	7,632	7,728	1.26%
26	Swindon	6,580	6,662	1.24%
27	Aberdeen	11,860	12,007	1.24%
28	Greater Manchester	59,647	60,355	1.19%
29	Stoke-on-Trent	4,742	4,798	1.19%
30	Bristol	13,883	14,046	1.17%
31	Liverpool	10,830	10,956	1.16%
32	Edinburgh	18,242	18,451	1.15%
33	Leicester	7,420	7,505	1.15%
34	Newcastle	9,356	9,463	1.14%
35	Sunderland	5,721	5,784	1.10%
36	Leeds	21,203	21,429	1.07%
37	Hull	5,111	5,164	1.03%
38	Cardiff	9,416	9,509	0.99%
39	Wolverhampton	4,578	4,622	0.96%
40	Bradford	9,438	9,526	0.93%
41	Sheffield	11,217	11,320	0.91%
42	Plymouth	5,146	5,191	0.87%
43	Swansea	4,459	4,495	0.80%
44	Belfast	9,762	9,830	0.69%
45	Middlesbrough	3,342	3,362	0.58%

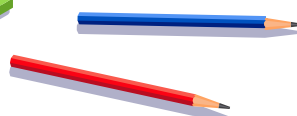
An ducation Powerhouse

The UK's education sector makes a significant contribution to the nation's economy, with education institutions among the country's largest employers. Here is the sector at a glance, according to the findings of the Winter 2017 UK Powerhouse report by Irwin Mitchell and Cebr.



Top of the class

UK universities take up the **top two positions*** of the Times World Higher Education rankings (*University of Oxford, University of Cambridge)



Learning works

In the 2015/16 academic year, there were...



The student body

In 2016, there were **2.28m** students studying at UK higher education institutions



457,000 full-time teachers in state-funded schools

120,000 full-time workers in UK colleges, of which **60,000** are teaching staff

201,380 academic staff employed in UK universities

Smart cities

London's education economy is worth **£4.8** billion

Oxford is the city where education makes up the largest share of employment, at **8%**

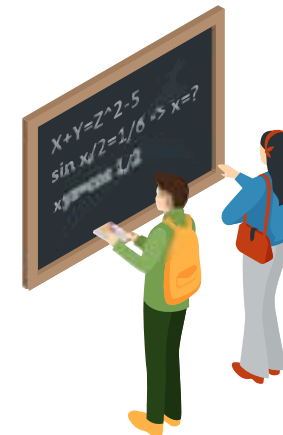
Manchester's education economy had the highest growth, with the sector expanding by **20%**

In **Scotland**, it's estimated that for every **£1** of investment in higher education institutions, there's an economic impact worth **£6**



Adding it up

Nearly two-thirds of UK higher education institutions had an income of more than **£100 million** in the 2015/16 academic year



In and out

Nottingham had the largest net outflow of those at recent-graduate age, with **5,000** moving in but **11,000** moving out

Join the conversation

 @irwinmitchell
#UKPowerhouse



“This report highlights the size of the education sector and the sheer scale of the number of jobs that the education sector provides. Leaving the EU provides a great deal of uncertainty in terms of the UK’s ability to attract research funding, lecturers and researchers from overseas in the future and the impact of this could be significant. It is notable now how reliant on education local economies have become, with education accounting for 10% or more of GVA in some locations. With Brexit soon upon us, we need to find ways to ensure that markets are not closed to this key sector.”

Samantha Clark
Senior Associate, Employment

Sector in focus

Education

Powerhouse

The UK education sector makes a significant contribution to economic growth. Through schools, colleges and universities, education institutions are large employers attracting skilled workers to our towns and cities. Universities in the UK have the greatest impact, shaping future world leaders and being major platforms for cutting edge research and innovation. Among the benefits that universities bring to their local areas are high levels of employment, support for local businesses, skilled graduates and a source of economic growth. This education powerhouse will look at the impact of all education institutions, but particularly universities, on the UK economy.

Rankings for 2018 show that UK universities take up the top two positions of the Times World Higher Education rankings (University of Oxford and University of Cambridge), and there are four UK universities in the world top 20 (University of Cambridge, University of Oxford, University College London and Imperial College London). These top universities attract students from across the world and employ thousands of staff to manage and teach them. In the 2015/16 academic year, there were 162 higher education institutions (excluding further education colleges) in the UK, and 2.28 million students studying at them, of which 438,000 were not from the UK². Overall, there were 201,380 academic staff employed in UK universities in the 2015/16 academic year³. The primary and secondary education sector in the UK is also a large employer. In 2016, there were 457,000 full-time teachers in state funded schools.

The powerhouse table shows that 450,000 staff are employed by the education sector in London, which is a three-year increase of 45,000.

Also key to the economic impact of the education sector are colleges. Over one third of 16 to 18 year olds in the UK study in a sixth form college, and colleges employ 120,000 full-time equivalent workers in the UK, of which 60,000 are teaching staff⁴. Annual education funding for each sixth form college student is £4,531 on average in the state sector, but is over three times higher in the private sector at £15,333⁵.

² Universities UK: Higher education facts and figures 2017

³ HESA Staff Record

⁴ Association of colleges: college Key Facts 2017/2018

⁵ Sixth form colleges association: Sixth Form Colleges, 2017 facts and figures

There is evidence that sixth form colleges see a higher proportion of their students go to university than for local authority-funded schools which educate up to aged 18, meaning that colleges play a key role in shaping skilled workers of the future⁶. This comes in spite of funding pressures from the Government. Survey results suggest that 50% of sixth form colleges have dropped courses in modern foreign languages as a result of funding pressures⁷.

Universities in the UK play a key role in stimulating economic growth. Nearly two-thirds of UK higher education institutions had an income of more than £100m in the 2015/16 academic year⁸. The majority (55%) of university expenditure was on teaching and research activities, while maintaining campuses and libraries, IT and museums made up the second and third largest sources of spending. The incomes, diversity and size of UK universities means that they can play a key role, especially in supporting local small and medium-sized businesses and start-ups by providing funding, research support, breakthrough inventions and technology leadership.

London is the city with the largest GVA for education as shown by the powerhouse table, at £4.8 billion, which makes up 5% of the capital's GVA. The city is home to several of the country's top universities including King's College London, University College London, Imperial College London, and London School of Economics and Political Science. Economic impact analysis shows that the higher education institutions in London combined with the spending of their students generates over £7.9 billion GVA per year⁹. London is also the largest education employer. The powerhouse table shows that 450,000 staff are employed by the education sector in London, which is a three-year increase of 45,000.

The city with the highest education GVA growth was Manchester, for which the sector expanded 20% over the three years analysed.

Oxford comes in second for GVA size, and is also the city where education makes up the largest share of total city employment, at 8%. Oxford is home to two universities, including the University of Oxford, which employs over 13,000 people and is the largest employer in Oxfordshire. The university also has 23,000 students including postgraduates and visiting students. However, these students are not staying in the city after graduation. Migration analysis by Cebr shows that there was a net outflow of 21 to 25 year olds of over 2,500 people from the city in the 12 months to June 2016. This means that the highly talented graduates from this city tend to not benefit the local economy once their degree is completed.

As well as providing employment opportunities, the University of Oxford aids many small businesses in expanding, through several different schemes and enterprises. Businesses can engage with entrepreneurs, academics and students at the university Entrepreneurship Centre, in addition to participating in local networks and receiving specialist business support services.

The city with the highest education GVA growth was Manchester, for which the sector expanded 20% over the three years analysed. The University of Manchester has begun a £1 billion investment plan which will expand the university with the aim of creating a world-class campus by 2021. The University of Manchester employs more than 12,000 staff, of which 4,575 are academic and 2,040 in research related tasks¹⁰. Overall, education employment in the city was 41,040 in 2016. Professors at the University of Manchester earned £81,715 on average in the 2015/16 academic year, slightly above the average for the UK of £79,030¹¹.

⁶ Sixth form colleges association: Assessing value for money in Sixth Form education (2014)

⁷ Sixth form colleges association: Support Our Sixth-formers campaign, funding impact survey report (2017)

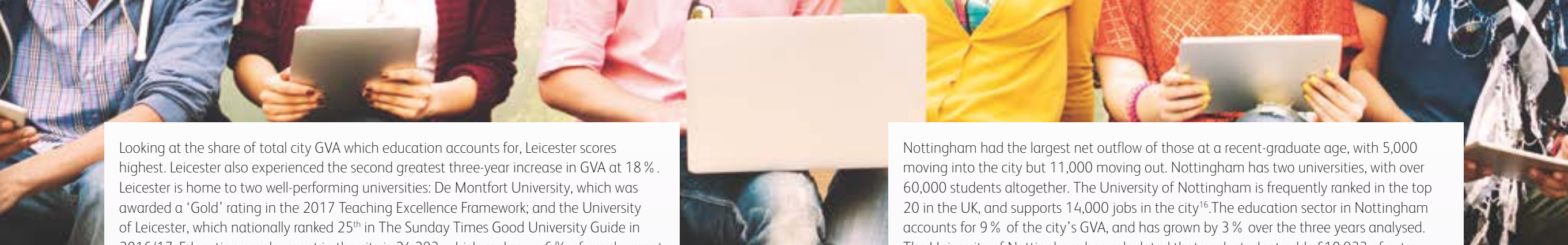
⁸ Universities UK: Higher education facts and figures 2017

⁹ Universities UK: The economic impact of higher education institutions in England

¹⁰ University of Manchester: Facts and Figures 2017

¹¹ Times Higher Education: UK university salaries 2015-16





Looking at the share of total city GVA which education accounts for, Leicester scores highest. Leicester also experienced the second greatest three-year increase in GVA at 18%. Leicester is home to two well-performing universities: De Montfort University, which was awarded a 'Gold' rating in the 2017 Teaching Excellence Framework; and the University of Leicester, which nationally ranked 25th in The Sunday Times Good University Guide in 2016/17. Education employment in the city is 24,293, which makes up 6% of employment there. On average, academic workers earned £51,128 at the University of Leicester and £48,029 De Montfort University, which are both near the UK average of £49,408. These well-paid, skilled workers contribute to consumption spending and stimulate GVA growth in the city.

Turning attention to Scotland, Edinburgh performs well for education GVA, placing fifth on the education powerhouse table. Glasgow placed fifth in terms of education employment numbers, and experienced the third highest employment expansion over three years. There are 235,565 university students in Scotland¹², and higher education institutions employ 38,450 people and support over 142,000 jobs in the Scottish economy. It has also been estimated that for every £1 of investment into Scottish higher education institutions, there is an economic impact worth £6.¹³ As well as drawing students to the UK from across the globe, universities in Scotland have produced research responsible for the development of new industries such as life sciences and computer games now valued at over £3 billion annually.¹⁴

A key challenge for universities in the UK that has emerged over the past five years is rising student expectations as a result of the substantial increase in tuition fees in 2012.

Cebr analysis of internal migration for people aged 21 to 25 shows that London received the highest inflow of young people at a recent-graduate age in the 12 months to June 2016, with 115,000 21 to 25 year olds moving to the city. The capital also had an outflow of 82,000 recent-graduate age people over the same period, meaning that on balance the capital city experienced internal immigration of 33,000. This influx of skilled workers benefits the London economy by increasing consumer spending and diversifying the talent pool in the city. It has been estimated that graduates in a lifetime earn more than non-graduates by £250,000 for women and £170,000 for men¹⁵, meaning that cities which can attract graduates are likely to see higher average earnings which will have knock-on positive effects on consumption and GVA.

Nottingham had the largest net outflow of those at a recent-graduate age, with 5,000 moving into the city but 11,000 moving out. Nottingham has two universities, with over 60,000 students altogether. The University of Nottingham is frequently ranked in the top 20 in the UK, and supports 14,000 jobs in the city¹⁶. The education sector in Nottingham accounts for 9% of the city's GVA, and has grown by 3% over the three years analysed. The University of Nottingham has calculated that each student adds £10,933 of extra economic benefit to the Nottingham economy each year¹⁷. By leaving the city after graduation, these students no longer contribute to the economy and so limit GVA growth.

Outside London, Leeds experienced the largest outflow of recent-graduate aged 21 to 25 year olds with 13,000 moving out of the city. Nine thousand 21 to 25 year olds also moved into the city in the 12 months to June 2016, meaning that there was a net outflow of 4,000 young graduates and workers. The University of Leeds is the seventh largest university in the UK in terms of student numbers, with 31,790 students in total. Leeds also came fourth in terms of GVA for the education powerhouse table, with the education sector contributing £365 million to the city's economy. Jobs in education also account for 5% of the city's employment, which is nearly 45,000 workers. At around £600m, the University of Leeds is the eighth largest in the UK by income. The university uses this income to support education and research¹⁸. The recently founded University Innovation and Enterprise Centre has a team which will work to understand companies' innovation needs, and put them in touch with the support they require.

A key challenge for universities in the UK that has emerged over the past five years is rising student expectations as a result of the substantial increase in tuition fees in 2012. Since students pay £27,000 in tuition fees for a three-year course, they demand high standards of teaching and infrastructure. Universities need to become more aware of the cares and wishes of students, and become more flexible in regards to meeting them.

There is currently a great deal of uncertainty surrounding UK universities and Brexit. In the 2015/16 academic year, there were 127,440 EU students in UK universities¹⁹. It is unknown how EU/EEA students who are not already in the UK will be able to study in the UK once the nation has left the EU. Currently EU/EEA students pay the same fees as UK students, which may not continue. Also, UK students taking a year abroad are unlikely to gain Erasmus (EuRopean Community Action Scheme for the Mobility of University Students; an EU student exchange programme) funding after 2020. The government should simplify the current visa application process from non-EU nationals in order to draw as many international students as possible to the UK once we are no longer part of the EU.

¹² Universities UK: Higher education facts and figures 2017

¹³ Universities Scotland: Higher education in Scotland Our values & our value added (2013)

¹⁴ Scottish Development International (2013)

¹⁵ <http://www.bbc.co.uk/news/uk-politics-40965479>

¹⁶ University of Nottingham: The Economic Impact of Britain's Global University (2015)

¹⁷ University of Nottingham: The Economic Impact of Britain's Global University (2015)

¹⁸ University of Leeds: Investing in Knowledge, Creating Opportunity (2015)

¹⁹ Source: UK Council for international student affairs

In terms of university access to EU funding for research and innovation, the UK government is aiming for an “ambitious science and innovation agreement with the EU”²⁰ in negotiations, which is important given that British higher education providers get at least 2.6% of their total income from the EU, or around 16% of their research income²¹. Brexit is also very likely to impose increased barriers to recruiting talented European staff and may hinder UK universities’ international research collaboration. Universities UK recommends that there should be enhanced support for international research collaboration post-Brexit and also increased public investment in research to make up for the loss of EU funding.

In order to attract and keep graduate workers, cities should also focus on improving their transport systems to optimise the movement of workers.

Universities across the UK are in a unique position to support and develop innovative small and medium-sized enterprises in their cities. Recognising this, in the Witty review of UK universities and growth, a key recommendation is that the Government should make an explicit long-term commitment to Higher Education Innovation Funding²². Innovation funding strategies should show how all local enterprises that could benefit from working with universities in their area are able to do so.

As this report highlights in the education sector GVA statistics, the education sector makes a significant contribution to economic growth. In order to continue creating economic growth within the areas surrounding universities, it is important for them to engage in the work of local enterprise partnerships, particularly in support for innovation²³. Local enterprise partnerships are voluntary partnerships between local authorities and businesses which determine local economic priorities and lead economic growth and job creation within the local area.

Internal migration statistics show that many graduate-age young workers are moving away from their universities towards London in particular. In order to boost economic growth, cities with large numbers of students such as Leeds and Nottingham can benefit from policies which will attract and keep highly-skilled students. One of the main reasons graduates move is for employment. Therefore, if the Government can provide incentives for graduate recruiters to hire more workers in cities outside London, there would be less of a mass migration to London post-university.

In order to attract and keep graduate workers, cities should also focus on improving their transport systems to optimise the movement of workers. Graduates are attracted to growing economies with well-functioning infrastructure according to Centre for Cities²⁴. Also, large-scale affordable housing projects will appeal to recent graduates with a high level of student debt to pay off.

Universities in the UK have existed for 800 years, and will continue to have a positive impact on the UK economy for many more. However, to stay ahead of the curve, universities need to continue to adapt to new challenges such as rising student expectations and Brexit.



20 HM Government Collaboration on science and innovation (2017)

21 Higher Education Statistics Agency.

22 Encouraging a British Invention Revolution: Sir Andrew Witty’s Review of Universities and Growth (2013)

23 Encouraging a British Invention Revolution: Sir Andrew Witty’s Review of Universities and Growth (2013)

24 <http://www.centreforcities.org/publication/great-british-brain-drain-where-graduates-move-and-why/>

UK Cities

Education* Powerhouse

Output

League table ranking	GVA Q4 2015, Education, in £ million	Three-Year % Increase	Share of total city GVA, in %	
1	London	4,775.3	-2%	5%
2	Oxford	500.3	4%	9%
3	Birmingham	498.4	9%	8%
4	Leeds	364.8	5%	7%
5	Edinburgh	335.8	2%	8%
6	Cambridge	319.4	0%	7%
7	Sheffield	304.3	5%	11%
8	Newcastle	287.3	8%	7%
9	Manchester	277.3	20%	7%
10	Bristol	268.1	8%	8%
11	Ipswich	261.9	2%	6%
12	Leicester	217.5	18%	12%
13	Cardiff	213.7	-11%	8%
14	Glasgow	212.8	-6%	5%
15	Bradford	212.3	11%	9%
16	Liverpool	209.9	-4%	8%
17	Nottingham	199.6	3%	9%
18	Belfast	191.5	-2%	8%
19	Aberdeen	178.7	6%	4%
20	Bournemouth	174.5	18%	9%

21	Brighton	162.0	16%	9%
22	Norwich	149.3	-1%	7%
23	Coventry	136.9	1%	7%
24	Milton Keynes	136.5	-5%	5%
25	Southampton	131.0	-1%	9%
26	Wakefield	127.0	2%	8%
27	Plymouth	115.5	5%	9%
28	Portsmouth	110.8	-11%	9%
29	Derby	110.7	5%	7%
30	Rotherham	98.6	12%	10%
31	York	97.5	-1%	8%
32	Wolverhampton	88.3	-11%	8%
33	Reading	87.7	-4%	6%
34	Middlesbrough	86.3	-2%	8%
35	Swansea	85.5	-5%	8%
36	Exeter	85.1	16%	9%
37	Peterborough	83.5	-1%	6%
38	Stoke-on-Trent	77.6	-1%	7%
39	Stockport	73.2	-8%	5%
40	Sunderland	72.9	15%	5%
41	Hull	70.1	-10%	6%
42	Swindon	68.0	-2%	4%

*The education powerhouse tables include data for all levels of education from pre-primary to post-graduate in public as well as private education (2007 SIC code P).

UK Cities

Education* Powerhouse

Employment

League table ranking	City	Employment - Education, 2016	Three-year Employment Growth - Education, 2013-2016	Share of total city Employment, in %
1	London	449,895	45,472	4%
2	Birmingham	69,351	6,612	6%
3	Leeds	44,717	3,176	5%
4	Manchester	41,040	1,767	5%
5	Glasgow	39,652	4,390	4%
6	Sheffield	34,948	1,505	6%
7	Bristol	33,902	1,155	5%
8	Liverpool	33,521	856	6%
9	Nottingham	31,465	3,261	7%
10	Edinburgh	28,264	1,757	4%
11	Bradford	24,870	1,590	6%
12	Leicester	24,293	1,203	6%
13	Cardiff	23,602	311	5%
14	Newcastle	21,725	1,610	5%
15	Oxford	21,107	635	8%
16	Coventry	19,645	740	5%
17	Southampton	19,342	2,304	6%
18	Hull	18,850	2,227	6%
19	Norwich	17,858	3,351	6%
20	Cambridge	17,784	1,449	6%

21	Plymouth	16,936	1,114	6%
22	Brighton	16,885	493	5%
23	Milton Keynes	15,888	1,279	5%
24	Portsmouth	15,504	-1,343	7%
25	Swansea	15,175	1,928	6%
26	York	14,757	329	6%
27	Wakefield	14,550	-644	5%
28	Derby	14,525	8	5%
29	Wolverhampton	12,199	-1,848	5%
30	Reading	11,781	-1,613	5%
31	Sunderland	11,729	2,184	5%
32	Exeter	11,535	692	5%
33	Aberdeen	11,306	1,335	3%
34	Rotherham	11,179	1,387	6%
35	Peterborough	11,115	-388	5%
36	Stockport	10,993	-359	4%
37	Ipswich	10,930	159	6%
38	Stoke-on-Trent	10,486	-920	5%
39	Middlesbrough	8,889	-86	6%
40	Bournemouth	8,636	378	4%
41	Swindon	8,453	-656	4%

*The education powerhouse tables include data for all levels of education from pre-primary to post-graduate in public as well as private education (2007 SIC code P).

Higher education

is facing significant challenges, and it will have to adapt if it is to meet them and continue to support economic growth, argues **Dr Sally-Ann Burnett, Deputy Vice-Chancellor of BPP University.**



Almost all the recent debate over higher education has focused on student funding. Important though this is, it has tended to obscure more deep-seated and just as significant challenges, which if left unaddressed could harm the country's economic prospects and those of the higher education sector.

The first is demographics. After a few years of decline, the number of 18 to 20 year olds in the UK is forecast to rise from a low of 2.3 million to 2.6 million over the next decade, half of whom could be expected to want some form of tertiary education. In the past few years, universities have compensated for the shortfall in homegrown numbers by attracting high-paying students from overseas. It's unlikely they will want to lose that source of revenue even as UK numbers rise.

Yet they will be under enormous pressure to cater to domestic demand, particularly if Brexit complicates the immigration and skills picture for employers. Adding extra physical capacity is expensive, so course delivery will have to become much more flexible and inventive if demand is to be satisfied. That brings us to the second challenge: technology. Higher education providers will have to get much better at effectively incorporating technology in course delivery. BPP University is a good example of an early adopter of technological solutions.

Many of our courses use live webinars, recorded lectures and online learning materials. They allow for accurate monitoring and assessment and provide greater flexibility for lecturers and students alike. Increasing numbers of courses will have to be similarly enhanced if higher education is to keep pace with the demands of the economy. Finally, and most importantly, tertiary learning will have to become more work-based, not least through degree and higher-level apprenticeships.

Apprenticeships offer employers huge advantages – they can offset costs against the levy, they can tailor learning to their business needs, and they can make it easier to recruit a diverse and committed workforce.

The benefits for students are just as great, and we are very confident that a BPP apprentice, for example, studying for a degree in technology or financial services will know what is expected of them in the workplace. They will receive a practical and relevant education, and they will be earning while they learn without accumulating any student debt.

I appreciate that there may be some reluctance in higher education to embrace this shift. Yet in many professions – banking, law and accountancy, for instance – work-based learning was historically the norm. Companies will always recruit graduates directly, but the balance in some could easily shift to a 50:50 split between them and apprentices. Higher education institutions that don't prepare for that shift will not only fail to cater to the demands of employers, they also risk shortchanging themselves and the broader economy.

The UK

offers a considerable choice for both domestic and international students, says **Sam Ball, Partner and Head of Property Transactions at Fusion Students.**



Practically every major UK town and city is host to a university, some having multiple universities and a substantial number of them being exceedingly good Higher Education Institutions (HEIs). In fact, the UK is host to a higher concentration of leading HEIs than any other county in the world, with a large proportion of them being world-leading. This makes higher education an extremely important asset in terms of the UK economy and as an export to students across the globe.

We have seen the Purpose Built Student Accommodation (PBSA) market develop and mature considerably over the past ten or so years, with greater numbers of international and domestic students taking places at UK universities. This in turn has led to considerable growth in the PBSA market, with the private sector accounting for the majority of new accommodation in the UK. I think that there certainly used to be a correlation between international students who are used to serviced living and private sector PBSA. However, we have also certainly seen a shift in UK students increasingly becoming more inclined to stay in PBSA. Students are now paying a considerable annual amount to go to university and for that they want to get the very best out of their university experience, which means living in quality developments that can cater for all of their needs.

I think that as tuition fees rise, universities will continue to improve their academic offering and the private sector will continue to dominate the PBSA market. As students become increasingly discerning about their educational careers and what they wish to achieve at university, not just from an academic point of view, there is opportunity for the private sector to continually improve to meet the wants and needs of students' living needs. Like all other property asset classes, there will increasingly be more primary and secondary stock, with lower price points afforded at older stock always being in demand. However, there is progressively becoming a focus on specification and building amenities in new development. The trick will always be offering a good living experience at a rent that is reflective of such a product. I think that the great living experience is progressively becoming exceedingly important.

There continues to be very strong interest from overseas and institutional investment in PBSA. This has resulted in major portfolio transactions and development activity. The stable returns offered to investors makes PBSA an extremely compelling investment choice, particularly in times of increasing economic uncertainty. I think that the main opportunities are for well-located stock in leading multi-university cities. Specification and price point will be key. There will always be the requirement for higher end student living, but new development will have to be very mindful of which proportion of the student population is prepared to take such stock. Development opportunities remain extremely competitive across the UK with competition from overseas investment and competing asset classes.

Purpose Built Student Accommodation

is playing an increasing role in the education sector and having an important economic impact, says **James Pullan, Partner and department Head of Student Property at Knight Frank.**



In the new world where UK Higher Education Institutions are fighting to attract talent, a key component of the proposition offered by a university is the quality of lifestyle and student experience.

There is now more focus on the role of Purpose Built Student Accommodation (PBSA) as the importance of students as 'consumers' becomes more widely recognised. International students, in particular, are seeking a combination of both academic excellence and value for money and therefore, the quality of student accommodation is a key driver in delivering high levels of satisfaction for overseas students.

PBSA also plays an important wider economic role. It can bring a critical mass of students into fringe areas and act as a catalyst to further local economic regeneration. Furthermore, PBSA also supports the wider housing market, particularly as the structure of the UK's housing market is changing, with a shift in the level of private renting households.

Currently there is a disconnect between changing household composition and available dwelling types – single person households accommodated in larger 'family sized' rental dwellings often create local tensions as demand from different groups (students, young professionals, families) overlap and compete for the same stock. This in turn creates knock-on implications for supply and affordability. The development of specific rental products, like PBSA for example, that caters to a younger demographic, will in my opinion be an essential element of housing markets in the future.

The provision of specialist, targeted housing options can also have wider positive effects by rebalancing and creating more stable communities. New purpose-built student housing can achieve this and has been adopted by many local authorities as a successful means of reducing student households within areas with high HMO stress. PBSA development has, for example, allowed would be 'student digs' to return back into the mainstream housing market.

The UK higher education sector is totally dependent upon the PBSA sector to provide new homes appropriate for its students. The scale of delivery of PBSA has reached an all-time high and this is being driven almost entirely by the private sector. 84% of the 22,947 new bed spaces outlined for delivery in 2018/19 will be delivered by private investment. The private sector is not just playing a greater development role as 69% of new accommodation delivered over the last three years is also managed by private operators. Collectively, these operators now account for the management of over 40% of all UK PBSA bed spaces.

In the investment market, just as the UK higher education sector has become more dependent upon international students, investment into PBSA has become more dependent on overseas capital. 2017 saw a weight of US money being committed to UK student accommodation, with landmark deals including Brookfield's acquisition of the Spring Portfolio from Unite.

Key contacts

Educational establishments have always needed to adapt and the sector is experiencing fundamental shifts yet again. Our national team of education specialists have comprehensive experience, and can help you deliver the best possible outcome for your organisation, whatever changes you face.



Anna Marro

Business Development Manager

T: +44 (0)161 838 5583

M: +44 (0)7834 753 953

E: anna.marro@irwinmitchell.com

Melanie Bancroft

Business Development Manager

T: +44 (0)114 274 4489

M: +44 (0)7918 738 251

E: melanie.bancroft@irwinmitchell.com



IM, irwinmitchell

GDPR

Don't Be Slow Out Of The Blocks

There are less than six months to go until the new General Data Protection Regulation comes into force on **25 May 2018**.

Our experts can help you over the finish line.

www.irwinmitchell.com/gdpr-2018

A report for Irwin Mitchell



Disclaimer

Whilst every effort has been made to ensure the accuracy of the material in this document, neither Centre for Economics and Business Research Ltd (Cebr) nor the report's authors will be liable for any loss or damages incurred through the use of the report.


Authorship and acknowledgements

This report has been produced by Cebr, an independent economics and business research consultancy established in 1992. The views expressed herein are those of the authors only and are based upon independent research by them.

London, January 2018

Methodological Note for the Education Powerhouse calculations:

At a NUTS 3 (city equivalent) level, education is not measured as a separate sector by the Office for National Statistics, but is part of public administration, education and health data. In order to obtain education measurements of city GVA, the education proportion of public administration, education and health GVA data was calculated for each NUTS 2 region. The NUTS 2 proportion was matched to each city, which meant education GVA could be calculated for each city. The same methodology was used for employment, but at a NUTS 1 level.

 0370 1500 100

 www.irwinmitchell.com

 @irwinmitchell

For a list of our offices visit our website

BLS-PHW17-0007-B

Irwin Mitchell LLP is authorised and regulated by the Solicitors Regulation Authority.