

### Estimated and projected 18-year-olds in UK population, 2000 to 2034



Source: Office for National Statistics

# DEVELOPING A STRATEGY FOR SUSTAINABLE FUNDING

Over the past decade the higher education sector has faced a number of challenges, writes Mark Hull, relationship director for higher education commercial banking at Lloyds Bank

THE UK POPULATION of 18-year-olds is in decline (see chart), fuelling even more competition between institutions to attract students – although numbers are projected to rise again from 2021 onwards.

We have also seen a rise in expectations from students about the quality of both the teaching and the overall university experience, which is driving the need for increased estate investment.

At the same time, costs - especially salaries and pensions - continue to grow, despite the Augar review proposing that tuition fees should be cut.

It all means that universities face more financial pressures than ever before.

So, how can they best work with funding partners to ensure their arrangements are sustainable?

Lloyds Banking Group works with 80 per cent of UK higher education institutions and has provided more than £3 billion of committed facilities to the sector. Here's how we recommend working together.

## A collaborative approach

Recognise your funders as a key relationship and invest time in sharing the challenges and opportunities that you face as an organisation.

Be open to new ideas as there may be opportunities to save time or cost by looking at new approaches.

## Investor presentations

Share the drivers of your financial performance and your strategic plan at regular investor presentations.

Involve senior colleagues from other departments,

not just finance, so that your funder has access to the wider management team.

Openness creates confidence by both ensuring that your funder understands your current position and direction of travel, and that they can rely on you to be open with them going forward.

## Timely management information and financial covenants

As part of any term borrowings, you and your funding partner will have agreed to share regular financial information and covenant calculations.

It's an arrangement that benefits both parties and sharing accurate data on time helps build and maintain a relationship based on mutual confidence in each other's commitment.

## No surprises

However well run it is, any institution will come across bumps in the road.

Your funding partner understands this and may be able to help, so let them know as early as possible. Being upfront, open and honest means that you can work together to find solutions.

## It's in the mix

Long-term interest rates are at a historic low, which makes long-term funding attractive, but it's important to work with your lenders to agree the correct mix of short- and long-term financing.

We arrange shorter term revolving credit facilities

and can provide long-term funding packages through our Scottish Widows subsidiary, as well as arranging longer term private placements.

In the current environment, it is critical for institutions to bring their funders with them on their growth journey. Building sustainable, long-term relationships will be key to making the most of future opportunities.

To contact the Lloyds Bank higher education team visit <http://www.timeshighereducation.com/lloyds-bank-meet-the-team>



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