

Autumn Budget representation from Universities UK: October 2025

Executive summary

Investment in higher education at the Autumn Budget is crucial if universities are to widen and deepen their role as critical partners in delivering government's priorities.

Universities' contributions to the delivery of national missions

- **Growth and productivity:** Universities contribute over £265 billion to the UK economy each year with every £1 of public investment into universities generating over £14 in economic output.
- **Skills, ideas and influence:** 82% of growth in priority occupations by 2030 in industrial strategy sectors will require a higher education qualification.
- **Thriving places:** Universities are a key contributor to local economies, including through knowledge exchange activities, which have a national economic impact of £63 billion, and teaching and learning, which have an economic impact of £95 billion.
- **Expanding opportunity:** Graduate earnings are 32-37% higher by age 31 than those of individuals who did not attend university but could have.

Our commitment to supporting government's priorities

With the right support, universities can go further and faster. Our priorities are to:

- Work closely with government and industry to ensure a pipeline of high-level skills.
- Maximise R&D's contribution to growth and productivity through increasing inward investment, driving local growth and increasing research collaborations.
- Break down barriers to opportunity by developing a more transparent approach to contextual admissions and working with others to raise aspirations in higher education cold spots.

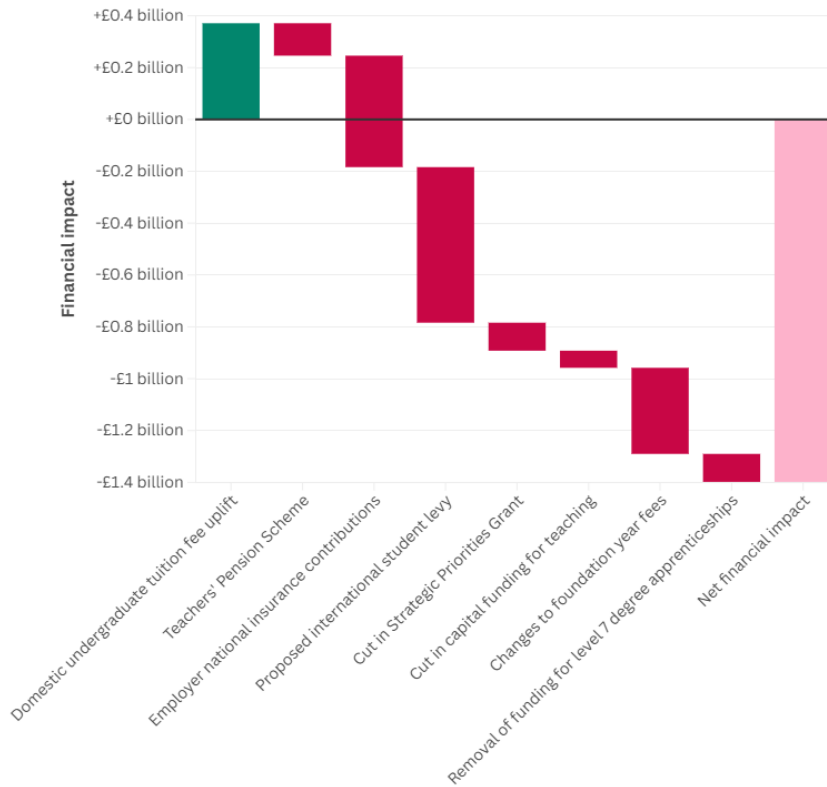
- Prepare graduates for the future jobs market, by engaging directly with business and public sector employers and expanding their involvement in how universities teach.
- Fully implement the recommendations of UUK's Transformation and Efficiency Taskforce.

However, this depends on a sustainable financial settlement

- **There has been sustained under investment in higher education.** The UK already has one of the lowest levels of public investment in higher education in the developed world.
- Universities are grappling with a real-terms decline in funding for both teaching and research, threatening their financial sustainability and their capacity to support the delivery of national priorities. As a consequence of a real-terms decline in funding over the last decade, universities in England incurred a loss of £1.7 billion teaching domestic students and £5.4 billion carrying out research in 2023/24. Demographic pressures, with a projected increase in UK 18 year-olds throughout this decade, risk per-student rates of teaching funding facing even further decline.

The following chart (figure 1) illustrates the impact of recent government policy announcements on the higher education sector in 2025/26, which stands at a net loss of £1.4 billion.

FIGURE 1: NET FINANCIAL IMPACT OF GOVERNMENT POLICY DECISIONS TAKING EFFECT IN 2025-26¹



Our proposals

Fixing the foundations, by increasing critical funding streams in line with inflation:

- Real-terms increase to teaching funding, including linking the tuition fee cap to inflation and increasing the Strategic Priorities Grant.
- Support universities' research mission through a real-terms increase to UKRI's budget, a real-terms uplift to Quality Related (QR) funding and the establishment of a research security fund.

¹ Figure 1 sources:

Office for Students (2025), [Financial sustainability of higher education providers in England: November 2024 update](#)

Universities and Colleges Employers Association (UCEA) modelling

Universities UK modelling of [Higher Education Statistics Agency \(HESA\) finance data for 2023-24](#)

Department for Education (2025), [Guidance to the Office for Students from the Secretary of State for Education](#)

Department for Education (2022), [Higher education policy statement and reform: government consultation response](#)

Universities UK modelling based on analysis of [government apprenticeship figures](#)

- Support university-led innovation through an inflationary increase to the Higher Education and Innovation Fund (HEIF) for the duration of this Parliament and by strengthening university-investor engagement.
- Enhancement of the student support package, including a real-terms increase to the student maintenance loan.

Using public funding to harness university contributions to government priorities:

- Capitalise on universities' ability to deliver the R&D, skills and innovation priorities across Whitehall departments and the IS-8.
- Establish a new Tertiary Education Opportunity Fund (TEOF).
- Establish a transformation and efficiency fund to catalyse major, collaborative transformation in the sector.

Removing government-imposed costs and barriers to greater efficiency:

- Do not impose a levy on income from international student tuition fees.
- Greater flexibility for VAT on shared services.
- Sustainable pensions settlement with greater flexibility over the Teachers' Pension Scheme (TPS).
- Reprofile of Student Loans Company (SLC) payments to boost institutional cashflow.

Introduction

Universities UK (UUK) is the collective voice of 141 universities in England, Scotland, Wales and Northern Ireland. Our mission is to create the conditions for UK universities to be the best in the world, maximising their positive impact locally, nationally and globally. Universities UK acts on behalf of universities represented by their heads of institution.

Universities are critical to achieving the government's ambitions – and ready to step up

Universities drive growth, productivity and opportunity in the UK. They:

- Contribute over a quarter of a billion pounds the economy each year (£265 billion for 2021-22) with every £1 of public investment into universities generating over £14 in economic output.
- Support jobs through their spending in local areas. In 2021-22, universities spending supported nearly three quarter of a million jobs (768,000). Of these, nearly half (382,500) were outside of universities, in local businesses who benefit from economic stimulus created by universities.
- Boost local economies. International students make a net £58m economic contribution per parliamentary constituency, and a net positive contribution of at least £37.4 billion per year to the UK economy.
- Increase productivity: Regional industries with productivity above the UK average have a higher share of graduates – 56% compared to 42% - and higher graduate earnings.
- Generate enterprise: In the 2023–24 academic year, there were 2,144 active university spin-outs employing over 47,406 FTE people, with an estimated turnover of over £9.95 billion and attracting over £4.5 billion in external investment.
- Play a critical role in contributing to public services, with 14,690 students under 25 accepting a place in nursing degrees in 2025, 2,730 in midwifery and 1,340 in teacher training.
- Are critical to government ambitions that two thirds of under 25s will achieve a higher-level qualification or apprenticeship by 2040 – and to reducing young

worklessness, improving population health and meeting skills needs in industrial strategy priority sectors.

Skills, ideas and influence

The government has set out clear ambitions through its industrial strategy, its emerging science and innovation vision, and proposals for reforms of the skills system. Universities are central to achieving these ambitions. They are also a huge strategic asset, fundamental to the appeal of the UK around the world as a country which generates ideas and as an exciting place to invest in and grow businesses.

- All of the IS-8 sectors are reliant on high level skills – especially life sciences, digital and tech, professional and business services, and creative industries, where graduates make up more than 70% of employees.
- Government's analysis of skills needs shows that 82% of growth in priority occupations by 2030, across these industrial sectors, will require a higher education (HE) qualification. For some sectors, growth in employer demand will be nearly totally dependent on HE skills, including financial services (100% of growth requires graduate skills), digital sector (94%), business and professional services (91%), defence (87%), and life sciences (86%).
- R&D activity at UK universities is a cornerstone of the country's innovation economy, driving technological change, attracting inward investment and delivering innovative solutions to national and global challenges. This activity directly underpins the government's missions, with a significant share of UK research between 2019-2023 having a direct relation to the government's five missions.
- With less than 1% of the global population, the UK accounted for 6% of the world's academic publications and 12% of the world's most highly cited academic publications in 2022.
- UK universities educated more world leaders than any other country in the world, including the US.

Thriving places

Universities throughout the countries play a central role in their local communities, acting as cornerstones for delivering local economic growth, developing key skills, creating vibrant and attractive places, and serving community needs.

- Universities benefit local economies through their research and knowledge exchange activities, which generate a £63 billion economic impact, and their teaching and learning activities, which have an impact of £95 billion.
- Universities support and generate businesses, with over 38,000 student and staff start-ups having emerged with university support since 2014/15 and a 70% increase in active firms in eight years. Support for start-ups is becoming increasingly widely spread across the UK, with incubators now in every region of England, as well as across Scotland, Northern Ireland and Wales.
- Universities play a key contribution in the delivery of local strategic projects that promote economic growth and wider community benefits. For example, the University of Plymouth is a key partner in the Team Plymouth alliance which is bringing together the defence industry, government and academia to coordinate regional growth and deliver on the government's defence ambitions, including the university's Advanced Marine Technology Hub.
- Universities support local health and wellbeing, including 15 Health Innovation Networks across England, connecting universities with local authorities, charities and the private sector, to improve patient outcomes.
- Universities open their doors to their local communities and make culture accessible. The public attended university events or accessed university produced online media (eg webinars, podcasts) 745 million times in 2023-24, and over 17.8 million attendees accessed free events.
- The National Union of Students (NUS) and other volunteering bodies estimate that around 750,000 students in the UK volunteer, contributing around 3 million hours of service to local causes.

Expanding opportunity

This government has a powerful social mission to extend opportunity to all, irrespective of background. It is a mission which universities share – and on which universities can deliver.

- Government data on actual earnings indicates that, when considering local labour market conditions, graduate earnings are 32-37% higher by age 31 than earnings from those that did not attend university but could have. This is the case across all regions of England, with a strong correlation between the proportion of the workforce which is educated to graduate level and regional economic performance.
- For those on free school meals while at school, between the age of 23 and 31, graduate earnings grow by 75% compared to 26% for non-graduates from the same background, who could have studied at university but chose not to.
- In 2009–10, only 18% of students from the bottom quintile of areas by rate of higher education participation entered university. This had increased to 31.7% by 2021–22. However, you are still roughly twice as likely to go to university if you are from the most advantaged backgrounds compared to those from the least advantaged. In Barrow-in-Furness, the higher education participation rate is 13.1%, while in Wimbledon, it is 69.5%.
- In 2023-24 alone, English HE providers invested a combined £730m to drive access and provide financial support for the most disadvantaged students.
- The exchequer will receive an estimated net benefit of £75,000 from each first-degree student in 2021-22, through increased tax receipts, taking into account the government cost of providing student loans and grants.

Instead of decline, the government has an opportunity to reboot the system to drive growth and opportunity

With the right support, universities can go further and faster. As Universities UK and our members, our priorities are to:

- Work closely with government and industry to ensure a pipeline of high-level skills, including playing an active role in the Defence Universities Alliance, stepping up engagement with Local Skills Improvement Plans (LSIPs), and creating new opportunities for HE and FE to work together.
- Maximise R&D's contribution to growth and productivity through transformation, including by attracting inward investment in university spin outs; increasing research collaborations and reducing bureaucracy; and playing a central role in every part of the country in driving and delivering on local growth plans.
- Break down barriers to opportunity, by developing a more transparent approach to contextual admissions and working together with FE, Strategic Authorities and employers to raise aspirations in higher education cold spots.
- Preparing graduates for the future jobs market, by engaging more directly with business and public sector employers and involve them more systematically in shaping how universities teach.
- Fully implement the recommendations of UUK's Transformation and Efficiency Taskforce.

However, without government action, the university sector will slide into decline and will be less able to power the UK economy

Data from the OECD shows that the UK already has one of the lowest levels of public investment in higher education in the developed world. In 2022 the UK invested 0.5% of GDP, compared to 0.9% on average across the OECD, with spend decreasing 18% between 2015 and 2022.

- UUK analysis shows that the real-terms value of the unit of resource for teaching in England, which comprises domestic tuition fees and grant funding, has declined by 32% in real terms between 2015-16 and 2025-26. The result is that in 2023-24 universities in England registered a £1.7 billion deficit on teaching domestic students.
- Universities in England faced a £5.4 billion deficit on research activity in 2023/24, due to a 16.5% real-terms decline in the value of Quality Related (QR) funding between 2010-11 and 2025-26, and decreasing cost recovery rates.

Universities driving efficiency and transformation

However, despite financial challenges facing universities across the UK, we are facing into this, and using our autonomy to drive efficiency and transformation. UUK initiated a Transformation and Efficiency Taskforce, led by independent Chair Sir Nigel Carrington. The Taskforce's report, released in the summer of 2025, calls for a fundamental shift in thinking, with a much greater focus on how universities across the UK can work together, share services and assets, and collaborate in the national interest. The taskforce identified opportunities for universities to:

- Develop shared services and infrastructure
- Leverage large-scale procurement opportunities
- Consider the full range of innovative collaborative structures, including mergers and group structures where appropriate

UUK is committed to supporting our members capitalise on these opportunities, including by working with partners to: provide advice on structured approaches to cost reduction; facilitating connections between transformation experts and our members; and supporting the development of guidance on different forms of large-scale collaboration including merger. We will continue and deepen this work with a broad range of partners and across our membership in the year ahead.

Our proposals

This vital role in delivering our shared, urgent, national mission shows why the sustained, long-term erosion of funding for teaching and research, which has created a financial storm for the sector, must be addressed. To secure universities considerable potential contributions for the good of the nation, they need a stable financial settlement, that can only be delivered through this Budget.

Despite wider fiscal constraints, we believe our recommendations are achievable within the departmental allocations set out at the Spending Review and urge government to see these as an investment in growth and people's futures. This should be done by:

- 1) **Fixing the foundations, by increasing critical funding streams in line with inflation** - including research funding, tuition fees and direct government teaching funding via the Strategic Priorities Grant.

- 2) **Using public funding to harness university contributions to government priorities**, such as the UK's national security, clean energy transition and transforming the NHS.
- 3) **Removing government-imposed costs and barriers to greater efficiency**, helping universities to help themselves by removing barriers on VAT and the Teachers' Pension Scheme, and dropping the planned tax on universities' international fee income, which would further damage university financial stability.

Summary of proposals

Fixing the foundations, by increasing critical funding streams in line with inflation:

- Real-terms increase to teaching funding, including linking the tuition fee cap to inflation and increasing the Strategic Priorities Grant.
- Support universities' research mission through a real-terms increase to UKRI's budget, a real-terms uplift to Quality Related (QR) funding and the establishment of a research security fund.
- Support university-led innovation through an inflationary increase to the Higher Education and Innovation Fund (HEIF) for the duration of this Parliament and by strengthening university-investor engagement.
- Enhancement of the student support package, including a real-terms increase to the student maintenance loan.

Using public funding to harness university contributions to government priorities:

- Capitalise on universities' ability to deliver the R&D, skills and innovation priorities across Whitehall departments and the IS-8, using the Defence Universities Alliance announced in the defence sector plan as a replicable model.
- Establish a new Tertiary Education Opportunity Fund (TEOF).
- Establish a transformation and efficiency fund to catalyse major, collaborative transformation in the sector.

Removing government-imposed costs and barriers to greater efficiency:

- Do not impose a levy on income from international student tuition fees.
- Greater flexibility for VAT on shared services.

- Sustainable pensions settlement with greater flexibility over the Teachers' Pension Scheme (TPS).
- Reprofitting of Student Loans Company (SLC) payments to boost institutional cashflow.

Fixing the foundations, by increasing critical funding streams in line with inflation:

There has been a decline in investment in higher education and research in the last decade, with real-terms reductions in the teaching unit of resource and a decline in cost-recovery for research across the four nations. This has occurred concurrently with increased pressures on university finances caused by macroeconomic challenges and sector-specific commitments, and — particularly in England — a marked shift towards a more competitive operating environment. Universities are responding with long-term strategic change programmes, but in the short term have had to make substantial reductions that risk their ability to continue to deliver world-leading teaching and research or to invest in longer term transformation.

A survey of UUK members found that in response to financial pressures, universities have:

- Closed courses: 49% of respondents closed courses and 89% would consider doing so in the next three years.
- Reduced research activity: 19% have cut back on academic R&D, with a further 79% saying that they may consider this in the next three years.
- Scaled back maintenance and infrastructure investment: 60% reported cutting back on repairs/maintenance of existing facilities, and 46% had cut investment in IT. 84% had deferred physical and/or digital infrastructure capital projects in the last two years.
- Undertaken widespread structural change, including reducing headcount: 18% have closed departments, 42% have sold physical assets and 25% have made compulsory redundancies.

Real-terms increase to teaching funding, including linking the domestic fee cap to inflation and increasing the Strategic Priorities Grant (SPG):

- The unit of resource for teaching in England from domestic tuition fees and grant funding, has lost a third of its real-terms value in the ten-year period between 2015-16 and 2025-26. A unit of resource that reflects the true cost of provision is crucial to a diverse higher education sector geared towards

delivering the nation's skills pipeline, including in support of the industrial strategy.

Tuition fees

- The real-terms value of the domestic fee for English universities has declined by 35% between 2012-13 and 2025-26, with the 2025/26 tuition fee rate of £9,535 worth only £5,823 in 2012-13 prices. It is vital that the tuition fee is increased in line with inflation, as part of an ongoing annual commitment, so that its value does not erode further.

Strategic Priorities Grant (SPG)

- The SPG is designed to support the costs of university provision that could not reasonably be covered through tuition fees, including the most expensive subjects such as medicine, allied health, STEM, world-leading specialist provision and the additional costs of supporting the most disadvantaged students to succeed.

High-cost subject funding

- The high-cost subject element of the Strategic Priorities Grant has declined by 18.4% in real terms between 2018/19 and 2025/26. At the current demographic projections, the number of new entrants at universities will also rise by 7% between 2025 and 2029, which means that per-student funding rates of SPG are also at risk. Combined with reduced funding from tuition fees, universities are less able to expand the most expensive courses. Shortfalls are particularly high for some subjects, such as £14,800 for clinical medicine, £7,700 for physics, and £6,500 for general engineering. DfE have recently commissioned their own research study on the costs of higher education provision, which we urge government to consider in ensuring that teaching funding reflects the true cost of delivery.
- This funding shortfall makes it more challenging for universities to expand capacity to meet student demand for the highest cost subjects. The proportion of all university places allocated to high-cost courses fell from 52% in 2015/16 to 47% in 2023/24, while applications to high-cost courses grew by 14% between 2019 and 2024. This issue risks creating subject 'cold spots' and may undermine the UK's skills pipeline including the industrial strategy. Our 2025 survey found 49% of UUK members have closed courses in the past three years.

- A real-terms increase in the SPG high-cost element will also enable universities to sustain vulnerable provision, such as in modern foreign languages, where relatively low current demand is leading to a permanent loss of capacity. It can also support universities to respond to emerging skills, by incentivising the growth of new provision.

World Leading Specialist Provider Funding

- Specialist provision is also expensive to deliver and adequate grant funding via World Leading Specialist Provider Funding is required to ensure its sustainability – especially as specialist institutions tend to derive a significantly higher share of their teaching income from the SPG than other providers. Specialist institutions face additional costs in providing tailored provision, including high staff-to-student ratios, specialist equipment and facilities, and technical training. These institutions have excellent relationships with leading industries, including creative sectors, that will be critical to the delivery of the industrial strategy.

Funding for student access and success

- The student access and success premiums of the SPG fund a wide range of student support measures including financial, disability and mental health support. However, although these premiums have increased by 8.6% since 2018/19, had this kept pace with inflation, they would have increased by 35%. Growing numbers of UK 18-year-olds has further compounded this issue and contributed to a falling per-student unit of resource.
- Since the pandemic, institutions have seen a marked increase in student need for disability and mental health support, including for complex issues that require multidisciplinary responses. The current SPG allocations for disability and student mental health are insufficient to cover institutional needs, particularly as university spending on student mental health has increased significantly in recent years. UUK's member survey earlier this year found that the SPG disability student premium covered less than a third of the total spend on disability support, while the student mental health funding covered only a fifth of the total spend on mental health support.
- However, financial constraints mean that some institutions have already reduced financial and student support and may be compelled to do so further. Our 2025 survey found 35% of UUK members have reduced spend on student support services, while 15% have reduced investment in student bursaries.

While universities will seek to protect students, up to 77% could be forced to make cuts to student support services over the next three academic years, and up to 60% could be compelled to reduce student bursaries under worsening financial conditions. Increasing per-student funding rates in line with inflation, as a minimum, would enhance universities' ambition to support the most disadvantaged students.

Support universities' research mission through a real-terms increase to UKRI's budget, a real-terms uplift to Quality Related (QR) funding and a research security fund:

- University research drives economic growth, with the impact of UK HE providers' research and knowledge exchange activities in 2021-22 estimated at £62 billion. However, UK universities have been registering a growing deficit on research activities, which reached £6.2 billion in 2023/24.
- The government has estimated an average rate of return from public investment in R&D to the private sector of around 40%, six years after the investment is made. As benefits of public R&D take time to feed through into private sector productivity, it is estimated this could reach 80% after 10 years.
- Universities only recover around 67% of the full economic cost of research, funding the remainder of costs themselves, including by cross-subsidising R&D activity from more volatile funding streams such as international student income.
- These challenges are having an impact on research activity: 26% of UUK members are already planning to make cuts to academic research activity over the next three academic years due to budget constraints. Crucially, a further 53% are considering making such cuts if their financial positions worsen. A majority of institutions may reduce funding for early career researchers and PhD students, which poses a direct risk to the high-level skills pipeline for growth sectors such as life sciences.
- Spending Review allocations allow government to deliver a real-terms uplift to UKRI's core budget across the Research Councils and Innovate UK over a multi-year period. This will help protect discovery research and mission-led programmes, stabilise grant success rates, and reduce the need for institutions to backfill rising research costs from other sources, helping improve sustainability.

- A sustained real-terms increase to QR funding is vital for the success of the industrial strategy and for preserving the country's research capacity, innovation potential and high-level skills pipeline. QR is also important because it enables universities to be flexible in how they spend research funding, allowing them to pivot to new areas quickly. Recurrent QR funding saw a 16.5% real-terms decline in England between 2010–11 and 2025–26, with larger real-term declines in funding across the devolved nations. If recurrent QR in England had kept pace with inflation, retaining its 2010–11 value through 2025–26, universities in England would have received a total of £4.1 billion in extra research funding over 15 years, to invest in longer-term, blue-skies research.
- The sustainability and international standing of the UK university research sector will also be strengthened by providing additional resources for UKRI and national academies to foster international collaboration and establishing a new Research Security Fund to provide funding for universities to invest in training, development, and human resource to meet the evolving demands of research security.

Support university-led innovation through an inflationary increase to the Higher Education and Innovation Fund (HEIF) for the duration of this Parliament and by strengthening university-investor engagement:

- Recent research from the Centre for Cities shows that universities play a major civic and economic role in their local communities, attracting skilled workers to the local labour markets, as well as major international exporters, catalysts for city centre regeneration and 'nurseries' for innovation. Knowledge exchange activities from UK universities have an economic impact of approximately £9 billion a year through the spending of universities and their engagement with businesses. This does not include the economic impact of university spin-out and start-up companies. In 2023-24 there were 2,144 active spin-outs associated with universities, with a turnover of over £9.95 billion, attracting over £4.5 billion in external investment. The government can build on these achievements by working with universities to strengthen investor engagement and the readiness of university spinouts.
- HEIF in England is essential to retaining and enhancing the agile and flexible capacity for universities to engage with technology transfer, support local economic development, partner with SMEs and secure investment. The funding also represents excellent value for public money with every £1 in investment generating an additional £10.10. Extending HEIF would generate

further impact on local growth, investment and productivity. HEIF also plays a significant role in supporting and enabling student entrepreneurship. The return to HEIF investment in student entrepreneurship and enterprise is £15.60 for every £1 invested.

Enhancement of the student support package, including a real-terms increase to maintenance loan:

- Persistently high inflation in the UK, which is set to be the highest in G7, continues to have a disproportionate impact on students from the most disadvantaged backgrounds. To preserve the fairness of the maintenance package, the government should continue to enact real-terms increases to maintenance loans every year, with salary thresholds for calculating the loan uprated as well.
- We welcome the government's commitment to reintroduce targeted maintenance grants for students on some courses, but are concerned that introducing a levy on international student fees to fund this could have considerable unintended consequences. We would welcome the opportunity to work with government to determine alternative sources of funding for maintenance grants.

Using public funding to harness university contributions to government priorities

Universities are critical partners in achieving government's ambitions, including the delivery of the industrial strategy, driving innovation, growth and productivity, and creating opportunity throughout society. Targeted government funding in key areas will support the higher education sector to maximise these contributions, including by enabling sector transformation for collaborative endeavours that can support national priorities.

Capitalise on universities' ability to deliver the R&D, skills and innovation priorities across Whitehall departments and the IS-8, using the Defence Universities Alliance announced in the defence sector plan as a replicable model:

- Universities are central to the delivery of government's missions, including the industrial strategy, through their high-level skills provision and their research, development, and innovation activities. All eight of the government's industrial strategy growth sectors are dependent on high level skills and graduates, and Skills England forecasts show we need more high-level skills in the future.
- Government has already recognised universities' critical role and potential to go even further, with the Defence Universities Alliance providing an innovative model for how government can work in partnership with universities to deliver growth. This partnership will deliver on future ambitions for focused R&D and skills in defence sector. Government should develop similar partnership models in other IS-8 growth sectors, including where targeted funding may enable universities to go even further in pursuit of shared goals.

Establish a Tertiary Education Opportunity Fund:

- As anchor institutions, universities are well positioned to drive growth and opportunity locally. Building on the success of Uni Connect, a new Tertiary Education Opportunity Fund (TEOF) should be established. This fund would be awarded to higher education and further education partnerships that create collaborative programmes that respond to local skills needs and target learners in low-participation areas or groups through outreach activity. This would align to the Office for Students' (OfS) vision for the future of a national 11 collaborative outreach programme, building the pathway infrastructure to address cold spots and provide learners with guidance to make the right choice for them.

Establish a transformation and efficiency fund to catalyse major, collaborative transformation in the sector:

- Universities have already undertaken significant work to become more efficient. However, to build on the work already undertaken, targeted funding is needed to drive major transformation in the sector. This would incentivise greater collaboration and support the exploration of new business models and structures, enabling universities to maximise their contributions to society, while unlocking further efficiencies.
- To support this, we propose the introduction of a grant-based transformation and efficiency fund which prioritises large-scale, collaborative activities

between more than one institution. This would include mergers, acquisitions and other structural changes such as creating group structures. Research undertaken through UUK's transformation and efficiency taskforce found that the heavy resource burden associated with exploratory conversations around transformation was a barrier, so this fund would support universities to properly scope projects that strengthen financial resilience, enhance efficiency and enable universities to support the delivery of government priorities such as its Growth and Opportunity Missions.

- The benefits would outweigh the costs by driving savings through accelerated pace of change, or by stimulating changes which would not otherwise occur due to steep upfront costs.

Removing government-imposed costs and barriers to greater efficiency:

Policy decisions made by the current and previous government incur costs for universities, and prevent them from realising the greater efficiencies they are actively seeking. Universities are committed to playing their part, but government must also act to remove some of the most damaging costs and other barriers to improved financial sustainability.

Do not impose a levy on income from international student tuition fees:

- Whilst we welcome the government's intention to reintroduce targeted maintenance grants, using a levy as the means of doing so will have considerable unintended consequences, including for the most disadvantaged students.
- Counter to the government's assumption in the Immigration White Paper, our evidence strongly suggests that universities will not be able to pass on the costs of a levy to international students. International students are price sensitive, with data from Studyportals showing that if a £16,000 postgraduate taught fee increases by 6%, demand reduces by 16%. Furthermore, UK universities are already reaching a price ceiling: between 2019/20 and 2023/24, two-thirds (66%) of universities saw postgraduate taught (PGT) fee income grow by less than inflation.
- Income from international student fees is critical in cross-subsidising substantial deficits on domestic teaching and research. A levy would therefore

not only have a profoundly detrimental impact on university finances, but crucially, negatively impact the opportunity for UK students to have an outstanding experience at university and undermine the UK's crucial research base, which is key to driving economic growth and productivity.

- Recent analysis from Public First models a hypothetical scenario whereby universities pass the full cost of the levy onto students. This modelling estimates that over five years, the total number of international student enrolments could decrease by over 77,000, costing the sector around £2.2 billion. This could reduce university places available to UK students, including in the priority subjects the government is intending to support, many of which are high-cost, and have strong returns to graduates. It would also reduce universities' ability to invest in driving access and student support.
- In the short term, we strongly urge the government not to score this levy at the 2025 Autumn Budget, and instead take the time to work through the consequences of such a policy in detail to avoid significant, negative consequences. This should also include consideration of the costs to government of implementing the levy, which would reduce its total receipts.
- Universities are also keen to work with the government on increasing the transparency and accountability of international student recruitment. As part of this drive, we would welcome additional funding for the Home Office and UKVI to invest in data sharing architecture.

Greater flexibility for VAT on shared services:

- Shared services – such as shared procurement, asset sharing and back-office functions – can help universities reduce costs, operate more efficiently and create standardisation that can lay the ground for future collaborations. However, despite most higher education activities being VAT exempt, inflexibility in VAT legislation means that universities looking to share services are unable to benefit from an existing VAT exemption for cost-sharing groups and VAT is charged on staff costs. This means that shared services must make large savings (of over 20%) to see any significant reduction in costs. UUK's transformation and efficiency taskforce found appetite for greater use of shared services within the sector, but VAT restrictions were consistently cited as a significant barrier.
- Greater flexibility in the rules surrounding cost-sharing groups in higher education, which would effectively remove the barrier of VAT on shared

services, would be of minimal cost to the Treasury but would incentivise new collaboration among institutions and deliver efficiency savings.

Sustainable pensions settlement with greater flexibility over the Teachers' Pension Scheme (TPS):

- There are approximately 58,000 active members of the Teachers' Pension Scheme (TPS) currently working in the English higher education sector. Academic staff in the TPS scheme are mainly those in post-92 universities and some specialist institutions, which are required to offer academic staff the TPS by law due to their history of former local authority control. As a result, these institutions are restricted from offering alternative pension offers and are at a competitive disadvantage compared to other similar universities which do not have the same legal obligations. This is an anomaly which should be fixed.
- With the employer contribution having increased by a further 5% in April 2024 to 28.6% in England and Wales – one of the highest employer contributions of any UK pension scheme – it is vital that the government gives universities flexibility to offer alternative pension schemes, as they have for the independent school sector. The disparity between TPS and the Universities Superannuation Scheme (USS) makes it significantly more expensive for certain institutions to recruit and employ academics, as they will be paying almost double the pension contribution into TPS that others pay into USS. This places a serious burden on affected institutions, diverting resource from teaching, learning and research. The next valuation of the TPS scheme could lead to further employer contribution increases, creating urgency for government to act.
- There are similar funding issues across the devolved nations, as the three separate TPS schemes (England and Wales, Scotland, and Northern Ireland) have all seen significant employer contribution increases following the 2020 valuations. No additional funding for HE employers in TPS has been included in the calculation of the Barnett formula grant.

Reprofiling of Student Loans Company (SLC) payments to boost institutional cashflow:

- Just over a quarter of the English higher education sector's income is derived from domestic tuition fees, the majority of which are paid to universities by the SLC on behalf of students. Presently, SLC dispenses tuition fee payments on a deferred basis, split 25% - 25% - 50% at the start of each term. As a result, institutions do not receive most of a student's fee until reasonably late

in the academic year, by which point most costs will have already been incurred. This uneven payment cycle can result in low cash liquidity for some institutions, especially towards the end of terms, exacerbating financial pressures.

- In the current constrained HE financial environment, a reprofiling of SLC payments would enhance institutional cashflow at no additional cost to government. We would welcome a discussion on the options, including even splits (33.33% each term), front-loaded payments (50% - 25% - 25%), or an increase in the number of payments (25% - 25% - 25% - 25%).