

UUK response to the international student levy technical consultation

Universities UK (UUK) is the collective voice of 142 universities in England, Scotland, Wales, and Northern Ireland. Its 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.

Summary of our response

We welcome the government's commitment to introduce maintenance grants, which we have called for over many years to support some of the most disadvantaged students to succeed. However, the scope of grants is limited (to eligible students studying industrial strategy priority subjects) and it is likely that the levy will actually raise excess funds, removing funding from the sector.

Universities already invest significantly in supporting disadvantaged students through widening access and participation, creating a supportive learning environment, and providing hardship funding and other financial support. In 2023-24 alone, English higher education (HE) providers invested a combined £730m to drive access and provide financial support for the most disadvantaged students. It is highly likely that universities' ability to invest in supporting their own students and other government priorities will be negatively impacted by this policy. **Widening participation, skills provision, world-leading research and contributions to regional growth will be at risk if the sector faces further financial difficulties.**

Funding maintenance grants through an international student levy risks exacerbating existing financial vulnerabilities in the sector at a time when universities face the cumulative effect of other financial sustainability challenges, in large part due to other recent government policy decisions:

- 40% of English HE providers reported a deficit in 2023-24 and is expected to have grown to 44% in 2024-25 and up to 45% in 2025-26.
- Our analysis shows that government policy decisions lead to an estimated £3.7 billion reduction in funding to higher education providers in England from 2024-25 to 2029-30.
- The levy will have a differential impact on institutions:
 - Institutions in TRAC Groups C to E (which primarily represent teaching-intensive institutions) will be disproportionately impacted by the levy, with an average financial position (average surplus or deficit) projected to deteriorate by 174%.
 - This is more than twice as much as the sector average, and four times as much as TRAC Group A (research-intensive institutions with a medical school).
 - Institutions in TRAC groups C to E also tend to serve higher proportions of disadvantaged students (on average 21.1% FSM-eligible students) than TRAC groups A and B (on average 12.8% FSM-eligible students). Further financial pressure risks exacerbating existing inequalities and constraining opportunities for underrepresented groups.

Given these risks to universities, and consequently their wider communities, government must take the time to get its design and implementation right so that risks are mitigated.

The introduction of the **levy should be delayed** until government has:

- Committed to an **impact assessment** of the levy including how price elasticity will affect international student demand and the subsequent impact on universities.
- **Confirmed it will invest excess levy** funds on supporting students in higher education.
- **Legislated** for the annual automatic domestic tuition fee uplift.

In implementing the levy, **we recommend that the government:**

Assess the evidence

- Commit in legislation to a formal review of the levy after no more than two years, and regular reviews, thereafter, incorporating the latest data.
- Undertake an annual assessment of take-up of maintenance grants.

Mitigate financial sustainability risks

- Protect the institutions most at risk by increasing the levy-free allowance from 220 to 500 students and reducing the levy for institutions with over 20% of students from free school meals (FSM) backgrounds.

If introduced as intended, the government must:

- Legislate for automatic domestic tuition fee uplifts before introducing the levy.
- Ensure legislation includes a sunset clause, so that the levy does not become a permanent feature in a future world where the market may change.
- Reinvest all levy revenues into higher education.

Uphold wider government priorities

- The levy should apply only to those students consistent with the policy intent, avoid perverse incentives, and mitigate unintended consequences.
- The levy should exempt international students whose participation:
 - Directly supports UK Government policy objectives, including international mobility, research and partnership schemes (eg Erasmus+ and internationally sponsored scholarship students).
 - Generates limited or no tuition fee income for institutions (eg placement students and dormant students).
 - Conflicts with the levy policy intent (eg students funded through strategic research programmes).
- The levy should be based on full time equivalent (FTE) rather than headcount.

Resolve a technically complex process before implementation

- We encourage government to take careful note of the arguments raised by BUFDG and HESPA in separate responses to this consultation, and to work closely with these and other sector expert groups in the levy's design and implementation.
- Significant procedural concerns must be addressed to avoid misinterpretation and overcharging institutions. Calculation and verification processes must be clearly communicated and robust to account for students studying across multiple academic years or those who withdraw early from their course.
- Government must ensure the policy is implemented as fairly as possible while doing this in the least burdensome way possible. The current proposal would require significant effort from both universities and the Office for Students (OfS) to identify and address anomalies.
- Government should consult the sector further on data collection methods, including exploring the potential use of Standard Registration Population dataset to identify students in scope.
- The OfS must provide further information on how it will ensure transparent and robust data verification processes that mitigate the risk of errors and double counting students that attract the levy. There must be a clear and timely process for challenging and rectifying queries.
- Government should align the withdrawal exemption with common institutional fee liability periods (eg end of first month or end of first term), rather than a fixed two-week window.
- The levy payment process must reflect the realities of university cashflow and be designed to adapt to future changes including the Lifelong Learning Entitlement (LLE) for domestic students.

In developing our response, we have engaged with expert representatives across the sector. We would encourage government to take note of the responses of organisations such as BUFDG, HESPA, BUILA and other sector bodies, whose policy and technical expertise in the areas of institutional finance, strategic planning and data, and international recruitment will provide further valuable insights. We encourage government to continue to engage and consult such groups as the implementation proceeds.

Our response

Question 5: Are there any circumstances not specifically mentioned in the technical consultation document, for which it is unclear whether a provider is or is not in scope?

No.

It is clear which providers are in scope.

Question 6: Do you foresee any challenges with the definition of international students included in the technical consultation document?

Yes.

The government must more clearly define which international students fall within scope of the levy and **the levy should cover only those students consistent with the policy intent, avoid perverse incentives, and mitigate unintended consequences.**

The definition of international student adopted, and the data used to operationalise it, will materially affect both the number and type of students captured and the behavioural responses of institutions. It is important that the government get this right and takes the time to fully understand the implications of implementing the levy, so this is done in a way to minimise disruption to the sector while still achieving policy goals.

For example, including inbound visiting and exchange students (such as those participating in Erasmus+) would directly undermine the government's own international and mobility objectives, despite these students typically generating little or no tuition fee income for institutions, and making limited use of public resources. We recommend government exempts these and other students from the levy in our response to question seven below.

The definition of 'international student' used in the consultation risks capturing individuals whose presence in the UK is not primarily driven by study. We recommend that the definition be refined, or appropriate exclusions applied, to ensure the levy targets students whose entry to the UK is for the primary purpose of study and avoids unintended capture of individuals already resident in the UK on other immigration routes.

The levy should exempt international students whose participation:

- Directly supports UK Government policy objectives, including international mobility, research and partnership schemes, and/or
- Generates limited or no tuition fee income for institutions, and/or
- Conflicts with the levy policy intent.

In addition to those outlined in this response, we support the approach taken in BUFDG's consultation response submission, which also identifies detailed student groups who should be exempt.

Question 7: Are you aware of any additional student, course or provider types, which are not already included in the technical consultation document, that you think we should consider before the introduction of the levy?

Yes.

We consider that several student groups and course types should be explicitly excluded from the scope of the levy to ensure it is applied fairly, proportionately and in line with policy intent. Applying the levy in an overly broad or simplistic way risks over-charging institutions, distorting behaviour, and damaging wider government education and foreign policy objectives.

Student groups that should be excluded include:

- **Internationally sponsored and scholarship students**, including those funded by the UK Government (such as Chevening scholars), international governments, employers, and UK universities, as well as students in receipt of full fee waivers, where levy costs cannot be passed on and where schemes support UK soft power, diplomacy, and widening access. While the levy is intended to enable disadvantaged students to access UK higher education, it is at odds with this principle to apply the levy to international students in receipt of scholarships and fee waivers which support academically capable, but financially disadvantaged students, and those from low- and middle-income countries.
- **Inbound visiting and exchange students and scholars**, who are central to international partnerships, UK foreign policy, research collaboration and

long-term recruitment pipeline but generate little or no fee income (or even a loss) to universities. The policy intent of the levy is to redistribute the financial benefit of international students, but where enrolment is driven by strategic considerations, and margins are low or non-existent these students should be excluded.

- **International PhD students**, to protect the country's world-leading academic R&D sector and skills pipeline. This group also includes many students who are fully or partially funded through UKRI, Horizon Europe, or comparable, prestigious, national and international research programmes. In many cases, such funding models involve limited or no tuition fee recovery, and participation directly supports the UK's research, innovation, and international collaboration objectives.
- **Distance learning students resident overseas**, where there is no onshore presence or use of public services or infrastructure. Including these students within scope would be inconsistent with the stated rationale for the levy. Instead, applying the levy to this cohort would extend its scope beyond policy intent, risk disincentivising growth in high-quality UK transnational and distance provision, and undermine government objectives to expand global reach and education exports through digital and offshore delivery.

Government should assess the differential impact of these exemptions and seek to ensure that certain types of institutions are not unfairly disadvantaged as a result.

More broadly, the levy should not apply to **international students who pay reduced or no tuition fees**, where institutions derive limited or no income against which levy costs could be recovered. A blanket application of the levy in these circumstances would disadvantage institutions offering flexible, specialist or access-focused provision and would incentivise behaviour change unrelated to educational or student outcomes.

Examples of these groups include:

- dormant/deferred students
- students on apprenticeships with credit bearing HE components
- students on sandwich/placement years where no tuition fee is charged
- students undertaking foundation year or year 0 provision

- closed courses and university staff enrolled on in-house credit-bearing courses.

Applying the levy to these groups would create a disconnect between levy liability and fee income, placing additional financial pressure on institutions and putting the viability of these forms of provisions at risk (see also response to question eight).

Government must ensure the policy is implemented as fairly as possible while doing this in the least burdensome way possible. **Government should consult the sector further on data collection methods including exploring the potential use of Standard registration population dataset to identify students in scope.** This dataset could exclude some of the student groups that should not be in scope with limited burden. However, consultation is required to ensure there are no unintended consequences of using this dataset.

As an alternative or interim mitigation, **government should increase the levy-free allowance above 220 students to 500.** This would recognise that some students captured by the technical definition are not aligned with policy intent, while avoiding additional data burden. Such an approach would have a relatively modest impact on levy receipts, while providing proportionately greater benefit to institutions in TRAC groups B-F, including many institutions that are already disproportionately affected by the levy. To further mitigate the financial pressures on this group of institutions, **we also recommend that government reduce the levy for institutions with over 20% of students from free school meal (FSM) backgrounds.** This measure will become particularly important if other changes to the levy's design exacerbate its disproportionate impact on these institutions.

Question 8: Do you think the proposed restrictions to the scope of the levy would have any unintended consequences on the behaviour of students or providers?

Yes.

The proposed scope and application of the levy risk exacerbating financial sustainability challenges for many institutions, with knock-on effects for their ability to deliver wider priorities such as investment in research, teaching for domestic students, support for disadvantaged learners, and engagement with local communities. The interaction between the levy and existing government policies is complex, and insufficiently defined scope risks undermining those same policy objectives.

For example, we welcome the government's commitment to growing opportunities for student mobility and exchange through schemes like the Turing Scheme and Erasmus+, which are included in the International Education Strategy (IES). However, visiting and exchange students typically pay lower fees or no fees, but under current proposals would still be liable for the levy. These risks disincentivising participation in Erasmus+ and other global student exchange programmes, as institutions would face levy liability for students who generate no, or limited fee income and have limited use of public funds.

Similarly, inbound postgraduates funded through UKRI, Horizon Europe, and other prestigious UK and international funders, typically operate at low or no margins for the host institution and many operate at a loss, with universities already cross-subsidising this activity.

Introducing a levy on such students would exacerbate this situation and over time, could lead institutions to cap or withdraw from inbound student exchange and researcher mobility agreements, reduce reciprocity for UK outbound students and weaken long-standing partnership networks that support student mobility, research collaboration and the UK's soft power.

Similarly, the government's International Education Strategy (IES) promotes transnational education (TNE) models such as articulation pathways (eg 2+1 model). However, if institutions are liable for the full levy on short onshore components with limited fee income, providers may reduce participation in these models, undermining a core pillar of the IES and limiting progression routes into UK study.

More broadly, applying the levy without recognising the nuance of some study circumstances (as set out in response to question seven) may lead institutions to reduce opportunities such as placement years or flexible delivery models for international students, where levy liability is disproportionate to fee income or where students risk being double counted across academic years. This would narrow study options available to international students and could reduce the overall attractiveness of English higher education, in a context where international student recruitment is already volatile.

Recent data shows that international student recruitment has fallen materially and remains highly volatile. HESA student record data for 2024/25 shows total international enrolments down 6.1% year-on-year, driven primarily by a 12.5% decline in postgraduate taught enrolments, which have historically underpinned institutional financial sustainability. Home Office visa data indicates that while visa issuances have stabilised in aggregate, volumes remain 13.5% below 2023 levels and

market composition continues to shift sharply. These data show that international recruitment is no longer a stable or steadily growing revenue base, but one characterised by sharp year-on-year swings, market concentration and policy sensitivity, increasing the risk that a per-student levy amplifies volatility rather than delivering predictable funding.

The levy will also have a differential financial impact across the sector. The financial effects are not evenly distributed and have wider implications for local economies and communities. Our analysis indicates that TRAC Groups C to E (typically teaching-intensive universities) are disproportionately affected, with average financial positions (average surplus or deficit) projected to deteriorate by 174%. This is more than twice as much as the sector average, and four times as much as TRAC Group A (research-intensive institutions with a medical school). Institutions in these TRAC groups also tend to serve higher proportions of disadvantaged students (on average 21.1% FSM-eligible students) than TRAC groups A and B (on average 12.8% FSM-eligible students). Further financial pressure risks exacerbating existing inequalities and constraining opportunities for underrepresented groups.

Taken together, these behavioural and distributional risks reinforce the need for careful design, clear exemptions and proportionate implementation if the levy is to proceed.

Question 9: Do you foresee any difficulties with the method for calculating the levy, which is outlined in the technical consultation document?

Yes.

Firstly, the levy should be based on full time equivalent (FTE) rather than headcount. The use of headcount risks double counting and unfair overpayment. For example, students that are on a course which spans two academic years due to alternative start dates (eg January/May) will appear as two headcounts, but in fact only represent one student paying one fee. Similarly, part-time students who appear in multiple years will present as multiple headcounts rather than a proportionate full-time equivalent (FTE). The risk of double counting or overcharging for multiple headcounts rather than per FTE further disadvantages institutions for offering these flexible study options.

Significant procedural concerns must be addressed to avoid misinterpretation and overcharging institutions. **Calculation and verification processes must be clearly**

communicated and robust to account for students studying across multiple academic years or those who withdraw early from their course.

In order to have confidence in the calculation method, **the OfS must provide further information on how it will ensure transparent and robust data verification processes that mitigate the risk of errors and double counting students that attract the levy.** We are concerned that, without clearer assurance, students who study across two academic years may be double counted, given the increasing prevalence of international students starting courses outside of the typical academic cycle, such as in January and May. As mentioned in question seven and eight, there would be unintended consequences if students are double counted (i.e. non-standard academic years unaccounted for) including exacerbating financial vulnerabilities which will limit the ability of institutions to deliver on other priorities.

The OfS must provide further clarity on the data verification process, including specifying **clear and timely process for challenging and rectifying queries.** We recognise that the consultation states that ‘the OfS will ensure students are not double counted if their academic year runs across two levy academic year reporting periods, in line with standard practices’. We understand the OfS has still not confirmed how this will be assured, and without published detail about these practices, we are not clear how students will not be double counted. There is still uncertainty about the ability of institutions to question and rectify data through a verification processes, which could be time consuming and risk payment schedules lapsing. If these processes are not clear, it risks institutions being overcharged, resulting in financial disadvantage and/or cost in time and resource to rectify inaccuracies.

The proposed calculation method makes allowances for students who start a course and leave within the first two weeks. We believe this period is too short and does not account for the variable withdrawal periods allowed by institutions. **Government should align the withdrawal exemption with common institutional fee liability periods (eg end of first month or end of first term), rather than a fixed two-week window.**

Question 10: Are there any circumstances, not specifically mentioned in the technical consultation document, in which it is unclear whether a learner should or should not be counted in the calculation of the levy?

No.

While not unclear per se, we advocate for the exclusion of certain learner groups as outlined in question seven.

Question 11: Are there any alternative payment options, other than those outlined in the technical consultation document, which would be preferential to your organisation and that you think we should consider?

No.

Question 12: Does the timing of payment outlined in the technical consultation document coincide with any key financial processes that may impact a provider's ability to pay within the proposed timings?

Yes.

Payment of the levy should be due by the end of February at the earliest rather than 28 days after the January invoice as proposed. Universities typically receive domestic tuition fee payments from the Student Loans Company (SLC) at the start of term in January or February. This means that institutions typically have higher income at the start of term with cashflow declining thereafter. Aligning the levy payment with the SLC income will put less pressure on institutional finances.

The levy payment process must reflect the realities of university cashflow and be designed to adapt to future changes including the Lifelong Learning Entitlement (LLE) for domestic students. The LLE includes changes to tuition fee payments to some institutions offering courses that will attract a 50%/ 50% fee payment schedule from SLC, rather than the current 25%/ 25%/ 50%, meaning some institutions' cashflow will change.

The timing of data collection used to calculate the levy requires further clarification and consultation. The HESES return (the only current in-year data option) is collected by the OfS and while it provides earlier information on student numbers, this data is based on provider forecasts in December covering the second half of the relevant academic year which is then corrected when more accurate enrolment data becomes available. The data lag in addition to the discrepancy between forecast and actual numbers may affect institution's behaviour if there are substantial discrepancies between financial plans and a levy based on lagged data.

While the OfS is in the process of moving to an in-year collection of student data which could potentially allow a levy that is more responsive to actual student numbers, there is not yet sufficient detail on the specification of this data, with the first full in-year collection proposed for academic year 2028-29 subject to successful piloting in earlier years. We urge government to fully consider how the levy interacts with plans for other changes to data handling before proceeding to implementation.

Question 13: Does the approach to payment outlined in the technical consultation document pose any challenges for providers with alternative academic years?

Yes.

As detailed in previous answers, it is unclear how the system will account for alternative intakes (eg academic years starting in January or May) that include students whose course falls across two academic years. For example, if a student starts a course in January 2029 which runs to December 2029, they will technically be a student during two 'standard' academic years (2028/29 and 2029/30) despite only studying for a single year. Currently the consultation provides assurance that students will not be double counted stating that 'the OfS will ensure students are not double counted if their academic year runs across two levy academic year reporting periods, in line with standard practices'. As noted in our response to question nine and question 12, the uncertainty about the calculation and process poses risks to institutions, such as being overcharged or having to undergo uncertain data verification processes which would increase overheads to account for additional burden. Further detail about this is required to ensure there are robust processes in place, including processes for institutions to question and rectify data in a timely manner.

Question 14: Are there any other comments on the design of the International Student Levy, as outlined in the technical consultation document, which you wish to raise?

Government must legislate for automatic domestic tuition fee uplifts before introducing the levy. Otherwise, there is a significant risk that the sector's financial position worsens further by having to pay the levy without the certainty of some rebalancing through the ongoing fee uplift. Further erosion of the sector's financial sustainability will reduce the capacity of institutions to provide a high quality student

experience for all students, as well as limit their ability to deliver on government's wider policy goals.

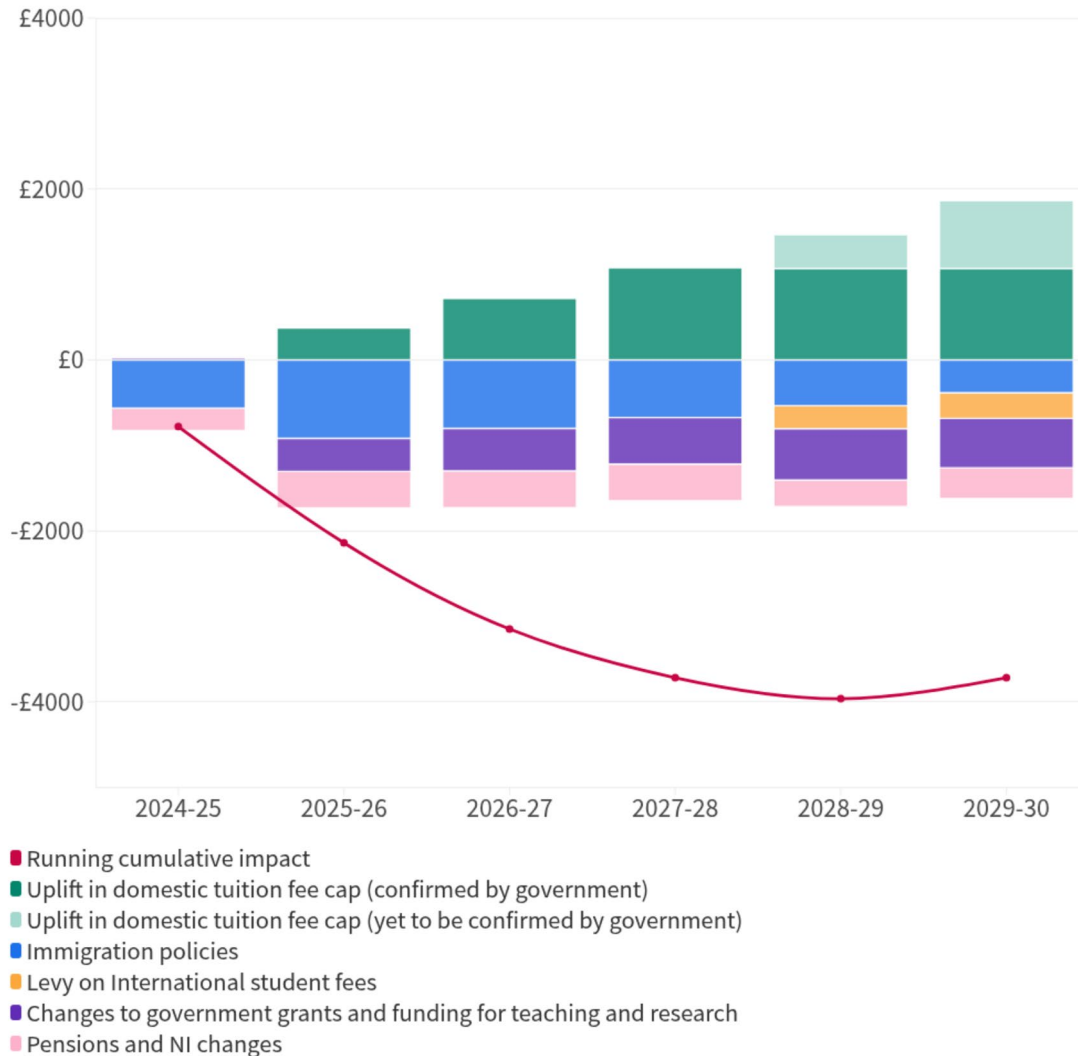
Once this is done, the levy's implementation must allow universities sufficient time to carry out robust financial planning and adjust their budgets accordingly. This means taking account for universities typically setting both international fees and overall budgets at least a year in advance. **The levy legislation should also include a sunset clause, so that the levy does not become a permanent feature in a future world where the market may change.**

We are concerned about the uncertainty and lack of evidence on the impact of the levy on international student demand and fee revenues. Given the centrality of accurate impact modelling to assumptions about long-term levy revenues, government should **commit to an impact assessment of the levy including how price elasticity will affect international student demand and the subsequent impact on universities before the levy is introduced.** These elements will have critical impact on the amount of funding generated for use by government, as well as a financial impact on institutions, and therefore an evidence-informed timeline is crucial to enable transition planning to take place. **Government should also commit to an annual assessment of the take up of maintenance grants to assess whether the policies together have had the intended impact.**

The Department for Education (DfE) must commit to a formal review of the levy after no more than two years, and regular reviews thereafter, incorporating the latest data. DfE should evaluate the levy's impact, assessing international student recruitment and seeking feedback from providers. If the levy is not functioning as intended, or produces serious unintended consequences, it should be removed or reformed. **This should be written into legislation** as the levy is made law.

Before the levy is introduced, government must confirm it will invest excess levy funds on supporting students in higher education to ensure its quality and sustainability, given that there is likely to be a significant gap between estimated receipts from the levy and amounts allocated to maintenance grants. Universities use international fee income to cross-subsidise core activities such as teaching domestic undergraduates and funding research due to long-term declines in real-terms domestic tuition funding and increasingly the effects of other policy decisions. Our analysis shows that government policy decisions lead to an estimated £3.7 billion reduction in funding to higher education providers in England from 2024-25 to 2029-30.

ESTIMATED FINANCIAL IMPACT OF GOVERNMENT POLICY CHANGES ON UNIVERSITIES IN ENGLAND (£ MILLIONS)



Source: [UUK methodology for analysis of cumulative financial impact of government policies](#)

If surplus receipts are not re-invested into higher education, overall funding is reduced with damaging effects for cross-subsidised activities (including those delivering on government priorities).