

Autumn Budget representation from Universities UK

The world is changing and so are universities. UUK's members are playing their part in national renewal throughout every corner of the UK. Our universities are committed to helping tackle the nation's biggest challenges by creating opportunity for all, delivering the UK's future workforce, unlocking growth and productivity throughout the nation, and ensuring their own sustainability. We are:

- Strengthening partnerships between universities and key local industries, building on the success of the Defence Universities Alliance;
- Boosting graduate employability and work readiness by setting a target for all undergraduates to have access to work-based learning by 2035, with 50% by 2030;
- Doubling the level of external investment flowing into UK university innovation by 2035, securing £100 billion over a decade;
- Re-doubling efforts to ensure devolution is a success, building on existing partnerships to maximise local economic impact and build sustainable communities across the UK; and
- Embedding the recommendations of our Transformation and Efficiency Taskforce.

Universities are already taking responsibility for their own future. However, to enable them to accelerate change and contribute their full potential, government must ensure they are financially sustainable and avoid further changes that erode their ability to deliver for students, staff, and the country. **As a priority, at the Autumn Budget, we call on government to ensure the International Student Levy is not legislated for in this year's Finance Bill, and commit to work with universities to find an alternative way to fund maintenance grants.** Funding a core policy on such a volatile, and currently fragile, source of funding would seriously undermine the government's ability to realise its policy objectives.

We would also welcome government's continued commitment to:

- Automatically increasing tuition fees in England in line with inflation each year
- Protecting core quality-related research (QR) funding and funding for curiosity-driven research over the CSR period
- Ringfencing funding to enable participation in Horizon Europe

To enable universities to go further, we ask government to make new commitments to:

- Protect per-student funding through the Strategic Priorities Grant in real terms
- Introduce a national investment campaign, underpinned by cross-UK regional investment partnerships, to drive start-ups, spin-outs, scale-ups and social enterprises
- Provide a transformation fund and greater flexibility on VAT for shared services
- Introduce greater flexibility for those universities obligated to offer the Teachers' Pension Scheme
- Invest in modern border and immigration data infrastructure to maintain the integrity of the immigration system and minimise scope for abuse

Our universities' commitment to driving inclusive growth across the UK

The world is changing and so are universities. UUK's members are playing their part in national renewal throughout every corner of the UK.

Our universities are committed to helping tackle the nation's biggest challenges by creating opportunity for all, delivering the UK's future workforce, and unlocking growth and productivity throughout the nation. In doing so, UUK members are agents of their own destiny, ensuring that they reform, grow, and evolve to best deliver what the nation needs. By acting on our policy proposals, government can accelerate this pace of change, ensuring our universities will be able to go further and faster in:

1. Creating opportunity for all to deliver the workforce the country needs

Universities are integral partners for government in boosting local economies in every part of the country. Working closely with local partners at all levels of government, they prepare graduates for the jobs of tomorrow, boost key local industries, and deliver strong economic returns for graduates and the exchequer.

Our members are:

- **Delivering the workforce our economy needs:** jobs requiring higher education are expected to see the most growth in the next 10 years, with higher-level skills critical to the success of the Industrial Strategy. 84% of additional employment in priority occupations across the IS-8 by 2035 will need a qualification at level 4 or above. Over the past year, through our work to develop a Future Jobs Roadmap, UUK has brought together around 200 employers with universities across the UK to develop practical solutions that will equip graduates and employers with the skills they need for the coming decade.
- **Helping to address the NEETs crisis:** despite the pressing need for skills, over 1 million people aged 16–24 were not in employment, education or training between January and March 2026. Universities, in partnership with other further and higher education providers, employers, LSIPs, and local and national government, will be one of several crucial partners in turning this around and equipping people from all backgrounds with the skills they need to get on in life.
- **Supporting lifelong learning:** as the labour market continues to undergo rapid transformation, lifelong learning will also be critical, with a need to upskill and re-skill people at a later stage of life. Universities can play a crucial role here, working in partnership with employers, LSIPs, and local government to address regional skills needs.
- **Generating economic returns for graduates and the economy:** receiving a high-quality education at university brings great benefits for individuals. On average, graduates earn 20% more (£180,000) over their lifetime compared to non-graduates when differences in graduate characteristics, such as prior attainment, are accounted for. Between the ages of 23 and 31, average earnings grow at more than twice the rate for graduates (72%) than non-graduates who could have gone to university but chose not to (31%). This is particularly the case for students from less advantaged

backgrounds: the same gap for those who'd been on free school meals is 75% versus 26% respectively. University education also benefits the economy. On average, each UK graduate who does their first full-time degree generates an extra £75,000 for the exchequer. And across all regions of the UK, there is a strong association between productivity and the share of workers with a higher education qualification, a metric that has been increasing over time.

- **Strengthening key industries and public services:** UUK has supported the Ministry of Defence to create the Defence Universities Alliance (DUA), a strategic alliance between 35 universities, government, and the armed forces. This exciting partnership will boost defence industry skills and strengthen related research throughout the country to support future defence capability. We stand ready to support both the ongoing work of the DUA and the development of similar partnerships for other critical industries throughout the country.
- Universities also remain critical to the development of the public sector workforce, with 160,000 students studying nursing, 85,000 studying medicine and dentistry, and 110,000 studying education and teaching in 2024/25.

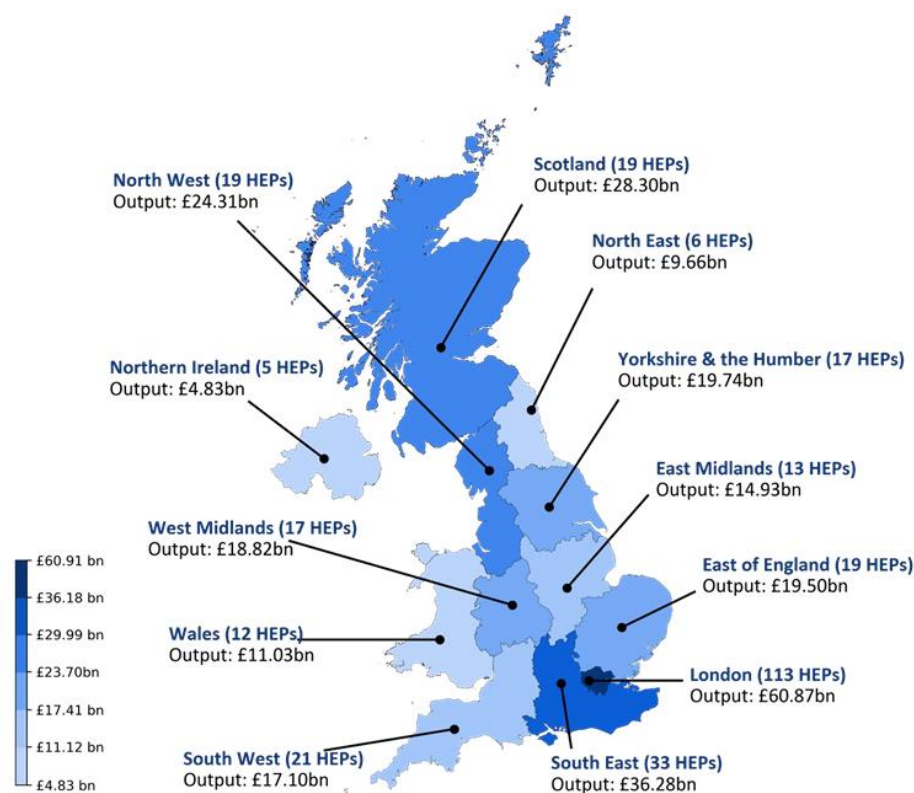
Building on this track record, UUK's members are committed to delivering the skills needed to provide opportunity for all and enhance the UK's workforce, including by:

- Strengthening partnerships between universities and key local industries, building on the success of the Defence Universities Alliance; and
- Boosting graduate employability and work readiness by expanding careers support, improving accessibility of AI tools, and setting a target for all undergraduates to have access to work-based learning by 2035, with 50% doing so by 2030.

2. Unlocking growth and productivity throughout the nation

Universities are economic anchors, attracting talent and investment, sparking creativity, and generating discoveries and ideas which become new companies and new jobs in all parts of the country. They contribute over £265 billion to the UK economy each year, with every £1 of public investment into universities generating over £14 in economic output. This positive impact occurs in every region of the UK:

Figure 15 Total impact of the UK HE sector across all activities in 2021-22, by HEP location



Note: This includes the economic impact of the UK HE sector's teaching and learning, research and knowledge exchange, educational exports and institutional expenditure activities. Monetary estimates are presented in 2021-22 prices, rounded to the nearest £0.01 billion, and may not add up precisely to the totals indicated. Based on 294 HEPs for which all of the required HESA data were available.
Source: London Economics, London Economics (2023a), London Economics (2023b)

Our members are:

- **Demonstrating international excellence in research and development (R&D):** the UK is internationally recognised for the high quality of its research and development. 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. This is happening across the country: more than 80% of research submitted from each region and nation of the UK was judged to be world-leading or internationally excellent in the latest 2021 Research Excellence Framework (REF) exercise.
- **Boosting the economy:** R&D activities at universities drive economic growth by accelerating technological change, attracting inward investment, and delivering innovative solutions to national and global challenges. The impact of UK HE providers' research and knowledge exchange activities in 2021-22 was estimated at £63 billion.
- **Unlocking productivity:** universities play a key role in increasing productivity. According to government research, increased numbers of students in higher education played a pivotal role in preventing a steeper decline in productivity

between 2007-2019. Between 2014 and 2019, increases in qualifications contributed nearly 0.3 percentage points to productivity growth, countering reductions caused by reduced capital investment. Regional industries with productivity levels above the UK average also have a higher share of graduates – 56% compared to 42%.

- **Driving key industries:** university R&D supports the UK's priority sectors, including advanced manufacturing, clean energy, defence, digital and technology, life sciences, and the creative industries. Our members work closely with government and industry to advance the UK's frontier technologies, including AI, engineering biology, and quantum.
- **Supporting regional growth and opportunity:** throughout the country, universities act as convenors of innovation clusters, with a unique ability to bring together talent, research, business, and civic leadership to create economic growth. Through their extensive partnerships with local leaders, communities, charities and the health sector, universities connect local people to these opportunities, playing a fundamental role in creating foundations for local economic growth.
- **Supporting and generating new businesses:** universities support and generate businesses, with many business reporting tangible benefits from their engagement with higher education. Recent CBI research found that businesses describe universities as helping them access specialist facilities, research expertise, and support with innovation, in addition to skilled graduates. This is particularly important in sectors reliant on advanced skills.
- Over 48,300 student and staff start-ups emerged with university support between 2014/15 and 2024/25, representing an 83% increase in active firms over the decade. Support for start-ups is becoming increasingly widespread across the UK, with incubators now in every region of England, as well as across Northern Ireland, Scotland and Wales. In the last academic year, there were 2,218 active spin-out companies estimated to employ nearly 50,000 people and with a combined turnover of £11.61 billion. The majority of these spin-outs had been active for more than three years.

UUK's members are committed to building on these strengths to maximise their contributions to growth, innovation, opportunity and productivity locally and nationally, including by:

- Doubling the level of external investment flowing into UK university innovation by 2035, securing £100 billion over a decade;
- Strengthening the investor readiness of university spin-outs, working with UKRI to implement the Hickson Review and Independent Review of University Spin-Out Companies; and
- Re-doubling efforts to ensure devolution is a success, building on existing partnerships to maximise local economic impact and build sustainable communities across the UK.

3. Securing a sustainable, future-facing university sector

The UK's universities can play a central role in solving society's biggest challenges. However, they won't be able to achieve this without a suitable financial settlement that ensures their long-term sustainability.

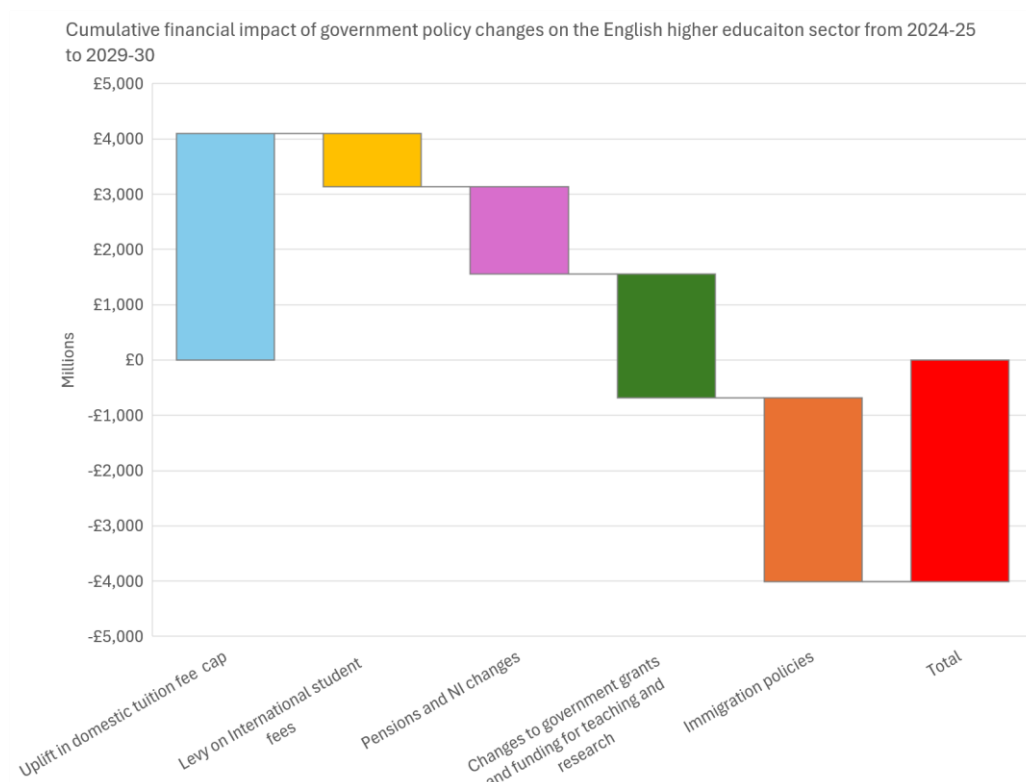
The UK already has one of the lowest levels of public investment in higher education in the developed world, investing just 0.2% of GDP in higher education (excluding R&D) in 2022, compared to an OECD average of 0.6%. Furthermore, in recent years, there has been a substantial shift in who pays for higher education, with a far greater burden of cost falling on individual graduates (via loan repayments), rather than the exchequer. Between 2012–13 and 2024–25 in England, the exchequer's average expected contribution to teaching and maintenance per full-time student fell by 71%. The government is now expected to contribute just 16% of the total cost of teaching and maintenance for those studying in 2024–25, compared to 48% in 2012–13.

Following years of frozen tuition fees and a decline in the value of teaching grants, the real-terms per-capita value of teaching funding for students in England has fallen by 35% between 2015–16 and 2025–26. This resulted in universities in England and Northern Ireland registering a deficit of £1.7 billion on teaching domestic students in 2024–25, alongside a £6.3 billion deficit in research activity across the UK. While universities have traditionally used income from international student fees to cross-subsidise these losses, this income stream appears increasingly volatile as the global recruitment market continues to shift and contract. Recent Home Office data (January–July 2026) suggests a significant reduction in international student visa applications for the next academic year, representing a year-on-year decline of over 25% when compared to the same period in 2025.

We recognise that the country's finances are under significant pressure and the government faces tough choices. The government's decisions to increase tuition fees in line with inflation each year and protect QR funding in real terms are welcome steps and must be re-affirmed by the current administration. However, they do not solve the financial sustainability crisis facing the sector. Government must stand behind the sector and avoid taking decisions that reduce universities' other income streams or result in additional costs.

Analysis from UUK shows that, taken together, even with an inflationary uplift in domestic fees in England from 2025–26 onwards, the net financial impact of government policies will result in a £4 billion decrease in funding for the English higher education sector between 2024–25 and 2029–30.

Additional income from an uplift in the domestic fee amounting to roughly £4 billion should be used to protect quality and opportunity of higher education and address rising costs from inflation. However, our analysis suggests it will not cover the financial impact of wider government policy decisions over the period to 2030–31, amounting to just over £8 billion in lost income and increased costs, with immigration policy having a particularly notable impact. Nearly two thirds of this impact will be felt by institutions outside of London.



However, our members know that they must face up to this challenge and use their autonomy to drive efficiency and transformation. In 2024, UUK established a Transformation and Efficiency Taskforce led by an independent Chair, Sir Nigel Carrington. The [taskforce report](#), published in summer 2025, called 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 sector has responded proactively to this call, with efficiency, transformation and collaboration taking place throughout the sector. Although radical collaboration can take many forms, most notably, we have recently seen the announcement of two mergers (Greenwich and Kent, and King's College London and Cranfield). There is appetite to grow this further: earlier this year, [a survey of our members](#) found that almost two thirds (65%) are open to, or actively considering, entering into collaborative structures such as federations or alliances, with 40% open to or actively considering mergers.

UUK members also continue to benefit from the tools, platforms and learning developed by ourselves and others, including a review of the CUC code of governance, promotion of joint procurement and shared services, and the development of an efficiency maturity model. Working with our partners, we will further and deepen this work throughout the year ahead, building on success to date.

Universities are committed to shaping their own future by maximising transformation and efficiency. Over the next year, Universities UK is committed to catalysing transformation throughout our membership by:

- Embedding the recommendations of our Transformation and Efficiency Taskforce, which is moving into its third phase, including:
 - o Developing support and resources for universities exploring new collaborative models;
 - o Promoting efficiency and collaboration in research; and
 - o Enhancing change leadership and financial governance skills among our membership.

Our full work programme will include:

Working with sector partners	Working with government	Catalysing change now
Support collaborative procurement (Jisc and UKUPC): identify a key strand of collaborative procurement which UUK might support more proactively this year Common data framework for student systems (UCISA): support UCISA and Jisc to build momentum, and vice-chancellor engagement, for this project to allow student systems to ‘talk to each other’ Explore potential project around burden and flexibilities of maintaining accreditation and academic standards in changing times (QAA) Deliver a student support services benchmarking toolkit (Advance HE) Digital transformation and AI preparedness: help market a new development offer from Jisc, Advance HE and UCISA to equip university leaders with skills to lead digital transformation	Collaboration and efficiency in research: engage government in findings from two outputs, capturing examples of collaboration, and setting out policy asks to make cost recovery in research more straightforward Stewardship of vulnerable disciplines: asks of government and the sector, and implications for the competition regime, arising from relevant ‘catalysing change’ project TPS flexibility: continue UUK support for UCEA-led interventions VAT and competition law: work with government and regulators to secure more favourable conditions for university transformation	Series of engagement events to inform a refresh of the <i>Radical Collaboration</i> report, to include explicit focus on partnerships which could shore up vulnerable disciplines – April 2027 Identify partner(s) to design and deliver expanded new vice-chancellors’ leadership development programme – launch May 2027 Review options for a sector-led benchmarking offer – by July 2027 Efficiency, cost-cutting and transformation survey –May 2027 Expanded Transformation and Efficiency Summit – June 2027 Deliver webinars, events, and resources on: • Implementation of code of governance, ensuring UK-wide learning • Collaboration • Financial governance and acumen

Autumn Budget 2026 proposals

Universities UK (UUK) is the collective voice of 142 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.

The world is changing, and universities are changing with it. The UK's future economic success will increasingly be driven by the strength of its local economies and how these make a difference to the lives of their communities. Universities are evolving to help deliver that ambition and drive good growth throughout the nation. With the right support from government, we can truly maximise this potential.

As a priority, we call on government to ensure the International Student Levy is not legislated for in this year's Finance Bill, and commit to work with universities to find an alternative way to fund maintenance grants. This will ensure a more stable basis for maintenance grants, protect universities' contribution to growth, and avoid exacerbating regional inequalities.

Higher education is a major UK export, with our world-class universities boosting the UK's international competitiveness and global influence and contributing to the UK's soft power. These benefits are felt throughout the UK, with each parliamentary constituency seeing a net economic contribution from international students of £62 million on average each year. Income from international student fees also directly enables universities to deliver high-level skills and sustain the country's research base, thus playing a key role in economic growth and productivity by cross-subsidising substantial deficits on domestic teaching and research. These stood close to £1.7 billion and £5.5 billion respectively across England and Northern Ireland in 2024–25.

However, universities are already experiencing a significant decline in international student visa applications, with recent Home Office data (January–July 2026) suggesting a year-on-year decline of over 25% compared to the same period in 2025. This will significantly reduce the contribution made by these students, with risks to local and national economies, growth and productivity, the experience of domestic students, and the UK's international competitiveness. Should this trend continue, the introduction of the International Student Levy in 2028–29 risks weakening these contributions even further.

Furthermore, UUK analysis shows that the levy's impact will exacerbate regional inequalities, and hit harder in regions with more vulnerable institutions: the projected burden is nearly three times greater in the North East (1.6% of income) than in the South East (0.6%), with Yorkshire and the Humber and the East Midlands also above the England average. Most of the regions facing the heaviest burden are also among those where participation in higher education is below average, and where universities are among the largest anchors of local employment and growth, posing further risks to growth and opportunity.

While we strongly support the government's commitment to re-introduce maintenance grants, the proposed levy is inherently a volatile, unstable, and risky means of doing so. We strongly call on government not to legislate for the International Student Levy in this year's

Finance Bill, and to work with the sector to identify alternative, more stable ways to fund maintenance grants.

We would also welcome government's continued commitment to:

- **Automatically increasing tuition fees in England in line with inflation each year,** promoting opportunity for all and protecting the high-level skills pipeline

Government can support high-quality teaching and provide the sector with longer-term certainty over income by enacting the previous commitment to legislate for automatic inflation-linked increases to the tuition fee cap. Per-student funding received by universities has declined rapidly in recent years as a result of inflation eroding the value of tuition fees: new evidence commissioned by UUK shows that government teaching investment per HE student fell by 57% in real terms between 2012–13 and 2024–25. The uplifts to the fee cap for 2026–27 and 2027–28 have been a welcome first step towards stopping the long-term erosion in the value of the fee cap. However, high-quality teaching is at risk without long-term certainty: our [2026 cost-cutting survey](#) showed that universities continue to make significant cutbacks, with institutions reporting cuts to teaching provision, student support and facilities.

We believe that the student loan system remains a fair way of sharing costs of teaching fairly between graduates and the Exchequer: it ensures both these beneficiaries contribute; that university tuition is not payable at the point of entry; and that graduates who find themselves unable to work, or are on low incomes, are protected. If taking action on student loan repayment terms at the Budget, the government should also follow UUK's principles:

- **Opportunity:** higher education should be available to everyone who has the potential to succeed, and the repayment system for individual contributions should not act as a disincentive for people to attend university.
 - **Stability:** the cost of study and the associated repayment arrangements, as well as any changes to these, must be clear and predictable.
 - **Transparency:** any changes to repayment terms must be fair and transparent, and should only be made if this is required to maintain a fair balance of cost between graduates and taxpayers. Any changes should also simplify and not add complexity.
 - **Fairness:** the system must safeguard people on lower incomes from any disproportionate repayments and should ensure that future generations are able to benefit from a well-funded higher education system without taking on proportionally more of the cost than previous generations.
- **Protecting core quality-related research (QR) funding and funding for curiosity-driven research over the CSR period,** maximising universities' contribution to growth and innovation

QR funding is allocated on the basis of demonstrated excellence. Universities can use it to seed emerging fields, back early-career researchers, respond at pace to new priorities, and meet the real costs of research that project grants leave unfunded. It is the foundation that allows institutions to win competitively awarded funding and to attract charity, industry and

international investment. Curiosity-driven research is equally vital for the long term health of the research system, providing the foundations for future breakthroughs, technologies and industries.

Under the last Research Excellence Framework (REF) exercise, 41% of UK university research submitted was judged world-leading, and a further 43% as internationally excellent. Continued real terms erosion forces universities to cross-subsidise research from other income streams at a time when those streams are themselves under severe pressure.

The government's commitment to protect core QR over the Spending Review period is welcome and should be sustained, alongside continued protection for curiosity-driven research. QR allocation should continue to be determined by excellence wherever it is found, informed by a consistent UK-wide assessment of research quality – the most efficient route available to government for securing both the stability of the research base and its returns in every part of the country.

- **Ringfencing funding to enable the UK's participation in Horizon Europe**, enhancing the UK's global standing and maximising universities' contribution to growth and innovation

The UK's continued participation in Horizon Europe forms an important part of the UK-EU reset and will be strategically important to enabling the government's ambition to establish a more ambitious, mutually beneficial partnership with the EU. We welcome government's Spending Review commitment to ringfence funding for the next Horizon Europe programme, which should be re-affirmed.

As one of the world's largest and most prestigious research and innovation programmes, the current Horizon programme has supported UK research across numerous areas of shared global challenges – including health, AI, climate, energy, advanced manufacturing, and security. The programme operates as a multiplier of domestic investment, leveraging additional international funding, expertise, infrastructure and partnerships that would otherwise be inaccessible or more costly to replicate through domestic programmes alone.

Long-term budget certainty for Horizon Europe is essential, given seven-year funding cycles which provide institutions and businesses with predictable funding and the confidence to develop sustained partnerships. UUK International analysis has shown the cost of previous uncertainty. For example, throughout the period when the UK was seeking association and the government provided a 'Horizon Europe guarantee', the UK saw declining numbers of awards and funding received in the Horizon programme. This trend only began to reverse in 2024 – the first year of the UK's reassociation – demonstrating the impact that ongoing uncertainty and an evolving political and policy landscape can have on the UK's successful participation in these schemes. Ensuring ringfenced funding for the 2028–2034 programme would therefore allow universities, colleges and other organisations to plan effectively, maximise participation and ensure that the UK can influence and engage with the next generation of EU programmes.

To enable universities to go further, we ask government to make new commitments to:

- **Protect per-student funding through the Strategic Priorities Grant in real terms in England**, supporting the high-level skill pipeline in key national disciplines

To ensure our universities continue to deliver the high-level skills talent pipeline, it is vital that they are able to deliver high-quality, sustainably funded teaching. However, the fact that universities continue to make a loss on teaching UK students – with the deficit standing at nearly £1.7 billion across England and Northern Ireland in 2024–25 – places this at risk. Our recent member survey found that teaching provision is increasingly being cut across the sector, with just under half (46%) consolidating courses in the past three years. This proportion has doubled since 2024.

While we welcome tuition fee indexation and recognise government’s financial constraints, it is important that increased teaching funding to close this gap is accompanied by greater government investment, rather than increasing investment solely through graduate debt. In 2012–13, after the introduction of Plan 2 student loans, the government expected to cover nearly half of the cost of teaching English undergraduates – by 2024–25, the figure was down to just 16%. To work towards the Treasury Select Committee’s recommendation of restoring a 50:50 split between graduate and exchequer contributions, the government should protect per-student funding rates through the SPG in real terms as a minimum.

This funding supports provision that cannot reasonably be covered through tuition fees, including the most expensive subjects such as medicine, allied health and STEM, and world-leading specialist provision, as well as the additional costs of supporting the most disadvantaged students to succeed. However, this funding stream has declined by 42% in real terms since 2015–16, with per-student funding rates down by 59% due to growth in student numbers. As SPG-supported provision delivers directly against national priorities overseen by a range of government departments (eg DHSC and medicine; industrial strategy sectors and BIST), the government should also explore the option for cross-departmental contributions to the SPG, rather than just DfE. This approach would build on the precedent of co-funding for clinical education and the recent Defence SPG model. It would recognise the wide-ranging benefits of high-quality university education, such as maintaining a qualified medical, dental, and allied health workforce and ensuring a strong pipeline of graduates into growth sectors of the economy.

A portion of SPG funding is also allocated to capital spend, enabling longer-term infrastructure projects that support national and local priorities. However, this funding stream has also been cut by 55% in real terms since 2018–19, contributing to a serious infrastructure backlog. A recent UUK survey found that cutbacks in this area were widespread across the sector: 54% had cut back on repairs and maintenance, 38% had reduced planned IT investment, and 35% had cut back on changes required for net zero. Increases to SPG capital funding will be required to address this and ensure universities are fit for the future.

- **Introduce a national investment campaign underpinned by cross-UK regional investment partnerships to drive start-ups, spin-outs, scale-ups and social enterprises,** spearheading innovation and generating good growth throughout the country

To catalyse, leverage and scale universities' exciting innovations, mobilising increased private investment, we need a national investment campaign. This will help realise the opportunities provided by university research and innovation across the whole of the UK. There is significant research, innovation and investment potential outside of the greater South East, but in many places the investment ecosystems are underdeveloped. The combination of university expertise and potential, local partnerships, and targeted government investment can unlock significant private investment to underpin the national campaign and ensure it delivers for all regions. Northern Gritstone and Midlands Mindforge have demonstrated how this can happen and should happen in every region. The combination of national and regional strengths and capabilities is essential to effectively leveraging university research and innovation to the benefit of all. UK university spin-outs alone have nearly tripled in value to £49 billion since 2020, but there is so much untapped potential. This intervention would also help ensure that universities play a key role in the pension fund-backed scale-up fund and the wider Mansion House reforms and drive a campaign to increase foreign direct investment.

- **Provide a transformation fund and greater flexibility on VAT for shared services,** enabling universities to go further faster in their transformation ambitions

To support significant collaborative transformation in the sector, government should provide targeted funding to support universities to develop new business models that maximise their contributions to society. In England, this grant-based fund would prioritise large-scale, collaborative activities between more than one institution, including – but not limited to – mergers and acquisitions, in addition to collaborative delivery, shared services, and joint ventures. Research undertaken through UUK's Transformation and Efficiency Taskforce found that the heavy resource burden associated with exploratory conversations around transformation was a major barrier. Therefore, 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 throughout the country. This would drive savings through accelerated pace of change, and stimulate changes which would not otherwise occur due to steep upfront costs.

In addition, greater flexibility in the rules surrounding cost-sharing groups in higher education would also support universities to reduce costs, operate more efficiently, and build stronger collaborations, including within local areas. At present, despite most higher education activities being VAT exempt, where services are shared, 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. While there is an existing VAT exemption for cost-sharing groups (CSGs) that avoids this, the requirements for setting up a CSG are onerous and unsuitable for the HE sector in many instances (for example, if sharing a small number of staff). 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, which would effectively remove the barrier of VAT on shared services, would be of minimal cost to HM Treasury but would incentivise new collaboration among institutions and deliver efficiency savings.

- **Introduce greater flexibility for those universities obligated to offer the Teachers' Pension Scheme (TPS),** removing a long-standing inequality that reduces some universities' ability to deliver for their students and communities

We welcome recent news that the employer contribution rate for TPS will decrease from April 2027 but, to put all universities on an equal footing, government must address structural issues that legally require certain higher education institutions to offer this scheme.

There are approximately 58,000 active members of the Teachers' Pension Scheme (TPS) currently working in the English higher education sector, mainly 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 that are more sustainable and affordable while replicating a similar level of staff benefits. This places these institutions 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.

While upcoming reductions in the employer contribution – currently one of the highest in the UK, at 28.6% in England and Wales – will provide some financial relief, between 2019 and 2027, TPS universities have received no financial support towards their contributions, unlike schools and colleges, despite costing the sector over £125 million per year. This has resulted in funds being diverted from core university activities, including teaching and research, and led to the increase in subsidiary companies, creating fragmentation of the workforce and significant industrial relations issues. Changes to the TPS regulations would therefore provide universities with the flexibility to choose the pension schemes they wish to offer staff and improve the sector's financial sustainability.

- **Invest in modern border and immigration data infrastructure, enabling real-time data sharing to maintain the integrity of the immigration system and minimise scope for abuse,** protecting the UK's borders and strengthening university accountability

The UK higher education sector has a strong track record of visa compliance and operates to some of the highest standards in the world. Universities take their immigration responsibilities very seriously and are committed to playing their part in ensuring the integrity of our immigration system.

Yet, the combination of the new compliance thresholds introduced as part of the Immigration White Paper, alongside changing patterns of visa refusals, are creating unprecedented challenge for universities seeking to manage compliance and recruitment risk effectively. The lack of real-time data from the Home Office and UKVI regarding institutional performance and sector-wide risk trends means that universities are being required to take significant recruitment decisions on incomplete information and without timely visibility of refusal patterns by market. As a result, many have chosen to withdraw recruitment from certain

markets, risking constraining efforts to maintain a diverse and sustainable international student body – one of the central aims of the government’s refreshed International Education Strategy – and undermining the benefits that come with internationally diverse campuses.

Effective immigration control increasingly depends on the quality of data and insight available to government and sponsoring institutions. The Home Office's ongoing transformation of border and immigration systems presents an opportunity to create the infrastructure to enable closer to real-time data-sharing between the sector and UKVI. Doing so could prove transformational in the sector’s ability to mitigate risk and minimise any abuse of the system, as well as enabling universities to adapt recruitment strategies in light of UKVI decision-making. This directly supports the government’s Immigration White Paper objectives by enabling earlier identification of abuse patterns, reducing non-compliance, and enhancing sponsor accountability.