# Autumn Budget: Wednesday 28 October 2026

## Context

This afternoon, the Chancellor of the Exchequer, the Rt. Hon. John Healey MP, delivered the Burnham administration's first Autumn Budget. The Budget took place against a backdrop of challenging economic conditions with sluggish growth, productivity, and limited fiscal headroom, influenced too by global instability. The Chancellor was bound by fiscal rules requiring debt to fall as a share of GDP in 2029–30 while keeping day-to-day spending in balance or surplus.

The Budget set out the government's comprehensive plans for taxation and spending over the year ahead, including adjusting departmental funding set out in the Spending Review in response to the current economic outlook. It will be followed by three days of debate on Budget Resolutions which authorise changes to tax and then the subsequent Finance Bill must pass through Parliament. Additionally, the Treasury Select Committee will conduct an inquiry into the Government's proposals, with oral evidence sessions taking place on 3 and 4 November.

## Key announcements for higher education and research

The Chancellor's key announcements did not focus on education, although he did make reference to the UK having 'top-ranking universities'.

- International Student Levy:
    - The International Student Levy will be going ahead as planned, having been confirmed to be in the Finance Bill with no changes in policy design. The levy will be charged at £925 per student per year of study, rising with inflation from 2029–30, in respect of every international student registered with an English provider in each academic year from 2028–29 onwards, including continuing students. All providers will be given an allowance for the first 220 international students each academic year.

- Graduate visa:
    - The government will extend the duration of the Graduate visa to two years for graduates from 'high compliance universities where there are strong labour market outcomes', with criteria to follow. There is no timeline for implementation currently and the parameters and methodology are to be confirmed.

- Devolution:
    - The Budget, as expected, outlined a clear direction of travel towards increased devolution. This included publishing the Fiscal Devolution

Roadmap and reconfirming the commitment to publish the Rewiring the State Delivery Plan by the end of the year.
    - Specific announcements related to devolution included the establishment of 'Good Growth Funds' with initial seed funding followed by a devolved borrowing facility. £150m was also confirmed for 2027–28 to strengthen the capacities and capabilities within strategic authorities. There was also a restatement of the £1bn regional innovation clusters made at the Innovation Nation Summit.

- Reprioritisation of government spending to support Defence Investment Plan:
    - In order to meet government's commitment of fully funding the Defence Investment Plan, departmental capital budgets will face further reductions of 1% between 2027–28 and 2029–30. This will have implications for R&D budgets, including within UKRI, although the exact nature and profile of cuts within departments is still to be set out.

- Milburn review:
    - The next report from Alan Milburn's independent review will be published in November 2026, and the government will provide a response by the end of the year. In early 2027, the government will publish a White Paper in response to the publication of Alan Milburn's final report and the conclusion of the Timms Review of the Personal Independence Payment (PIP) system, ahead of legislation later that year.

## UUK press statement

*"It was encouraging to hear commitments to innovation and to improving employment prospects for young people in today's Budget. Universities are a vital partner of the Government in delivering its growth ambitions in every corner of the country and ministers have been clear about the positive role that universities can play.*

*"Expansion of the Graduate visa is a welcome recognition that it's not just universities that benefit from international students but communities and businesses across the country. A single cohort of international students is estimated to generate a net economic benefit of over £833m in Leeds Central and Headingley and £806m in Manchester Rusholme over the duration of their studies, supporting more than 6,000 jobs in each constituency.*

*"But the rules need to be stable and fair. We look forward to working with Government to iron out the details around eligibility and how compliance and outcomes will be assessed – to make sure that visa processes are fair to all.*

*"We welcome the Government's plans on devolution. Our members are already driving growth in every postcode, convening local authorities and communities, including those 30% based outside of mayoral authorities. We would encourage the Government to think more expansively about devolution, considering not just how public investment in innovation can*

*drive local growth but how this can be coupled with private investment and maintaining the funding for national discovery-led research needed to generate ideas and innovation.*

*"Universities know the world is changing and they are changing too; they're working to deliver more for students, taxpayers and their local communities. We recognise the challenges that this Budget is tackling but there is more universities can do to support the Government's ambitions here. For the university sector to have the greatest impact in creating a brighter future for the next generation, we need a long-term plan."*

### UUK's next steps

Today, we have already spoken to a range of senior officials in DfE and HM Treasury (Education and R&D spending teams) to understand the Budget's key implications for higher education and research. Over the coming days, we will:

- Engage with key parliamentarians to influence Budget debate, including the All-Party Parliamentary University Group and relevant Select Committees (such as the Treasury Committee who are conducting an inquiry into the Budget).
- Engage with officials and ministers in DfE, BIST, Home Office and other key announcements to further understand proposals, including on changes to the Graduate Route.

### Budget documents

Autumn Budget 2026

OBR forecasts

Fiscal devolution roadmap

# Detailed Policy Announcements

## Education and skills

### *Higher education: headline policy announcements*

#### *International Student Levy*

- HMRC's Overview of Tax Legislation and Rates, published alongside the Budget, confirms that the International Student Levy will be included in this year's Finance Bill.
- DfE has published an updated impact analysis document, which confirms that the levy will take the form of a £925 annual fee per international student, payable by HE providers. The document has also confirmed that there will be a levy-free allowance of 220 students and that the rate will increase each year by inflation (CPI).

- The OBR has only scored policy measures announced since its last forecast (March 2026) – as a result, the levy has not been re-scored in the OBR documents. However, the impact analysis document provides an updated estimate of government revenue of £400m for 2028–29, down from £445m in last year's analysis. The reduction is a result of factoring in the levy-free allowance and of updated student number forecasts.
- DfE has also published its report on the price elasticity of demand for international students; the report on domestic students is to be published at a later date. The report found that international student demand is relatively price-inelastic on average, but that there are significant variations in sensitivity by institution type.

*Visas and immigration*

- The government will **extend the duration of the Graduate visa** to two years for graduates from **'high compliance universities where there are strong labour market outcomes'** with criteria to follow.
- The Graduate route changes are framed in the context of targeting 'high-skills' migration system and establishes a precedent for differentiating visa entitlements based on Student sponsor status and labour market outcomes.
- There is no timeline for implementation currently and the parameters and methodology are to be confirmed. UUKi will be engaging with the Home Office and Department for Education in coming weeks and engaging with members.
- The government will also expand the High Potential Individual visa to applicants from the top 150 institutions in the global rankings, with a proportional increase to the scheme cap.

*Skills and apprenticeships*

The Budget states that 'the UK has one of the highest rates of tertiary education attainment in the G7, but this overall strength masks weaknesses in technical and vocational skills, which can leave businesses without the capabilities they need', citing the latest OECD *Education at a Glance* data.

- **Milburn review:** The next report from Alan Milburn's independent review will be published in November 2026, and the government will provide a response by the end of the year. In early 2027, the government will publish a White Paper in response to the publication of Alan Milburn's final report and the conclusion of the Timms Review, ahead of legislation later that year.
- The government announced £100 million of funding across 2027–28 and 2028–29 to expand Mayoral Apprenticeship Brokerage Pilots from 7 to 14 Mayoral Strategic Authorities across England.
- The government will re-establish the Union Learning Fund in England. The scheme will have a budget of £15 million per year from 2027–28 to allocate to projects put forward by unions to support learning and training among workers.

- The government will require at least 3% of the workforces of all construction and infrastructure large government projects to be apprentices.
- The No.10 North Priority Projects Programme will support work to strengthen sectoral clusters across the UK by joining up agencies across government, business and academia and aligning plans with wider action on infrastructure, skills and investment.

Defence:

- The government is establishing new Defence Technical Excellence Colleges in Scotland and Wales and working with the Northern Ireland Executive on a region-wide defence skills and apprenticeship programme.

Financial services:

- HM Treasury will commission Progress Together to examine the drivers of workforce and skills attrition in financial services, focusing on how career progression, socio economic background and regional factors affect retention, to report by the Chancellor's Mansion House speech in 2027.

### *Other higher education announcements*

Three policies which had previously been announced were scored for the first time at the Budget, providing an indication of the cost of these measures:

- Higher education franchising reform: From the academic year 2028–29, franchised higher education providers in England with 300 or more students will be required to register with the Office for Students for the courses they deliver to be designated for student finance. This measure is expected to generate £30m in savings from student loans in 2026–27, rising to £200m per year from 2028–29 onwards.
- Erasmus+: The UK will participate in the Erasmus+ scheme in 2027, with programme activity running from January 2027 until 2030. This will create £15m of net costs in 2026–27, followed by £70m of net savings in 2027–28 and £45m of net savings in 2028–29, due to Erasmus+ participants receiving lower tuition fee loans. The costing assumes losses of £5m and £15m in 2029–30 and 2031–32 respectively, due to costs from Erasmus+ placement years that extend courses. In 2030–31 the Exchequer impact is assumed to be net zero.
- Plan 2 and Plan 3 student loan interest rates: A 6% cap will apply to interest rates on Plan 2 and Plan 3 student loans from 1 September 2026 to 31 August 2027. While this was previously announced, the Exchequer impact is scored for the first time in the Budget. The scoring assumes £230m of costs in 2026–27 and £170m in 2027–28, tapering off to £10m in 2028–29 and £5m in 2030–31, before rising again to £15m of costs in 2031–32.

## R&D, innovation and local growth

### *Research and development*

- Various public-private partnerships relating to R&D were announced, including:
    - £165m of public investment (between 2027–28 and 2029–30) was announced for national biosecurity, including £100m for an AI biosecurity lab: UK to invest £100m in 'world first' AI Biosecurity Lab - BBC News
    - £70 million of public funding will be directed towards public-private investments in life sciences, leading to new research and manufacturing facilities in Manchester, Oxford, and Loughborough.
- UKRI will invest £424 million to transform the John Innes Centre and Sainsbury Laboratory at Norwich Research Park into a national hub for plant and microbial science, including new research and innovation infrastructure.
- Simplification of R&D tax relief was also announced.
- £18 million of new funding was announced for a UK Advanced Chip Design Academy led by the University of Edinburgh, alongside £7.5 million for Queen's University Belfast's Centre for Secure Information Technologies (CSIT) Cyber AI Hub.
- The impact of Defence Investment Plan-related cuts on UKRI's budget is not yet clear, but is likely to result in some form of cut.

### *Innovation and local growth*

### *Investment, enterprise, and innovation:*

- The government confirmed **recapitalising the National Wealth Fund and British Business Bank with an addition £20.4bn**, taking the overall capitalisation of Public Financial Institutions to £229.3bn. This included a £5bn uplift to the British Business Bank's financial capacity to support innovative start-ups and scale-ups.
- The government will shortly pilot a **Young Entrepreneurs Allowance**, providing successful applicants with support towards their living costs during the first year of their business.
- A new regional pilot, **Scale UK – Connect**, will provide tailored support to 200 high-growth firms across the UK, with advice, investor connections and international opportunities.
- Two new voluntary industry standards – the **'Tech Forward' and 'Inclusive Investment'** - were supported to help tackle the barriers women face raising capital and working in the technology sector. The British Business Bank has developed a pipeline of commitments to **women-led funds of over £100 million**.
- Pre-existing commitments outlined in the Budget include:

- The **£1bn regional innovation clusters** across the UK, described elsewhere as UKRI 'big bets', channelling funding towards priority clusters across the country in alignment with the Industrial Strategy sectors.
- Devolving **Local Innovation Partnership Fund settlements to Established Mayoral Strategic Authorities from 2028**.
- The **£19.75m Collaboration for a Sustainable Future** funding programme.

*Devolution and local growth*

- The Budget reconfirmed that the **Rewiring the State Delivery Plan** will be published before the end of the year, while the **Fiscal Devolution Roadmap** was published alongside the Budget.
- The government confirmed it would support the rollout of **Good Growth Funds** across England, intended to enable local leaders to bring together different funding tool to invest in catalytic regeneration and development. **£285m has been confirmed for 2027–28** –£165m for areas with mayors and £120m of incubator capital funding for areas transitioning towards strategic authority status. From April 2028, the government will introduce a '**devolved borrowing facility**' for MSAs valued at £1.5bn. The devolved governments will receive additional funding through the Barnett formula.
- More broadly, the government confirmed funding directly to Strategic Authorities, worth **£150m** in 2027–28, to help **build resources and expertise** to manage greater powers, fiscal devolution, and Good Growth Funds. This is alongside the commitment to undertake a fuller assessment of Strategic Authority capacity and capability to inform funding baselines at the 2027 spending review.

## Spending, tax and wider fiscal measures

*Departmental spending totals*

- In order to meet its commitment of fully funding the Defence Investment Plan, departmental capital budgets will face further reductions of 1% between 2027–28 and 2029–30. This is likely to have some implications for R&D budgets, including UKRI budgets, although the exact nature and profile of cuts within departments is still to be set out.
- The outrun DfE budget, Resource and Capital spending, for 2025–26 was £97.3 billion, £1.1bn higher than set out in the March 2026 budget. This is forecast to increase in nominal terms to £103.2bn in 2026-27 (in line with March forecast), £105.4bn in 2027–28 (£0.1bn higher than March forecast) and £109bn in 2028–29 (£0.5bn lower than March forecast)
- The Business, Innovation, Science and Trade department is forecast to receive £17.1bn in 2025-26, comprised of £2.3bn in resource spending and £14.8bn in capital spending. Between 2025–26 and 2028–29 total spending for DBIST is forecast to

increase by 3.5% in nominal terms (+£0.6bn), with capital spending increasing by 6.3% (+£0.9bn) and resource spending decreasing by 14% (-£0.3bn). Due to reorganisation of departments, it is not possible to compare allocations to those announced in March 2026.

### *Tax and employer costs*

- National Minimum Wage changes: From 1 April 2027, the National Living Wage rises 3.9% to £13.21 an hour and the 18–20 rate rises 3.9% to £11.27. This raises salary costs for the lowest-paid staff and student workers. The National Minimum Wage also rises by 3.9% to £8.31 per hour for 16 to 17-year-olds and eligible apprentices.
- Business rates: No changes to charitable rate relief or enterprise zone relief. The 1p Transitional Relief Supplement is extended for two years from April 2027. This is paid by properties whose bills rose by less than the transitional relief caps, which may include some university buildings. The government also plans to move towards 100% local retention of business rates and more local control over business rates policy, which could eventually affect relief.
- Fuel duty: The 5p fuel duty cut is extended to 1 July 2027, and the planned inflation-linked increase is pushed back to the same date.
- Public sector employer pension contributions (including Teachers' Pension Scheme) will fall from 2027–28.
- Climate Change Levy: The main rate on electricity will be frozen from April 2028, which will help reduce non-domestic real-terms electricity costs. Gas rates will be uprated with inflation.
- Pension triple lock: Adjustments to pension triple lock include capping the amount of pension contributions that can be salary sacrificed.
- Energy-Saving Materials VAT relief: From April 2027, VAT relief on energy-saving materials installed in residential and charity-owned buildings will include heat batteries. This rate of this relief will also revert to 5% on the same date.

### *Cost of living*

- The government has announced a £100 Household Energy Payment will go to households in council tax bands A–D. It is currently unclear how students within council-tax-exempt households will be treated.

## OBR forecast

### *Macroeconomic indicators*

- RPIX for the first quarter of 2027 – the measure used to determine inflationary uplifts for domestic fees in England in 2026–27 – was 4.3% compared to the 2.71% uplift in tuition fees announced for the same year announced in the 2025 Autumn Budget.

- RPIX for quarter 1 is forecast to increase by 3.1% in 2028, compared to the 2.68% uplift applied for 2028–29, and by 2.8% in 2029. This represents a real terms decline in the value of fees of 1.99% between 2025–26 and 2027–28.
- GDP growth in 2026 was upgraded compared to March forecasts from 1.1% to 1.2%, with a downgrade for 2027 from 1.5% to 1%. GDP is expected to grow by 1.6% in 2028, 1.8% in 2029, 1.7% in 2030 and 1.6% in 2031.
- Forecast average weekly earnings have been upgraded since the March budget to 3.7% in 2026 (+0.4pp), 3% in 2027 (+0.6pp), 2.2% in 2028 (+0.1pp) and 2.3% in 2029 (+0.1pp).

### *Student loans*

- The government has announced no further measures regarding the student loan system. The previously announced 6% cap to interest rates on Plan 2 and Plan 3 student loans from 1 September 2026 to 31 August 2027 has now been scored in the Budget.