The financial impact of government policy decisions on universities (June 2025)

The government has recently made policy announcements which are impacting funding to universities and the costs they face.

Our analysis estimates the net impact of government policy decisions will be a £1.4 billion reduction in funding to higher education providers in England in 2025–26.

About our estimates:

- Our estimates are based on government policy announcements for academic year 2025–26 (as of May 2025). This includes confirmed policies and funding allocations and policy intentions.
- Estimated impact on income, costs and funding cuts covers some higher education providers that aren't members of Universities UK.
- Estimates do not include the ongoing impact of policies over recent years, including the £1.1 billion loss from international student fee income to the UK-sector over the past 2 years (internal UUKi analysis), or the real-terms erosion of the tuition fee over many years.
- They assume no substantial changes in institutional behaviour, recruitment or other factors that may impact on income or costs (for example, reduced costs from transformation and efficiency initiatives in the sector).
- This demonstrates the cumulative impact of decisions across the higher education sector as a whole. Institutions will be affected differently by these decisions, with some seeing a more severe impact than others.

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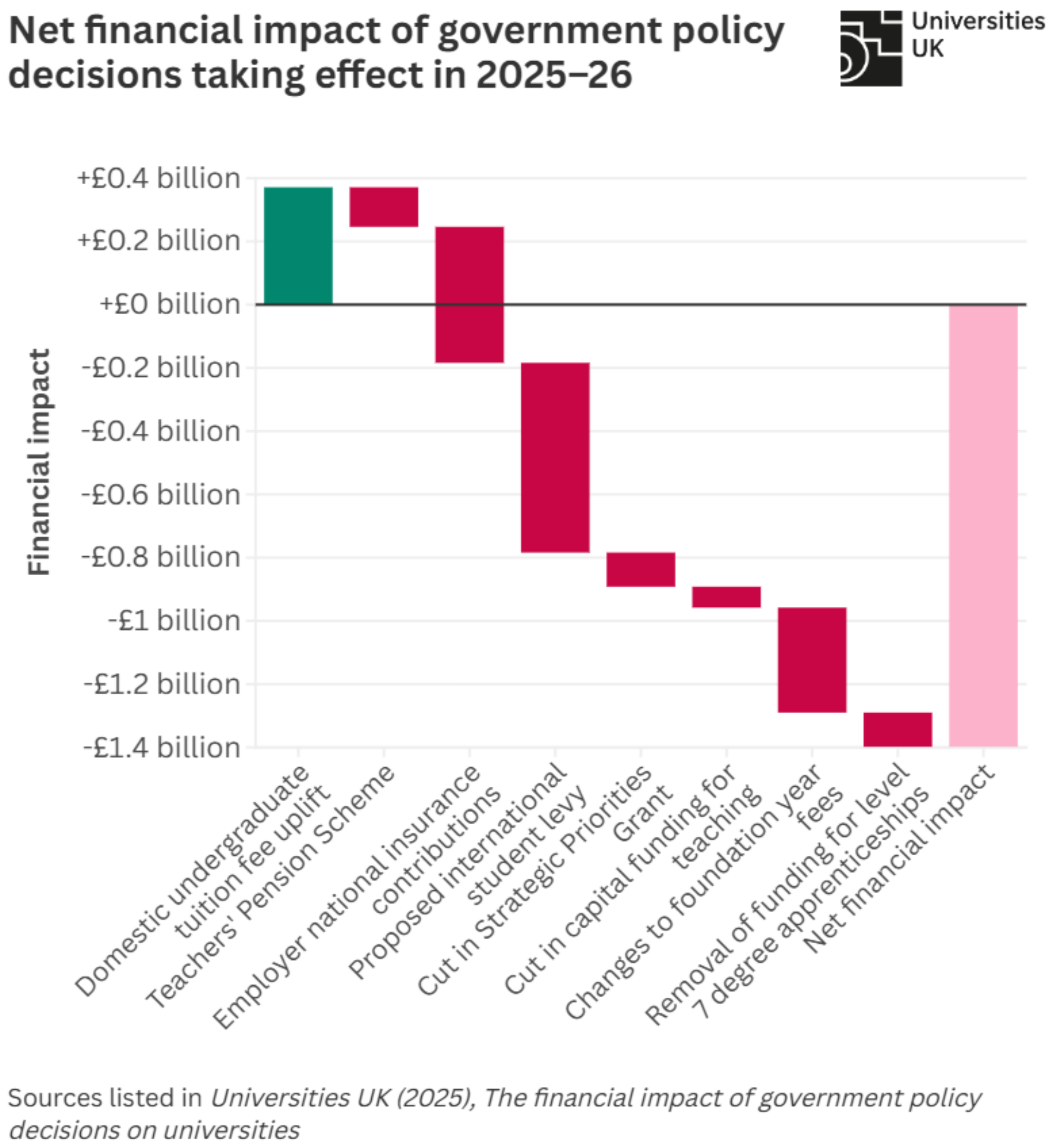

Income: £371 million total

Domestic undergraduate tuition fee uplift

Estimated net impact: Increase of £371 million per year

Year(s) covered: 2025–26

Institutions covered: All English providers subject to the higher fee limit

Parameters of estimate and other assumptions: The fee cap of £9,535 fee for 2025-26, applied to projected new entrants and continuing students based on Office for Budget Responsibility (OBR) estimates of student numbers in 2025–26

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

Additional costs: £1.2 billion total

Teachers' Pension Scheme

Estimated net impact: Reduction of £125 million per year

Year(s) covered: Per year across 2024–27

Institutions covered: Institutions across England which offer the Teachers' Pension Scheme

Parameters of estimate and other assumptions: Cost reflects the impact of the Teachers' Pension Scheme 2020 valuation. The first full year universities will be impacted by changes is 2024–25, with ongoing impacts in following years including 2025–26

Source: Universities and Colleges Employers Association (UCEA) modelling

Employer national insurance contributions

Estimated net impact: Reduction of £430 million per year

Year(s) covered: Each year from 2025–26 onwards

Institutions covered: All English providers

Parameters of estimate and other assumptions: Does not account for changes in staff numbers resulting from redundancies in the sector in 2025–26

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

Proposed international student levy

Estimated net impact: Reduction of £600 million per year

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Year(s) covered: Based on analysis of data on income returned by institutions for 2023–24, with impact modelled in 2025–26 (no government confirmation of implementation as of May 2025)

Institutions covered: English higher education providers

Parameters of estimate and other assumptions:

- Applies 6% levy to £10 billion of tuition fee income from international students across all universities in England in 2023–24
- Likely an underestimate, as it excludes likely growth in income in 2025–26 in addition to a small number of providers excluded from the latest Higher Education Statistics Agency (HESA) finance data
- Doesn't account for market effects of levy, such as institutions increasing fees or changes in recruitment patterns

Source: UUK modelling of HESA finance data for 2023–24

Cut in funding: £614 million total

Cut in Strategic Priorities Grant

Estimated net impact: Reduction of £108 million

Year(s): 2025–26

Institutions affected: Institutions in England

Parameters of estimate and other assumptions: Applies to the financial year 2025–26. Awaiting confirmation of allocation of cut across academic years, but majority will be in academic year 2025–26

Source: Department for Education (2025), Guidance to the Office for Students from the Secretary of State for Education on Strategic Priorities Grant funding for the 2025-26 Financial Year

Cut in capital funding for teaching

Estimated net impact: Reduction of £66 million per year

Year(s) covered: 2025–26 financial year

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Institutions covered: All English providers

Parameters of estimate and other assumptions: Three-year capital funding settlement to academic year 2024–25 amounted to £450 million, equivalent to £150 million a year. The announced settlement for financial year 2025–26 of £84 million equates to a £66 million annual cut

Source: Department for Education (2025), Guidance to the Office for Students from the Secretary of State for Education on Strategic Priorities Grant funding for the 2025-26 Financial Year

Changes to foundation year fees

Estimated net impact: Reduction of £332 million per year

Year(s) covered: Each year from 2025–26

Institutions covered: All English providers with foundation year students

Parameters of estimate and other assumptions: Impact of government policy to reduce the maximum fee and loan limits to £5,760 for foundation years in classroom-based subjects. The figure presented is the government's upper estimate based on student numbers growing in line with trends to academic year 2017–18

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

Decision to remove funding for level 7 degree apprenticeships

Estimated net impact: Reduction of £108 million

Year(s) covered: 2025–26

Institutions covered: All English providers currently in receipt of level 7 funding

Parameters of estimate and other assumptions: Forecast reduction based on government apprenticeship figures for 2023–24, assuming a 90% reduction in funding from 2025-26 and that level 7 spending would have continued at the growth rate between 2021–22 and 2023–24

Source: UUK modelling based on analysis of government apprenticeship figures