

# Spring budget representation from University Alliance: January 2024

## About University Alliance (UA)

[UA represents 16 leading professional and technical universities](#). Our members specialise in working with industry and employers. Their teaching is hands on and designed to prepare students for careers. Their knowledge and research drive industry to innovate, thrive and meet challenges.

Our members are leading the way in innovation, teaching and business support in the green, tech, creative and healthcare industries.

- University Alliance is the **leading group for student satisfaction** ([National Student Survey](#) 2022) and holds **more gold teaching excellence awards than any other group**, according to the Office for Students' [Teaching Excellence Framework](#).
- Our members collectively train **1 in 3 nurses** educated in England.
- **32% of degree apprenticeship starts** were at an Alliance university in 2021/22.
- **1/3 of courses** at Alliance universities are **professionally accredited**.
- **Over 24,000 businesses are supported** to start up and grow by an Alliance university every year.

## Contact

We would be very pleased to discuss this submission in more detail. Please contact Susanna Kalitowski, Head of Policy at University Alliance ([susanna@unialliance.ac.uk](mailto:susanna@unialliance.ac.uk)), and Annie Bell, Head of External Affairs ([annie@unialliance.ac.uk](mailto:annie@unialliance.ac.uk)).

# How professional and technical universities drive growth

Our universities specialise in working with employers to meet their skills needs and support them to innovate and grow. Government's ability to deliver against objectives including growing the economy, levelling up and delivering the NHS long-term workforce plan, would be significantly impaired without professional and technical universities.

## Supporting business growth and innovation

Over 24,000 businesses are supported to start up and grow by Alliance Universities every year. The support includes access to expert advice, the latest research, networking and cutting-edge facilities and equipment. For example:

- [The Clean Growth Platform](#), a pioneering university-based network of green businesses, facilitated by the University of Brighton, has over 1000 members that have created 300 green economy jobs and 70 new products and services.
- [The Bioinnovation Hub](#) and [Enterprise Centre](#) at Oxford Brookes University, which have helped companies raise nearly £14 million pounds in investment funding.
- Further examples can be seen in the [250 testimonials from SMEs](#) gathered in 2023 as part of our #InnovateForGrowth campaign.

## Working with industry and public services to meet skills and knowledge needs

Our members specialise in working with employers to identify their skills needs and collaborate on programmes designed to meet them. For example:

- [Anglia Ruskin University's Peterborough campus](#) have launched a new course on paediatric nursing that stemmed from the local NHS trust outlining their skills needs.
- The University of Derby have worked with Rolls Royce to open [The Nuclear Skills Academy](#), which aims to sustain nuclear capability within the UK's submarines programme by creating a dedicated pipeline of talent at the start of their careers.
- Teesside University founded the [National Horizons Centre](#) in conversation with the bioindustry to deliver a combination of research, partnerships and training.

## Attracting investment to our regions

Our members' links with industry and their local communities mean they are especially well placed to attract investment through research, innovation and start-up and spinout activity, and to ensure investment benefits the local economy. For example:

- [Open Bionics](#), a start-up developed at UWE's Bristol Robotics Laboratory, was awarded the £1m AI and Robotics for Good award and secured multiple licensing agreements from Eidos Montreal and The Walt Disney Company.
- [Carbon8](#) is a global leader in carbon capture, and span-out from the University of Greenwich. In June 2022, Vicat Group, the international cement group, EDF Group and EDF Pulse Ventures, co-invested £4m in Carbon8.
- [Researchers from Robert Gordon University won over £100,000 from Net Zero Technology Centre](#) to develop an energy efficient technique for capturing carbon dioxide (CO<sub>2</sub>) directly from the atmosphere. The project is a collaboration with McAlpha Inc, a Canadian energy materials handling company.

# Addressing the immediate challenges facing our universities and their students

UK universities [now incur losses of £6bn annually on their core activities of research and teaching for UK home students](#). Our members are making significant changes to adjust to financial pressures, including major restructuring and transformation programmes. [Recent analysis by PwC](#) demonstrates that all universities remain extremely vulnerable to scenarios that are not directly within their control. This includes costs running higher than anticipated, and changes to international and domestic student recruitment.

In the long term, government should seek options for restoring the unit of resource to the equivalent of 2015/16 levels as soon as practically possible, and we hope to engage in constructive conversations around how that may be achieved. In the immediate term, there are three areas where government support is needed now.

## 1. International student demand

### International student fees now fund UK university research and teaching:

Universities have diversified their income streams in recent years to compensate for reduced public funding, and increased surplus-generating income sources, especially international student tuition fees, to cross-subsidise other activities.

- [International student fees provide £3bn cross-subsidy](#) to fund other university activities: research ([which runs at a deficit of £5bn](#)) and teaching home students ([which runs at a deficit of £1bn](#))
- Without international students, the UK university sector would be looking at a £6bn deficit, rather than [the £2.1bn deficit it currently faces](#).

### Declining international student demand poses a serious and imminent threat to the university sector's stability:

- [PwC analysis](#) shows that if the growth rate for international students were to decrease by 20 percentage points relative to university forecasts in 2024–25, 80% of universities could be in deficit in 2025–26.
- Early indications from our member universities suggest that they are now forecasting decreases of 20-40% for 2024, meaning that the worst-case eventuality modelled by PwC is now likely.
- This decrease has likely been driven by [government policy restricting the ability of one-year international masters students to bring dependents](#) with them to the UK, combined with anti-international student rhetoric and more generous visa offers from international competitors such as Canada and Australia.

#### Asks:

- While not expressly financial, the UK government could act now to stabilise international student demand by preserving the Graduate visa on its current terms.
- Given that previously announced policies are already constricting demand from international students, protecting the Graduate visa would not be at odds with the government's goal of reducing legal migration.

## 2. Managing the cost of the Teachers' Pension Scheme (TPS)

- The majority of professional and technical universities, and all Alliance universities, are statutorily obliged to participate in public sector pension schemes, including the Teachers' Pension Scheme (TPS). There are approximately 58,000 active scheme members of TPS working in the English higher education sector, representing around 8% of the TPS membership.
- Professional and technical universities are extremely concerned by the rise in employer contributions, caused [by a reduction in the SCAPE discount rate](#) used in the 2020 unfunded public pension scheme valuations. This concern is compounded by the fact that universities will not receive additional government funding to mitigate this increase, unlike other centrally government funded TPS employers in England.
- The anticipated increase in the TPS employer contribution in England and Wales is around 5% of pensionable pay, taking the rate from 23.7% to approximately 29%.
- [PwC analysis](#) demonstrates universities' vulnerability to higher-than-expected expenditure: if this was to increase by 2 percentage points per year above the levels that universities forecast from 2024-25, 63% of universities could be in deficit in 2025-26. Significantly increased pension costs are therefore likely to push more universities towards this eventuality.

### Asks:

- Provide sufficient additional funding to all higher education employers in the TPS, to allow them to manage this significant and unforeseen increase in expenditure, and prevent any detrimental impact on their services.
- Commit to exploring options for allowing TPS and Local Government Pension Scheme (LGPS) member universities the flexibility to offer other pension schemes to their employees. Such universities currently still have a statutory obligation to participate in public sector pension schemes, despite no longer being categorised as public sector organisations by the ONS.

### 3. The student cost of living crisis

#### Student maintenance support is now falling far short of student living costs:

- The student maintenance package in England is at its lowest real terms value in seven years.
- According to the [National Student Money Survey 2023](#), the average student's maintenance loan falls short of covering their living costs by £582 per month (up from £340 in 2021).
- In December 2023, [the Sutton Trust](#) found that for 57% of students, their essential spending was higher than the current maximum maintenance loan (£9,978). For 19% of students, their housing costs alone were higher than the maximum loan.

#### Students from the poorest families are the most impacted, and social mobility may be threatened as a result:

- Given the parental earnings threshold has been frozen since 2008, fewer students are eligible for higher loans than in previous cohorts. [Analysis from the IfS](#) shows that students from the poorest families are therefore £1,500 worse off this academic year as a result.
- In 2023, the [ONS found that](#) young teenagers from lower-income households were less likely to plan to still be studying in two years' time.

#### Universities, Students' Unions and the Government have increased support, but current hardship funding cannot meet demand:

- A 2023 [Save the Student](#) survey found 21% of students said they had received hardship funding from their university in the past year. This is up from 12% who said the same in the previous year.
- The additional £15m delivered for hardship support in England in early 2023 was welcome but was far outstripped by demand. [This was worth only £10 per student.](#)

#### Increasing maintenance support for students commands popular support:

- In October 2023, a [Public First report](#) found that student maintenance support is broadly popular among the public. 55% were in support of reintroducing maintenance grants, even assuming the extra cost would be paid for through increased taxation.
- 50% of respondents said they would be more likely to vote for a party which pledged to reintroduce maintenance grants. Just 8% said they would be less likely to do so.

#### Asks:

- In the short-term, **student maintenance loans should be uprated to keep pace with the increased cost of living**. Any uprating should be linked to the minimum wage, as proposed in the [Augar Review](#).
- In the medium-term, we recommend the **reinstatement of means-tested maintenance grants** for the students who are most in need of them. This will ensure that everyone is able to access higher education in a fair and equitable way.