

# University Alliance Submission to HM Treasury: Spending Review 2025 – Phase 2

## About University Alliance

[University Alliance \(UA\)](#) represents leading professional and technical universities across the UK. Our members specialise in working with industry and employers.

Their teaching is hands-on and designed to prepare students for their careers. Their knowledge and research drive industry and the public services to innovate, thrive and meet challenges. Alliance universities are leading the way in innovation and business support in the green, tech, and healthcare industries. They are major educators in healthcare, engineering, the creative arts, social sciences, degree apprenticeships and more.

## Overview

- Professional and technical universities are critical to delivering the five national missions and a decade of renewal.
- In this submission we focus on three: kickstarting economic growth, building an NHS fit for the future and breaking down the barriers to opportunity.
- Low levels of investment, increasing regulatory burden and policy instability are putting our world leading higher education sector at risk – and its capacity to partner with government and employers for the greater good of the country.
- Mindful of the extremely tight fiscal environment, we highlight what government should **protect** and **prioritise** in the Spending Review period to maximise the national contribution of professional and technical universities in the most cost-effective manner possible.

### 1. Kickstart economic growth

- Universities of all shapes and sizes, in all regions of the UK, can play a key role in supporting output growth, productivity growth and employment growth.
- UA's [response to the Industrial Strategy green paper](#) highlights how professional and technical universities contribute to many of the cross-cutting enablers of a pro-business environment identified and how these can be optimised through government policy.
- Alongside preparing students for their careers, professional and technical universities specialise in SME support, equipping thousands of businesses every year with the capabilities they need to innovate and grow at scale.
- Effective policy join-up between R&D, the industrial strategy, devolution and skills is essential.

#### Government should protect:

- The record, long-term funding committed for research and development (including [Quality-Related funding](#) and [Higher Education Innovation Funding \(HEIF\)](#)).<sup>1</sup>

#### Government should prioritise:

- Cutting the cost and burden of higher education regulation.<sup>2</sup>
- Giving universities autonomy over their pensions, for example by reviewing HE participation in the Teachers' Pension Scheme (TPS) and removing the requirement for higher education corporations in England to offer access to the Local Government Pension Scheme (LGPS) to new employees.<sup>3</sup>

- Reprofile Student Loan Company payments to align better with the delivery of teaching and training and provide an even balanced cashflow to universities.<sup>4</sup>
- Increasing the UK's market share of international students and transnational education (TNE).<sup>5</sup>
- Using local growth plans to refocus 'levelling up' funding on economic growth.<sup>6</sup>
- Ensuring professional and technical universities have a seat at the table when developing sector plans, for example for the creative industries and the NHS.<sup>7</sup>

## 2. Build an NHS fit for the future

- The NHS has been facing severe workforce shortages for many years, with [107,865 vacancies in England](#) at last count, and even more in social care.
- Tackling waiting will require getting a proper handle on the workforce crisis, and fixing the broken nursing and allied health pipeline should be an immediate priority.
- Training more healthcare professionals and implementing the three shifts will all require significant contributions from the higher education sector, including through cutting edge research and innovation and the development of a range new healthcare and non-healthcare roles.
- As the educator of a third of all nursing students in England, UA is calling on the government to work in partnership with universities to shore up the workforce and reform the NHS.

### Government should protect:

- The ambition to develop clear healthcare workforce targets developed through [improved modelling and stakeholder engagement](#) in the refreshed NHS Long Term Workforce Plan.<sup>8</sup>

### Government should prioritise:

- Convening a cross-government health education task force to end the workforce crisis by enabling better data flow, intelligence and dialogue to target recruitment for specific skills needed in specific geographic areas.<sup>9</sup>
- Improving recruitment and retention of nurses through uprating the Learning Support Fund (LSF) and implementing a new student loan forgiveness scheme in exchange for time served.<sup>10</sup>
- Reforming outdated regulation that prevents universities from training more healthcare professionals.<sup>11</sup>

## 3. Break down the barriers to opportunity

- Too many young people are failed by the current education system, with [rising numbers not in education, employment or training \(NEET\)](#).
- We must do more to ensure we are making full use of all young people's potential to give them a better future, make our nation more productive and grow the economy.
- Recent changes to the student finance system mean that the [poorest students graduate with the highest debt](#), and that lower- and middle-income graduates must pay more for their loans over their lifetimes than high-income graduates.
- Making higher education accessible and affordable to all is strongly in our national interest, with additional funding targeted where our skills needs are greatest.

### Government should protect:

- Funding for degree apprenticeships, including Level 7 apprenticeships in strategically important sectors such as healthcare and construction.<sup>12</sup>

### Government should prioritise:

- Reforming the national curriculum and assessment system to ensure as many students as possible progress to and achieve at level 3.<sup>13</sup>

- Making the student loan system more progressive and targeting maintenance grants for the most disadvantaged students so that they can study vocational courses into professions where there are critical shortages.<sup>14</sup>
- Putting university finances back on a more sustainable footing through permitting tuition fees to rise in line with RPI inflation and exploring other means of investment.<sup>15</sup>

## Contact

UA would be pleased to discuss this submission in more detail. Please contact Vanessa Wilson, Chief Executive: [vanessa@unialliance.ac.uk](mailto:vanessa@unialliance.ac.uk).

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## Explanatory Notes

### 1. Kickstart economic growth

<sup>1</sup> **In the longer term, [the UK should be a leading country in the G7 on R&D investment](#) and HEIF should be scaled up as it represents excellent value for money and is a tried and tested way of increasing economic benefits from the work of universities.** The new National Wealth Fund will have a target of attracting £3 of private investment for every £1 of public investment; the [return on investment ratio for HEIF is £8.30 for every £1](#). The government should avoid overly hypothecating the use of HEIF on IP and spinouts at the expense of other important forms of innovation and entrepreneurialism that lead to commercial success. The data informing allocations of knowledge exchange funding in England, Wales and Scotland should capture deeper insights on how universities support workforce planning and upskilling.

<sup>2</sup> **Universities are rightfully subject to robust regulation, but the current regulatory regime is disproportionate and costly for a generally high performing sector, encompassing the Office for Students (OfS), Ofsted, and numerous Professional, Statutory and Regulatory Bodies (PSRBs).** [A House of Lords inquiry found this is leading to duplication and red tape](#). Burdensome regulation diverts university resources away from frontline teaching and student services. Higher and degree apprenticeships are particularly affected, hampering innovation and dampening growth. The Office for Students (OfS) should make a concerted effort to cut the cost and burden of its regulation, and work with other regulators to reduce unnecessary duplication and bureaucracy. It should not increase regulation of transnational education (TNE) at a time when there is a strategic aim to grow this provision in the revised [International Education Strategy](#).

<sup>3</sup> **A review of pension rules across the higher education sector would save universities millions at little cost to the Exchequer, while still offering staff a fair deal.** Post-92 universities currently have a regulatory obligation to provide TPS pensions to academic and teaching staff and LGPS pensions to non-academic staff. Across post-92 universities in 2022/23, staff costs represented on average 53% of all expenditure, with pension costs related to TPS and LGPS making up around 15% of their total staff cost prior to the latest unfunded TPS increase in April 2024, which saw employer contributions in England and Wales increase from 23.68% to 28.68%. This followed a 44% increase in 2019. There has been no additional funding from government to help universities meet these increased costs. Introducing flexibilities would enable each university to decide which option best suits their individual circumstances, based on their own strategic plans, financial modelling, and equality impact assessments. For example, some universities would likely

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continue offering LGPS as a valuable tool in their recruitment and retention strategies (e.g., for staff from other LGPS bodies and applicants for roles that often are harder to recruit) and others would prefer a defined contribution solution.

<sup>4</sup> **The current back-loaded SLC funding profile of 25:25:50 is contributing to [low levels of liquidity](#) at certain points in the annual cycle, particularly for universities that offer flexible study and multiple student intakes (prevalent in the areas of nursing, allied health and teacher training).** This is putting universities at significant risk of failing to meet the minimum liquidity level required by both the sector regulator and their bank covenants. The use of short-term borrowing to cover the shortfall is arguably a poor use of student fees and public money. The situation could be greatly mitigated by reprofiling the SLC payments that providers receive throughout the year (ideally 40:40:20 or 33:33:33).

<sup>5</sup> **Further unleashing the international ambitions of UK higher education would deliver economic growth and strengthen the UK's position on the world stage.** Education related exports and transnational education (TNE) raised [£27.90 billion](#) at last count in 2021 and continue to confer priceless soft power benefits. As key competitors raise their global ambitions, the UK cannot afford to be complacent. Maintaining a competitive advantage will require proactive and sustained support and joined-up policymaking from government. The review of the [International Higher Education Strategy](#) should be used as an opportunity to promote the contribution of UK higher education as a major source of income, exports and soft power and address any barriers to growth, such as [planned OfS regulation](#) in this area. It should seek to achieve greater policy alignment and coherence across relevant departments, including the Home Office. Effective immigration policy that clearly signposts the UK as a welcoming environment for international students is essential to the financial sustainability of UK universities. International student numbers have declined significantly mostly due to the political choices of the previous government. We welcome the government swiftly [adopting a different approach](#). As part of this reset, international students should be removed from estimates of long-term migration statistics, and the Office for National Statistics should be required to differentiate between permanent and temporary migrants in its reporting.

<sup>6</sup> **There was a missed opportunity to adequately embed research, innovation, and support for SMEs in the UK Shared Prosperity Fund.** Government can rectify this through funding directed to achieve Local Growth Plans, focussing on improving skills, driving innovation and encouraging investment in each region's growth sectors.

<sup>7</sup> **Better join-up between government, employers and universities is crucial to ensuring strategically important sectors have the highly skilled graduates they need to grow.** In the past there has been a failure to fully exploit what universities can offer the country. Universities deliver on multiple fronts at national, regional and local level, but the policy landscape is often disjointed, limiting their impact. For example, the creative sector is the fastest growing area of the economy and nearly [three quarters](#) of those employed in creative occupations are qualified to degree-level. However, growth is being hampered by national skills shortages. The creative industries are not sufficiently embedded into the national school curriculum, and educational reforms and funding cuts over the past decade have put the creative pipeline at risk.

## 2. Build an NHS fit for the future

<sup>8</sup> **The first comprehensive workforce strategy for the NHS, the publication of the [NHS Long Term Workforce Plan \(LTWP\)](#) was an achievement that government should build on to provide a fully funded roadmap to end the workforce crisis.** The refreshed plan

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should implement key recommendations from the [NAO](#), including embedding education stakeholders in the modelling underpinning the projections for the future workforce. Universities were only nominally involved in the development of the LTWP, and although they were enthusiastic supporters of the ambitions and principles underpinning it, the lack of multiyear funding and an implementation plan seriously hampered its progress. The development of refreshed plan offers the opportunity to fully involve schools, universities and colleges and ensure more joined-up policymaking across health and social care, education and skills. The workforce strategy must be accompanied by guaranteed long-term funding and a credible implementation plan.

<sup>9</sup> **To date, there has been little effort on the part of government to engage universities on workforce planning, and a notable lack of cohesion between government departments, for example between the Department for Health and Social Care (DHSC) and the Department for Education (DfE).** Despite having a world-leading higher education sector, the UK has tended to rely on immigration to fill workforce gaps in our health services. With the government also committed to reducing net migration and boosting the homegrown workforce, a radical change in approach is needed. This is why a [coalition of university groups](#), including the Russell Group and the Council of Deans of Health, is calling for a new ministerial taskforce to ensure greater collaboration between relevant government departments, the NHS, and healthcare educators on the ground.

<sup>10</sup> **Urgent steps must be taken to address the nursing recruitment and retention crisis.** [RCN analysis of UCAS data](#) showing the number of people accepted onto nursing courses fell by up to 40% in parts of England between 2020 and 2023. Around [21%](#) of nursing students drop out before completing their training, and seven in ten are considering quitting due to financial pressures. Since 2021, the number of UK-educated nursing staff leaving the Nursing and Midwifery Council (NMC) register within the first 10 years of joining has increased by 43%, including a 67% rise in those leaving in the first five years. Government should work with the higher education sector and nursing profession to design incentives to help reverse under-recruitment, as well as improve retention. It should seriously consider introducing student loan forgiveness in return for years of service in the NHS, which has been [modelled by London Economics](#) for the RCN and commands [strong support from the public](#).

<sup>11</sup> **Universities could educate significantly more healthcare professionals if the regulatory framework for nurses and midwives was based on outcomes and competency rather than time served.** Currently, the NMC follows an approach, set out in EU law, which requires nursing preregistration programmes to total 4,600 hours. Half of these (2,300) must be practice hours in a clinical setting. Time spent in live settings essential to put students' learning into practice. However, time served does not necessarily correlate with competency, and the significant number of hours required places a strain on the NHS, who host most clinical placements. Now that the UK has left the EU, we can design a new regulatory approach to training with quality and efficiency at its heart, that emphasises proficiency rather than time served. Reducing overly prescriptive practice hour requirements will free up much-needed placement capacity. Government and healthcare regulators should progress reforms to nursing and midwifery education as a matter of urgency.

### **3. Break down the barriers to opportunity**

<sup>12</sup> **Through expanding higher and degree apprenticeships and ensuring a joined-up skills system, the government can [widen access](#) to professional jobs and provide the public sector and businesses with the high-level skills needed to make them more productive.** The government has indicated that it plans to prevent employers from using the Apprenticeship Levy to fund level 7 apprenticeships. However, increases in skill levels and



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high-skill occupations lead to employment and productivity growth. Level 7 apprenticeships are helping to provide the skills needed for occupations in growth-driving sectors outlined in [‘Invest 2035’](#) and to educate and train clinical staff and managers in the NHS. The Office for Budget Responsibility (OBR) forecast shows an approx. £800 million gap in 2024/25 between receipts from employer contributions to the levy and the apprenticeship programme budget – more than three times the cost of level 7 apprenticeships in 2023/24. These receipts should be strategically reinvested into the skills system. UA and a [coalition of employers and apprentices](#) are calling on government to increase the apprenticeships budget in line with the cost of funding level 7 apprenticeships in growth-driving sectors, high-potential SMEs and public services.

<sup>13</sup> **Many young people are not well served by the current curriculum and assessment system at key stages 4 and 5.** Disadvantage gets baked in early and key features of the system are unsuitable for learners experiencing disadvantage or special educational needs and/or disabilities (SEND). The most disadvantaged learners, particularly those eligible for free school meals rarely progress to university and a growing number are likely to be NEET (not in education, employment or training). UA made a [submission](#) to the recent independent curriculum and assessment review with proposals for reform.

<sup>14</sup> **It is vital that maintenance entitlements and parental income thresholds are updated and reformed to widen support to more families.** The failure of the maintenance system to keep up with living costs is affecting access to and success at university. [Over half of students are working part-time](#) and [a quarter are at risk of dropping out](#). In addition, England is the only UK nation which currently does not offer maintenance grants. As a result, students from the poorest backgrounds graduate with the most debt. [London Economics estimates](#) that poorer students could currently graduate with £60,100 of debt, £16,500 more than the £43,600 for those from the richest families. Implementing the proposed reforms from the Sutton Trust [would cut this debt gap in half](#) (from £16,500 to £8,100). There is also untapped potential for maintenance grants and/or student loan forgiveness schemes to create stronger incentives for people to join and remain in the public sector workforce, for example as nurses, teachers and police officers.

<sup>15</sup> **Whilst universities receive a third less per domestic student than they did a decade ago, students in England have never paid more for their higher education.** With the OfS predicting 72% of universities [could be in deficit by 2025/26](#), a solution to this deeply unsatisfactory situation must be found as soon as possible. The UK invests less public expenditure in higher education than our competitors – [23% compared to the OECD average of 68%](#). The highest contribution to the cost of higher education in England comes from students, who now bear approximately [84% of the total cost](#) – a significant increase from 64% in 2012. The remaining 16% is funded by the Exchequer. At the Spending Review, government must take the tough but necessary decision to index-link tuition fees to inflation and consider other sources of public and private investment for universities, for example linked to its industrial and skills strategies and missions.