University Alliance Submission to HM Treasury: Autumn Budget 2025

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.

Overview

- The Government's Plan for Change rightly places a strong emphasis on the link between education, skills and economic growth.[1]

- Professional and technical universities are a crucial component of the education skills system and have a vital role to play in kickstarting economic growth and other key government priorities, including:
    - Delivering an NHS fit for the future
    - Becoming a clean energy superpower
    - Building 1.5 million new homes.

- However, declining levels of public investment, increasing regulatory burden and policy instability are all limiting the capacity of higher education providers to contribute to critical national priorities. Skills England has highlighted that "colleges and universities lack the certainty they need to invest in future skills needs".[2]

- We strongly support the commitment to boost further and higher education participation and await the Post-16 Education and Skills White Paper, which we hope will address the above challenges. To enable us to meet the government's ambitions, it is vital that the 2025 Budget delivers a **long-term sustainable funding settlement, more proportionate regulation, and targeted investment**.

Long-term sustainable funding

- The government acknowledged in its June 2024 manifesto[3] that higher education is in crisis, and that the current funding settlement does not work for taxpayers, universities, staff, or students.

- Since then, the possibility of higher education financial failure has only increased. In July 2025, the Office for Students (OfS)[4] and the Department for Education (DfE)[5] both identified this as one of the principal risks facing their organisations.[6]

- The tuition fee cap rise for 2025-26, though welcome after an 8-year freeze, will be subsumed by the cost of other policy decisions, notably the increase in National Insurance contributions[7]; the increase in employer contributions to the Teachers' Pension Scheme[8]; and cuts to the Strategic Priorities Grant.[9]

- In May 2025, the government proposed the introduction of a new levy on higher education provider income from international students.[10] This would exacerbate the financial headwinds facing universities and have many unintended consequences.

- International student fees are now one of vanishingly few places from which universities can cross-subsidise loss-making activity such teaching and research.[11]

- For most universities, it will not be feasible to pass the full, or even some, of the cost of the levy directly to international students through increased fees. Modelling by Public First found the government is drastically underestimating the impact of cost increases on international student demand. It projects that if fees were increased by 6.38% in real terms, over 5 years the total number of international student enrollments could decrease by over 77,000 students, costing the sector £2.2bn.[12] This would dramatically limit universities' ability to support students, research, local communities, and the wider economy.

- Teaching focused universities, including a number of UA members, would likely be hardest hit by the levy.[13] These institutions are at the vanguard of the government's call for higher education to play a bigger role in the skills system and help break down the technical and academic divide. They are also engines of social mobility that are key to local prosperity in less wealthy regions.

- Whilst we welcome the planned introduction of targeted maintenance grants[14], these should not be funded by such a precarious and politically charged income stream.

- UA is concerned about the destabilising effect of introducing a levy without a sustainable higher education funding model in place. It is not clear what will happen if there is a reduction in international students caused by one or a combination of: volatile international markets, a reduction in the UK's competitiveness as a result of raising fees to cover the levy, or further policies to curb migration that include restricting Student or Graduate visas.

- Universities must and will continue to do all they can to improve their financial position.[15] In the November 2025 Budget, we urge government to take the tough but necessary decision to stabilise university finances and avoid creating further uncertainty through a new tax on international students or other destabilising measures such as placing conditionalities on the ability to charge full tuition fees.

Recommendations:

1. **The government should put university finances on a more sustainable footing** through permitting tuition fees to rise in line with RPI inflation for at least the next five years and exploring other means of investment.

2. **The government should withdraw or pause proposals for an international student levy** until a full consultation and impact assessment is carried out informed by research commissioned by DfE on international student price sensitivity.

3. **The government should help stabilise international student demand** in its forthcoming international education strategy, whilst working with the sector to maintain high levels of sponsor compliance and increase UK market share of transnational education (TNE).

4. **The government should give universities greater flexibility to set their pension arrangements** by reviewing HE participation in the Teachers' Pension Scheme and removing the requirement for higher education corporations in England to offer access to the Local Government Pension Scheme to new employees.

5. **The government should increase maintenance loan entitlements and parental income thresholds** to widen support to more families. Targeted maintenance grants should be awarded on top of existing loan entitlements to ensure maximum utility.

Proportionate regulation

- The government has made reducing regulation a centrepiece of its growth strategy, but there has been very little focus on the burden of higher education regulation.[16]

- Universities are rightfully subject to robust regulation, but the current regulatory regime is disproportionate and costly for a high performing sector, encompassing the Office for Students (OfS), Ofsted, and numerous Professional, Statutory and Regulatory Bodies (PSRBs). A 2023 House of Lords inquiry found this is leading to duplication and red tape.[17]

- Higher and degree apprenticeships are particularly affected by overregulation and duplication. The Social Market Foundation (SMF) found that intensive inspection regimes, audits and reporting processes from multiple oversight bodies are driving up costs for this vital provision and is leading to some providers leaving the market.[18]

- 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.[19]

Recommendations:

6. **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 TNE at a time when there is a strategic aim to grow this provision.

7. **The government should simplify the regulatory system to reduce costs** so that providers no longer need to manage two (or more) different regulatory systems. Higher and degree apprenticeships should be monitored by the main regulator of that provider (so the OfS in universities, and Ofsted for colleges).

8. **The government and healthcare regulators should design a new regulatory approach to nursing and allied health qualifications** that emphasises proficiency

rather than time served. Reducing overly prescriptive practice hour requirements will free up much-needed placement capacity.

Targeted investment

- We are mindful of the extremely tight fiscal environment and understand that the opportunities for additional investment in higher education are currently limited.

- However, below we outline three areas where a relatively small amount of additional public funding would support universities to go further and faster to help the government achieve its Plan for Change. All seek to enhance the interface between universities and employers to stimulate growth and tackle skills shortages.

- These could be funded in part through ensuring all growth and skills levy funds are spent on skills[20] and/or expanding the tax base of the levy.[21]

Recommendations:

9. **The government should increase investment in knowledge exchange between universities and the wider world through the scaling up of Higher Education Innovation Funding (HEIF).** This investment represents excellent value for money, with £14.80 in economic return for every £1 invested[22], and is a tried and tested way of increasing economic benefits from the work of universities.[23]

10. **The government should enable employers to use the new growth and skills levy for level 7 provision for all ages within the eight growth-driving sectors and for regulated professions.[24]** This would provide employers with a crucial mechanism for widening access to professional jobs and upskilling their workforces, providing both the public sector and businesses with the high-level skills needed to make them more productive.

11. **The government should invest in the 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 in the NHS.[25] Nurses are the lynchpin of an effective NHS, but applicants are declining, and many registered nurses leave after a short time after qualifying. A UA poll found 85% of the public support the government providing loan forgiveness, grants or bursaries for students training to work in the NHS.[26]

Contact

UA and its member Vice Chancellors would be pleased to discuss this submission in more detail. Please contact Vanessa Wilson, Chief Executive: vanessa@unialliance.ac.uk.

[1] HM Government, December 2024, *Plan for Change: Milestones for mission-led government,* www.gov.uk/government/publications/plan-for-change.
[2] See Department for Education, September 2024, *Skills England: Driving growth and widening opportunities*, www.gov.uk/government/publications/skills-england-report-driving-growth-and-widening-opportunities.
[3] Labour Party, June 2024, *Labour Party Manifesto 2024: Our plan to change Britain*,

https://labour.org.uk/updates/stories/labour-manifesto-2024-sign-up/.
[4] Office for Students, July 2025, *Annual report and accounts 2024-25*, www.officeforstudents.org.uk/media/3jylg2yd/ofs-annual-report-and-accounts-2025.pdf.
[5] Department for Education, July 2025, *Department for Education consolidated annual report and accounts 2024 to 2025*, www.gov.uk/government/publications/department-for-education-consolidated-annual-report-and-accounts-2024-to-2025.
[6] In November 2024, modelling by the OfS found that without mitigating action, 72% of higher education institutions will be in deficit by 2025-26, and 40% would face low liquidity. See Office for Students, November 2024, *Financial sustainability of higher education providers in England: November 2024 update*, www.officeforstudents.org.uk/publications/financial-sustainability-of-higher-education-providers-in-england-november-2024-update/.
[7] The increase in NICs is expected to cost the higher education sector c£430 million each year from 2025-26. See Office for Students, November 2024, *Financial sustainability of higher education providers in England: November 2024 update*, www.officeforstudents.org.uk/publications/financial-sustainability-of-higher-education-providers-in-england-november-2024-update/
[8] 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.
[9] Universities UK (UUK) estimates the net impact of these and other government recent policies to be a £1.4 billion reduction in funding to higher education providers in England in 2025–26. See Universities UK, June 2025, *The financial impact of government policy decisions on universities*, www.universitiesuk.ac.uk/latest/insights-and-analysis/financial-impact-government-policy
[10] Home Office, May 2025, *Restoring control over the immigration system: white paper*, www.gov.uk/government/publications/restoring-control-over-the-immigration-system-white-paper
[11] Universities now lose £1.7 billion each year on teaching UK students and £6.2 billion on undertaking research.
[12] R. McQuone, September 2025, Counting the cost: Modelling the economic impact of a potential levy on international student fees, www.publicfirst.co.uk/couting-the-cost.html.
[13] Modelling the impact of a 6% levy using TRAC peer group analysis[13], UUK found that universities in Groups D and E[13] (institutions with a research income less than 5% of total income) would experience the largest reduction in margins on non-publicly funded teaching, 56% for Group D and 69% for Group E. These two peer groups would also see the highest proportion of institutions pushed into deficit because of the levy.
[14] See Department for Education, September 2025, *Targeted maintenance grants for students to be reintroduced*, www.gov.uk/government/news/targeted-maintenance-grants-for-students-to-be-reintroduced.
[15] Given the highly precarious state of higher education finances, all Alliance universities are taking urgent and immediate steps to address their financial sustainability. They are making significant efficiency savings through their transformation programmes and working together to explore the potential for shared services and shared service delivery. For example, the University of Greenwich, an Alliance member, is collaborating with the University of Kent to create the London and South East University Group.
[16] HM Treasury, March 2025, *A new approach to ensure regulators and regulation support growth*, /www.gov.uk/government/publications/a-new-approach-to-ensure-regulators-and-regulation-support-growth.
[17] House of Lords Industry and Regulators Committee, September 2023, *Must do better: the Office for Students and the looming crisis facing higher education*, https://publications.parliament.uk/pa/ld5803/ldselect/ldindreg/246/24602.htm.
[18] See D Payne & J. Gollings, July 2025, *Skills Sidelined: The importance of higher level skill s provision to meet government ambition*, www.unialliance.ac.uk/wp-content/uploads/2025/07/Skills-sidelined-SMF-report.pdf. This finding was echoed in University Alliance and the University of Derby, February 2025, *An exploration of barriers and enablers to the expansion of healthcare degree apprenticeships*, www.unialliance.ac.uk/2025/02/10/new-report-on-the-barriers-to-expanding-healthcare-degree-apprenticeships/.
[19] For example, the Nursing and Midwifery Council (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, which hosts most clinical placements.

[20] Social Market Foundation (SMF) analysis found this would have added over £700m to the apprenticeship budget this year. See D Payne & J. Gollings, July 2025, *Skills Sidelined: The importance of higher level skill s provision to meet government ambition*, www.unialliance.ac.uk/wp-content/uploads/2025/07/Skills-sidelined-SMF-report.pdf.

[21] The SMF recommends that the Treasury consider introducing a new, lower apprenticeship levy tier, charging a 0.3% tax on payroll from £1.5 million to £ 3 million of total spend. See D Payne & J. Gollings, July 2025, *Skills Sidelined: The importance of higher level skill s provision to meet government ambition*, www.unialliance.ac.uk/wp-content/uploads/2025/07/Skills-sidelined-SMF-report.pdf.

[22] See T.C. Ulrichsen, November 2024, *A Quantitative Assessment of the Return on Investment of Research England's Higher Education Innovation Fund (HEIF),* www.ifm.eng.cam.ac.uk/uploads/UCI/knowledgehub/documents/2024_Ulrichsen_HEIF_ImpactReport_vFinal2.pdf.

[23] 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 should capture deeper insights on how universities support workforce planning and upskilling.

[24] This was one of the recommendations of the Commons Education Committee in its September 2025 report on further education and skills. See https://committees.parliament.uk/work/8883/further-education-and-skills/publications/.

[25] Research conducted by the Royal College of Nursing (RCN) found that nurses are willing to commit to 7-10 more years in the role that offers student loan forgiveness compared to a role that does not. It estimates that introducing loan forgiveness for nurses in England would provide a societal benefit of £1.162bn per cohort (in Net Present Value (NVP) terms), based on an additional 65,000 nurse-years worked in the NHS. See RCN, March 2025, *Fixing the Leaking Pipeline: Measures for growing and retaining nursing students, apprentices and early career nursing staff in England*, www.rcn.org.uk/Professional-Development/publications/rcn-fixing-the-leaking-pipeline-uk-pub-012-012.

[26] The polling was commissioned by UA and carried out by You Gov in August 2025. For more details see www.unialliance.ac.uk/2025/08/13/new-yougov-poll-shows-more-than-8-in-10-support-student-loan-forgiveness-grants-or-bursaries-for-students-training-to-work-in-the-nhs/.