

Briefing on the review of post-18 education and funding – Spring 2019

The UK's higher education system is a national asset. Russell Group universities (RGUs) inject £87 billion into the economy every year, supporting over 261,000 jobs and training around a quarter of all students. In many areas the university is the biggest employer, driving regeneration and supporting local services. As engines of research and innovation, we have a vital role to play in securing lasting growth across the country.

The impact of a funding reduction for UK universities

Reports suggest the Prime Minister's review of post-18 education and funding could recommend cutting tuition fees from £9,250 to £7,500 or even lower. We are concerned such a cut would not be fully compensated and could have a devastating impact on our universities. Even if some compensatory grant funding is on offer, this will likely come with additional restrictions and lack the guarantees needed to plan ahead with any degree of certainty.

Projected <u>annual</u> loss of income if fees are reduced to £7,500 and HMT does not make up the shortfall:	
All English universities	£2,000m
Russell Group universities	£860m
<i>Of which... English RGUs</i>	£801m
<i>Non-English RGUs</i>	£59m

Each of the following would happen as a result:

- **Students would suffer** as quality is diminished and universities are forced to reduce investment in new teaching methods, infrastructure, quality teaching and technical support staff and vital services, including to support student mental health and careers support.
- **Employer demand for graduates would go unfulfilled as universities would be forced to scale back certain courses.** Teaching UK undergraduates roughly breaks even across disciplines but, if funding is reduced, universities will have to make difficult decisions over which courses to protect. There are already significant shortfalls for some STEM degrees, which cost more to deliver. Over 50% of students study non-STEM courses, such as languages and economics which are also economically important, and there is real concern the Treasury may not provide any top up for these disciplines. In any event, the flow of skilled graduates into the economy will be restricted just as the Industrial Strategy projects 1.25m more will be needed by 2024.
- **Social mobility gains would be sent into reverse** if a cut wiped out funding for initiatives to widen participation, including bursaries, mentoring and outreach with schools, worth £265m at RGUs this year.
- **Universities could be forced to reintroduce limits on student numbers.** There are only so many students institutions can afford to teach at a loss. This will amount to a *de facto* student numbers cap, despite the expected 23% increase in the total number of 18-year olds by 2030.
- **The UK's world-leading research would be at risk**, from new cancer treatments to harnessing AI. At present the Government only provides 72% of the full cost of university research it funds through the Research Councils. A reduction in teaching funding would therefore put further pressure on university budgets, damaging the quality and quantity of research universities are able to undertake and halting capital investment.

Protecting UK Higher Education

Anyone with the talent and desire to enter university should be able to. Government should avoid reintroducing student number controls by the back door. If Ministers cut tuition fees, the **lost funding must be made up in full by the Treasury with an enduring guarantee** that funding will meet future demand.

The current tuition fee system is starting to put universities on a sustainable footing. The system is not perfect, and we urge Ministers to **reintroduce maintenance grants for the poorest students** and address widespread concerns about the interest rate on student loans. However, the system has many positive features which should be preserved, including no upfront costs and repayments based on earnings, following graduation. Communication of these features needs to be better to bust the many myths surrounding student loans.

Government should use its review to support a vibrant and diverse landscape for post-18 education. It is wrong to present this as a choice between supporting colleges or universities – we must be ambitious for both.