Spending Review Submission

Submission to HM Treasury

February 2025

GuildHE

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Introduction

GuildHE is an officially recognised representative body for UK higher education, championing distinction and diversity in the sector. It is the most diverse representative body in the UK, serving 67 institutions across the nations and comprising universities, university colleges, further education colleges and specialist institutions. Members are small and large, rural and urban, practice-based and online, publicly and privately funded. The diversity of our membership affords us a unique and valuable perspective into the challenges and opportunities within and for the sector at any given time. Our members are principally focused on vocational and technical higher education and include major providers of professional programmes in education and teacher training; healthcare; agriculture, food, and the built environment; business and law; and the creative arts.

GuildHE is proud to represent a diverse range of institutions and to offer a submission to the Comprehensive Spending Review on their behalf. This response draws on extensive work undertaken with members, as well as research we conduct throughout the year and collaborative work we do with the other formal representative bodies, Universities UK and the Association of Colleges, mission groups and other sector bodies.

In this submission, we demonstrate why a diverse higher education sector is vital to the government's key missions and how spending reforms and further investment will enable it to thrive. To that end, we address key funding concerns and offer recommendations that will ensure vocational, technical and specialist providers can continue to contribute effectively to the social, economic, and financial needs of the UK. The proposals we made in our submission to the Autumn Budget Spending Review took a balanced approach between costed and cost-neutral options. These were designed to enable institutions to help themselves whilst being supported by the government to ensure the HE system is working effectively for the UK. We have also submitted evidence-based proposals to the Department for Education on their HE reform priorities that are, for the most part, cost-neutral.

Building on these submissions, we highlight investment opportunities to increase institutional funding; to improve the areas that matter most to our members; and to secure the diversity of our sector. These proposals will support the government's ambitions for the next five years and beyond.

A diverse and distinctive higher education sector will deliver the 5 missions and protect student choice

The higher education sector's diversity is its strength. Vocational, technical and specialist higher education institutions run tight budgets, are agile to change, are actively working to diversify their income, and are realistic in their business assumptions. Their capabilities are diminished by increasing pressure from rises in the costs of teaching, research, student support and regulation; all of which have significantly increased without any new money entering the system. Our sector, with its diversity of providers and specialists intact, generated £265 billion for the UK economy in 2021-22. This represents a significant return on investment, with every £1 of public funding generating £14 in economic benefit. Facing a significant decline in the real value of tuition fees, the higher education sector has been implementing substantial cost-saving measures. However, it is increasingly clear that these efforts alone cannot address the deep-seated financial challenges stemming from this chronic underfunding.

GuildHE members play a vital role in driving innovation, enriching communities, and ensuring access to high-quality education for all, but their impact is often overlooked because they do not fit the traditional, large-scale, multi-faculty image of a university. Funding and regulatory systems, and then government policies, often fail to recognise those beyond that image; those of smaller scale, specialist nature, or non-traditional models. Sector consolidation could further jeopardise this diversity, undermining our global reputation and jeopardising the agility and responsiveness of our institutions to students and industry.

Diversity as a necessary ingredient to a successful and sustainable higher education sector is becoming clearer from analysis of the US landscape, along with Australia and other large HE systems. Expert commentators grappling with some of the current challenges for American universities and colleges offer a hypothesis, positing that the loss of the diversity of mission and distinctiveness, objectives and audiences is key to its diminishing public support. This homogenisation includes institutional, mission, operational, and aspirational similarities which sees every institution strive to "be all things to all people," and thereby offer "the same thing for only some of the people". There is growing international agreement that such homogeneity disables access for students with different educational backgrounds or achievements. It reduces social mobility as it reduces modes of entry and delivery. It weakens the pipeline of experts into the labour market as it loses its ability to create the growing variety of specialisations needed for economic and social development.

With evidence showing that HE spending is an investment rather than a cost, we ask the Treasury to commit additional funding to the sector so that we can preserve and protect it. As this government has recognised through recommitting to the Robbins principles, everyone benefits from HE graduates, not just the individuals who hold the qualifications. It is right, therefore, that society makes a financial contribution to fund HE.

In this document we outline what we see as key priorities for the government to address in the upcoming spending period to ensure our world-leading system not only continues to deliver life-changing opportunities, but is also positioned to drive the government's ambitions around economic growth, restoring public services, empowering regions and improving the lived experience of everyone in the UK.

Address the financial burden on higher education providers

Whilst the sector grapples with escalating costs in teaching, research, student support, and regulatory compliance without commensurate funding increases, it is right that the sector finds innovative and collaborative solutions to maintain its world-leading status and efficiency. However, the pursuit of efficiency savings within higher education fails to adequately address the sector's critical funding challenges.

Years of stagnant tuition fees and declining government support have severely eroded the financial stability of universities and colleges without providing a framework for evolving operating models to adapt to diminishing funding sources. While increased funding is undoubtedly necessary, placing the burden of this financial strain solely on students is unacceptable. UK tuition fees already rank among the highest globally while government contributions account for only about 18% of the total cost of higher education, a figure that is far smaller than other G20 nations. A more equitable approach is needed, one that prioritises a planned increase in government funding to ensure the sustainability and quality of higher education in the UK in the long term.

We ask the government to invest in the following spending reforms to better support students and preserve diversity in the higher education system:

- Implement an equitable fee structure for OfS regulation based on provider size and charge new providers to register with the OfS.
- Create a sustainable Teacher Pension Scheme settlement and adjust Student Loan Company payment schedules.
- Reinstate the cuts to the Strategic Priorities Grant to support specialist providers to deliver the UK's skills needs.
- Establish a new high impact grant for specialist institutions who are regionally or nationally important to growth in their disciplinary areas.

Improve equality of opportunity, access and outcomes

Address financial support for students

Whilst we recognise and support the government's decision to increase maintenance loans, this only equates to an additional £414 per year in real terms for the most disadvantaged students. The Blackbullion Student Money and Wellbeing Report suggests that, on average, students need an additional £548 per month to feel confident they will not have to withdraw from their studies. This funding gap has led to a significant number of students needing to work during term time, and for the poorest students this equates to at least 19 hours a week. This causes a significant impact on their ability to actively engage in their learning and wider student experience, and is a barrier to equality of opportunity.

Maintenance loans should therefore be increased and household income thresholds revised so that the financial support system is more supportive to the poorest students. Student maintenance grants should also be reinstated for those from low socio-economic backgrounds to ensure that disadvantaged students are not deterred from entering higher education at the point the government seeks to widen access for them.

Our members are deeply committed to access, participation and attainment within higher education - it is core to their provision as vocational, technical and applied higher education providers. However, financial pressures for students are increasing and change to the student finance system is vital. We therefore recommend the following reforms:

- Increase student support funding to improve access and outcomes for students by reinstating student maintenance grants and increasing the available level of maintenance loan.
- Revise household income thresholds for student loans.

Commit to fair access and inclusivity in the long-term

Outreach funding is crucial for partnerships between institutions, schools and colleges. The UniConnect programme supports a commitment to fairer access, but it is short-term. A multi-year funding settlement is needed to stabilise the staff working within them and allow all partners to develop meaningful and impactful schemes of work. This funding is vital to deliver the opportunity mission laid out by the Department for Education.

Jeopardising that mission are recent cuts to the budget for the Music and Dance Scheme which is set to be reviewed in its entirety. We are deeply concerned that this will have a detrimental effect on enabling disadvantaged young people to enter the creative pipeline given the demonstrable impact this scheme has already delivered in widening access to creative education for our most disadvantaged young people. Developing a national outreach programme for priority areas such as the arts, teaching, healthcare, construction and agriculture may also be needed to be more impactful in diversifying student groups.

Current higher education policy and regulation also overlooks the unique needs of Postgraduate Research Students (PGRs). UKRI has committed to further support through the 'New Deal for PGRs' for funded students, including an increase in the stipend level and support for disabled students. As a result of UKRI's increased investment, it is predicted that there will be a decrease in the number of UKRI-funded PGRs. However, this increased support package widens the gap between funded and self-funded PGRs. Many PGRs, particularly self-funded students, fall outside the scope of UKRI and other major funders, leaving them with limited support and oversight. They often also fall between the cracks of student support and support offered by the state, such as childcare benefits, missing out on crucial provisions needed to remain in their programmes and creating inequity in access and support between PGR students. These students, often mature, part-time, and with caring responsibilities, are crucial for research and teaching, and in some disciplines are very likely to be staff or practitioners on which courses are contingent. The OfS's current priorities neither adequately address the specific needs of PGRs or Postgraduate Taught Students.

We recommend the following spending reforms:

- Fund outreach programmes in priority subject areas like creative arts, teaching, healthcare, construction and agriculture where a regional approach is not impactful. This involves a multi-year settlement for the UniConnect programme and commitment to funding the Music and Dance Scheme and other schemes where demonstrable impact of widening access is already proven.
- Conduct a thorough investigation into the support needs and provision of all postgraduate students, regardless of their funding status, and ensure equitable support for all postgraduate students, both taught and research.
- Invest in a new approach to higher education data, including improvements to student tracking across the system (via a unique learner number) and establish a ministerial data taskforce to improve regulatory efficiency. Not only will this enable the better tracking of students over their lives (and contribute to research on the impact of HE study on their lives) but will also enable the LLE policy to be fully realised.

Drive economic growth through skills, research and innovation

Boost industry-informed skills that meet occupational demands

GuildHE institutions deliver high-level specialist, vocational and technical skills for their industries. They inform pedagogical decisions and practice through embedded co-design and collaboration with industry partners, communities and employers. This model can effectively drive the government's mission to boost skills to meet occupational demands identified by Skills England, i.e. healthcare, teaching and production and by the Industrial

Strategy. Allied health and social care training at these institutions is particularly important to the NHS 10-Year Health Plan due to its ambitions to improve community settings and preventative care. Teacher training programmes are also imperative to the government's target to recruit an additional 6,500 teachers. To achieve these ambitions we suggest that the government:

- Establish a flexible Growth and Skills levy that meets the needs of SMEs in priority sectors, including the creative industries.
- Reinstate eligibility for Level 7 apprenticeships that meet critical skills needs in the Growth and Skills levy.
- Ensure Skills England supports the government to reach both its growth ambitions and to achieve the recruitment of an additional 6,500 teachers by advising methods to invest in teacher education.

Recognise that smaller-scale research and innovation punches above its weight

Our vocational, technical and specialist institutions already demonstrate that they are core to delivering economic growth. According to the most recent KEF data, vocationally-focused, technical and specialist institutions perform twice as well in local growth and regeneration (including skills-related and job creation activities) than larger, traditional and more generalist universities, and they perform proportionally much better in terms of support for start-ups, too. However, currently the HEIF formula measures income as a proxy for effectiveness which advantages large-scale institutions. Research-related funding, such as QR and competitive grants from UKRI, are short-term and are not designed to support long-term capacity building.

We commissioned experimental analysis that found that when size of an institution is taken into account, these institutions see significant comparative jumps in their return on investment in relation to larger providers. Through this lens, the performance of these institutions looks excellent. For example, the **Royal Academy of Dramatic Art (RADA)** jumps from 20th in the country to 1st for consultancy. **Harper Adams University** jumps from 35th in the country to 6th - and 1st in the West Midlands - for the impact of contract research. **Royal Agricultural University** jumps from 25th to 2nd for intellectual property income, second only to the University of Oxford. This significant size, capacity and resource difference between GuildHE institutions and those ranking high in the current system demonstrates just how significantly these institutions "punch above their weight" when engaging with businesses and communities.

We urge the government to address this prevention of impact by the following interventions:

- Reform the HE Innovation Fund (HEIF) to address systemic biases that may disadvantage smaller institutions.
- Adjust Quality-related (QR) funding to better support institutions with smaller allocations, enabling them to navigate periods of significant growth.
- Ensure that additional funding streams for specific policy goals include a reasonable minimum allocation for all institutions, similar to the Enhancing Research Culture fund.

- Expand eligibility for infrastructure funding programs like the Research Partnership Investment Fund (RPIF) to a wider range of disciplines and institutions.
- Commission a review of the broader innovation funding landscape to identify and address gaps that constrain innovation and growth for smaller institutions and those in specialised fields.

Work directly with HE institutions to power inclusive regional growth

Stimulate a fair, equitable and integrated skills, research and innovation system

A healthy funding environment for skills, research and innovation will positively contribute to regional growth and regeneration; public and community engagement and effective public services. However, the current system does not have the metrics to capture impact delivered by diverse institutions. At present, the data collected through the Higher Education Business Community Interaction Survey (HE-BCI) does not effectively capture the full diversity of social, cultural and civic impacts delivered by the sector nationally or regionally. With the loss of European funding (ERDF, ESIF) in Brexit, the Shared Prosperity Fund was not a sufficient replacement. Research England’s recent introduction of the Regional Innovation Fund was welcome in principle. However, due to its allocation method, regions that are not served by a larger institution privileged by the HEIF formula, are not eligible to receive it. This example demonstrates a system that is fundamentally biased towards the largest, most established providers.

Ensure engagement with rural, coastal and suburban higher education institutions

Many GuildHE institutions sit in ‘cold-spot’ areas, including rural and coastal areas, marked by low levels of public and private investment, local authority maturity and low levels of HE participation. Their strength is as a servicer of their students, local communities, and businesses through close collaboration with connected industries and other providers. The English Devolution White Paper suggests that more mature local authorities, especially those with Mayors, will have greater engagement with Government and UKRI. It is imperative that proper support is given to less mature local governments in order to help them progress to becoming Strategic Authorities.

We recommend the following reforms:

- Establish an inclusive regional growth funding model that addresses the loss of European funding (ERDF and ESIP), the inefficiencies of the Shared Prosperity Fund (SPF) and the bias in the Regional Innovation Fund (RIF).
- Ensure local authorities in regions without Mayoral Combined Authorities, or those with barriers to become Strategic Authorities, can access opportunities to shape regional research and innovation policies.

Incentivise responsible internationalisation

Promote the UK as an attractive destination to work and study

Significant financial pressures have built up through institutional reliance on international student fees. Simultaneously, geopolitical factors have contributed to policy churn on visa policies and delayed, or scrapped, funding arrangements such as Horizon Europe and the European Regional Development Fund. Ultimately, this landscape has led institutions to prioritise developing short-term partnerships to solve long-term problems. These forces combined are affecting the UK's global reputation as a competitive destination for education and research. In a context where the UK has the lowest levels of public spending on tertiary education in the OECD, the UK's higher education institutions have strategically used international activity to fill financial shortfalls - but this is not sustainable. There are also barriers such as the Immigration Health Surcharge that deter students, especially postgraduate, from choosing the UK. Reform is needed to address the way the immigration system impacts people contributing to high research and teaching performance in UK institutions.

Reform and expand student and staff mobility schemes

The benefits of student and staff mobility has not recovered since the loss of Erasmus+ funding. The Turing Scheme needs reform to effectively fund students, address programme design that disadvantages students from low-income backgrounds and be better tailored to the student finance cycle. It is also important that this programme is expanded to provide exchange opportunities to Europe for UK students and also inbound students and staff.

We recommend to improve the international higher education offer in the UK the government implements the following reforms:

- Invest in promotion of the UK as a top-choice study and work destination.
- Review the International Health Surcharge for international postgraduate students.
- Commit to reform of the Turing Scheme administration and expand it to include incoming mobility opportunities.

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