

Investing to meet the skills needs of the UK's future knowledge economy

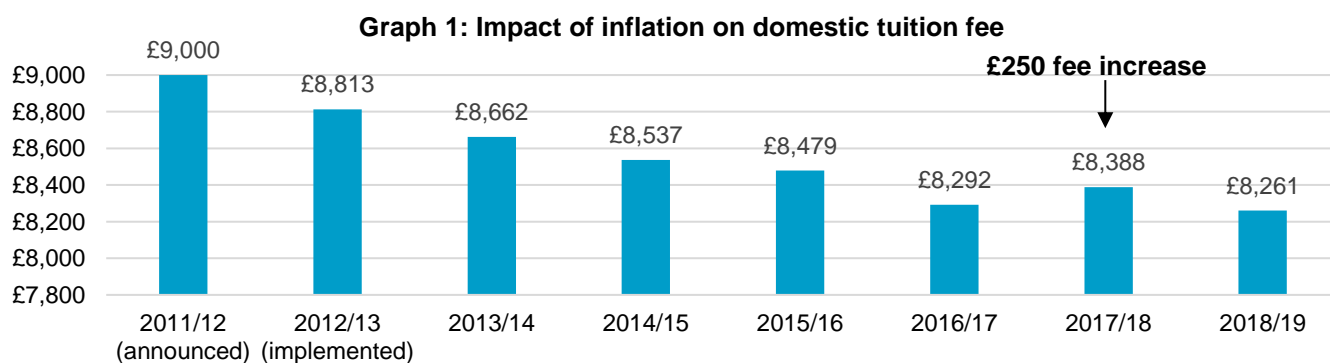
Funding for high cost subjects such as science and engineering is essential in unleashing the potential of the next generation of British graduates and ensuring that our universities can deliver on the skills needs of the UK's future knowledge economy. The 24 Russell Group universities train around a quarter of all students, equipping them with the skills to enter high-value employment and drive our economy and research base forward into the new decade. While a large part of the funding for undergraduate degrees is now paid for through tuition fees, government investment managed by the Office of Students (OfS) plays a vital role in ensuring choice and quality for students and in promoting excellence. To continue with this important work, government investment needs to be sustained and, where possible, enhanced to ensure it helps deliver funding more closely matched to the real cost of delivering undergraduate courses. Levelling-up funding for higher education in this way will help deliver the high-wage, ideas-led economy of the future.

How does direct Government investment in higher education work?

Government grants for teaching cover several different funding streams supporting undergraduate provision in various ways. The majority of funding for the delivery of undergraduate courses comes from students themselves via tuition fees. However, the additional investment which Government provides through the teaching grant system totals some £1.5bn (approximately 12.5% of the total annual outlay on HE) and is vital in ensuring the sustainability of degree courses. The most important elements of teaching grant funding include¹:

- **Funding for high cost subjects** – these grants are designed to cover some of the necessary additional cost of providing medical, STEM and lab-based courses, as well as other courses requiring additional resource, infrastructure or materials. This funding stream totalled £713m in 2019/20
- **Student Premium grant funding** – less advantaged students often need additional support to help them complete their studies and obtain a good degree. These grants, worth a total of £165m, are used to help institutions provide that additional support
- **Capital grant funding** – while the majority of capital investment at universities is paid for using borrowing and philanthropic donations, a small Government grant of £100m is used to help pay for critical infrastructure maintenance and improvements for all universities in England
- **London weighting** - the Trust for London estimates that the cost of living in London is around 20% higher than in the rest of the country and this £68m funding stream supports those universities in the capital with the additional costs of recruiting talented staff and maintaining infrastructure
- **NHS clinical payments** – a total of £23m of grant funding is used to cover the cost of clinical placements for trainee doctors and dentists. This is essential in helping to pay for the time NHS consultants spend training the next generation of medical professionals.

Does current funding match the real cost of provision?



The current system of combined tuition fees and grants came into force during the 2012/13 academic year following the Coalition Government's decision to raise fees to £9,000 per year. Since then, fees have been increased by £250

¹ Other, smaller and non-recurrent elements of T-grant funding are not included in this list.

in 2016/17, however this small increase and the subsequent freeze in fee levels mean that the real-terms fee income for undergraduate provision has fallen by more than 8% since 2012/13 – see Graph 1 above.

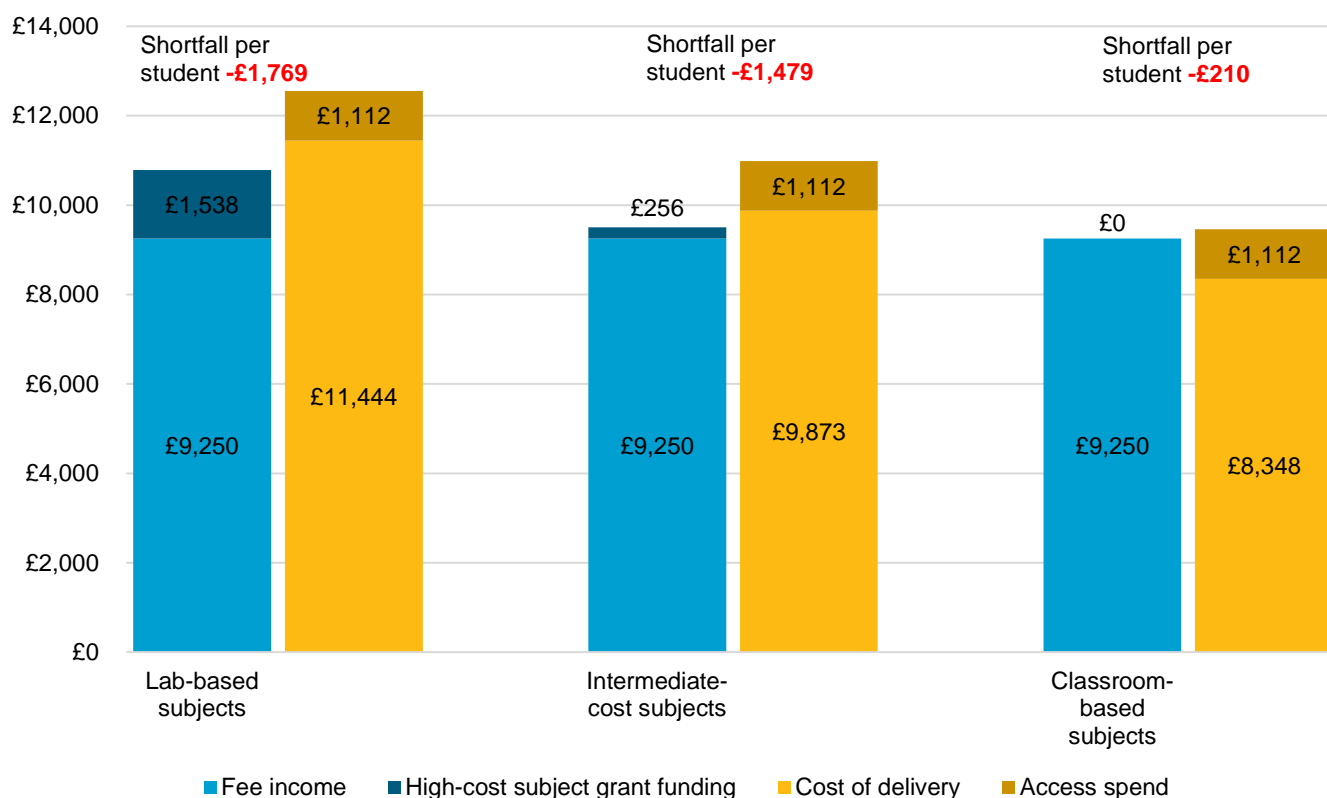
Over the same period teaching grant investment has remained stagnant. Each of the subject price groups saw only sub-inflationary increases in their value of 1% in 2018/19 and 1.4% in 2019/20, with the total amount of funding available for high-cost subjects also not keeping pace with inflation or increasing with student demand.

As a result of frozen fee and grant income, deficits are continuing to increase in each of the undergraduate subject price groups at our universities². Our analysis shows:

- Lab-based subjects, such as Chemistry, Physics and Engineering are reporting average deficits of £1,769 per year per student in 2019/20
- Intermediate-cost subjects, including archaeology, design and the creative arts are seeing average deficits of £1,479 per year per student
- and for the first time, classroom-based subjects, such as the humanities and social sciences, are seeing small deficits of around £210 per year per student.

If frozen fee and direct government investment levels persist until the middle of the coming decade, forecast inflation will mean that total income across all subjects will have fallen by a further 10% by 2024/25.

Graph 2: Estimated current deficits by price group for Russell Group universities



What do Russell Group universities and their students need from a future grant funding system?

In determining the future trajectory of public investment in HE, the new Government should work closely with the Office for Students, and with universities themselves, to promote excellence and ensure that choice and quality for students are enhanced. Of utmost importance is ensuring high-quality provision attracts the resource needed to deliver it. This means considering how investment can be levelled up, enabling our universities to unleash the potential of the next generation of graduates.

As the Office for Students prepares to undertake its fundamental review of teaching grants in early 2020, Government should back British higher education by signalling future investment for high-quality undergraduate study. Prioritising this investment will ensure UK's businesses – those we have now and those that will come – are equipped with the skills they need to capitalise on the opportunities ahead and establish Britain as the global hub for ideas and innovation.

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² Analysis based on TRAC costings data at peer group A institutions, which includes 22 of the 24 Russell Group universities