

Sustainable funding for higher education

As the Government prepares to conclude its Spending Review, the issue of skills and investing in the next generation is likely to be front and centre. We believe the Government needs to be ambitious for both further education *and* higher education. Providing sustainable funding for high-quality degrees alongside investment into higher level technical skills will ensure a steady supply of talent to boost all regions of the country and drive the economic and social recovery the UK needs as a result of the Covid-19 pandemic.

Alongside the Spending Review we are anticipating the Government's response to the review of post-18 education led by Dr Philip Augar, published in May 2019. Whilst the Russell Group welcomed some of the review's recommendations, such as the reintroduction of maintenance grants for disadvantaged students and removing the real rate of interest charged on loans during study, we remain concerned that students will ultimately suffer if university funding is reduced as a result of a fee cut.

What has been proposed?

The Augar Review presented a significant range of transformative recommendations in the FE space and we welcome the Government's plans to enhance investment in FE. Indeed, Russell Group universities have significant links with FE institutions.ⁱ The Review also made several headline recommendations for HE, including:

- Cutting headline tuition fees from £9,250 to £7,500 with the Government directly replacing the lost income in full through additional teaching grant funding
- Reintroducing means-tested maintenance grants and reducing the interest applied to loans during study
- Reforming student loan repayment conditions so they are repaid over a longer period

We have particular concerns about the implications of a cut to tuition fees and Dr Augar himself recently said that *"Covid-19-related disruption may now mean that such a fee cut would be too destabilising"*ⁱⁱ. If the Government were to consider this, **universities would need a cast-iron guarantee that teaching grants will fully cover the funding shortfall and meet future demand for higher education places.**

The current funding situation

It is important to note that there are already significant deficits for publicly-funded teaching in universities, totalling over £600 million across the HE sector in 2018/19ⁱⁱⁱ as the combination of tuition fees and teaching grants provided by the Government does not cover the full costs of delivering high-quality teaching and learning. At research-intensive universities, subjects such as chemistry, physics and engineering are reporting average deficits of £1,750 per student per year. Even the least expensive classroom-based subjects are now running at an average deficit of £700 per student per year.

If we want to fund HE properly and sustainably for the future then the top-up grants that would be needed if the Augar proposal were implemented would be substantially more than the gap from £9,250 down to £7,500. They would also need to make up the additional deficit that universities are already carrying. Whether or not the Government makes changes to tuition fee levels, **the ambition should be to meet the full costs of high-quality HE provision, with a guarantee of funding on a *per student* basis.**

What is more, whilst the overall number of students placed on university courses increased by 4% this year, high-tariff universities accepted significantly more students (+12%) as a result of the last-minute changes in assessments of A-levels and equivalent qualifications.^{iv} Universities have also risen to new challenges caused by the pandemic. They have invested substantially to ensure campuses are Covid-secure, to deliver a high-quality blended learning experience that combines online and in-person teaching, and to expand provision of mental health and wellbeing support for students and staff. At the same time, other university income sources, such as international student fees, business conference hire and endowments, remain uncertain.

How would an uncompensated fee cut impact students and universities?

If tuition fees were to be cut without additional grant funding provided to make up the funding shortfall, it would exacerbate existing deficits for publicly-funded teaching with the following consequences:

- It could impact student choice if it became financially unsustainable for some universities to continue offering certain courses. This could particularly be the case for the higher-cost STEM subjects, which would run counter to the Government's ambitions to boost UK skills in these areas
- It could impact the ability of universities to continue to deliver the highest quality courses, to the detriment of students and with longer-term implications for our international competitiveness. The House of Lords Science and Technology Committee reported that it could lead to bigger class sizes, higher student-staff ratios, fewer practical elements of teaching and reduced investment in and maintenance of infrastructure^v
- It could have wider impacts on services such as careers support which students depend on
- It could impact the Government's ambitions for the UK to be a Science Superpower if universities have to deploy funds which would otherwise be used to support research to make up shortfalls on teaching. The Lords S&T Committee concluded that "*In looking at university funding without considering research and cross-subsidies, the Augar Review has made recommendations which, if implemented, could prove harmful to the already challenging ecosystem of university funding*"^{vi}

Russell Group asks for Parliament

Now is the time to prioritise investment in the talent pipeline for future high-level skills. It will be critical for the UK's economic recovery and will provide opportunities for individuals whose prospects have been hit by the pandemic.

As the Government considers its response to the Augar Review, we ask Parliament to help ensure the UK's world-class higher education sector can continue to serve the wider, national good.

- We hope a fee cut is not on the agenda and instead we urge the Government to look again at providing a sustainable funding envelope for higher education, alongside its plans to boost FE
- However, if a fee cut is being considered, we ask parliamentarians to help push for students and universities to be provided with a cast-iron guarantee that teaching grants will cover the funding shortfall in full and meet future demand for higher education places, as recommended by the Augar report
- Given the current deficits in university teaching, the ambition should ideally be to meet the full costs of high-quality HE provision, with a guarantee of funding on a *per student* basis

ⁱ For example, University of Warwick has partnered with four colleges to offer a 2+2 pathway open to applicants with no formal prior qualifications who wish to study locally for a university degree in either Health and Social policy or Social Studies. Newcastle University and Northumberland College have forged a partnership to develop progression opportunities for those at level 3 to enter HE in agriculture, rural tourism and enterprise management and environmental conservation programmes. Exeter University and Exeter College have partnered to offer a one-year top up course, which enables students to convert their Higher National Diploma or Foundation degree into a Business Management degree e.

ⁱⁱ <https://www.ft.com/content/ee513144-8f79-11ea-bc44-dbf6756c871a> 20 May 2020.

ⁱⁱⁱ [OfS Annual TRAC report 2018-19](#).

^{iv} Data provided by UCAS, filtered by tariff group of provider (10 September 2020).

^v These impacts were all captured in the House of Lords S&T Committee [report](#) into 'Science research funding in universities', Aug. 2019 (p. 14).

^{vi} *Ibid.* (p. 20)