

October 2024 Budget representation from University Alliance

About University Alliance (UA)

[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. Alliance universities are leading the way in innovation and business support in the green, tech, and healthcare industries. They are major educators in healthcare, engineering, the creative arts, social sciences, degree apprenticeships and more.

Representation summary

University Alliance represents leading professional and technical universities across the UK. In this representation, we identify three priority areas for the October 2024 Budget and 2025/26 Departmental Expenditure Limits and briefly look ahead at how these relate to broader priorities for the 2025 Spending Review. Our priority areas are:

- 1. Address financial shortfalls for higher education students** by uprating maintenance entitlements and parental income thresholds and reinstating means-tested maintenance grants.
- 2. Address public sector recruitment and retention** by implementing manifesto commitments to spend £450m extra per year on recruiting new teachers and review the way bursaries are allocated; re-opening the ITT market review for “near miss” providers; and convening a cross-government health education taskforce to coordinate delivery of the NHS Long Term Workforce Plan and urgently identify a package of student recruitment and early career retention incentives.
- 3. 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.

Acting as strategic partners with government and industry, professional and technical universities can help to achieve all five of this government’s missions and be at the heart of our national renewal.

Contact

We would be very pleased to discuss this submission in more detail. Please contact Vanessa Wilson, Chief Executive: vanessa@unialliance.ac.uk.

Professional and technical universities are ready to serve

Professional and technical universities stand ready to serve our nation. They have the “fresh thinking and new ideas” the government is looking for in abundance and should be at the heart of our national renewal. Alliance universities are keen to act as strategic partners with government and business.

In the past there has been a failure to fully exploit what universities can offer the country. Universities deliver on multiple fronts at national, regional and local level, but the policy landscape is often disjointed. If government takes a more strategic and joined-up approach to higher education, the sector will be better able to put its weight behind **all five of this government’s missions**.

In partnership with government and industry, professional and technical universities can help to:

- **Kickstart economic growth.** Alongside preparing students for their careers, professional and technical universities specialise in SME support, equipping thousands of businesses every year with the capabilities they need to innovate and grow at scale. Alliance universities are leading providers of creative arts and design degrees. The creative sector is the fastest growing area of the economy and nearly three quarters of those employed in creative occupations are qualified to degree-level.
- **Build an NHS fit for the future and take back our streets.** Alliance universities educate a third of all nursing students in England. They are training the next generation of NHS, teaching and policing professionals and translating their research into improved services and societal impact, so that our public services can thrive.
- **Break down barriers to opportunity** by providing by the support and flexibility for a wide range of learners to access and progress through higher education throughout their lifetime.
- **Make Britain a clean energy superpower.** Professional and technical universities are not only training the workforce that will be required to meet this ambition, they are also undertaking urgent, applied research that addresses multiple challenges created by the climate crisis.

Priorities for the October 2024 Budget and 2025/26 Departmental Expenditure Limits

1. Addressing financial shortfalls for higher education students

Policy recommendation

Increase student maintenance support. It is vital that maintenance entitlements and parental income thresholds are uprated to widen support to more families. Means-tested maintenance grants should be reinstated to end the perverse phenomenon of the least well-off students graduating with the most debt.

Rationale and benefits

- London Economics and the Sutton Trust demonstrated that an increase in overall maintenance, a re-introduction of grants, and an extension of eligibility thresholds can be delivered at the same time as reducing repayments for all graduates, [while remaining cost neutral to the Exchequer](#).

- Increasing maintenance support for students [commands popular support](#). Polling in October 2023 found that 55% were in support of reintroducing maintenance grants, even assuming the extra cost would be paid for through increased taxation. 50% of respondents said they would be more likely to vote for a party which pledged to reintroduce maintenance grants, compared to just 8% who said they would be less likely to do so.
- England is the only UK nation which currently does not offer maintenance grants. As a result, students from the poorest backgrounds graduate with the most debt. [London Economics estimates](#) that poorer students could currently graduate with £60,100 of debt, £16,500 more than the £43,600 for those from the richest families. Implementing the proposed reforms from the Sutton Trust [would cut this debt gap in half](#) (from £16,500 to £8,100).
- Maintenance loan levels in England have failed to rise with inflation during the cost-of-living crisis, in contrast with the rest of the UK. [Maintenance loans in England only rose 2.8% in 2023/24](#) ([allowing large cuts to student support since 2020/21 to become baked in](#)), compared to a 11.1% increase for the worst-off students in Scotland and a 9.4% increase for all undergraduates in Wales.
- As a result, there has been a substantial shortfall between maintenance support and living costs. In December 2023, [the Sutton Trust](#) found that for 57% of students, their essential spending was higher than the current maximum maintenance loan (£9,978). For 19% of students, their housing costs alone were higher than the maximum loan. Average spending was found to differ substantially between students from different socioeconomic groups, indicating constrained spending by those who receive less parental financial support.
- The Advance HE and HEPI [Student Academic Experience Survey 2024](#) found that cost of living was the single most significant concern (44% of responses) influencing perceptions of poor value and 28% said the cost-of-living crisis was impacting their studies 'a lot' (26% in 2023).
- The survey also found that although there has not been a material change in the proportion of students who are in paid employment, there is clear evidence of a major increase in the number of hours being worked by those students. Students now spend an average of 42 hours a week in paid work and study, up from 35 hours in 2021. [Some subgroups work and study on average more than 50 hours per week](#), such as those who have caring responsibilities, those who commute and those aged over 26. Employed students are more likely to have high volumes of contact hours, as well as needing to spend time commuting and/or caring for others. Improving maintenance support is an important step towards helping students who are managing a wide range of demands alongside their studies.
- It is an objectively positive development that a record number of disadvantaged students will be [entering higher education this year](#). However, access is not the only higher education inequality that students from deprived and low-income backgrounds face. They are [at greater risk of suffering from poor mental health](#) whilst in HE and they are [less likely to complete their course](#).
- Universities that pride themselves on recruiting larger numbers of disadvantaged students must also provide greater levels of support to improve equality of opportunity and help these students to succeed and progress. Economic conditions are simultaneously driving up the demands and constraints on universities as they try to tackle the direct and indirect effects that the cost-of-living crisis and cuts to public services are having on students, [with diminishing levels of resource](#).

2. Public sector recruitment and retention

Policy recommendations

- **Implement manifesto commitments to spend £450m extra per year on recruiting new teachers and to review the way bursaries are allocated.** The government should work with the higher education sector to design incentives that can help reverse under-recruitment, as well as improve retention.
- **Ensure universal geographical coverage of teacher training opportunities is maintained** by adding an additional phase to the Initial Teacher Training (ITT) market review accreditation process to allow for “near miss” providers to achieve accreditation.
- **Convene a cross-government health education task force**, established well before the conclusion of the 2025 Spending Review, to coordinate delivery of the NHS Long Term Workforce Plan (LTWP) and urgently identify a package of **student recruitment and early career retention incentives**.

Rationale and benefits

Teaching

- The government should be striving for the most ambitious and sustainable version of its target to recruit 6,500 new expert teachers in key subjects, i.e. to increase the total number of teachers in the workforce by 6,500 by the end of this parliament, rather than recruiting or retaining 6,500 additional people in that period.
- Tackling the teacher shortage will require incentives to address both under-recruitment and retention. At undergraduate level, the number of applicants to teacher training courses through [UCAS](#) has dropped to 4,400 in 2024, down 15% on the pre-pandemic 2019 figure. Trainees on undergraduate courses are not eligible for a training bursary until the final years of their course, if at all, and prospective students could be better supported through our earlier recommendation on increasing student maintenance. At postgraduate level, only 50% of the ITT recruitment target for secondary teachers had been reached in [2023/24](#), down from 57% in 2023/23. The number of teachers [considering leaving the profession](#) increased by 44% in 2022/23 compared to the previous year.
- The government should work with the higher education sector to gather evidence on the extent to which [mooted incentives](#) aimed at improving retention (such as restructuring teacher retention payments and introducing a new Early Career Framework retention payment) would make the profession more attractive to current and prospective students.
- This should be done in tandem with urgently bringing forward the commitment to a review of bursaries. Earlier this year the [Education Select Committee](#) recommended the expansion of bursary eligibility and raising of lower bursaries to improve teacher recruitment and the Department for Education’s own submission to the inquiry highlighted that research from the National Foundation for Educational Research “corroborates DfE analysis that a £1,000 increase in bursary value results in approximately a 3% increase in applicants on average, all other things being equal”.
- An immediate action should be adding an additional phase to the ITT market review. Following the controversial and poorly timed re-accreditation process, twelve HEIs who in total were educating 16% of all trainees in 2022/23, lost their accreditation. Seven of these HEIs have been inspected for the quality of their teacher training by Ofsted since January 2022, and all have received ‘Outstanding’ or ‘Good’ ratings. “Near miss” providers should be given the opportunity to work with the Department during an additional phase of the review as they seek to meet all the criteria to be accredited. The alternative process of being accredited by a partner institution is bureaucratic and unsustainably costly and there is a risk of compounding the teacher recruitment shortage in specific areas if training cold spots emerge as a result.

Healthcare

- Alliance universities educate a third of all nursing students in England and we strongly support the LTWP and its objective to achieve the biggest workforce expansion in NHS history.
- Whilst the latest available [UCAS data](#) (30 August) shows overall number of students accepted onto nursing programmes across the UK on a par with 2023 figures, the number of mature students (aged 21 and over) has not only continued to drop for a third successive year following a pandemic period peak in 2021 but is currently 8% below pre-pandemic acceptance rates in 2019.
- Securing a sustainable pipeline of healthcare professionals will require a unified effort from universities, the NHS and the government, as well as a joined-up approach between departments to enable "[mission-driven government](#)".
- A cross-government health education task force to coordinate delivery of the LTWP should be convened at the earliest opportunity. Membership should include representatives from local and central government (including the Department for Education and the Department for Health and Social Care), NHS England, health regulators, professional bodies, and higher and further education. This call is supported by a [coalition of university groups](#), including the Russell Group and the Council of Deans of Health.
- The health education taskforce should be urgently convened ahead of the 2025 Spending Review in pursuit of a consensus on the priority interventions and investments needed to achieve the targets in the LTWP, including options for student recruitment and early career retention incentives to grow the pipeline of talent into the healthcare workforce.

3. Managing the rising costs of pensions in post-92 universities

Policy recommendation

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.

Rationale and benefits

- Post-92 universities have very specific pensions considerations. They have a regulatory obligation to provide Teachers' Pension Scheme (TPS) pensions to academic and teaching staff and Local Government Pension Scheme (LGPS) pensions to non-academic staff. Most Alliance universities only offer USS pensions to a limited number of staff who have transferred from universities who provide USS benefits. Some Alliance universities also provide defined contribution provision to new staff employed through subsidiary entities or as an option for staff employed through their main entity (giving staff the option to opt-out of LGPS or TPS once they have been auto-enrolled).
- 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.
- In the current climate, [many universities](#) would be left vulnerable from even a low-level increase in expenditure over forecasts and pension costs form a substantial part of this risk. In the absence of further income, post-92 universities must have the ability to manage their total expenditure through greater control over the pension arrangements, in particular by being granted the flexibility to leave the TPS. There are also concerns over the possibility that pensions tax reforms may be introduced which could further increase the cost to HE employers of providing these valuable staff benefits.
- On 1 April 2024, the TPS (England and Wales) increased from 23.68% to 28.68% in employer contributions. TPS (Scotland) increased from 23% to 26% and TPS (Northern

Ireland) from 25.1% to 29.1%. There was no additional funding from government to help meet these increased costs.

- This followed a 44% increase in TPS (England and Wales) employer contributions in 2019 when the results of the 2016 valuations of the unfunded public service schemes were implemented.
- In 2019, the then Department for Housing, Communities and Local Government consulted on proposals to amend the LGPS in England and Wales, including proposals for changes to the category of employers required to offer LGPS membership. This would remove the requirement for higher education corporations in England to offer new employees access to the LGPS. The proposal would ensure that HEIs could deliver a flexible pension offering without needing to resort to setting up subsidiary entities, which can be a complex, costly and burdensome process.
- Universities have indicated through surveying conducted by the Universities and Colleges Employers Association (UCEA) that it is unlikely that there would be a one-size-fits-all response should TPS and LGPS flexibilities be introduced – each HEI should be able to decide which option best suits their individual circumstances, based on their own strategic plans, financial modelling, and equality impact assessments. For example, some universities would likely continue offering LGPS as a valuable tool in their recruitment and retention strategies (e.g., for staff from other LGPS bodies and applicants for roles that often are harder to recruit) and others would prefer a defined contribution solution.

Priorities for the 2025 Spending Review

Our recommendations for the 2024 Budget and 2025/26 Departmental Expenditure Limits set the foundations for important decisions at the 2025 Spending Review. The government has recognised that the higher education sector is in crisis but has labelled the obvious stabilising measure of increasing tuition fees as “[unpalatable](#)”. Increasing maintenance support for students and allowing greater flexibility on pension arrangements – alongside the significant transformation and cost-saving efforts already being undertaken by most universities – would not be enough to buttress universities from [scenarios beyond their control](#) and put them on a financially secure footing in the longer-term. At the Spending Review, the government must take the tough but necessary decision to increase one or a combination of domestic tuition fees, public investment in universities, or contributions from employers.

Reversing teacher shortages and creating a sustainable pipeline of healthcare professionals are long-term priorities. As we have outlined, promised investment and efforts on teacher recruitment must begin immediately, hand-in-glove with universities and other ITT providers, so that further evidence-based interventions can be considered at the Spending Review. A cross-government health education taskforce would have much to discuss ahead of the Spending Review, including reducing overly prescriptive practice hour requirements; scaling up simulated education and training provision through capital investment; understanding and addressing the factors behind the ongoing decline in mature students accepted onto nursing courses; and the case for improving nursing attrition rates by introducing student loan forgiveness in return for years of service in the NHS, which has been [modelled by London Economics](#) for the Royal College of Nursing and commands [strong support from the public](#).

Additional priorities that University Alliance will set out in more detail during the Spending Review process include how investment in research and innovation can kickstart economic growth and the need for a joined-up education and skills system that protects and supports growth in the number and diversity of higher and degree apprenticeships.

Further information about our priorities and how professional and technical universities can help deliver the government's five missions can be found in [*Let's Get Technical: The First 100 Days*](#).