Higher Education Policy Institute

ELECTION BRIEFING 2024

Josh Freeman, Nick Hillman and Rose Stephenson

HEPI Policy Note 55

June 2024

This short note is based on recent research by HEPI and others. It looks at seven higher education issues against the backdrop of the forthcoming 2024 General Election and considers the challenges facing the new government.

1. How are universities funded?

UK universities are funded through three main income streams:

1. Tuition fees and grants for teaching home students;
2. Funding for research; and
3. Tuition fees paid by international students, which are generally higher than the fees for home students.

In England and Wales, universities can charge home undergraduates £9,250, while in Northern Ireland, they can charge up to £4,710. In Scotland, tuition costs are paid by the Scottish Government and local students pay nothing.

Across the four parts of the UK, the annual amount institutions receive to educate a domestic student has been falling in real terms. Tuition fees in England and Wales have barely increased since 2012 and are now worth just £6,000 in 2012 prices.[1] This means universities receive a third less per domestic student than they did a decade ago. Institutions now make a loss on teaching most domestic students.

Public funding for research comes from universities' recent research performance – assessed through a process known as the Research Excellence Framework (REF) – and grant funding for individual projects. As with teaching home students, there is a considerable shortfall in the funding of most university-based research projects.

Institutions have responded by diversifying their income streams, including by recruiting more international students. There is no limit on the fees institutions can charge international students. As a result, fees are often much higher than for domestic students. These fees cross-subsidise the teaching of home students as well as research shortfalls.

However, the international student market is not a limitless source of income and can fluctuate with exchange rates, global events (such as Russia's invasion of Ukraine) and

national migration policies (such as the recent ban on students on taught Master's programmes bringing dependents to the UK with them).

As a result, many institutions face financial instability. According to the Office for Students, 40% of institutions are expected to be in deficit in 2023/24.[2] More than 60 universities are reported to be making redundancies.[3]

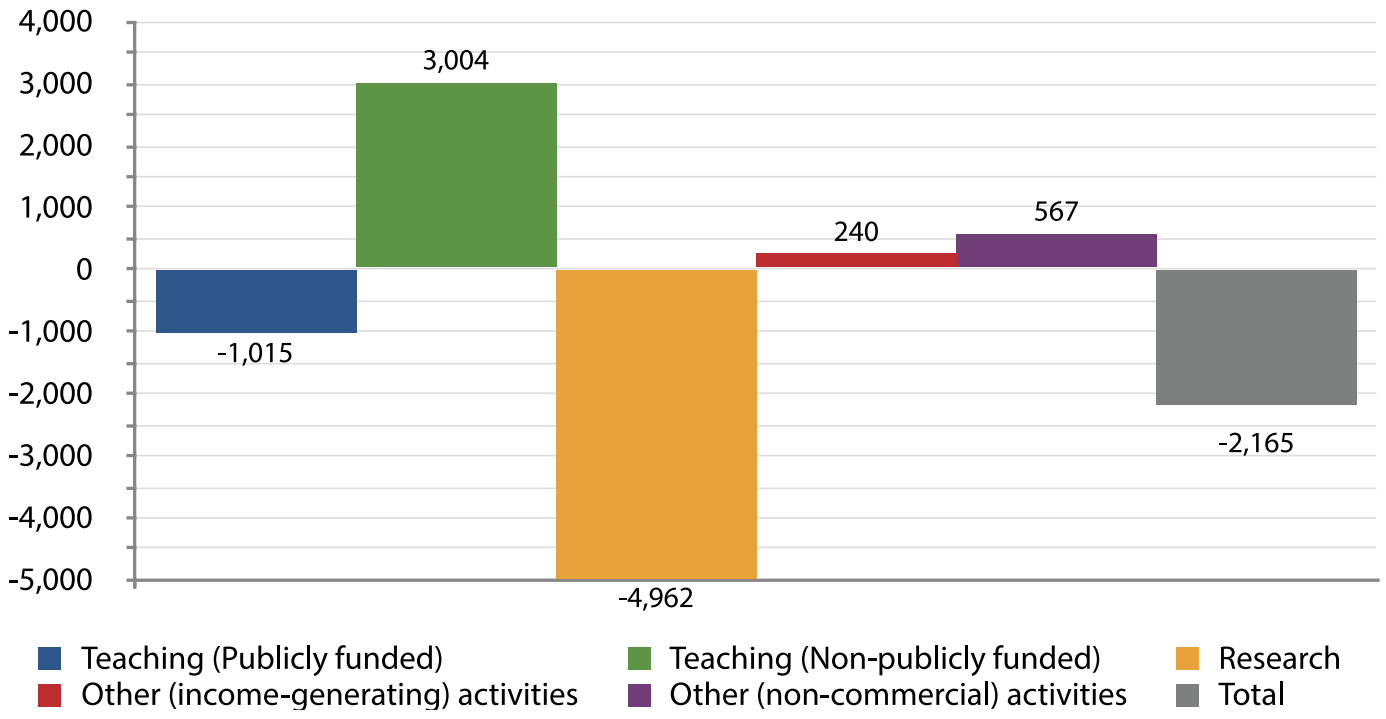
Ensuring the financial stability of higher education should be an urgent priority for the new government. Options include raising tuition fees for home students, increasing public investment and increasing contributions from employers.[4]

2. University research

Alongside the teaching of students, the other main activity of higher education institutions is research. The UK spends around 3% of its GDP on research.[5] Of this, around 30% comes from public spending and 70% from business.

A higher proportion of research is conducted within universities in the UK than in key competitor countries. The financial sponsors of the research include UKRI (UK Research and Innovation) as well as devolved funding bodies, charities and industry. However, only around two-thirds of the costs of research are covered, leaving a shortfall across the UK of around £5 billion a year.[6] This is made up in part by tuition fees paid by international students.

Figure 1: TRAC full economic cost surplus / deficit by activity, 2021/22 (UK higher education institutions)



The quality of the research environment, the working conditions, culture and environment where research takes place, is also important. The most conducive conditions for research are clear pathways for early-career researchers, smooth migration processes for researchers from other countries and good access to high-quality infrastructure.[7]

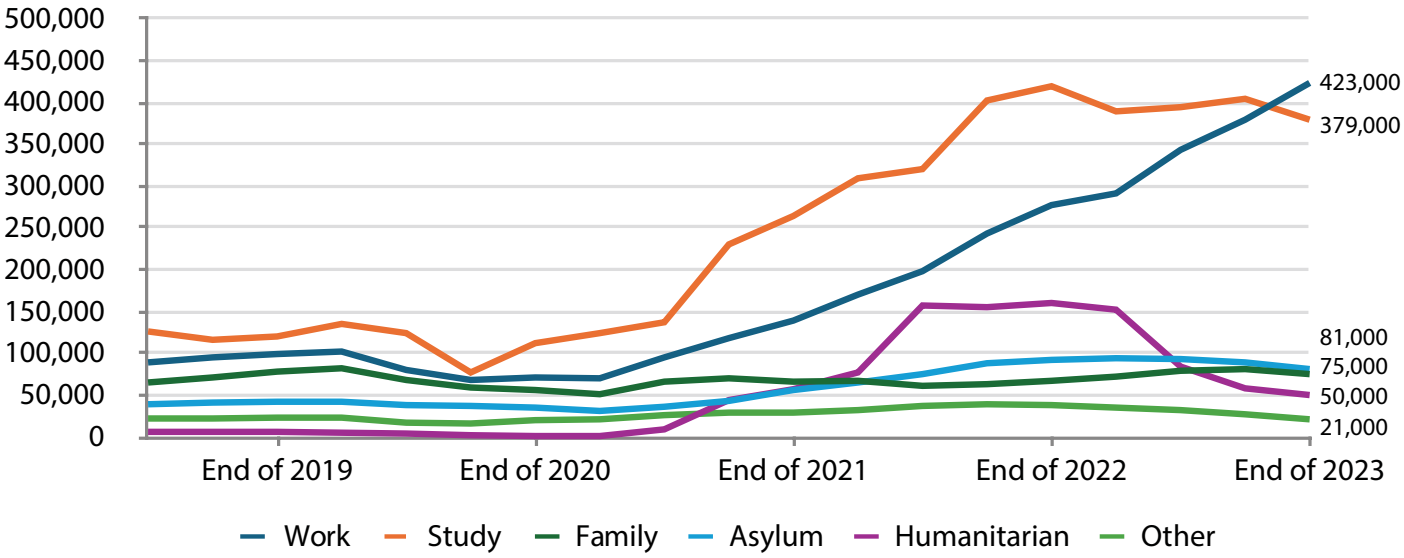
These conditions are easiest to deliver when there is long-term planning, allowing the right infrastructure to be put in place and improve the pipeline for new researchers. But there has not been stability in recent years: instead, there have been eight different Ministers with responsibility for science and research in the last decade, and Whitehall restructuring has meant several different government departments have had responsibility for research.

University-based researchers have also faced sharp rhetorical attacks in recent years. At the 2023 Conservative Party Conference, Ministers launched a campaign to 'kick woke ideology out of science'.

3. Internationalisation

The number of international students has increased significantly since 2020 but has declined recently. Around 380,000 non-EU nationals arrived in the UK on study-related visas in 2023.[8]

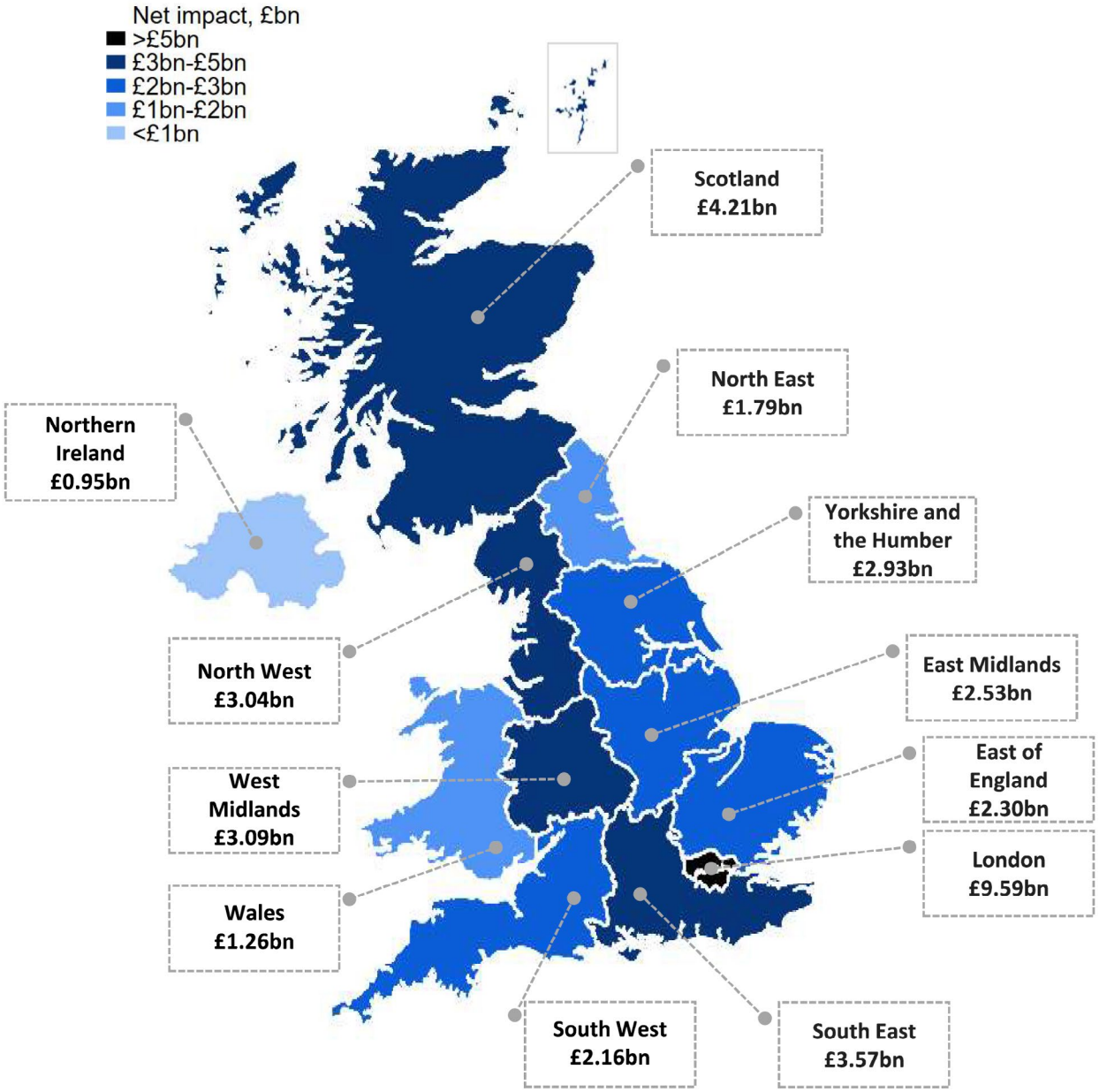
Figure 2: Long-term arrivals to the UK, all reasons



Various research shows international students bring benefits to the UK:

- **Financial benefits for institutions:** In a recent report on the Graduate Route visa, the Migration Advisory Committee (MAC) argued that if international student numbers fall significantly, universities will experience 'further substantial financial difficulty' leading to 'job losses, course closures and a reduction in research', with the possibility of an institution failing.
- **Soft power:** HEPI research shows a quarter of countries have a senior leader educated in the UK tertiary sector.[9] Students who study here often form favourable opinions of the UK.
- **Wider economic benefits:** The net economic contribution of just one cohort of international students to the UK is £37.4 billion.[10]

Figure 3: The net economic contribution of international students by region



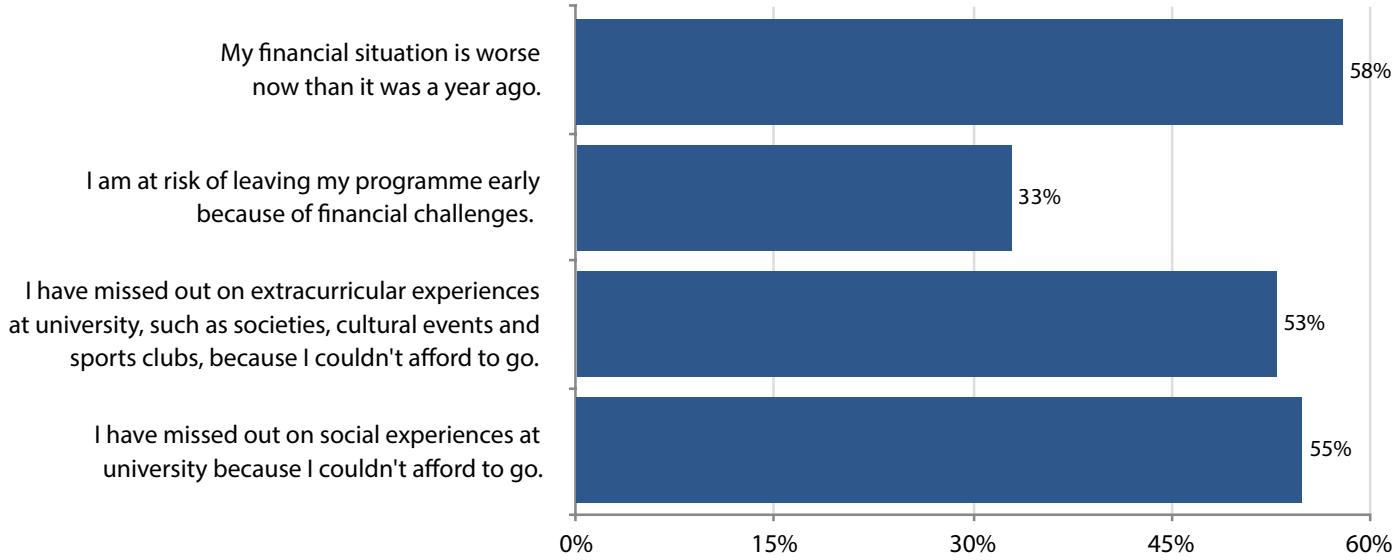
International students have been the subject of heated debate in recent months. The UK Government recently disallowed taught postgraduate students from bringing dependents. It also commissioned a review from the MAC into the Graduate Route visa, which allows students to remain in the UK for at least two years after graduating. The MAC recommended the Graduate Route should remain but that recruitment agents, who it is thought are responsible for some improper behaviour, be clamped down on. The Government accepted these recommendations.

Partly because of these policy changes, the number of international student applications has fallen by more than a quarter over the last two years, with implications for universities and wider society.[11]

4. Students' cost of living

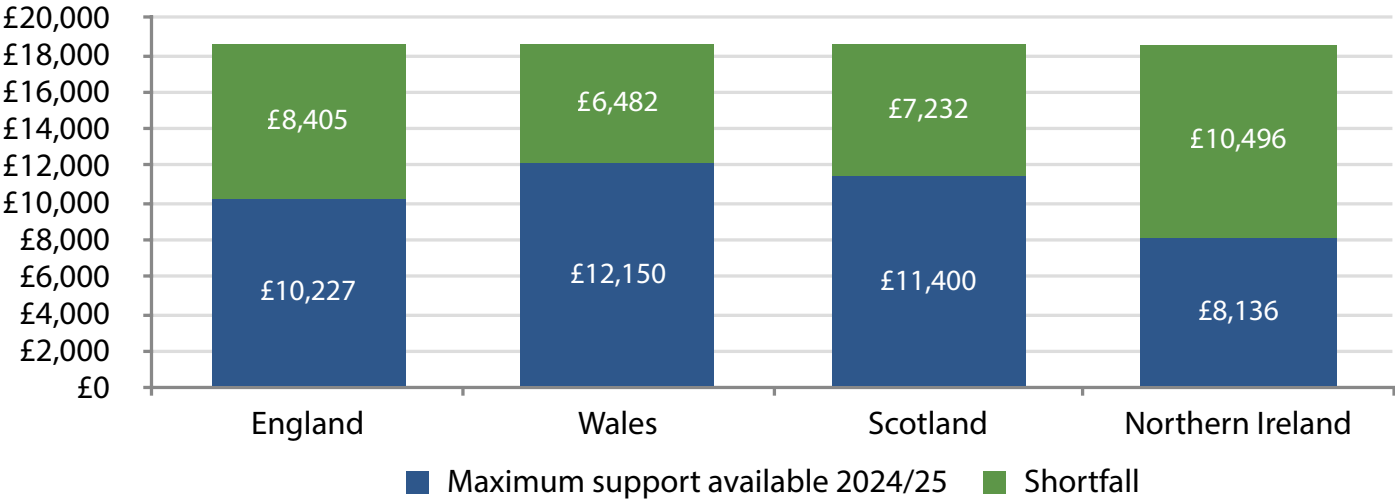
The cost-of-living crisis has affected students significantly. Research by the National Union of Students (NUS) suggests around one-in-10 students has used a food bank, while one-third of students say financial challenges put them at risk of leaving their programme.[12]

Figure 4: The financial challenges faced by students



The recent HEPI / TechnologyOne *Student Minimum Income Standard* calculated that students need £18,600 a year outside London and £21,800 in London to have a minimum acceptable standard of living while studying.[13] But current maintenance support, provided to students to cover their costs while studying, falls short of this level in all four nations. For example, students receiving the maximum loan in England fall short by £8,400.

Figure 5: The difference between maintenance support and the Minimum Income Standard for a student studying outside of London



This shortfall means students must increasingly resort to other sources of income. More than half of students (56%) did part-time work during term-time in the 2023/24 academic year, up from 45% in the two years since 2021/22. Those who work do an average of 14.5 hours of part-time work a week.[14] Around one-in-20 students has drawn on emergency 'hardship' funding from their institution.

This work is putting greater strain on students and their time. The average number of hours spent in study and employment per week is now 42, which rises to more than 50 hours for students who do paid employment. This is much more than the 36.6 hours worked by the average (non-student) worker in full-time employment.

Postgraduate students also face great challenges. A postgraduate student loan worth £10,000 was introduced in 2016/17 to support with costs, which has now risen to £12,417. But in many cases, this will not even cover a student's living costs let alone their fees. This may help to explain the drop in the number of home students on taught postgraduate courses.[15]

In a recent HEPI paper, three university leaders backed greater financial support for students.[16]

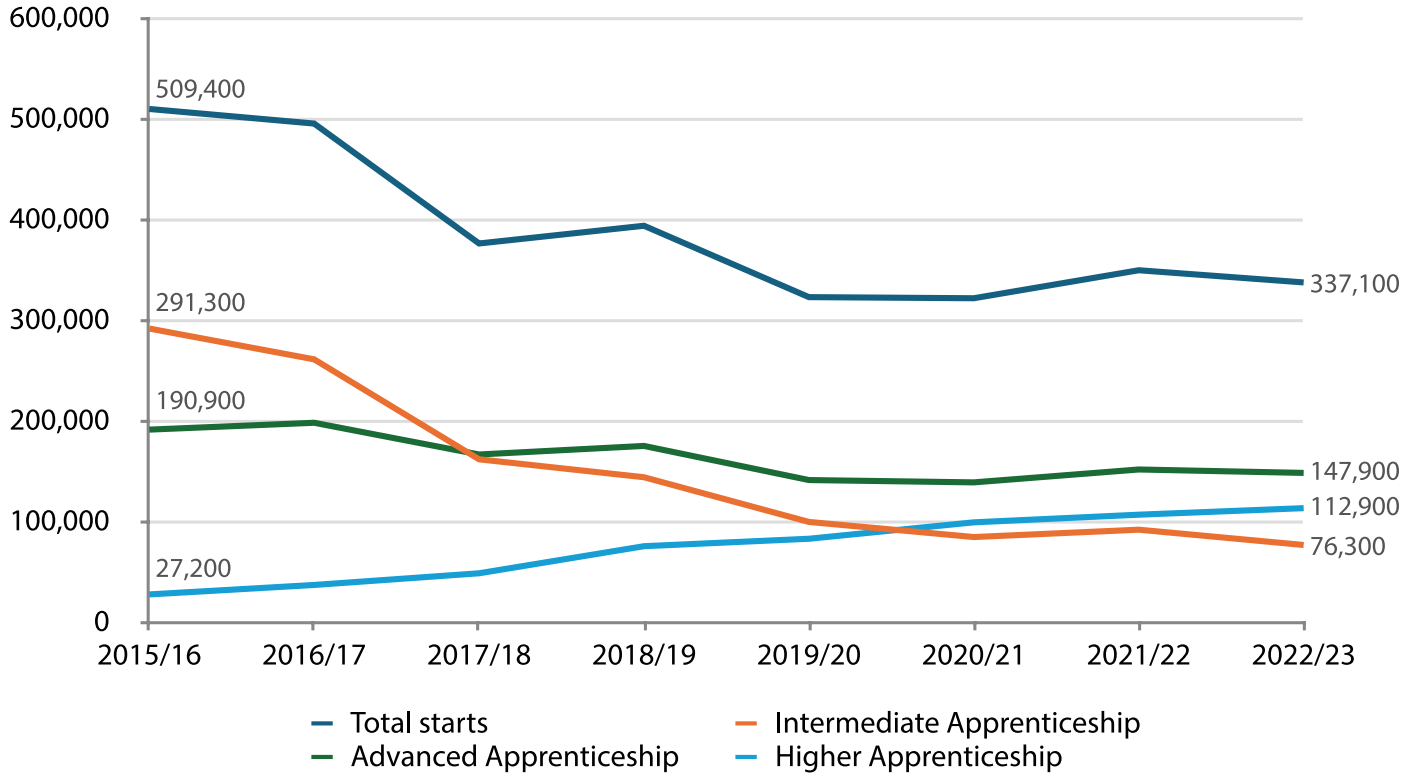
5. Degree apprenticeships and the Lifelong Learning Entitlement

The current Government has encouraged entry into higher education through routes other than the traditional full-time residential degree. These routes can theoretically make higher education accessible to a wider range of people, particularly mature students and those working full-time.

Higher apprenticeships and degree apprenticeships enable students to work in a profession while studying for a degree-level qualification in the same area. Apprenticeships are funded by the Apprenticeship Levy, whereby larger businesses pay into the levy 'pot', which businesses can draw on to cover the cost of training apprenticeships.

However, though the Government has introduced degree apprenticeships in new subjects, the overall number of apprenticeship starts has decreased from around 500,000 in 2015/16 to around 337,000 in 2022/23.[17]

Figure 6: Apprenticeship starts by type



More apprenticeships are undertaken by students aged 25 and older than by younger students. This suggests apprenticeships are being used by people already established in their careers to raise their skills. The number of school leavers undertaking high-level apprenticeships is relatively small. In 2022/23, under 4,000 18-year-olds began a degree-

level apprenticeship. Another concern is that close to half of those who start apprenticeship courses do not complete them.

The incoming Government will also take responsibility for the new Lifelong Learning Entitlement (LLE). The LLE will give all adults entitlement to funding for four years of higher education study and will allow them to take individual modules at different institutions, rather than signing up for a full course as they are currently expected to do. However, there are questions about how this system will work in practice, as it might require universities to redesign their courses significantly, and there are uncertainties over the future likely levels of demand.[18] Partly as a result, the implementation of the LLE has been delayed from 2025 to 2027.

6. Higher education regulation

In England, the main regulator of higher education institutions became the Office for Students (OfS) in 2018. The work of the Office for Students is governed by various statutory duties, including:

- protecting institutional autonomy;
- ensuring choice for students; and
- promoting value for money.

The OfS's powers have grown since its foundation, particularly with the creation of a new Director for Freedom of Speech and Academic Freedom and the taking on of new duties related to quality previously undertaken by the Quality Assurance Agency (QAA).

The OfS register puts providers into two groups:

'Approved (fee cap)' providers (around 80% of institutions): They may not raise their fees above £9,250 a year but are entitled to grant funding for more expensive courses and Quality-Related (QR) funding for research.

'Approved' providers: They are exempt from a small number of the conditions that apply to other institutions but receive no public funding.[19]

The current regulatory system was designed to stimulate market competition to promote supply-side reform, including the foundation of new institutions.[20] But this was deprioritised, with the Department for Education confirming in 2022 that an increase in the number of higher education institutions was no longer a priority.

As of mid-2024, there are around 425 regulated higher education institutions, short of the 600+ expected by 2023/24.[21] But there are many franchisees not on the Register who deliver higher education in partnership with universities.[22]

The OfS has been the subject of significant criticism. A critical 2023 report by the House of Lords' cross-party Industry and Regulators Committee concluded the OfS's approach has often been 'arbitrary, overly controlling and unnecessarily combative' and as 'an instrument of the Government's policy agenda' rather than an independent regulator.[23]

The OfS has responded constructively to such criticisms, noting it had significantly increased its engagement with institutions in response to feedback. As part of the Public Bodies Review Programme, an independent review of the OfS has recently concluded and the incoming Government will need to publish the conclusions.

In England, regulation is split into two, with the OfS focusing on higher education and the Skills Funding Agency on other post-18 provision. But there has been some discussion of moving towards a single 'tertiary' system which would bring the two together.

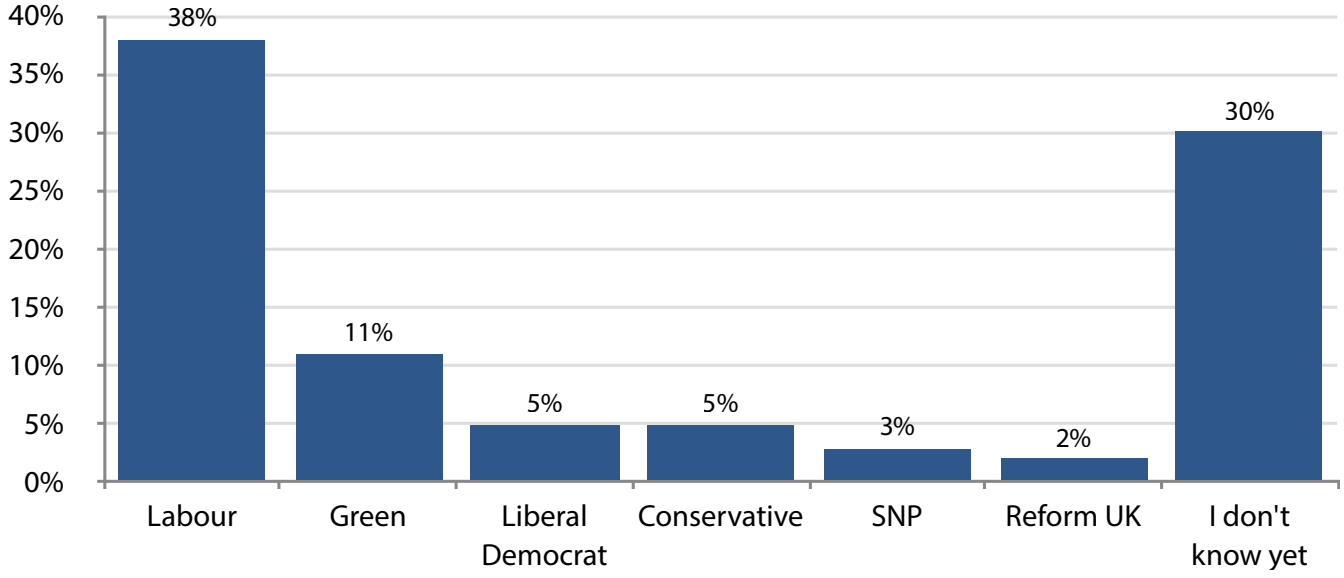
This would bring England more in line with other parts of the UK. The Scottish Government has pushed a 'whole-system view of coherent tertiary provision'.[24] In Labour-run Wales, the new Commission for Tertiary Education and Research (to be known as Medr) is starting its work as the UK's first combined higher education and further education body.[25] It seems unlikely that an England-wide tertiary system could be implemented easily, as England is so much larger than the other nations, but the growth of regional devolution may offer new options.

7. Student voters

Recent opinion polls suggest students lean heavily towards Labour.[26] However, there is significant support for the Green Party. But as of April 2024, almost one-in-three students (30%) had not decided how they would vote.

Unusually, while general elections usually take place during term-time, the 2024 General Election is on 4 July, which is during the summer holidays for most students. This means students who live away from home during term-time are likely to vote at home. This may increase the number of students who vote, as most students are registered to vote at only their home address.[27]

Figure 7: Student voting intention, April 2024

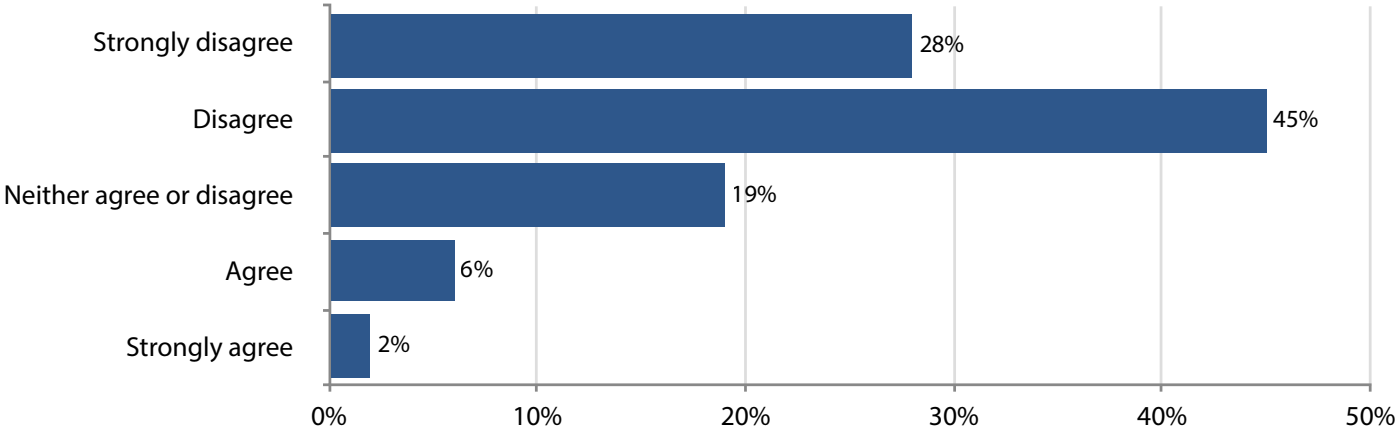


It also means students are less likely to vote in urban constituencies near their university, which are often held by Labour with a large majority, and more likely to vote where their families live, which may be in rural constituencies. Recent HEPI / NUS research suggests this could change the result in up to 35 constituencies held by the Conservatives in 2019.[28]

When asked by HEPI about their top three priorities, six-in-10 students put the NHS in either first (39%) or second (22%) place.[29] Recent polling from the NUS suggests students also put the cost of living, education, housing and mental health, in addition to health and the NHS, above student funding in importance.

But the most striking finding from recent student polling is the level of frustration on whether policymakers care about young people: the overwhelming majority of students polled by the NUS disagree with the notion that 'politicians generally value the views of young people' and only a tiny minority agree.

Figure 8: Do politicians generally value the views of young people?



Endnotes

1 https://www.universitiesuk.ac.uk/sites/default/files/uploads/Reports/Sustainable-university-funding.pdf
2 https://www.officeforstudents.org.uk/publications/financial-sustainability-of-higher-education-providers-in-england-2024/
3 https://qmucu.org/qmul-transformation/uk-he-shrinking/
4 https://www.hepi.ac.uk/2024/04/11/how-should-undergraduate-degrees-be-funded-a-collection-of-essays/
5 https://researchbriefings.files.parliament.uk/documents/SN04223/SN04223.pdf
6 https://www.officeforstudents.org.uk/media/38ff3e23-b29b-4b43-a9e1-8f58fc0fb492/annual-trac-2021-22-sector-summary-and-analysis.pdf
7 https://www.hepi.ac.uk/2024/02/29/the-lived-experiences-of-early-career-researchers-new-report-by-hepi-and-the-british-academy/
8 https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/longterminternationalmigrationprovisional/yearendingdecember2023
9 https://www.hepi.ac.uk/2023/08/22/over-one-quarter-of-the-worlds-countries-are-headed-by-someone-educated-in-the-uk-and-another-quarter-are-headed-by-someone-educated-in-the-us-hepi-2023-soft-power-index/
10 https://www.hepi.ac.uk/2023/05/16/international-students-boost-uk-economy-by-41-9-billion/
11 https://www.gov.uk/government/statistics/monthly-entry-clearance-visa-applications/monthly-monitoring-of-entry-clearance-visa-applications
12 https://www.nus.org.uk/cost_of_living_rise_sees_96_of_students_cutting_back https://www.hepi.ac.uk/2024/05/02/new-polling-shows-students-consider-the-welsh-system-of-maintenance-support-the-most-fair-and-englands-the-least/
13 https://www.hepi.ac.uk/2024/05/09/a-minimum-income-standard-for-students/
14 https://www.hepi.ac.uk/wp-content/uploads/2024/06/SAES-2024.pdf
15 https://wonkhe.com/blogs/home-pgt-numbers-are-falling-and-we-dont-really-know-why/
16 https://www.hepi.ac.uk/2023/10/02/election-2024-three-vice-chancellors-manifestos/
17 https://commonslibrary.parliament.uk/research-briefings/sn06113/
18 https://www.hepi.ac.uk/2023/05/11/does-the-lifelong-loan-entitlement-meet-its-own-objectives-2/
19 https://www.officeforstudents.org.uk/advice-and-guidance/the-register/the-ofs-register/#/
20 https://assets.publishing.service.gov.uk/media/5a79900ce5274a684690a79c/11-944-higher-education-students-at-heart-of-system.pdf
21 https://www.hepi.ac.uk/2024/02/14/whatever-happened-to-all-those-alternative-providers-of-higher-education-by-nick-hillman/
22 https://www.hepi.ac.uk/wp-content/uploads/2024/02/What-is-wrong-with-franchise-provision.pdf
23 https://committees.parliament.uk/publications/41379/documents/203593/default/
24 https://www.gov.scot/publications/scottish-governments-response-scottish-funding-councils-review-tertiary-education-research-scotland/pages/2/
25 https://www.gov.wales/commission-tertiary-education-and-research
26 https://www.nus.org.uk/third-of-students-undecided-ahead-of-general-election
27 https://www.hepi.ac.uk/2024/06/13/student-academic-experience-survey-2024/
28 https://www.hepi.ac.uk/2024/06/17/where-will-students-hold-the-balance-of-power-in-the-2024-general-election/
29 https://www.hepi.ac.uk/2023/05/02/new-polling-shows-over-eight-in-10-students-expect-to-vote-at-the-next-general-election-that-nearly-half-of-students-support-labour-and-7-conservative-but-that-students-are-split/

Planting trees to catch carbon
19089900564
Printed on Carbon Captured paper

hepi
Higher Education Policy Institute
99 Banbury Road, Oxford OX2 6JX
Tel: +44 (0) 1865 284450
admin@hepi.ac.uk
www.hepi.ac.uk