

Achieving stability in the higher education sector following COVID-19

A proposal to government for a balanced package of measures to maximise universities' contribution to the economy, communities and the post virus recovery

Universities generate more than £95 billion for the UK economy and over 940,000 full-time equivalent jobs. Universities across all four nations of the UK generate the following benefits:

1. Developing highly skilled people, across all parts of the UK, driving business productivity and providing essential workers for our public services including the NHS and schools.
2. Providing opportunities for people of all backgrounds through access to improved life chances, driving social mobility, improving quality of life by social and cultural impact.
3. Conducting cutting-edge, high impact research that addresses local and global challenges (including COVID-19).
4. Fuelling economic growth through job creation, research and innovation, attracting inward investment, supply chains and providing a multiplier effect on local economies.
5. Strengthening the UK's place in the world through international partnerships and soft power, attracting the world's top talent and contributing £13.1 billion in export earnings.
6. Civic leadership and impact through supporting local communities and businesses, providing services and facilities and driving regeneration of places.

There is a **significant risk that the higher education sector's capacity and ability to deliver these benefits will be greatly reduced due to the financial impact of COVID-19**. Universities need investment from government to protect the student interest, to maintain research capacity, to prevent institutions failing and to ensure that universities are able to play a central role in the UK's economic and social recovery following the crisis.

Universities are playing a leading role in the fight against COVID-19 by supporting local communities and the NHS through research into developing a vaccine, providing thousands of medical and nursing student volunteers and supplying specialist equipment and facilities.¹

Universities UK recommends the package of measures outlined in this paper to support universities across all four nations of the UK to ensure that they remain able to weather the very serious financial challenges posed by COVID-19 and maintain the capacity to play a central role in the recovery of the economy and communities. These proposals are presented as a package and should be implemented together; isolating some elements without others risks unintended consequences to the detriment of students, research, some institutions and some geographies.

These are hugely challenging economic circumstances and the sector understands that government cannot provide full replacement of lost income. As part of a package of measures **the sector will reduce costs, increase efficiency and moderate certain behaviours to increase stability** and sustainability. Universities recognise that even with government investment significant action to reduce costs is necessary and are already making efforts to reduce costs as much as possible. For example, through tight controls on procurement, delaying capital projects and freezing recruitment.

¹ A list of what UK universities are doing to support the nationwide effort against Covid-19 can be found [here](#)

Universities must act collectively and responsibly to promote sector-wide financial stability in these challenging times. This package includes measures to reshape and refocus some institutions to promote longer term sustainability and to better meet skills needs; measures to reduce market volatility in undergraduate admissions for the 2020-21 year; and the creation of new rules to restrict destabilising behaviours such as the use of unconditional offers.

The financial risks and impacts include:

- **Immediate financial impacts in academic year 2019-20** including the loss of income from accommodation, catering and conference in the final term and Easter and summer vacations amounted to c£790 million in the UK.
- **Major financial risks in academic year 2020-21**
 - a) a significant fall in international students – undergraduate and postgraduate
 - b) a rise in undergraduate home student deferrals

A 100% fall in fee income from international (Non-EU and EU) students would result in a £6.9 billion loss of income to the UK higher education sector.

Without government support some universities would face financial failure, others would come close to financial failure and be forced to reduce provision. Some will be in places where they are the only local higher education provider with damaging impact on the local community and economy. Many of those institutions most affected have higher levels of external borrowing, lower levels of cash reserves, and higher proportions of BAME students.

These financial impacts, particularly the loss in income from international students, risk **behavioural consequences** for higher education institutions (HEIs) and UK students:

- Some research activities and high-cost STEM provision will stop as income from international students is used to cross-subsidise these areas. This would result in a loss in research capacity and impact and a research ‘brain drain’ as talent is attracted overseas.
- Some HEIs may seek to mitigate financial losses from a fall in international students by recruiting additional UK students. Intense competition between HEIs for home students will further exacerbate financial problems for some institutions and be destabilising for students, creating pressure to switch from their chosen institution.

Without mitigations, universities’ positive impact on the economy and communities and their capacity to help drive the UK’s economic and social recovery post COVID-19 will be severely diminished. The following would occur:

1. Worsening regional skills gaps and widening economic disparities.
2. Research capacity, innovation and research impact would all lessen.
3. Cold spots in higher education would increase, access to higher education would be reduced, disadvantaged students would be worse off and less able to select a university that best suits their learning needs.
4. The UK’s global position as a world-leader in research and education would suffer significant damage.

5. Increased shortages of highly skilled workers to deliver public services and meet the national need (including medicine, nursing, big data, AI, advanced engineering).
6. Financial failure of some universities which would have a severe impact on their students, staff, local community and regional economy.

The following package of measures is needed to stabilise the university sector, prevent financial failures and ensure universities can maximise their positive contribution to the economy, communities and the post virus recovery

A) To mitigate the impact on the strength, capacity and quality of the research base:

- i. **Increase QR funding by 100% for 2020-21** to maintain the UK's research excellence, capacity and training of PhD students, and to support the pipeline into research from postgraduate taught courses. This new funding will generate Barnett consequentials for the devolved administrations that must be passed on to universities.
- ii. Provide the **full economic cost of research** funded through government grants including those from UKRI and the National Institute for Health Research.
- iii. Increase **innovation funding** to assist in rebalancing the economy, supporting local growth and reskilling.

B) To provide stability to UK students entering in 2020-21

- i. **Introduce a one-year stability measure** to treat students fairly and protect them from major volatility in the admissions process (including those who have already received conditional offers who achieve the grade profile attached to an offer). Institutions in England and Wales in 2020-21 would be able to recruit UK and EU-domiciled undergraduate students up to the sum of the 2020-2021 total forecast for UK and EU-domiciled full-time undergraduate students (plus 5% of the intake), submitted to the Office for Students (OfS) and HEFCW.
- ii. This measure would **support student choice and aspiration by ensuring that all places in individual institutions that were available prior to the COVID-19 crisis remain available**. The measure allows institutions and the sector to ensure that they maintain the choice for applicants broadly within the expected number for 2020-21 entry. It reduces any unnecessary changes to the 2020-21 recruitment process and avoids volatility that would otherwise arise from some institutions embarking on large, unplanned expansion of UK student numbers to offset any reduction in non-EU student numbers.
- iii. To protect student interest and choice universities must accept any applicant who has held a place as conditional firm and who meets the grades. This measure would **allow students who meet the conditions of offers they currently hold** (prior to the sector-wide moratorium) **to progress to their chosen institution**, as well as allowing clearing and adjustment to proceed as normal.
- iv. If any institution exceeds the sum of their forecast for UK and EU-domiciled numbers then they must explain the reasons to the OfS (in England) or HEFCW (in Wales), who would

then take appropriate action. **Clear guidance and significant sanctions** will need to be developed by the OfS and HEFCW in consultation with universities and government.

- v. The student stability measure should be underpinned by a new **sector agreement on fair admissions practices**. This agreement should include adhering to a new principle that universities will not put undue pressure on students and new rules to restrict destabilising behaviours such as use of unconditional offers at volume.

C) To mitigate the impact on the supply of highly skilled employees across all areas of the UK (including public services), and preserve student choice:

- i. Targeted support to **protect and sustain courses that meet the national need for key public sector workers**, maintain high-cost STEM provision and facilitate planned growth in 2020-21 and 2021-22 in key areas such as nursing, healthcare, medicine, teaching and expansion of level 4/5 skills provision
- ii. Targeted support for **reskilling through growth in part-time provision and flexible adult learning** including shorter credit-bearing courses. Modular funding and the lifting of ELQ restrictions would support the reskilling that will need to take place.
- iii. Measures to **support retention and progression, particularly for those students from disadvantaged backgrounds**, who will suffer from prolonged absence from more traditional support.
- iv. Targeted support for **small and specialist institutions** that are particularly financially vulnerable through, for example, by confirming and advancing the increases in institution-specific targeted allocation (ISTA) funding.
- v. Targeted support for a very small number of institutions that because of their **distinct missions** have a very high numbers of international student numbers and therefore are vulnerable without further support for the 2020-21 year.

D) To maximise value to the taxpayer and meet the skills needs of the economy:

- i. **A transformation fund** to support universities over the next two to three years to **reshape and consolidate through federations and partnerships or potentially merge** with other higher education institutions, further education colleges or private providers. This transformation fund would support some universities to significantly change to achieve longer-term sustainability (not just short-term stability) and ensure high quality provision of skills to meet economic needs.

E) To address losses in income and cash flow:

- i. Confirm that UK universities are fully eligible for the **Coronavirus Job Retention Scheme**.
- ii. Confirm that UK universities are fully eligible for the **Coronavirus Business Interruption Scheme** and the **COVID-19 Corporate Financing Facility**, and address where some institutions may fall between eligibility criteria for access to support.

- iii. Provide **bridging loans** and support for changes in lending terms for institutions suffering significant income losses who need either temporary support to maintain cashflow or need support until a recovery in student numbers and income in subsequent years.
- iv. Reprofile **funding** allocations, for example Office for Student teaching grant allocations, HEFCW and SFC grants towards the beginning of the academic year and halt the planned cuts to teaching grant for academic year 2020-21.
- v. Reprofile **SLC tuition fee payments** to institutions in 2020-21, targeting cash flow to the first term when it is most needed.

F) To mitigate the impact on international student recruitment

- i. **Introduce additional flexibilities in the visa system** to support international students planning to start courses this autumn including allowing those students already here to switch visa category in country (extending current arrangements beyond 31st May) and flexibility on English language and other requirements for visa applications, where these cannot be provided due to the closure of testing centres or disruption to examinations.
- ii. **Stabilise demand from EU students** by delaying the introduction of the new immigration system for EU students for students starting in the 2021 calendar year. Hold fee/ loan arrangements for EU students as they are for one further year.
- iii. **Ensure the UK is well placed for recovery** by working with the sector to expand the promotion of the UK as a study destination of choice (including through rapid dissemination of information about how arrangements might change in the short term); confirm the planned Graduate Immigration Route; targeted scholarships; and action now to maintain the infrastructure for recruitment by shoring up English language and other pathway providers, and support the British Council through short term financial assistance. International students are vital to the UK's global influence, international business links and the cultural diversity of universities which benefits students and academic communities

A UK package of measures

The challenges raised in this paper apply to universities across the UK. Ministers across all four nations must work together to deliver this package of proposals that meets the needs of universities across all four nations. Implementation of the package of measures should reflect the different funding models across the devolved nations. Whilst devolved administrations must firstly protect investment in universities, the scale of the challenges goes beyond what can be afforded from devolved budgets. The necessary investment must reach universities in the devolved nations. A co-ordinated plan is needed to maintain capacity and enable a swift recovery for universities in Wales, Scotland and Northern Ireland.

A significant additional consideration for Scotland and Northern Ireland is that home and EU teaching is substantially underfunded and is cross subsidised by income from non-EU students. Therefore, the support package for these universities will need to address the sustainable funding of teaching, in order to protect home/EU students from being adversely affected by severely reduced international student income.