



Education Committee

RT HON BRIDGET PHILLIPSON MP
Secretary of State for Education
Sanctuary Buildings
20 Great Smith Street
London
SW1P 3BT

Tuesday, 6 May 2025

Subject: Higher Education

Dear Bridget,

On 8 April the Education Committee held a one-off evidence session on higher education. We did so in the context of growing reports of intense financial pressure at some universities and a significant number of universities announcing redundancies and internal restructuring in response.

At our evidence session we heard from a range of individuals and organisations about the current financial situation facing higher education providers. We heard:

- There are concerns about the current financial state of various higher education providers. Different witnesses attributed this to a range of factors, including: the freezing of home undergraduate student tuition fees for most of the last thirteen years, the recent reduction in international student numbers as a result of changes in government immigration policy, pressure on research funding, the abolition of student number caps, weak governance in certain institutions and decisions on capital spending.
- Research funding is only meeting 69% of the full economic costs of research and has repeatedly fallen below the 80% of research costs that the Government has committed to cover. Witnesses stressed particular risks to arts and humanities research.
- Additional costs are affecting some institutions, including increases in employers' national insurance and, for post-1992 universities the very high cost of contributions to the teachers' pension scheme (TPS).
- There are significant concerns about higher education institutions becoming insolvent. Sir Philip Augar stated plainly that "we cannot allow a university in England to fail or go under" due to the impact on current and past students, on staff, the local area and the UK's international reputation.



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- Witnesses emphasised the place-based importance of universities for their local areas – for example, that the gross-value added of Manchester Metropolitan University to the city of Manchester, outweighs that of both Manchester United and Manchester City football clubs.
- We also heard about the pressures that students are facing, particularly as the current level of maintenance funding is thought to be insufficient.
- Witnesses raised concerns about the consequences of the current pressures for the future availability of some courses at both a regional and a national scale; and the current lack of coordination and collaboration between institutions arising from Competition and Markets Authority rules.

The Committee is clear from our evidence session that there are currently a number of very serious challenges facing the higher education sector which, if left unchecked, present a grave risk to the financial viability of some institutions and courses, to the breadth and diversity of opportunities available at UK universities, to the local economy in places where a university is an anchor institution and major employer, and ultimately to the international reputation and standing of the UK.

The Committee is currently considering what future work it should undertake relating to this subject. In this context, and recognising the urgency of the challenges we have heard about, please could you set out the Government's response on the following issues:

What engagement are you undertaking with universities and with the Competition and Markets Authority on the current inability of universities to collaborate to ensure provision of courses on a regional basis, for example, in the case of the recent decision by the University of Cardiff to reduce its nursing department, how can the sufficiency of nursing training be secured across the UK?

What work is the Government undertaking on a potential framework of guidance and support in the event that one or more universities cease to be able to operate?

When can universities expect to have certainty on the Government's policy on international students, on the future rate of increase of tuition fees and the impact of the interaction between these two aspects of Government policy on their financial viability?



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How is the Government working with the Office for Students to strengthen governance at universities, particularly with regard to decisions about major borrowing for capital investment, expansion plans, overseas branches and franchising?

Your letter to the higher education sector in November 2024 concluded by committing the Government to “set out its plan for higher education reform” by the Summer of 2025. Subsequent Ministerial speeches have reaffirmed this timetable, with Baroness Smith [saying](#) this plan would “include the actions that we expect from the sector as part of this major reform, and we will have more to say about the long-term financial stability of the sector again.” The Government have [said](#) this has included discussions with Welsh Government ministers.

In the interests of transparency, please could you outline the scope of the Government’s proposed plans, the terms of reference underpinning this work, and which stakeholders have been engaged with.

We would be grateful for a response by Wednesday 14 May.

Yours sincerely,

Helen Hayes MP
Chair, Education Committee