FSE0003

Written Evidence Submitted by The Russell Group

About The Russell Group

The Russell Group represents 24 leading UK universities. We believe people and ideas are the key to meeting global challenges. Through world-class research and education, we are helping to create a dynamic economy, stronger communities and a better future for the UK.

Our research-intensive, world-class universities play an important part in the intellectual life of the UK and have huge social, economic and cultural impacts locally, across the UK and around the globe.

Russell Group universities:

- Generate almost £87bn a year for the economy
- Support more than a quarter of a million jobs across the UK
- Produce 68% of the UK's world-leading research (worth £34bn a year)
- Teach a quarter of all undergraduate students, a third of all postgraduate students, more than a third of engineers, four out of five doctors and dentists, 50% of linguists, 58% of physical scientists and 63% of mathematicians

The Russell Group first met in 1994 and was set up as a professional, incorporated organisation in 2007. Its aim is to help ensure that our universities have the optimum conditions in which to flourish and continue to make social, economic and cultural impacts through their world-leading research and teaching. We provide strategy, policy development, intelligence, communications and advocacy for our member institutions.

Executive Summary

Ensuring the higher education sector is on a sustainable and stable financial footing is of the utmost importance to the Russell Group. Without proper funding, the sector will be under huge pressure to continue to deliver the world-leading education that provides employers with skilled workers as well as generating millions for local and national economies.

The Russell Group is clear that it is up to the government of the day to decide the best way to fund higher education, which is fair to both taxpayers and students themselves. However, it is important to note that providing people with the skills to succeed - while protecting the pipeline of skilled graduates the country needs - will require sustainable investment in the long term.

Therefore, we would urge the UK Government to understand what the long-term impact of a continued fee freeze would mean for the quality of the student experience.

Universities will continue to make financial efficiencies to provide the best student experience possible and while the recent announcement of additional funding for strategic priority grants is very welcome, along with a continuation of teaching capital grants, they will only provide limited mitigation for the diminishing value of the £9,250 fee in England.

Any further reduction in funding would impact negatively on the quality of courses, through increased class sizes and reduced investment in practical teaching, infrastructure and support services, as well as limiting student choice.

To protect the student experience, ensure high quality teaching provision can continue and be responsive to the country's skills needs, investment in teaching must at least be sustained in real terms.

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Higher Education – A National Asset

1. Higher education is a sector where the UK is truly world leading. Every year, universities across the UK provide almost two million students with the skills and expertise they need to succeed in whatever path they choose. They provide a pipeline of skilled workers for employers at home and abroad as well as generating millions for local and national economies.

2. As an export, higher education helps build the UK's brand around the world and is a major contributor to the economy. Its value was underlined in February when Government celebrated hitting its target of attracting 600,000 international students to the UK, eight years ahead of their 2030 target.

3. The impact of Russell Group universities alone is significant. Our members generate almost £87bn a year for the economy, support more than a quarter of a million jobs across the UK and teach a quarter of all undergraduate students.

4. Recent figures show that 80 per cent of 2018/19 cohort of students graduating from Russell Group universities were in highly skilled employment 18 months after graduation.

Economic Challenges

5. While universities provide a substantial and dependable economic benefit to the UK, it is important to note that all these achievements have been delivered despite the continuing fall in the value of the student fee.

6. According to the Office for Students (OfS) in July 2021, rising inflation and consecutive government decisions to freeze the maximum student fee amount in England at 2016 levels, meant there had been a 17 per cent cut in the value of the fee between 2012/13 and 2021/22.

7. Alongside the student fee, the Government provides teaching grants to help offset some of the high delivery cost of certain strategic subjects such as medicine and engineering. Taken together, the grant plus fee income is the total funding available for teaching – also known as the 'unit of resource.'

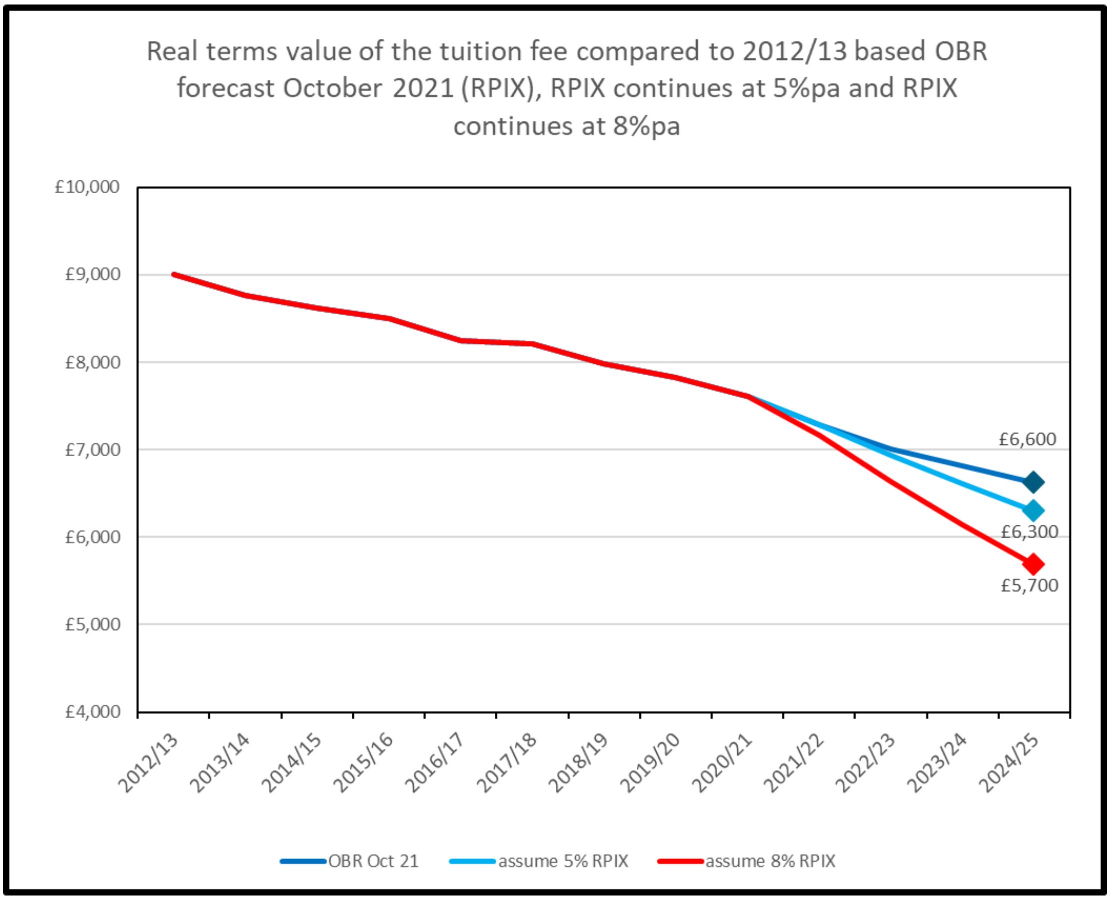
8. Despite the real terms loss of value in the student fee, we are concerned that the government grant has also seen its' value cut over the last few years. The OfS has calculated that the recurrent grant unit of resource for teaching has declined by 19 per cent since 2018/19.

9. As a result, we estimated the overall value of tuition fees and teaching grants together has fallen by 7.1% since 2018/19. The OfS has further predicted that by 2023/24, the total unit of resource (i.e., fees plus recurrent grant funding) will be very similar in real terms to the level it was in 2011/12 - the year before the £9,000 fee was introduced.

10. Crucially, this estimate by the OfS was made prior to the current economic shock resulting from Russia invading Ukraine. The estimate also predates the Government's response to the Augar Review, which included a further two-year freeze to the student fee to 2024/25.

11. Russell Group modelling based on the OBR forecasts published in October 2021, estimate that the forecast value of the tuition fee in 2024/25 compared with 2012/13 (when the £9,000 fee

was introduced) is £6,600. If RPIX (RPI All Items Index Excl Mortgage Interest) increases to 5% per annum in the coming years, then this value falls to £6,300. A more pessimistic view with RPIX at 8% pa brings the value down further to £5,700.



12. At the same time the rising numbers of students is likely to place university finances under further pressure. Demographic change projections show that the UK is estimated to have 20 per cent more 18-year-olds in the population by 2028 compared to 2020.

13. Conventional wisdom would argue that more students equate to increased funding. However, this approach is not sustainable in the long term because rising student numbers does not automatically mean more funding for universities.

14. We have seen this previously when welcome increases to the total funding for teaching grants (now called strategic priorities grants – SP grants) have been announced, but then the actual amount available per student has been much less than expected as student numbers have grown and have grown preferentially in STEM subjects (i.e. those that cost more to teach).

15. The erosion in value of the student fee means that many courses are operating at a deficit. In our submission to the Autumn 2021 Comprehensive Spending Review, Russell Group analysis found that across the sector deficits average £2,460 for each medical student per year and £1,940 per student per year in STEM subjects. Even the most inexpensive classroom-based subjects face deficits of £1,000 per student.

16. This situation is likely to be exacerbated by the further two-year freeze in student fees announced in February 2022. As part of its response to the Augar Review, the Government has made an additional investment of £300m in SP grants in England over the next three years (as well as continuing with existing commitments to teaching capital of around £150m per year). This

is welcome, but it does not fully address the erosion of the value of the student fee and the growing financial pressure this creates.

Priority Subjects

17. We are concerned that high-skill and high-value subjects (such as medicine, dentistry and engineering) are likely to feel additional financial pressure, which is detrimental to plugging the UK's skills gap.

18. The ongoing costs of teaching medical and dentistry students are a particular priority post-pandemic. While we welcome that the Government has specifically indicated an uplift to the SP grant for such disciplines, this money is likely to be spread thinly and will need to address multiple challenges.

19. In August 2021, the UK Government allocated an additional 456 medical and dentistry places to universities in England for the 2021/22 intake. This was on top of the additional 630 places allocated to universities to accommodate medical and dentistry students who deferred from 2020/21 as a result of changes made by the Government to A-level assessment and grading during the pandemic.

20. The SP grant needed to support the additional 456 places in 2021/22 alone should have totalled £15.2m for their 5 years of study. Whilst we do not have figures for the total additional places allocated in 2020/21 to be able to calculate the extra SP grant funding that should have been provided to support both cohorts of students, it is clear that the £10m additional SP grant provided for the 2021/22 will not be enough to support the teaching of the 456 extra medical and dentistry students over the course of their studies, let alone the additional students admitted to other high-cost subject courses.

21. Additionally, funding for STEM subjects is just one part of the equation. The Government has set out its ambition to create an innovation economy but to do so we will need strength across a broad range of disciplines, including arts, design and the social sciences to properly tackle challenges like climate change and social equality.

22. Most humanities and social science subjects do not receive any additional grant funding, and funding for some arts subjects has been cut. As the value of the tuition fee declines over time, the delivery of these kinds of subjects will become less financially viable and could affect the quality of provision as well as the balance of subject choice on offer to students.

How can the sector address financial sustainability?

23. Universities are taking steps to address funding deficits. Working more efficiently, identifying new funding streams and pausing and/or cancelling capital projects to protect jobs and the quality of provision are some examples. However, this is neither a complete solution nor is it sustainable in the long term. As funding begins to be spread more thinly it is likely to impact on quality, student experience and the diversity of options available for study.

24. Moreover, universities have mitigated funding deficits through the strong demand from international students to study at our prestigious institutions.

25. Around three in 10 students at Russell Group universities are from outside of the UK. After choosing to study here, international students bring huge benefits to the country – culturally and socially, in terms of new ideas and skills, financially through their tuition fees, and in terms of soft power and networks that are vital to our future international relations, trade and investment potential.

26. With universities needing to look elsewhere to plug funding gaps, the ‘reliance’ on overseas income has been subject to mixed messages from the UK Government.

27. This income has been cited as a global strength in the government’s own International Education Strategy, yet it was also identified as a threat to free speech or academic freedom in the proposed Higher Education (Freedom of Speech) Bill. For universities, this creates a challenging environment in which to operate.

28. While our best universities are able to charge an international market rate for international student tuition, competition for such students is fierce – and recent events have made future student flows more difficult to predict. Some of the premium from international students is already being used to cross-subsidise deficits on publicly funded research, and some subsidises the teaching of home students, but this can only go so far.

Longer Term Consequences

29. The Russell Group is concerned that there will be serious consequences for universities if the fee freeze continues without compensatory support from the UK Government.

30. We believe that there is likely to be damage to educational quality through increased class sizes and less investment in practical teaching, facilities, infrastructure, learning materials, staff development and support services. Importantly, these impacts would affect all students even if additional funding were made available for STEM subjects and medicine as existing deficits would remain across disciplines.

31. As we look at university finances in the round, a significant squeeze on tuition fee income is also likely to hamper efforts to deliver on the levelling up agenda as the development of degree apprenticeships, modular courses for re-skilling and upskilling (the Government’s LLE agenda) and other innovative initiatives have to be put on hold.

32. Similarly, if these funding trends continue, we believe it will negatively impact our research, including postgraduate research training, which is already one of the most under-resourced university activities. The Government’s commitment to increase R&D investment in the UK to £20bn/year by 2024/25 announced in the Spending Review is absolutely critical: given the growing constraints elsewhere, we hope at least some of this money can be used to address the longer-term financial sustainability of the research base.

March 2022