

DRAFT SUBMISSION

Spending Review 2025 - Phase 2

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1. MillionPlus, The Association for Modern Universities, welcomes the opportunity to contribute a written representation to the Spending Review with policy recommendations that will play a crucial role in driving forward key Government missions, including economic growth and opportunity.
2. The higher education sector plays a significant role in turbocharging growth, with a recent UUK report showing that every £1 of public funding generating approximately £14 in economic impact¹.
3. Modern universities play a key role in delivering the vital skills required across a range of different levels, industries and regions. They stand ready to support the Government in educating the future pipeline of skills, bolstering economic growth and productivity, and delivering the essential public services workforce that the UK needs. With the right levels of investment to underpin these activities, we can shore up the sustainability of the higher education sector and enable the sector to continue to contribute to the Government missions.

Modern universities as key delivery partners for the opportunity mission

4. Modern universities are proud that serving some of the most disadvantaged students and communities across the UK is a core part of their mission. Modern universities are proud placemakers and advocates for their local communities and invest considerable resources into recruiting and retaining students from less advantaged backgrounds. Their work transforms lives and opens up new possibilities for those with little family experience of university.
5. In 2022-23, 97% of entrants to modern universities went to a state school and in England, 67% of all higher education entrants from a low participation background were studying at modern universities. In Scotland, a third of universities are modern, yet they account for 45% of full-time entrants to university from the most disadvantaged backgrounds. Modern universities accounted for 79% of full-time mature entrants to higher education and in 2022-23, 65% of Black students in the UK were at modern universities.
6. Despite some progress, there remain significant and increasing challenges regarding the participation gap between disadvantaged students and their more affluent peers. Addressing this trend and delivering against the Government's opportunity mission will require sustained efforts across higher education institutions and the Government alike.
7. The challenge of ensuring students from widening participation backgrounds remain in higher education has grown in recent years, in light of rising inflation and the cost-of-living crisis. In the academic year 2023-24 alone, approximately 30,000 students dropped out of higher education, highlighting the scale of this issue. This is despite steps modern universities have put in place to support students, including investments in bursaries and I.T. grants, to Support Advisers and financial management tools.

¹ <https://www.universitiesuk.ac.uk/latest/news/new-report-reveals-key-role-universities>

8. ONS research has also placed a spotlight on both the scale and impact of student hardship. In 2023, the ONS found that approximately half (49%) of students said they had financial difficulties, with 16% experiencing major financial difficulties². Among those receiving a student loan, nearly 6 in 10 (58%) said it did not cover their living costs.
9. It is clear these financial challenges are impacting upon the ability of learners to engage with their studies and placing a cap on their education aspirations. We welcome the Government's commitment to widen opportunities and ensure the ambitions of higher education students can be reached, irrespective of background. Yet without additional and urgent support for the most vulnerable, we risk not only limiting our ability to address persisting inequalities, but also reversing the progress we have seen to date, while also damaging the future skills pipeline.
10. Recent trends reinforce the importance of maintenance loans which are fully reflective of the current cost of living, which are pivotal to delivering against the government's opportunity mission. While we welcome recent steps to uplift maintenance support in line with inflation, MillionPlus urge the government to reintroduce maintenance grants and commit to raising maintenance loans in lines with inflation on an annual basis. This would better equip students, particularly those from less advantaged backgrounds to face the cost of living pressures which are impacting their student experience.
11. MillionPlus also call on the Government to introduce a Social Mobility Premium, which would play a crucial role in supporting the government's opportunity mission and directly respond to the challenges associated with access and participation that Ministers have identified.
12. We recommend a premium of £1,000 be provided directly to institutions for each student they enrol from a disadvantaged background, which would cost approximately £240m annually if applied to all those from an IMD1 background.
13. In the same way that the pupil premium recognises the additional challenges school pupils from less advantaged backgrounds face, the introduction of a Social Mobility Premium would help to ensure that this much needed support continues into higher education. This would be especially valuable in the aftermath of the Covid pandemic which led to a significant period of lost learning, which had a disproportionate impact on the least advantaged³. This additional resource will be crucial to supporting retention among these students, as well as enabling them to thrive and fully engage in their studies.
14. We recommend this funding is paid directly to universities that create opportunities for the least advantaged students in recognition of the additional support these institutions need to put in place to enable these students to thrive throughout their studies.
15. We recommend this funding is allocated as an addition to the Strategic Priorities Grant that is allocated by the Office for Students (OfS) each year under the guidance of the Secretary of State and be linked both to access and outcomes, as measured by the OfS.

Social Mobility Premium	Number IMD Q1 Students	Social Mobility Premium Total Cost
£1,000	240,825	£240,825,000

MillionPlus analysis

²

<https://www.ons.gov.uk/peoplepopulationandcommunity/educationandchildcare/bulletins/costoflivingandhighereducationstudentsengland/30januaryto13february2023>

³ <https://www.suttontrust.com/wp-content/uploads/2021/01/Learning-in-Lockdown.pdf>

First Degree			
Year	Category	Number	Percentage
2018/19	No Parental education	490,615	43%
	Low participation neighbourhood (POLAR4)	131,855	12%
	Quintile 1 – most deprived (IMD)	186,225	18%
2019/20	No Parental education	495,970	43%
	Low participation neighbourhood (POLAR4)	136,450	12%
	Quintile 1 – most deprived (IMD)	195,765	18%
2020/21	No Parental education	523,350	43%
	Low participation neighbourhood (POLAR4)	149,020	13%
	Quintile 1 – most deprived (IMD)	218,795	19%
2021/22	No Parental education	533,305	43%
	Low participation neighbourhood (POLAR4)	156,590	13%
	Quintile 1 – most deprived (IMD)	232,955	20%
2022/23	No Parental education	519,925	42%
	Low participation neighbourhood (POLAR4)	162,260	13%
	Quintile 1 – most deprived (IMD)	240,825	20%

MillionPlus analysis

Modern universities as key delivery partners for the growth mission

DELIVERING THE FUTURE SKILLS BASE

16. Modern universities make up 52% of all UK undergraduates and 37% of all postgraduates, with over one million students studying at modern institutions across the UK. Given the scale and breadth of our education provision, modern universities are key partners as the UK develops their post-16 skills strategy.
17. As major anchor institutions, modern universities are drivers of both social mobility and regional economic growth, generating £17bn in expenditure-related gross value add. They are pivotal to the success of the Government missions, acting as critical pipelines of talent for organisations across business and public services alike. They deliver for growth-driving sectors identified by the government in their industrial strategy, including the creative arts, advanced manufacturing, business and professional services and clean energy industries. For example, in 2022-23, 77% of creative arts students, 74% of software engineering students and 69% of architecture, building and planning students were at modern universities.
18. Modern universities offer an array of non-traditional provision including apprenticeships, shorter courses and CPD qualifications, all of which play an important role in the skills landscape. Apprenticeships are delivered across a variety of subjects and levels and in 2023/24, 58,962 individuals were undertaking an apprenticeship at a modern university. They ensure this provision meets local and national business needs, and will similarly play an important part in the rollout of the Lifelong Learning Entitlement.
19. The recent Skills England report highlighted that approximately one-third of the average annual UK productivity growth between 2001 and 2019 was attributable to the expansion of skills available across the workforce. To drive up both national and regional growth, it is vital that employers are supported by a strong pipeline of talent and skills and modern universities are key partners in this endeavour.

FUELLING NATIONAL AND REGIONAL GROWTH AND REGENERATION

20. Modern universities are crucial delivery partners for skills in key growth-driving industries, especially in certain pockets of the country. For example, modern universities deliver the vast majority of all graduates

in design, creatives and performing arts in the West Midlands (93%), South West (91%), East Midlands (88%), North East (85%) and London (79%).

21. The average participation rate of 18-year-olds in higher education was 36.4% in 2024⁴, however this average masks significant differences between the regions and countries across the UK. The UK has one of the highest regional disparities among OECD countries⁵, reaffirming the barriers this presents to driving up regional economic growth in certain parts of the UK. Addressing these disparities is critical to ensuring that all pockets of each town and city across the UK are provided with the pipeline of skills they need to bolster regional economic growth.
22. Modern universities also provide key pathways into higher education for local students, who are then retained in the region. Looking across the whole student lifecycle, 65% of working graduates at MillionPlus universities are “regional loyalists”, defined as those who lived, studied and then found work in the same region 15 months after graduating. This is more than 20 percentage points higher than the same figure for the whole university sector.
23. These trends are particularly prevalent in areas where higher education participation levels are lower, reinforcing the important role they play in providing opportunities to local people and skills to local business. For example, MillionPlus data shows that 72% of North East graduates and 61% of North West graduates of modern universities were recruited locally and remained in the area post-study.
24. Given the important part modern universities play in driving social mobility, modern graduates also in turn play a key role in diversifying the workforce in key industrial sectors, which will continue to yield significant productivity and innovation gains for employers⁶.
25. Graduate start-ups linked to modern universities are estimated to have generated £873 million in turnover and graduate start-ups linked to modern universities are estimated to have employed 19,492 people. This illustrates the powerful role modern graduates play in driving enterprise in their local areas, playing a key role in catalysing regional economic growth and development.
26. Modern universities outperform the rest of the sector in supporting graduate start-ups, with a score of 3.08 in the latest Knowledge Exchange Framework (KEF) data compared to a sector average of 2.96. Modern universities also score above the rest of the sector in their role in local growth and regeneration (scoring 65.1% in the most KEF data).
27. The sector faces a challenging financial environment with funding per student in England having fallen over the last decade. While the recent inflationary uplift to fees and maintenance were a welcome first step, there remain significant challenges with the funding system which are in urgent need of addressing. This challenging financial context is having a tangible impact on the breadth of provision offered by our world-leading sector, with courses and departments closing and dozens of institutions implementing redundancy schemes across the regions. This risks damaging the skills pipeline and further spreading regional inequality. We urge the government to commit to raising fees in line with inflation on an annual basis in order to safeguard the financial sustainability of higher education.

As well as achieving a sustainable funding model, it is imperative that modern universities are at the heart of the post-16 education and skills strategy, as well as the individual skills strategies across the four nations. Modern universities have a unique and invaluable contribution to make to this process given both the scale and breadth of the education and skills they provide. The role they play as anchor institutions in their region show they are uniquely positioned to offer valuable insights into the most

⁴ <https://commonslibrary.parliament.uk/research-briefings/cbp-7857/#:~:text=The%20higher%20education%20entry%20rate,back%20to%2036.4%25%20in%202024.>

⁵ <https://www.oecd-ilibrary.org/docserver/b9aab803-en.pdf?expires=1730992643&id=id&accname=guest&checksum=E0527B971F8031A075F0C0BB1894E369#:~:text=In%20the%20United%20Kingdom%2C%20the%20share%20of%2025%2D64%20year,OECD%20countries%20with%20available%20data.>

⁶ <https://www.sciencedirect.com/science/article/pii/S2212567114001786>

effective route through which we can foster and maintain the pipeline of talent that both industry and public services need across different localities.

DELIVERING THE PIPELINE OF TALENT FOR CORE PUBLIC SERVICES

28. Modern universities provide a critical pipeline of talent into core public services and are directly responsible for training thousands of the backbone public service staff that keep Britain working.
29. In 2022/23, 76% of nursing students, 70% of midwifery students, 67% of those studying subjects allied to medicine and 63% of medical technology students were at modern universities. Modern universities have partnerships with 93% of all NHS trusts and every NHS Board in Scotland, highlighting the integrated partnerships moderns have with healthcare across the full length and breadth of the UK.
30. This showcases the crucial role modern universities play in driving the future talent pipeline to the NHS. Modern universities also provide a much-needed pipeline to schools and in 2022-23, modern universities accounted for 67% of all initial teacher training students in the sector.

Supporting financial sustainability through pension reform

31. One challenge which is compounding the financial difficulties modern universities are experiencing is the restrictions they face regarding the pension scheme their employees are enrolled into. The requirement for modern universities to enrol into the Teachers' Pension Scheme (TPS) is embedded within the Higher Education Act 1992, leaving these institutions without any scope to manage these costs through the uptake of alternative pension schemes. Furthermore, the employers enrolled into TPS lack any influence over how the scheme is run and are unable to employ different mechanisms or levers to manage costs.
32. Employer contributions to the TPS have been rising in recent years and in April 2024 they reached 28.68%, highlighting the stark costs associated with participating in this pension scheme. This represents an approximate cost of £16,500 per employee, based on an academic's salary of £57,500⁷. The impact this has had on modern universities is stark, particularly given the challenging financial context the sector face.
33. There is an inherent lack of fairness with this system given that the disproportionate impact this is having on moderns. While universities within the Universities Superannuation Scheme (USS) have the autonomy to manage their costs and address pension disputes, other education providers outside of the higher education sector have been provided with additional funding to cover TPS cost increases. Yet this relief has not been provided to universities, who have had to absorb these costs. In contrast to universities, schools in the independent sector have been given the autonomy to stop offering TPS. This illustrates that it is possible for institutions to be brought outside the scope of the TPS if government action is taken.
34. Given the significance of the financial challenges facing universities, the efficiencies the government have requested the sector to make and the inherent unfairness within this system, we strongly encourage Government to undertake an urgent review of pensions legislation to ensure universities are not restricted in their pension scheme options. This decision would provide moderns with much greater scope to control their internal costs and help to shore up the financial sustainability of the system.

Recognising the vital role international students play in supporting growth

35. The higher education sector is one the UK's greatest assets with a broad and varied array of world-leading institutions, with huge opportunities to drive further growth by tapping further into international markets. Economic consultancy [London Economics estimates](#) that international students starting in

⁷ <https://www.hepi.ac.uk/2025/01/06/universities-and-the-teachers-pension-scheme-the-time-for-change-is-now/>

2021/22 would bring economic benefits to the UK of £41.9 billion, have costs to the UK of £4.4 billion, and hence net economic benefits of £37.4 billion.

36. This economic impact could be seen across the entire UK, particularly important in areas that will be crucial for the Government to target in order to meet their growth mission. International students make a £58 million net economic contribution to the UK economy per parliamentary constituency across the duration of their studies. This is equivalent to £560 per member of the resident population.
37. MillionPlus welcomes the more positive dialogue adopted by the new Government and urges them to continue this approach. As the Government review and update the international education strategy, it is vital we take this opportunity to assess the impact of previous visa changes and maximise the growth opportunities that international student markets can offer. We also encourage the Government to reaffirm its commitment to the graduate route in its current form and consider whether further steps could be taken.

Driving growth and productivity through research and innovation

38. Researchers and academics at modern universities are vital in ensuring that businesses can benefit from expertise in research and innovation. This is especially the case for small and medium enterprises that are the lifeblood of the UK's towns, communities, regions and nations. Modern universities are essential in bringing these experts closer to business, supporting them in providing solutions to major challenges and driving economic growth in all parts of the country.
39. MillionPlus has long called for the government to go further and faster on investment in research and development, and equally to commit to invest across the whole of the research ecosystem, not just a select few. MillionPlus universities are key hubs of internationally excellent research in every region, and in REF2021, 63% of research carried out at modern universities was judged to be world-leading or internationally excellent impact. Despite this immensely valuable contribution to the research landscape, most modern universities are operating with a smaller research base than the traditional "research-intensive" institutions.
40. We urge the government to ensure that innovation strategies should be developed, in coordination with universities, to foster and promote place-based innovation in regions across the UK. Modern universities are natural partners to support the commercial application of research, given their wide geographical reach and historic focus on research that is local and commercially focused.
41. One of the most effective routes to maximise research impact and turbocharge the commercialisation of R&D is to create funding structures and incentives that support all types of innovation across a range of different institutions, including modern universities. We urge the government to avoid a one-size-fits-all approach to research and innovation policy and ensure that we align modern universities with any productivity funding that is unlocked through the industrial strategy.