



BRIEFING PAPER

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Coronavirus: Financial impact on higher education

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Contents:

1. What are the possible impacts of coronavirus on higher education finances?
2. How has the Government responded?



Contents

Summary	3
1. What are the possible impacts of coronavirus on higher education finances?	5
1.1 What financial state was the sector in before coronavirus?	5
1.2 Why the focus on international (non-EU) students?	7
International student numbers	7
Income from international students	8
1.3 Possible impacts of the loss of international students	9
1.4 What are the prospects for international students in 2020?	12
1.5 Home student numbers in 2020	13
2. How has the Government responded?	14
2.1 Government support package for universities and students	14
2.2 Support package for research	17
2.3 R&D Roadmap	19
2.4 Changes to A-level grading and removal of student number controls	19
Additional funding linked to removal of numbers cap	21

Summary

Since the start of the coronavirus pandemic there have been concerns about the financial impact on universities. Much of this has focussed on the potential **loss of international students**, but there could also be losses in income from **lower home student numbers**, a **drop in research work** and **less revenue from accommodation, catering and conferencing**.

In 2018/19 the total income of the higher education sector across the UK was **£40.5 billion and total expenditure was £39.1 billion** - this provided a **surplus of £1.4 billion or 3.4% of income**. This excludes £4.9 billion of 'costs' due to a pension accounting adjustment.

The latest (April 2019) assessment of the sector in England by the Office for Students (OfS) found that overall the financial health was **'reasonable'**. There was, however, **considerable variation between providers** and some had 'ambitious' assumptions about growth in student numbers.

Much of the focus of the financial impact of the pandemic on university finances has been on the **loss of international (non-EU) students**. International students' fees provide a large and increasing share of providers' total income and universities gain a **surplus or 'profit' on teaching international students**. This surplus helps to fund important 'loss making' activities such as research. This **'cross subsidisation'** can also provide flexibility to support STEM teaching, investment in facilities and widening participation activities

In 2018/19 **fee income from non-EU students in the UK was £5.8 billion or 14.4%** of the total income of all UK universities

In 2018/19 teaching of overseas students generated an estimated **surplus of £1.7 billion or 43% in England and Northern Ireland combined**. Research income was £3.9 billion less than cost; a deficit of (44%) of income.

In recent years **home student numbers have remained static** and the **only growth in overall student numbers has been driven by international students**. The UK higher education sector had almost **350,000 international students in 2018/19 or 14% of the 2.4 million students at UK universities**. **China is by far the largest source of international students with just over 120,000 in 2018/19**.

On 10 April Universities UK sent a [paper](#) to the Government outlining the financial risks faced by the higher education sector and asked for a **£2 billion package of support**. On 4 May the Government responded to the sector's calls for a bailout and announced a [support package for universities and students](#). The package included temporary student numbers controls and an additional 10,000 student places – the **package did not include any additional funding**, but it brought forward £100 million of funding for research and £2.6 billion of tuition fee payments.

On 27 June the Government announced a **support package for university research**. This had two elements; £280 million in additional funding for publicly supported projects that are due to end in 2020/21 and a mixture of grants and loans to cover the majority of lost income from international students and therefore support non-publicly funded research. Alongside the package for research funding the Government also announced plans to develop a **restructuring regime for institutions at risk of closure**.

On 1 July the Government published its [R&D Roadmap](#). Although not limited to universities or financial support it contained several measures which were aimed at supporting the sector including restating the commitment to increase UK spending on R&D to 2.4% by 2027 and

4 Coronavirus: Financial impact on higher education

increasing public funding for R&D to £22 billion per year by 2024/25. It announced £300 million would be brought forward to upgrade infrastructure through the World Class Labs.

On 17 August the Government **removed the temporary student number controls** in response to the U-turn on A-Level grades which resulted in more students receiving higher grades. This has led to concern that some less prestigious universities might see substantial drops in new students which could put them into financial difficulties. The Government has said it will provide additional funding to cover the additional teaching costs universities face from more students studying medicine, nursing, nursing STEM subjects and some other high costs subjects. It has also provided £10 million for capital spending to help some universities expand.

A recent [report](#) from the Institute for Fiscal Studies (IFS) modelled the overall long-run **losses from all aspects of the pandemic at £11 billion**. The report stated that the Covid-19 crisis posed a **significant financial risk** to the UK higher education sector and it said that 13 universities would end up with 'negative reserves' and would be at risk of insolvency without a bailout.

This paper mostly refers to the situation in the English higher education sector, however some of the statistics used are UK wide and some aspects such as the provisions on research funding cover the whole of the UK.

1. What are the possible impacts of coronavirus on higher education finances?

1.1 What financial state was the sector in before coronavirus?

Box 1: 2018-19 finance data

Finance data for 2018-19 is the most recent for the sector. It is, however, affected to a great degree by a one-off accounting adjustment made for **pension costs**. The Higher Education Statistics Agency said:¹

A high proportion of HE providers saw a deficit for the 2018/19 year. Many of these are due to a significant pension accounting adjustment (a non-cash expense) in this year, following the 2017 valuation of the Universities Superannuation Scheme (USS). This expense is not a typical annual operating expense for these providers and therefore not reflective of their underlying financial operating performance in 2018/19.

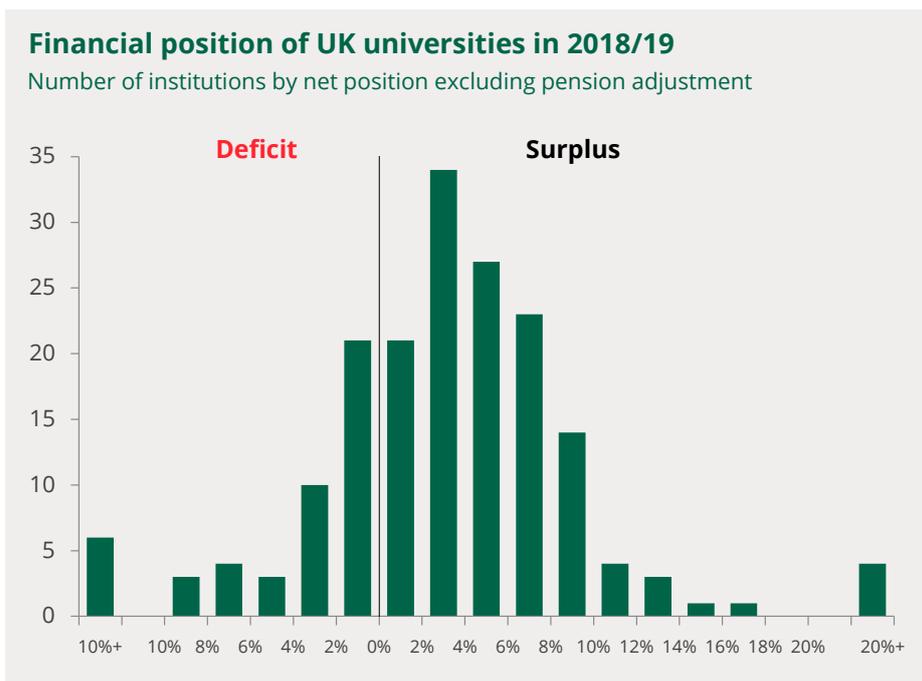
The total 'cost' of the pension adjustment in 2018/19 across all UK universities was **£4.9 billion**. As this is not an ongoing cost which affects the day-to-day operation of a university it means that comparing total costs to total income in 2018-19 is not particularly meaningful. The section below therefore removes the total value of this accounting adjustment from expenditure.

In **2018/19 total income of the sector was £40.5 billion and total expenditure was £39.1 billion**. This provided a **surplus of £1.4 billion or 3.4% of income**. This excludes £4.9 billion of 'costs' due to a pension accounting adjustment (see Box 1 above).

There was **much variation** between institutions as shown in the following chart. **47 out of 178 providers had a deficit** and **15 of these were more than 5%**. 64 had a surplus more than 5% and 13 a surplus of more than 10%.²

¹ HESA, [Higher Education Provider Data: Finance](#)

² HESA, [Higher Education Provider Data: Finance](#) (Tables 1 and 8)



Source: HESA, [Higher Education Provider Data: Finance](#) (Table 1)

The largest source of income across the sector in 2018/19 was tuition fees and education contracts at 49%, followed by research grants and contracts (16%) funding body grants (13%), 'other income' (19%), residences and catering (6%) and investments and endowments (3%).³

The briefing paper [Higher education finance statistics](#) gives more detail and long term trends up to 2017/18.

The latest assessment by the Office for Students (OfS) of the financial health of the sector in England was published in April 2019 so it takes no account of the coronavirus pandemic.⁴ It found that the overall **financial health of the sector was 'reasonable'**. There was, however, **considerable variation** between providers. The OfS forecasts are generally for a weakening of financial performance over the coming year, with some improvement in following years. This improvement is in part due to some **'ambitious' assumptions about growth in student numbers**.

The majority of these providers are not reliant on such projected growth to ensure their financial viability and sustainability, but they may need to reduce their projected costs if their student recruitment ambitions are not met.

In April 2020 the OfS said that the sector faced several uncertainties including the UK's future relationship with the EU and possible changes to higher education policy and funding following the review of post-18 education. Universities face cost pressures, particularly from pension scheme valuations and from the continuing short-term fall in the number of 18 year olds in the UK:

In light of the uncertainties and challenges they face in the foreseeable future, providers will need to re-assess their financial

³ HESA, [Higher Education Provider Data: Finance](#) (Tables 1 and 7)

⁴ OfS, [Financial sustainability of higher education providers in England](#) (April 2019)

assumptions and forecasts and ensure that adequate contingency measures are in place to navigate an uncertain environment and ensure financial viability and sustainability.

1.2 Why the focus on international (non-EU) students?

Much of the focus of the financial impact of the pandemic on university finances has been concerned with the **loss of international students**. There are two main reasons for this:

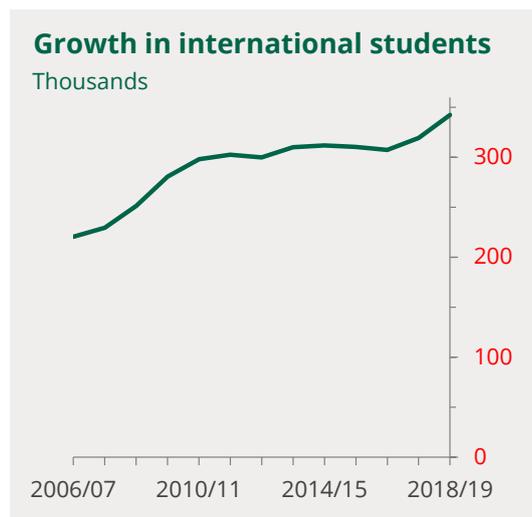
Firstly, international students provide a **large and increasing share of total income** - this is because of the higher fees they pay and the increase in their numbers.

Secondly **universities gain a surplus or 'profit' on teaching international students overall which helps to fund important 'loss making' activities such as research**.

There are other potential financial impacts from the pandemic including: the loss of home and EU students, a drop in research contract work and loss of income from residences, catering, conferencing etc.

International student numbers

The coronavirus pandemic is expected to result in a decline in international students in 2020 and possibly further into the future. Some may opt to defer their start date to 2021 or later, others may decide not to study in the UK or any overseas destination. International student numbers have increased substantially over time. In recent years home student numbers have remained static and the **only growth in overall numbers has been driven by international students**. The scale of the increase in international students is shown opposite. Home student numbers increased by around 170,000 over the first half of the period but fell in the second half and were 20,000 lower in 2018/19 than in 2006/07.⁵



Source: HESA, [Where do HE students come from?](#)

The UK higher education sector had almost **350,000 international students in 2018/19**. This was **14%** of the 2.4 million students at UK universities. **China is by far the largest source of international students** with just over 120,000 in 2018/19. The next largest were India with just under 27,000 and the US with around 20,000.⁶ The table below shows that some institutions have particularly large numbers of international (including EU) students.

⁵ HESA, [Higher education student data \(various years\)](#)

⁶ HESA, [HE student enrolments by domicile and region of HE provider 2014/15 to 2018/19](#)

Which universities have the most overseas students?

All overseas students in UK universities 2018/19: Top 10

Ranked by absolute number			% of students	Ranked by % of students		
	number				students	number
1	University College London	19,635	48%	1	London Business School	1,580
2	The University of Mancheste	14,440	36%	2	Royal College of Art	1,700
3	The University of Edinburgh	13,185	38%	3	LSE	8,000
4	King's College London	12,385	38%	4	Imperial	10,075
5	Coventry University	12,000	34%	5	London Sch. of Hygiene & Tropical Med.	605
6	The University of Sheffield	10,080	33%	6	University of the Arts, London	9,695
7	Imperial	10,075	53%	7	Royal College of Music	415
8	University of the Arts, Londo	9,695	51%	8	University College London	19,635
9	The University of Glasgow	9,685	31%	9	The University of St Andrews	4,820
10	The University of Warwick	9,580	37%	10	Cranfield University	2,025

Source: HESA, [Where do HE students come from?](#)

Just over half of international students study at postgraduate level. There is no data on applications for postgraduate study. Undergraduate applications are summarised below. It is possible that the coronavirus pandemic may have a different impact on international students studying at postgraduate level.

There were just over **73,000 overseas applicants by 15 January 2020⁷** for full-time undergraduate courses in the UK. **China was again the most important country with 21,250 applicants**, followed by India with 6,230 and the US with 4,140. Applicant numbers from China were up by 34% compared to the 2019 cycle.⁸ The next set of data on applicants through UCAS is due to be published on 9 July and shows applications up to June 30.

Library briefing paper [International and EU students in higher education in the UK FAQs](#), (4 March 2020) gives more details of overseas students studying in the UK.

Income from international students

International (non-EU) students **pay higher fees than home students** –and in some universities this income **generates a surplus** which may be used to **cross subsidise** ‘loss making’ activities such as research.

⁷ This is the main ‘equal consideration’ deadline

⁸ UCAS, [2020 applicant figures – 15 January deadline](#).

In 2018/19 fee income from non-EU students was **£5.8 billion or 14.4% of the total income of all UK universities**, making it almost as important as total income from research grants and contracts (£6.6 billion). Growth in income from overseas students is illustrated opposite. It has increased in importance over time. It was around 4-5% of total income in the mid-1990s⁹ and remained below 10% up to 2010. Total overseas fee income increases to £7.0 billion (17.3%) in 2018/19 if income from EU students is included.¹⁰

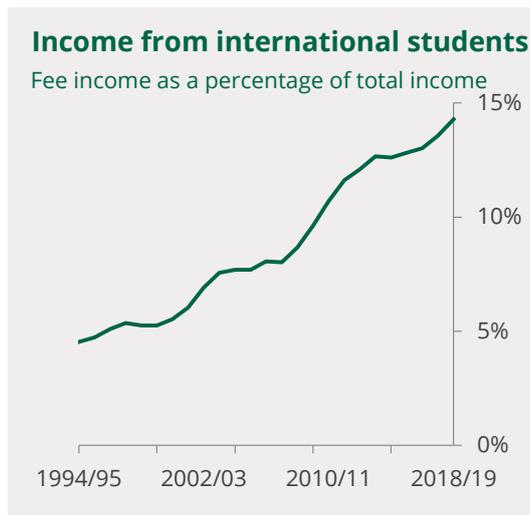
The amount each institution receives from non-EU fee income **varied greatly**. Just over a quarter of universities received less than 5% of their income from these fees while **15% received more than 20% of income from them**.

In 2018/19 **teaching of overseas students generated an estimated surplus of £1.7 billion¹¹ or 43%**. This was up on 2017/18 and a greater surplus than in any other activity. Other teaching income nearly covered its costs (3.3% deficit). **Research income was £3.9 billion less than cost; a deficit of (44%) of income.**¹² **Income from international students therefore helps to keep research activity viable through cross-subsidisation.** It is important to note that income from international students and the extent of cross-subsidisation varies considerable between universities.

Further analysis of cross-subsidisation by the Office for Students emphasised the importance of these ‘income cross flows’ to give universities the flexibility to support a wide range of important activities.¹³ Primary among these is (loss making) research, but others include teaching STEM subjects, investment in facilities and widening participation activities. The report highlighted that most institutions they visited planned to increase international students as did the sector overall. **If this growth were not achieved “..there is a risk to financial sustainability of those institutions.”** Institutions were also planning to increase research activity, despite its income not covering costs, and continue to invest in their estates and facilities.

1.3 Possible impacts of the loss of international students

It has been suggested that “universities face a **black hole of hundreds of millions of pounds in tuition fees** from the impact of coronavirus as



Source: HESA, [Higher Education Provider Data: Finance](#) (Table 6)

“Institutions have a varying reliance on international student recruitment. Failure to realise projected growth in numbers will present financial risks for many institutions.”

OfS February 2019

⁹ Non-EU only

¹⁰ HESA, [Higher Education Provider Data: Finance](#) (Tables 1 and 7)

¹¹ Non-publicly funded teaching which is primarily overseas students. Data is for universities in England and Northern Ireland only

¹² Office for Students, [Annual TRAC 2018-19: Sector summary and analysis by TRAC peer group](#)

¹³ OfS, [Understanding the impact of income cross-flows on financial sustainability in the UK higher education sector](#), February 2019

international students from China and other severely affected countries are forced to cancel or postpone enrolments".¹⁴

An [article](#) in the *Times Higher Education* said that a drop in international students would be the "**biggest single issue**" caused by the pandemic:

A large drop in international student numbers is still likely to be the biggest single issue for UK universities irrespective of any disruption in domestic admissions caused by the coronavirus pandemic, it has been suggested.

University finance data from the Higher Education Statistics Agency show that about a quarter of institutions in the UK rely on domestic students for at least two-thirds of all their income. At the same time, only about a dozen universities receive a third or more of all their income from non-UK students.

However, several studies have shown that tuition fee income from non-EU students can carry a huge surplus for universities, which then can be invested in areas such as research.¹⁵

A [blog](#) on the Wonkhe website published in early April 2020 looked at the income of individual institutions from international students and analysed which were most exposed to a drop in international students.

A [report](#) by the Institute for Fiscal Studies (IFS) on international student numbers said that higher **ranking universities would lose the most income**:

Universities that stand to lose the most tend to be those that are higher ranked in league tables, as well as universities in London and several specialist colleges (see Table 1 for a list of the 10 universities which would be most affected). Lower ranked universities typically serve mostly UK students, leaving their finances less vulnerable to drops in international numbers (assuming domestic student numbers remain constant). For example, nearly 70% of the student body at the London School of Economics (ranked 4th in the Complete University Guide) were international students in 2018-19, while this was less than 5% at the University of Wolverhampton (ranked 124th).¹⁶

A Higher Education Policy Institute blog by Andrew Connors, Head of Higher Education at Lloyds Banking Group suggests that **some institutions could lose more than £100 million** through reductions in international students:

Many institutions are modelling reductions of between 80% and 100% in international student numbers. Every university we have spoken to expects to be impacted and for some the potential loss to income is projected to be greater than £100 million. And that is before you factor in that losing new students has a multi-year impact.¹⁷

The IFS report on international students suggested that some providers **could go bust** if support is not provided by the Government:

The pandemic could set the Government's targets on international students back many years and allow competitor nations to steal a march on the UK by attracting an ever greater proportion of cross-border students.

[Nick Hillman blog](#), Higher Education Policy Institute 6 July 2020

¹⁴ "[UK universities face cash black hole amid coronavirus crisis](#)", *The Guardian*, 6 March 2020

¹⁵ "[International student hit 'core financial problem' for UK sector](#)", *Times Higher Education*, 7 April 2020

¹⁶ Institute for Fiscal Studies, [Drop in international students would imperil university finances](#), 12 April 2020

¹⁷ Higher Education Policy Institute blog, [Another perfect storm? The likely financial impact of Covid-19 on the higher education sector](#), 12 April 2020

A big drop in international student numbers would imperil university finances. If those most affected respond by taking more domestic students, many less prestigious institutions could go bust. Government might need to impose caps on domestic student numbers if it wants to avoid that outcome.¹⁸

A further report by the IFS in July, [Will universities need a bailout to survive the Covid-19 crisis?](#) outlined the **significant financial risk** to the UK higher education sector of the coronavirus pandemic. The report found the **central estimate of the overall long-run losses from all aspects of the pandemic were £11 billion, but this could be as low as £3 billion or as high as £19 billion**. Much of the press coverage of this report focussed on predictions of **universities at risk of insolvency**. Those most at risk were said to be universities that entered the 'crisis' in poor financial shape:

In our central scenario, 13 universities educating around 5% of students would end up with negative reserves and thus may not be viable in the long run without a government bailout or debt restructuring

The report discusses the pros and cons of a highly targeted bailout focussing on at risk universities and a more general (and more expensive) one. It also set out the following findings on international students:

The biggest losses will likely stem from falls in international student enrolments (between £1.4 billion and £4.3 billion, with a central estimate of £2.8 billion) and increases in the deficits of university-sponsored pension schemes, which universities will eventually need to cover (up to £7.6 billion, with a central estimate of £3.8 billion). In addition, the sector faces lockdown-related losses of income from student accommodation and conference and catering operations, as well as financial losses on long-term investments.

Large sector-level losses mask substantial differences between institutions. In general, institutions with a large share of international students and those with substantial pension obligations are most affected. These tend to be higher-ranking institutions as well as postgraduate and music & arts institutions. Some of the least selective universities, which rely largely on domestic fee income, will also be badly hit if higher-ranked universities admit more UK students to make up for the shortfall in their international enrolments. While recently introduced student number caps will constrain some of this behaviour, there are still likely to be falls in student numbers at the least selective institutions.

Universities are unlikely to be able to claw back a large portion of these losses through cost savings unless they make significant numbers of staff redundant...¹⁹

Commenting on this report, **Emma Hardy MP, Labour's Shadow Minister for Further Education & Universities**, said:

Universities can provide the training and skills we need to build back better as we emerge from the coronavirus crisis, but this report shows how under threat they are.

The ongoing Covid-19 crisis poses a significant financial risk to the UK higher education sector. Universities are facing big losses across a range of income sources and investments. These losses could cause serious financial problems, including – in the extreme – insolvency. Most institutions will be left with reduced net assets, which could increase financing costs and will leave them less well placed to cope with future adverse shocks.

[IFS July 2020](#)

¹⁸ Institute for Fiscal Studies, [Drop in international students would imperil university finances](#), 12 April 2020

¹⁹ Institute for Fiscal Studies, [Will universities need a bailout to survive the Covid-19 crisis?](#) 6 July 2020

12 Coronavirus: Financial impact on higher education

Losing any university or cutting courses would mean losing opportunities to reshape lives, particularly for people who can only study locally such as carers and those who cannot afford to move away.

The choice of a university education must remain available to everyone, wherever they live. The Government cannot allow a single university to fail.²⁰

Many courses, particularly masters' degrees, **rely on overseas students to make courses viable**. Students from China, Hong Kong and South Korea are particularly concentrated in a range of taught postgraduate courses and a reduction in students from these areas may force some providers to cancel masters' courses because of lack of student numbers.²¹

1.4 What are the prospects for international students in 2020?

The briefing paper [Coronavirus: Easing lockdown restrictions in FE and HE in England](#) summarises surveys of international student intentions. The paper [A level results in England and the impact on university admissions in 2020-21](#) includes the most up to date information on the number of accepted applicants to undergraduate courses.

The total number of international students who applied by the pre-clearing deadline of 30 June was 89,100. This was a new record number and a 9.6% increase on the same point in 2019. The number of applicants from China were up by almost a quarter to 24,400.²²

UCAS has published analysis of applicants who have been accepted since A-Level results day, 13 August. As of 28 August, 41,400 international students had been placed on a course. This was 6% higher than at the same point in the 2019 cycle. Within this number 2,300 were holding a deferred place for 2021 or later. **The number deferring in this cycle has increased substantially.** It is around 1,000 or 80% higher than at the same point in the 2019 cycle. The number with a place which is not deferred is up by 3% on 2019²³

These figures only look at those applying for full-time undergraduate courses. They could change by the end of the clearing period when the new term starts. **There could be a different pattern for part-time and postgraduate students.** It is also important to realise that these figures may not necessarily translate to equivalent increases in new starters, particularly if there is an increase in new covid-19 cases and lockdown restrictions are re-imposed. Travel restrictions and concern over the 'value' of online teaching make overseas student numbers somewhat unpredictable at this time. Official statistics on the number of students who take up places, including postgraduates and part-time students, is expected to be published until January 2021.

²⁰ Labour, [Government cannot allow a single university to fail – Emma Hardy](#), 6 July 2020

²¹ ["UK universities face cash black hole amid coronavirus crisis"](#), *The Guardian*, 6 March 2020

²² [University applications rise during lockdown](#), UCAS 9 July 2020

²³ [Daily clearing analysis](#), UCAS (28 August 2020)

1.5 Home student numbers in 2020

The briefing paper [A level results in England and the impact on university admissions in 2020-21](#) includes the most up to date information on the number of 18 year old English accepted applicants to undergraduate courses.

The total number of applicants up to 30 June 2020 was 652,790, up by around 14,800 or 2.3% on the same point in the 2019 cycle. This include all home and overseas students. The increase in 2020 followed a smaller one in 2019, but the total was still below equivalent numbers from 2014, 2015 and 2016. There was an increase in home applicants of 1.6% and a fall of 1.9% in those from the EU.

A total of **243,170 18 year olds from England** applied by the 30 June deadline; a 3% increase in 2019 and a new record high. This was despite a fall in the 18 year old population of 1.5%. The **application rate for 18 year olds also increased to a new record of 40.5%.**²⁴

UCAS data from clearing shows that as of 28 August a total of **428,060 home applicants had a place on a course**, a further 22,700 were holding an offer²⁵ and 71,000 were still free to be placed in clearing. **The total number placed was 3.4% higher than at the same point in 2019.** The number with a place which is **deferred until a later year was 22,130 in 2020, up by almost 4% from 21,370 at this stage in the cycle in 2019.**²⁶

As with the earlier figures on international students, these figures cover full-time undergraduate courses only.

²⁴ [2020 applicant figures – 30 June deadline](#), UCAS

²⁵ They have received an offer, but the outcome has not yet been resolved. For instance, a conditional offer for which results have yet to be verified against conditions of the offer.

²⁶ UCAS, [Daily clearing analysis](#) (28 August)

2. How has the Government responded?

2.1 Government support package for universities and students

On 4 May 2020 the Government gave their response to the sector's calls for a bailout and announced a [support package for universities and students](#), the package includes:

- temporary student numbers controls
- an additional 10,000 student places at the discretion of the Government, with 5,000 of these ring-fenced for nursing, midwifery or allied health courses
- £100 million of funding brought forward for research
- £2.6 billion of tuition fee payments bought forward.

It does not include any additional funding but brings forwards some existing income streams and gives some additional flexibility to how some funding can be used. The £100 million in quality-related research funding will be brought forward to 2019/20 and paid in proportion to existing funding for this year. Second term tuition fees will be brought forward to the first term of academic 2020/21. Half of fee payments will still be made in the third term

An overview of the package was set out in the announcement. Those relating to financial support and student numbers are given below:

Stabilising admissions – Temporary measures mean providers will be able to recruit full-time, domestic students up to 5% above their forecasts in the next academic year, which is in line with proposals originating from the sector, to help reduce volatility and ensure a fair and orderly admissions. The Government will also have the discretion to allocate an additional 10,000 places, with 5,000 ring-fenced for nursing, midwifery or allied health courses to support the country's vital public services.

University research funding – The Government is bringing forward £100m of [Quality-related research funding](#) (QR) for providers in England into this current academic year as immediate help to ensure research activities can continue during the crisis.

Government business support – The Government has confirmed that universities are eligible to apply for the Government support schemes, including business loan support, which the OfS estimates could be worth at least £700m, depending upon eligibility and take-up. Providers can also access the Coronavirus Job Retention Scheme to safeguard staff jobs, including for those with short-term contracts.

Changes to tuition fee loan payments – The Student Loans Company will bring forward tuition fee payments of students in the in the 2020/21 academic year to providers, expected to be worth £2.6bn, to help cash flow. This will not affect the loan liability, amount of interest charged to students or the timing of their maintenance loan payments.

Financial opportunities – As part of existing programmes and using established procedures, the DfE will consider purchasing assets, such as land and buildings, where they can be used for new or expanding schools and colleges. This financial year the DfE has budgeted for up to £100m to acquire sites for planned projects across purchases from suitable vendors, including higher education providers among others.

Financial help for students - The Government has worked with the OfS to help clarify that providers can use existing funds, totalling £46m across April and May, to boost their hardship funds for students in financial difficulty. This can include help for IT equipment and internet access.

Further details were given in the following documents:

[Government Support Package for Higher Education Providers and Students](#)

DfE guidance document, [Actions for HE providers during the coronavirus outbreak](#).

Alongside the announcement the Student Loans Company **confirmed the process for the advanced payment** of tuition fee loans to providers:

Therefore, we are planning to make two fee payments in the first term of AY 2020/21. The first payment of 25% of the Tuition Fee Loan is being made as normal. A second payment of 25% is being made in advance of term 2. The third term payment of 50% remains unchanged.

This change applies to all UK higher education providers, in respect of English, Welsh and Northern Irish full-time and part-time undergraduate students.²⁷

Comments on the support package

The support package is discussed in the following articles:

Wonkhe, [The Government's Covid-19 support package for universities](#), 4 May 2020

[“Government refuses multi-billion pound bailout for universities”](#), *The Guardian*, 4 May 2020

[“Coronavirus: Online students face full tuition fees”](#), *BBC News*, 4 May 2020

Responses to the support package

Labour

Emma Hardy MP, Labour's Shadow Minister for Further Education and Universities, responding to the Government support package for universities and students, said:

“This disappointing package offers no long-term security to our universities, putting the anchors of our regional economies at risk. Using the Student Premium Funding on student hardship today could further reduce the opportunities for disadvantaged students tomorrow.

“The Government must urgently produce a plan to safeguard the future of our universities and ensure that across the UK everyone has

But the support package announced this morning for universities falls far short of what would be required to genuinely safeguard the sector and students and catalyse their contribution to future economic recovery.

[Debbie McVitty Wonkhe, 3 May 2020](#)

²⁷ Student Loans Company, [FAQ – Reprofile termly fee payments](#), 4 May 2020

the same opportunity to study at university regardless of where they live.”²⁸

Universities UK

Universities UK President, Professor Julia Buckingham CBE said:

“Universities across all four nations of the UK are doing all that they can to manage the impact of Covid-19 on their students, staff, teaching and research, while at the same time making significant contributions to their communities and the national effort to tackle the pandemic.

“The package of interventions outlined today indicates a welcome recognition from Government of the central role that universities will play in the recovery of the economy and communities and the urgent need to provide support for universities to weather the severe financial storm created by Covid-19. It is clear the Government has listened to the concerns raised and has drawn from the suggestions that the sector has made.

“Universities will want to examine and understand more fully the details of today’s announcement and then work with Government to ensure that detailed measures are developed to meet both the scale and diversity of pressures that universities are facing. This must include further support to protect the strength, capacity and quality of the research base and ensure the sector is positioned to support economic and social recovery through research and innovation.

“Further work will also be needed by the UK and devolved Governments to build on the package to ensure that the necessary support is in place for universities in the devolved nations.”²⁹

University and College Union

UCU general secretary Jo Grady said:

‘While it is encouraging that the Government appears to have recognised the need to provide support for universities, this package does not deliver the protection or stability that students, staff and the communities they serve so desperately need. The Office for Budget Responsibility says universities are most at risk of financial pain from the current crisis and they need more than IOUs to solve the problems they face.

‘The student number cap is a misnomer as it will enable the wealthiest universities to substantially grow their domestic student base at the expense of other more locally-focussed institutions. We cannot afford to let this dog-eat-dog approach risk substantial damage both to our country’s academic capacity and local economies which universities are such an important part of.

‘Instead of kicking the can down the road, the Government must underwrite funding lost from a fall in domestic and international student numbers and remove incentives for universities to compete against each other at a time when we need to be pulling together.’³⁰

²⁸ Labour, [Emma Hardy responds to the government support package for universities and students](#), 4 May 2020

²⁹ Universities UK, [UUK response to UK government announcement on support package for universities](#), 4 May 2020

³⁰ University and College Union, [Government support package for universities doesn't provide protection the sector needs](#), 4 May 2020

Responses have also been made by the [Russell Group](#), [MillionPlus](#), [Research England](#), the [Higher Education Policy Institute](#), and the [Sutton Trust](#).

2.2 Support package for research

On 27 June the Government announced a [support package for university research](#). This had two elements; **£280 million in additional funding for publicly supported projects** that are due to end in 2020/21 and a mixture of **grants and loans to cover the majority of lost income from international students** and therefore support non-publicly funded research.

around £280 million government funding will be made available to universities impacted by coronavirus. This will fund extensions to grants, allowing them to continue developing ambitious and innovative research projects, funded through UK Research & Innovation (UKRI) and the National Academies, including supporting researchers' salaries and other research costs like laboratory equipment and fieldwork.

from this autumn, UK universities will be able to access a series of government grants and long-term, low interest loans covering up to 80% of their income losses caused by an expected decline in international students, ensuring that their crucial research can continue

[Explanatory notes](#) published alongside the announcement gave more detail.

The grant extensions will be paid to organisations with UKRI grants that are expected to end in financial year 2020/21. Funding will be paid to organisations pro rata to the value of the original grants.

On the second element the notes say:

Secondly, from the Autumn, government will demonstrate its commitment to research by providing a package of support to research-active universities, consisting of low-interest loans with long pay-back periods, supplemented by a small amount of government grants. In sharing responsibility for the future of science and research with our world-leading university system the government will cover up to 80% of a university's income losses from international students for the academic year 20/21, up to the value of non-publicly funded research activity in that university.

We expect the level of support being provided to go a significant way to addressing reductions in research income. This second part of this package will be targeted towards sustaining research and innovation activity and capacity in universities across the UK so universities will need to demonstrate that funding is being spent on research activity and on sustaining high quality research capacity and capability including, a particular emphasis on STEM research and areas of research typically funded by charities and businesses. This funding will be available to bolster those universities who are taking their own steps to make efficiencies, in line with the rest of the economy, to protect their research bases.

At least **75% of the support will be in loans**. Non-publicly funded research is research funded by businesses and charities and from a university's own income. It will not cover losses from EU Research and Innovation programmes. Losses from any decline in international students will be calculated by comparing numbers in 2020/21 with 2018/19. The Government said:

18 Coronavirus: Financial impact on higher education

The international student metric when combined with the measure of 'non-publicly funded research' is a good proxy for overall Covid-19 losses to research revenue. In return for support, Government will be asking for universities to demonstrate how funds are being utilised to sustain research in areas typically funded by charities and business.

Alongside the package for research funding the Government also announced plans to develop a **restructuring regime for institutions at risk of closure**:

...the Department for Education (DfE) is continuing to work with the Department for Business, Energy and Industrial Strategy (BEIS), Her Majesty's Treasury (HMT) and other government departments to develop a process through which Higher Education providers at risk of closure will be able to apply to government to access a restructuring regime as a last resort. Government will review providers' circumstances and assess the need for restructuring where there is a case to do so. Where action is required, this will come with attached conditions. The government will work with the devolved administrations on this approach. More detail will be made available in due course.

...

The DfE Restructuring Regime will look to support teaching intensive institutions where there is a case to do so and where intervention is possible and appropriate. The Government recognises the important role that higher education providers make to regional and local economies through the provision of high-quality courses aligned with local, regional and national economic and societal requirements. This will be within scope of the decision making process for intervention. Further detail on the Restructuring Regime will be announced in due course.

Detail of the restructuring regime was published on 16 July in [Establishment of a Higher Education Restructuring Regime in Response to COVID-19](#). This is summarised in the briefing paper [Coronavirus: Easing lockdown restrictions in FE and HE in England](#)

Responses to the support package for research

Universities UK

Universities UK Chief Executive Alistair Jarvis said:

This is a timely and welcome acknowledgement from the UK Government of the importance of protecting and supporting research activities and talent as universities weather the financial storm created by the Covid-19 pandemic. University research and innovation will play a key role in driving economic and social recovery and benefitting communities and places across the UK.

We are committed to working with government on the fuller details of this package of loans and grants to ensure that they provide accessible support for university research and innovation across all four nations of the UK.³¹

University Alliance

³¹ Universities UK, [Universities UK response to government's support package for UK research jobs](#), 27 June 2020

Vanessa Wilson, University Alliance CEO said:

Today's announcement is a first step in protecting and enhancing the UK's research base and we look forward to working with the government to develop the details of the support package. It will be important that interventions support a wide range of research and development activities, and the role of innovation and knowledge exchange is not lost.

Alliance universities are already using their knowledge exchange maturity to support businesses to survive, innovate and grow through the post-pandemic recovery and it's vital that this package supports the levelling up agenda across the four nations.³²

A [blog](#) on the Wonkhe website looked at the support package for research and discussed possible ways that the Government could calculate lost international student income, how this support might vary across the sector and the difficulties in estimating how much support might be paid .

2.3 R&D Roadmap

On 1 July the Government published its [R&D Roadmap](#). Although not limited to universities or financial support it contained several measures which are aimed at supporting the sector including:

- Restating the commitment to increase UK spending on R&D to 2.4% by 2027
- Increase public funding for R&D to £22 billion per year by 2024/25
- £300 million brought forward to upgrade infrastructure through the World Class Labs scheme for research institutes and universities

At the same time the Government announced that from summer 2021 international students completing a PhD can stay in the UK for three years and work at any skill level as part of the new 'graduate route' within the immigration system. Other overseas graduates will be able to stay in the UK for two years under this change.

On 10 September 2020 [the Government announced](#) that the new student immigration route would open earlier than planned, from 5 October 2020. The graduate route is still planned for summer 2021.

2.4 Changes to A-level grading and removal of student number controls

On 13 August students in England received their A levels grades. As public examinations had been cancelled these grades were based on several factors including: centre assessed grades (CAGs), pupil rankings and a computer model or algorithm which took into account the past performance of individual schools. **40% of students were awarded grades lower than their CAGs.** The subsequent protests resulted in a Government U-turn on the method used to calculate grades and on 17 August it was

³² University Alliance, [University Alliance responds to UK Government research support package](#), 27 June 2020

announced that grades would be awarded based on CAGs.³³ The briefing paper [A level results in England and the impact on university admissions in 2020-21](#) gives much more detail.

The move to CAGs resulted in a jump in the number of higher grades and meant many more students became eligible for places at their first choice provider and on high tariff courses. At the same time as the U-turn on grades the Government also announced that the **temporary cap on student numbers in 2020/21 would be lifted** to give universities more flexibility over higher education places.

The cap was intended to stabilise admissions. Specifically, it was meant to ensure that more prestigious universities did not replace the (expected) loss in international students with home students at the expense of less prestigious institutions. Removing the cap increases the possibility of relatively large falls in home students at some universities. This could put some in financial difficulties as suggested by the IFS³⁴ at various points during the year. After the U-turn on the policy they said:³⁵

... there does remain a risk that some lower-ranked universities might lose a substantial share of their intake, which could be financially crippling – especially for those whose pre-COVID financial situation was already weak

Universities are [said to be lobbying the Government for a bailout](#) to help institutions that lose out financially because of the removal of the cap.

The president of Universities UK said in a blog on 25 August:³⁶

But [last] week's late policy change will also cause a ripple effect across higher education creating a huge problem for many universities in terms of their own position and finances.

These are very good universities with fine reputations and currently secure financial positions. They produce excellent graduates, but have slightly lower entry requirements. Usually they would expect to welcome large number of students through clearing but the late movement of students between institutions as a result of this policy change risks making their financial positions far less secure.

This is piling further pressure on in what was already a very difficult year in the shadow of Covid-19 and its likely impact on international student recruitment.

[...]

The two factors are now coming together in a perfect storm which could have a catastrophic impact on some very excellent universities.

[...]

³³ Ofqual, [Statement from Roger Taylor, Chair, Ofqual](#), 17 August 2020

³⁴ Institute for Fiscal Studies, [Drop in international students would imperil university finances](#), 12 April 2020, [Will universities need a bailout to survive the Covid-19 crisis?](#) 6 July 2020 and , [The government's A Level failure leaves universities in the lurch](#), 19 August 2020

³⁵ Institute for Fiscal Studies, ["The government's A Level failure leaves universities in the lurch"](#), 19 August 2020

³⁶ Universities UK, [The grades u-turn caused a ripple effect throughout education – it could be catastrophic for unis](#), 25 August 2020

... these universities are staring down the barrel of difficult decisions to reduce their important work. All because of a one-year admissions debacle which could have been avoided – but thankfully can still be addressed.

Government must intervene to protect the vital role of these institutions. Financial support will also be needed to ensure those losing students can maintain capacity for next year – particularly important as we see an uplift in the 18-19 year-old population and in light of increased deferrals.

Additional funding linked to removal of numbers cap

On 20 August the Government [announced](#) that it had agreed with the higher education sector that it would **honour all offers to students who achieved their required grades wherever possible**. If a course is at its maximum capacity, they would offer an alternative course or a deferred place. This agreement included dropping the cap on medicine, dentistry, veterinary science and undergraduate teacher training. Numbers on these courses are normally capped and they were not affected by the proposed sector-wide controls.

The Government has said it will provide **additional teaching grant funding** to cover the costs to universities of the increased number of places in medicine, nursing STEM subjects and “...and other high-cost subjects which are vital to the country’s social needs and economy”.³⁷ **An additional pot of up to £10 million has been provided for capital spending to support expansion in 2020/21**. Universities will be able to bid for this funding “...to support the infrastructure required to accommodate additional students recruited as a result of the changes to policy on A level grades”.³⁸

³⁷ [PQ 83878](#) [on Higher Education: Finance] 1 September 2020

³⁸ *ibid.*

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