

UK government funding announcements on higher education

Background

Many HE branches are currently negotiating with institutions facing a range of impacts as a result of Covid-19.

UCU's own research with London Economics has shown that the pandemic may impact UK institutions' finances as a whole by at least £2.5bn in 2020/21 arising from lower than expected student numbers. Our research only modelled changes to fee or teaching grant income so is very likely to be an underestimate of the overall impact.

Below is a summary of the two bailout packages so far announced by the UK government.

Bailout 1.0, announced on 4 May, amounted mostly to the bringing forward of tuition fee income to English institutions, some limited student number controls and a small advance of research funding.

However bailout 2.0, announced on 26 June, does contain some new money. In total it is likely to be worth more than £1.5bn in grants and low interest loans. The significance of this new money is that - should it be used effectively - it may enable the protection of thousands of at risk jobs.

UCU's view is that the combined impact of the two bailouts does not come close to addressing the deep seated problems created by CoVid. However given that there is now some additional funding branches are strongly encouraged to engage with their institutions with the aim of:

1. fully understanding any additional mitigating income streams that may arise from the two bailouts
2. persuading employers to pause or slow down any significant restructuring plans pending analysis of the financial benefits to the institution

Bailout 1.0 - in summary

The stated aim of Bailout 1.0, announced on 4 May, was to 'protect students and universities.' The full list of measures announced on 4 May was:

- student admissions – providers will be able to recruit full-time, domestic students up to 5% above their forecasts in the next academic year
- government will 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
- OfS will consult on a **new temporary registration condition** so it can intervene if providers take actions that are harmful to the sector and students
- enhanced clearing process – a new, personalised clearing system for students this summer including 'clearing plusc' which matches students to universities or other opportunities based on their achievements and course interests
- university research funding – the package brought 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
- research sustainability taskforce – DfE and BEIS ministers set up an advisory sector working group with the devolved administrations to consider how best to respond to the challenges universities face on research as a result of Covid-19, and so university research can continue to support the UK's economic recovery following the crisis
- government business support – the announcement 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 agreed to bring forward tuition fee payments of students in the 2020/21 academic year to providers, expected to be worth £2.6bn, to help cash flow
- 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.

Bailout 2.0

The second bailout was announced on 26 June. It is predominantly pitched as an attempt to secure research funding, including by making up a proportion of the income lost by HEIs due to the projected reduction in international students. This is justified on the grounds that income from the tuition fees of international students is used by institutions to subsidise research.

The package has three key parts.

First there is £280m government funding for grant extensions to be made available to universities and research organisations impacted by coronavirus.

This will be available immediately and can be used to 'provide additional resource and flexibility to sustain grants funded through UK Research & Innovation (UKRI) and the National Academies' affected by the coronavirus pandemic.

This funding includes supporting researchers' salaries and other research costs such as laboratory equipment and fieldwork.

The stated aim of the UKRI grant extension allocations is to provide UK organisations with resources to sustain UKRI grant-funded research and fellowships affected by the coronavirus pandemic. This can include 'support for research and technical staff and research infrastructures during the period of pandemic disruption and its immediate aftermath.'

Each institution will get a grant extension allocation. The government says that UKRI will be contacting universities and research organisations with details of this shortly.

Second, from the autumn 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. The total funding is formed of 25% grants and 75% low interest long term loans. The loans are expected to be over at least ten years and at a very low rate of interest.

Non-publicly funded research is defined by the government as 'made up of research in a university that is funded by businesses and charities as well as research activity funded by universities from their own income.'

This funding will be available on application and institutions 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.

As this implies the government sees one use of this funding as being to protect areas of medical research that have been developed in part with support of charities.

The support made available to individual institutions through this second part of this package is subject to a range of conditions.

The total value to the sector of this is not easy to determine given the strange way in which it is calculated. However London Economics estimate that it will cover 'about £1.36bn in UK-charity and UK-industry funding made up of £340m grants and £1bn loans. This is in addition to the £280m allocated by UKRI.

Third, the Department for Education (DfE) is working 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 says that it 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 says that it will work with the devolved administrations on this approach.

Key points about bailout 2.0

Not every institution will be able to access the grants and loans. Some universities may be restricted by current levels of borrowing or by agreements with existing lenders.

The overall balance between loans and grants will be at least 75:25 in favour of loans. This will be worked out by comparing historic data – eg 20/21 data with 2018/19 out-turn.

To be eligible to apply for the second part of this package (up to 80% of lost international student income etc), a provider in England must be an 'approved provider' registered with the Office for Students and already in receipt of UKRI/Research England funding. Note that according to the government equivalent providers in Scotland, Wales and Northern Ireland will also be eligible to apply.

Eligibility is different for the first part of the package (UKRI grant extension). Branches should note that in return for this support universities will be required to 'demonstrate that funds are being spent on research and on retaining research talent. Universities will be expected to show they are taking their own steps to make efficiencies, in line with the rest of the economy, to protect their research bases.' Support will be made available to eligible universities across the UK. The UK government says it is working with the devolved administrations to discuss how this is best delivered across the 4 nations.

Finally the government themselves accept that these two packages will do very little for so called 'teaching intensive' institutions. They state that this will be the function of the DfE's restructuring regime which is still being worked on.

They say that '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.'

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Contact mwaddup@ucu.org.uk with any queries.

Further reading

Bailout 1:

<https://www.gov.uk/government/news/government-support-package-for-universities-and-students>

Bailout 2:

<https://www.gov.uk/government/publications/support-for-university-research-and-innovation-during-coronavirus-covid-19/university-research-support-package-explanatory-notes>