



# GuildHE Representation to HM Treasury: Autumn Budget 2025

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**Summary:** GuildHE represents more than 70 universities, university colleges, and specialist higher education institutions (HEIs) that deliver technical and vocational education across the UK. Our members are deeply embedded in local economies and play a pivotal role in training the teachers, healthcare and construction professionals, agricultural experts, creative practitioners, and entrepreneurs that underpin national growth. GuildHE's members act as civic anchors, driving skills, innovation, and cultural vitality in every region.

## Executive summary

Collectively, the UK's higher-education sector contributes over £70 billion annually to GDP and delivers an estimated [£14 return for every £1 of public investment](#). Yet the system now faces structural fragility due to years of under-investment that threatens national skills pipelines, regional regeneration, and the widening of opportunity regardless of one's background that is key to the UK's global leadership and national excellence. To protect and preserve the economic and cultural strength of our higher education system, we must recognise the crucial value to it of maintaining different types, sizes and scale of institutions within it, and then work hard to retain that variety as key to ensuring its success.

In recognition of that value and to start that work, GuildHE calls for a targeted fiscal settlement that stabilises the higher education system, protects institutional diversity, and sustains regional growth.

## The case for intervention

The *Office for Students (OfS) Financial Sustainability Report (May 2025)* confirms that the English HE sector has entered its third consecutive year of financial decline. Forty-five per cent of providers are forecast to post deficits in 2024–25, with aggregate surpluses down 77% since 2022. Sector liquidity has fallen from 38% to 27% of total expenditure and is expected to decline further, while OfS modelling shows a potential £4.4 billion loss in income and up to 200 providers in deficit by 2027–28.

This fragility is compounded by an unsustainable dependency on international tuition fees; a dependency which has grown as a direct result of years of under-funding. But even this dependency is fragile; while the English higher education sector receives [£10.3 billion a year in international fees](#), the Government's own analysis projects an immediate drop of 14,000

international students, with a sustained decline of around half that figure over time. This is due to wider UK policy developments like increased visa charges, and the NHS surcharge driving up the overall cost of studying in the UK and acting as a disincentive. The White Paper's proposed 6% levy on international tuition fee income risks adding to that burden, especially as institutions may need to pass the new financial pressures onto students.

This financial fragility does not only affect individual institutions. It now poses systemic risks to local economies, especially in rural and coastal regions where universities anchor local economies. Falmouth University currently contributes £100 million GVA and 2,030 FTE jobs to Cornwall, equivalent to £2 million of local spending every week, and expects to double this by 2030. Provider failures would cause irreversible economic and social harm, undermining growth and opportunity in underserved areas..

Tuition fees have remained effectively frozen in cash terms since the last substantive uplift in 2012. Although the Government introduced a modest one-off increase last autumn, the benefit of this adjustment was largely negated in many cases by the simultaneous rise in employer National Insurance contributions, leaving providers with no real improvement in financial sustainability.

Had it kept pace with inflation, [it would be £15,000 in 2025 terms](#). The result is a structural imbalance: institutions are squeezed between capped income and spiralling costs, including pensions, regulation, and estates maintenance. For example, members of the Teachers' Pension Scheme now contribute 29%, up from 16.4% in 2019, with no mitigation funding – unlike FE colleges and independent schools. The sector's stability now depends on the re-establishment of a balanced domestic funding model that recognises inflationary pressures and institutional diversity.

## Protecting institutional diversity and specialist capacity

The diversity of the UK's HE system is one of its greatest strengths. GuildHE represents those institutions that are not large-scale, multi-faculty universities. Our members are smaller-scale, or specialist, or trailblazing innovative delivery models – sometimes all 3. GuildHE institutions are regionally distributed, providing essential training and research in areas such as the creative industries, agriculture, teaching, construction and healthcare.

Yet the current funding framework disproportionately favours large, multi-faculty universities. For example, smaller higher education providers in England pay significantly higher per-student regulatory fees to the OfS than their larger counterparts. [An institution with 20,000 students pays £11.14 per student for OfS registration, whereas an institution with 75 students \(like some conservatoires\) pays £382.50 per student for the same regulatory oversight](#). While the OfS registration system operates on a banded model, their bands are heavily weighted towards smaller institutions; fees rise steeply for providers below 5,000 students, with costs plateauing once an institution exceeds 20,000 students, even though there is no evidence to suggest risks decline with growing numbers of students. As a result of this approach to regulatory fees, smaller-scale and specialist institutions shoulder a far higher per-student fee burden and, therefore, face much greater risks of programme closures and market exit.

The evidence shows that specialist institutions contribute disproportionately to national growth and skills. *Knowledge Exchange Framework (KEF)* data demonstrates that vocationally-focused

and technical institutions perform twice as well as larger universities on local growth and regeneration metrics and far exceed them on SME engagement and start-up creation.

GuildHE's [own analysis](#) finds that "smaller-scale, specialist and non-traditional institutions [...] perform twice as well in local growth and regeneration (including skills-related and job creation activities) than more generalist universities". When performance is adjusted for institutional size, the Royal Academy of Dramatic Art (RADA) ranks first nationally for consultancy ROI, Harper Adams University sixth for contract research impact, and the Royal Agricultural University second for IP income – second only to the University of Oxford. These results prove that smaller-scale and specialist institutions punch above their weight in delivering economic impact and innovation.

Meanwhile, creative research and development drives industrial productivity. Arts University Bournemouth's PlastIC Centre links heritage manufacturing and sustainability, creating fully funded PhDs and regional green-tech jobs, while Falmouth's Immersive Business Project has [generated 87 new jobs and £12 million GVA](#). Such evidence proves that practice-led innovation is integral to the UK's growth missions.

GuildHE members are engines of local prosperity. University College Birmingham contributes £358 million annually to GDP; the University of Worcester has the highest sustained graduate employment rate in England; and Falmouth University's operations support one job in every 109 in Cornwall. In coastal and rural areas, these universities are often the principal source of graduate skills, cultural life, and business innovation.

This underlines that, although many large universities turnover significantly more and enroll tens of thousands of students, it is the smaller GuildHE institutions that deliver above-average community and economic impact locally. Investing in their resilience therefore delivers exponential regional returns aligned with Government missions on growth, productivity, and levelling up.

## Meeting skills and workforce needs

Economic recovery depends on the expansion and modernisation of our public sector workforce. The Health Foundation estimates that the NHS must increase its annual intake of clinical students by 50%, from 76,300 to 125,700 by 2031–32, to meet healthcare demand. Specialist providers such as Health Sciences University and Northern College of Acupuncture already operate community clinics with NHS partners, delivering local health services while training new clinicians. Similarly, GuildHE institutions deliver a substantial proportion of England's teacher training. Scaling these high-quality, cost-effective regional networks would allow the Government to meet NHS and teacher-training growth targets without major new infrastructure spending. Prioritising partnerships with regional health and social care specialist institutions will utilise their facilities and their skills training to meet the NHS 10-Year Health Plan's ambitions to deliver more community healthcare and reduce hospital admissions.

Creative HE institutions fuel the creative industries, which contribute £125 billion annually to the UK economy and employ 2.4 million people. These institutions are world-leading educational centres for creative disciplines and spearhead an exceptional global reputation for arts, humanities, performance and creative technology. Yet teaching costs for creative specialist higher education institutions average £23,000 per student per year, while fee and grant

income covers less than half. Institutions have had to invest in those students by covering the funding gap for years, but the rising cost pressures they face mean this is quickly becoming unviable. Protecting high-cost subject funding (C1.2) and introducing a new High-Impact Grant for regionally or nationally significant specialists would safeguard these disciplines and the skilled workforces they produce.

## **Widening participation and student support**

GuildHE institutions educate a disproportionate share of disadvantaged, disabled, and neurodivergent students, reporting that 24% of their students declare a disability compared to 15.7% across the sector. These institutions offer smaller, practice-based, and community-embedded learning environments that meet a wider range of student needs, hence their attractiveness to a variety of students.

However, the cost-of-living crisis is eroding participation and success. The *Blackbullion Student Money and Wellbeing Report* shows that students need an additional £548 per month to feel confident they will not have to withdraw, yet recent maintenance loan uplifts provide only £414 extra per year. The household income threshold for full loan eligibility remains £25,000, but would be £41,000 if indexed to inflation. To protect access and outcomes, GuildHE urges HM Treasury to increase maintenance loan levels, reintroduce maintenance grants for low-income students (disassociated from the international student levy), and provide multi-year funding for outreach programmes such as UniConnect.

## **Regional growth and innovation**

GuildHE institutions are anchor institutions in their regions, driving civic and cultural regeneration across rural, coastal, and “cold-spot” areas. In the latest KEF cycle, one-third achieved high engagement scores for graduate start-ups and continuing professional development. University College Birmingham contributes £358 million to the UK economy, while the University of Worcester has the highest sustained graduate employment rate in the country. Creative universities such as Falmouth University, Hereford College of Arts, and Arts University Bournemouth provide cultural infrastructure that supports tourism, wellbeing, and local identity, directly advancing Government missions on levelling up and regional growth. These examples show that investing in diverse, regionally-rooted HEIs delivers both economic and social dividends. However, knowledge exchange data collection and subsequent funding does not measure the regional or civic impact accurately; it only measures income to the institution. GuildHE urges the Government to recognise the impact of funding regional regeneration, civic society and local business growth as vital components to its economic growth missions. Spending should support regional economic growth through inclusive HEIF allocations and competitive grant funding supplied by DSIT and DfE to UKRI.

## **Regulation and systemic reform**

GuildHE supports proportionate, risk-based regulation but warns that current approaches impose disproportionate cost and complexity. In the short term, HMT can deliver immediate efficiencies through cost-neutral measures such as approving the re-profiling of Student Loans Company payments and allowing institutions to explore pension alternatives to the Teachers’ Pension Scheme. Longer term, we recommend investment in shared-service and federated

models that pool back-office functions, building on proven GuildHE frameworks that have already reduced member costs by up to 93%.

The evidence is clear: without intervention, the sector faces systemic contraction which will result in a reduction in opportunities and a weakening of economic performance at both regional and national levels. The OfS forecasts widespread deficits; the Education Select Committee warns of unsustainable cost pressures; and GuildHE's own data show that the most efficient, high-impact providers are those least protected by current mechanisms.

HM Treasury has a strategic opportunity to stabilise and strengthen the system by investing in diversity, regional capacity, and high-value skills. Protecting smaller-scale, specialist and innovative institutions beyond the traditional university model is not special pleading – it is economic prudence. These institutions generate high-skilled employment, drive regional regeneration, and underpin the Government's missions on growth, skills, and opportunity.

GuildHE urges the Treasury to treat the 2025 Autumn Budget not as a rescue package but as an investment in growth. Such an investment would secure a sustainable, diverse, and globally competitive sector that delivers exceptional returns in higher education and the economy and advances the Government's missions on skills, growth.

### **Our key recommendations are as follows:**

- Index domestic tuition fees to inflation to prevent further erosion of the unit of resource.
- Increase public investment in higher education teaching and infrastructure to reflect the regional and national value of the sector and the public benefits it delivers.
- Introduce a High-Impact Grant for regionally or nationally significant specialist institutions.
- Approve flexible pension options for institutions currently obligated to the Teachers' Pension Scheme (TPS).
- Re-establish maintenance grants for the widest range of subjects to improve access and retention, and to preserve genuine student choice.