Helen Hayes MP
Chair
Education Committee
House of Commons
London
SW1A 0AA

By email

20 March 2026

Dear Ms Hayes,

Higher Education and Funding: Threat of Insolvency and International Students

We are writing on behalf of the Universities and Colleges Employers Association (UCEA) and Universities UK (UUK). As two representative bodies for Higher Education Institutions (HEIs) we each submitted evidence to the Education Committee's inquiry into Higher Education (HE) and Funding.

We know that pressure on government finances makes it highly unlikely that additional public funding will be found to support the higher education system at this time. However, government could and should look for ways to alleviate cost pressures on the system. Universities UK is undertaking a significant programme of work on Transformation and Efficiency. HEIs must be responsible for managing their own finances, however there are actions which government can and should take to assist them in this. Changes to statutory obligations to participate in the Teachers' Pension Scheme (TPS) are our top priority in this regard.

As you prepare to finalise your report, we are writing to urge you to include an explicit recommendation to government to amend regulations to give HEIs which are currently obliged by law to offer TPS the flexibility to offer alternative schemes.

Background

UCEA first raised concerns with Government in 2018 about the financial pressures the TPS would cause HEIs. At the time post-92 HEIs and conservatoires were facing a 40% increase in their TPS costs as the scheme's employer contribution rate increased from 16.48% to 23.68% with effect from April 2019. Unlike schools and colleges, HE employers in the TPS did not receive any additional financial support towards increases in their TPS employer contributions. A position that remains in place today.

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In the intervening years many of our concerns have come to fruition with HEIs in TPS being forced into making difficult financial decisions to balance budgets, including course closures, reductions in teaching headcount and in the resources available for students.

A further 5 percentage point increase in the TPS employer contribution in 2024 has been a major contributing factor to wide-spread redundancies across affected HEIs. It has also led to several HEIs setting up subsidiary companies to recruit new academic staff where they can offer an alternative more affordable scheme to the TPS.

In January 2026 UCEA published a Position Paper entitled *Financial Stability in Higher Education: Enabling a Sustainable Approach to Pension Provision*. In the paper we highlight in more detail the financial impact mandated participation in the TPS is having on affected HEIs, the competitive disadvantage they experience and the how the steps institutions are taking to alleviate these financial strains is fragmenting the HE workforce and leading to industrial relations issues. Employers have been paying contributions of over 20% for more than 5 years which is unaffordable and not sustainable. The sector is no longer as resilient as it once was and is unable to continue to absorb these costs.

The future does not look any brighter. While the HE sector strongly welcomes the government's recent decision to increase home undergraduate tuition fees in line with inflation on an ongoing basis, and has also injected significant new funds into research, the impact of other decisions such as the introduction of an International Student Levy, the impact of policy changes on international recruitment and increased National Insurance contributions means that UUK estimates that government policy decisions will lead to an estimated £3.7 billion reduction in funding to HE providers in England from 2024-25 to 2029-30[1].

In addition to larger post-92 HEIs which have been significantly impacted by TPS increases, many institutions which operate on small margins do not have a broad cost base from which to make savings or to fund setting up subsidiary companies.

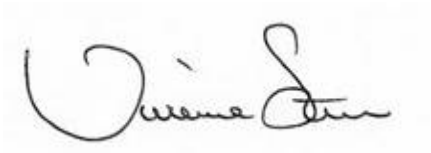
Both UCEA and UUK have been working with government departments, seeking flexibility for post-92s and conservatoires to offer alternative pension schemes to TPS as a way to alleviate financial strains and to reduce the likelihood of a HEI failing, which would have drastic consequences on HE staff, students and the local community. Continued, negative media coverage will adversely impact on the reputation of the sector, both nationally and internationally.

[1] https://www.universitiesuk.ac.uk/latest/insights-and-analysis/financial-impact-government-policy

UCEA and UUK call for the government to take action now that will enable employers to determine pension provision for their staff. Legacy arrangements where HEIs are obligated to offer TPS and LGPS are no longer appropriate and we believe a controlled reset is preferable to the current position. We have offered to investigate Collective DC as a potential sector solution should the government be willing to provide the required flexibility. A decision is needed soon.

Yours sincerely,





Raj Jethwa
Chief Executive, UCEA

Vivienne Stern
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cc – Rt Hon Baroness Smith, Minister for Skills