

Rt Hon Robert Halfon MP
Minister of State for Skills, Apprenticeships and Higher Education
Department for Education
Sanctuary Buildings
Great Smith Street
London SW1P 3BT

18 March 2024

Dear Mr Halfon

In response to your letter of 2 January, we wanted to write again to further highlight the concerns being raised by HE employers regarding the unfunded increases in employer contributions to the TPS that are due to apply from April 2024.

We welcome your acknowledgement that Higher Education Providers (HEPs) are autonomous bodies as this forms the basis for our request for greater flexibility in relation to their participation in the TPS. This flexibility would provide a vital tool to allow them to meet government expectations to “continue to adapt to uncertainties and financial risks to protect their longer-term sustainability”. The desire for this outcome is very much shared by our members.

The financial environment continues to grow ever more challenging for universities and it is good to hear that government appreciates this. What our members need now is practical assistance to be able to manage their own finances to ensure their businesses remain sustainable, to protect jobs and the services they provide to students.

In particular, we would highlight the impact of the rapid fall in international student recruitment. A recent survey undertaken by UUK shows a significant decline in international student enrolments, especially of postgraduate taught students – which were reported to be down by more than 40% in January 2024 following the immigration rules changes. PwC’s analysis in their [UK Higher Education Financial Sustainability Report](#) has shown that reduced growth of international students could result in up to 80% of UUK members being in deficit by 2025/26 (61pp increase), and this recent fall in recruitment is a significant step towards this scenario. For some universities this is being described as an existential crisis with institutions implementing course closures, severance exercises and even considering mergers between institutions in order to reduce costs.

UCEA recently consulted our employers during the initial part of our pay negotiation process. This provided comments from employers on the affordability of a pay award in 24/25 and the factors that are affecting this. The context they provided included that while 27% of post-92 HEPs had made redundancies in the 2022-23 academic year, 46% had made redundancies

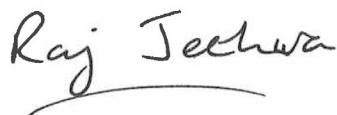
since August 2023 with several more announcing the need to cut staff costs this year. These exercises have, in a number of cases, led to local industrial action, negatively impacting staff and students alike.

If further income is not to be forthcoming from government, universities must have the ability to manage their total expenditure. Across the post-92 HEPs, staff costs represent on average 57% of all expenditure, with pension costs related to TPS and LGPS making up around 13% of their total staff cost (HESA data 21/22). This is before the contribution increases are applied in April. I would remind you that the entire pension cost is currently out of the control of each individual post-92 HEP. We know from the PwC analysis that just a 2pp increase in expenditure over forecasts would result in 63% of UUK members in deficit (44pp increase), and pension costs form a substantial part of this risk.

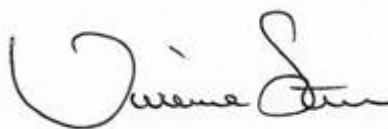
Alongside the request for a review of HE participation in TPS we would also wish to highlight the outstanding consultation from 2019 on HE participation in the LGPS. We will be writing to the new Minister on this point. Although the specifics of the schemes may differ, the principle remains that post-92 HEPs need greater control over the pension schemes they provide to their staff, now more than ever.

We would welcome the chance to discuss this important issue with you further.

Yours sincerely



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Chief Executive
UCEA



Vivienne Stern MBE
Chief Executive
Universities UK