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The Rt Hon John Healey MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
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Friday 16 October 2026

Dear Chancellor

ResearchPlus representation for the Autumn Budget 2026

In his speech to the Labour Party Conference last month, the Prime Minister spoke of the desire to build the UK as an “innovation nation” and he praised the “start-ups and scale-ups pouring out” of universities, echoing your own comments in your first major speech as Chancellor, describing how the UK’s “world-beating science and research” transforms into growth through the triple helix of partnerships with local authorities and businesses.

Research drives innovation and innovation drives growth. Universities are uniquely able to drive collaborative, place-based innovation to the benefit of their regions, and to develop the advanced skills needed to realise the opportunities of that innovation. In this way, the vision of an innovation nation goes hand in hand with the Prime Minister’s comments about the transformative opportunity of attending university.

In this month’s budget, there is an opportunity to support growth driven by innovation and opportunity, or – by doing nothing to support the higher education sector – to undermine it.

More than half our universities are forecasting deficits, many for multiple consecutive years, even while they have been making significant ongoing cost reductions, cutting tens of thousands of highly skilled jobs, and, in some cases, closing courses and departments. This includes many of our “world-beating” universities that produce the long-term foundational research that generates innovation and creates jobs for the country and local regions.

*ResearchPlus is a collaborative of research-led universities that share a common goal to advance the public value of higher education.
Co-chairs: Professor Andrew Jones, Vice Chancellor, Brunel University London;
Professor Sasha Roseneil, Vice Chancellor, University of Sussex*

This financial crisis affecting UK universities is not the result of structural inefficiencies, but rather the consequence of a real-terms decline in domestic student funding such that the per capita income has fallen to a level not seen since the Blair Government recognised the need for drastic action to avoid system-wide collapse. The Government's own analysis shows, even though universities have reduced costs and held down salaries over many years, the marginal delivery cost of degrees in England far outstrips the income, by as much as 30% on average and far more in high-cost subjects, many of which are critical to the Industrial Strategy.^[1]

We ask you to use the DfE's analysis of the cost of delivery as the benchmark for an increase in tuition fees and then to honour the Government's pledge to raise fee levels in line with rising costs by putting this commitment on a statutory footing. This would enable universities to plan effectively to maximise sustainable public value within a clear financial strategy, and to sustain their vital contribution to local and national labour markets more broadly.

We also urge you to reconsider the economic value of the International Students Levy. International students generate over £40 billion for the UK economy, with those benefits reaching every parliamentary constituency and helping to deliver growth in every postcode.^[2] More than that, international students are key to the educational ecosystem that makes our universities "world-beating". It is bad business for the UK to tax its own exports, especially when those exports bring enormous and unparalleled political and trade benefits through soft power. Reducing the UK's competitiveness in this market will either mean that UK taxpayers have to meet higher costs to maintain our high-quality, accessible higher education sector, or there will be a narrowing of opportunity and growth as the sector becomes ever less sustainable, and more jobs are lost, courses closed, and subject 'cold spots' open up around the country, with inevitable impacts for those less able to move to study at university.

International students have dropped very significantly in number in recent years and it is now vital that the government supports, rather than taxes, the UK's higher education export market. We ask that the Levy be dropped, while recognising that a key aim of this intervention is to fund the return of (limited) maintenance grants for the poorest UK students. We believe that there are other ways to achieve and expand on that admirable goal in an affordable way and would like to work with government to offer ideas and identify the best solutions for the short and long term.

The NEETs crisis is costing the UK £125 billion a year^[4] and, while much of that is the scarring effect to young people's futures and to the economy, money would be saved if even a modest proportion of the benefit spending on NEETs were redirected instead into a bold scheme to meet the maintenance and tuition costs of those who have the potential to benefit from higher education. The Milburn Review found that each additional level of education approximately halves an individual's risk of becoming NEET^[5] and ResearchPlus universities are already taking

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proactive steps to help tackle youth unemployment, ranging from early years interventions to generating high-skilled jobs through place-based research, innovation and enterprise.^[6]

Degree-level education remains the best bulwark against unemployment throughout life, raising the income, opportunity and enterprise of almost all who undertake it, especially in a changing world where learners need skills that can adapt quickly to shifting labour markets. Higher education is a proven system, with a proven ability to expand to support more young people and, while we recognise the value of apprenticeships, the solution to the current crisis cannot solely be to hope employers can be persuaded to create more.

More broadly, the current higher education funding system is fundamentally broken and unfit for purpose, for both institutions and students, and ‘tweaks’ such as the International Student Levy and changes to student loan repayment terms will not fix it. A new compact is required between the state, businesses that require a flexible and highly skilled workforce, learners who want the opportunity to fulfil their ambitions and potential, and the wider taxpaying public that benefits from higher education through public services, economic growth and social and cultural enrichment. We ask the Government to launch a review, in collaboration with all stakeholders, to redesign the funding of higher education to drive the best possible balance of the outcomes all stakeholders want to see.^[7]

Reform of the higher education system should rest on a foundation that encourages and expects collaboration between universities, rather than resting on a model of competition, and that supports and requires diversity of provision, high standards and excellent outcomes for students and the wider public. That compact should foster a vibrant environment for research and innovation, rewarding institutions with a track record of commercialisation and collaboration, including with SMEs, and protecting funding for fundamental discovery-based research. To this end, we support the government’s ongoing commitment to continue to raise research and development spending through to 2030 and urge that this be linked to a target of 3.5% of GDP to ensure it continues to rise proportionately as the economy grows.

ResearchPlus is a recently established collaborative of ten of the UK’s research-led universities. Together we are focused on the common purpose of advancing the public value of universities, as we deliver groundbreaking research and innovation, knowledge creation and advanced skills in the symbiotic relationship of research and higher education.

We are aware that other representations have been made to you in advance of the budget from the higher education sector – such as Universities UK and various mission groups. They align closely with many of our views and we commend their representations to you for careful consideration alongside our own. We are actively building collaborations across the tertiary

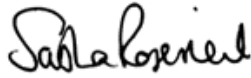
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education sector, and we look forward to working with you too to build an innovation nation with growth and opportunity in every postcode.

Yours sincerely,



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Director, ResearchPlus



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Professor Andrew Jones
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^[1] <https://www.gov.uk/government/publications/cost-of-undergraduate-provision-and-qualifications-in-england>

^[2] <https://www.hepi.ac.uk/reports/hepi-le-kaplan-the-benefits-and-costs-of-international-higher-education-students-to-the-uk-economy-2026/>

^[3] <https://www.hepi.ac.uk/wp-content/uploads/2024/04/How-should-undergraduate-degrees-be-funded-3.pdf>

^[4] <https://www.gov.uk/government/publications/young-people-and-work-interim-report>

^[5] <https://www.gov.uk/government/publications/young-people-and-work-interim-report>

^[6] <https://researchplus.ac.uk/policy-news-events/from-neets-to-peets/>

^[7] <https://www.hepi.ac.uk/reports/election-2024-three-vice-chancellors-manifestos>