

Liberal 
Democrats

UNIVERSITIES

Spokesperson's Paper



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1. FOREWORD

As Liberal Democrats, we believe in opportunity through every pathway. Britain's prosperity depends on excellence whether someone chooses university, an apprenticeship, further education, or learns on the job. Our 'Opportunity for All' skills policy passed by Conference in Autumn 2025 set out how we would transform technical routes; this paper is complementary, addressing universities and the essential role they play.

Universities are where breakthrough research happens, where advanced academic skills are developed, but also where communities find civic anchors sustaining regional economies. The 19th-century civic universities, championed by liberal reformers, broke the Anglican elite's monopoly on these opportunities, connecting practical education to industrial need, and opening doors previously closed to women, religious minorities, and the working class. That principle of widening access continued through subsequent expansions, spreading opportunity to communities and families previously excluded from higher education.

Yet British universities now stand at a genuine crossroads. After a bulge at the end of this decade, rapid demographic decline will see 17% fewer 18-year-olds by 2040. A funding model designed for a different era is buckling under political short-termism and fiscal pressure. Universities are cutting staff and courses at a huge scale. International competitors are aggressively courting the global talent we once attracted with ease.

It is in this context that we face a stark choice: continuing with managed decline – universities closing, courses cut, talent lost, regions left behind – or transformation into engines of lifelong learning, innovation hubs that commercialise research, and re-establishment as civic institutions embedded in their communities.

Liberal Democrats choose transformation.

This paper sets out how to achieve it through a comprehensive settlement that recognises universities as essential national infrastructure, not cost centres to be squeezed. It means honest reform of student and graduate finance, clear expectations that universities must embrace change rather than resist it, empowerment to lead the lifelong learning revolution our economy needs and backing for British research to translate discovery into commercial success that stays in the UK.

It is a partnership with obligations on both sides. It is the path to keeping Britain competitive in the global knowledge economy. It is essential to our future.

**Ian Sollom MP
Liberal Democrat Spokesperson for Universities and Skills**

2. INTRODUCTION

i. The history of higher education reform

With tuition fees growing from covering just under a quarter of university income in 2005/06 to making up more than half of it by 2019/2020 [[HoL](#), 2025], the focus of higher education reform in recent years has increasingly centred on the funding model itself – and perhaps most controversially on the student's own role within it.

Pre-1945, finance for university students largely depended on patchy local authority grants, competitive state scholarships, or a family's ability to pay their way through. Access to higher education was essentially 'free', but this did not mean it was 'fair'. Maintenance and tuition grants were then expanded and became means-tested from the 1960s, and in 1997 the Dearing Report recommended the introduction of loans for all students. The report argued that this would increase access to university for all young people, no matter their background, and it cited graduates' "improved employment prospects and pay" [[Dearing](#), 1997] as the justification for their having to contribute.

Fees have increased several times since then, and while student loans have followed suit, the grip any government may have had on a universally 'fair' system for financing higher education has gradually slipped. In fact, while the cost that students have shouldered has increased, the Intergenerational Foundation reports that between 1997 and 2019, the 'graduate premium' students once experienced declined by as much as 20% in some regions, with a country-wide decrease of 10% [[IF](#), 2024].

The Conservatives' scrapping of maintenance grants in full at the 2015 Summer Budget – which at the time supported more than half a million students from families with annual incomes of £25,000 or less – was the first in a series of decisions that have steadily degraded the student experience as it stood when major reforms were announced by the 2010 coalition government. The freezing of tuition fees in 2017 was framed as a win for students, but inflation has since massively eroded the true value of these fees, leaving many universities in financial dire straits.

The new Labour government has taken a less than cohesive approach to the problem, continually failing to strike the balance of a fair deal for both students and institutions. We Liberal Democrats have long campaigned for the reintroduction of maintenance grants, but introducing a levy on international students to fund these, only 1% of which will actually go towards the grants, strips universities of a significant revenue source. Elsewhere, Labour's unfreezing and raising of tuition fees in line with inflation could be seen as good news for universities, but alongside an extension of repayment terms announced two years prior, and their own decision to then freeze repayment thresholds, it's students who continue to get a raw deal.

In 2010/11, student loans made up £14 billion of the value of public support afforded to higher education providers [HoC, 2025]. At the same time, the value of research and teaching funding – the other two public streams of income for universities – had a value of around £10 billion and £8 billion respectively [HoC, 2025]. The exact allocation of teaching funding, which is laid out annually in a letter from the Secretary of State, has been the subject of many reforms as the strategic priorities of successive governments have evolved.

As the tuition fee cap has risen, and the number of students taking out these loans has too, the value of public support research and teaching at higher education providers has dropped to around £2 billion for teaching, and around £5 billion for research [HoC, 2025]. A cut of 13% in real terms public funding for higher education teaching is forecast for 2025/26.

Significant reform beyond funding came in the Further and Higher Education Act 1992, which granted university status to the UK's 35 polytechnics and expanded access to a wider and often more vocational range of higher education. In turn, this enabled more young people to benefit from the salary premium that came with holding a degree. Not all universities are born equal however, as these post-92 universities are still tied into paying pension contributions into the Teachers' Pension Scheme, the rates for which have more than doubled since 2018. Their pre-92 peers, on the other hand, have seen contributions into the Universities Superannuation Scheme fall in recent years [FI, 2025].

ii. Where are we now? Diagnosis of the problems facing universities

In 2024, the average debt among graduating students was £53,000, and the Government estimated that only around 56% of full-time undergraduates starting in that year would ever repay their loan in full [HoC, 2025]. For students, facing up to 40 years chipping away at debt that only seems to grow, and for the four in ten universities currently facing a financial deficit, the current system is a far cry from the one envisioned 30 years ago in the Dearing Report – a system where “the long term wellbeing of higher education should not be damaged by the needs of the short term.”

If universities are more reliant than ever on high tuition fees and rising participation for financial sustainability – a model that has buoyed the sector for more than two decades – then the sharp decline in the size of the young population expected after 2030 is of serious concern [HEPI, 2024]. At the same time, international student fees, typically more than twice the level of home fees, have become increasingly vital to higher education finances. Yet 2025 saw a record drop in international student numbers following the

tightening of visa rules and concern that an international student levy may hike these already eye-watering fees even further. Add this to a quiet erosion of the real terms value of direct government funding for teaching and research since 2014, these pressures leave UK universities in an increasingly precarious financial position.

Calls for reform are particularly loud from the 'squeezed middle' and lower income graduates. Data from the Institute for Fiscal Studies shows that graduates currently need to earn around £66,000 a year before their salary repayments start clearing even just the interest accrued on their loans [[IFS](#), 2025]. Alongside this, new CSJ data shows that over 700,000 university graduates are now out of work and claiming benefits [[CSJ](#), 2025], adding to concerns that higher education is no longer fit to address the demands of the economy, and indeed that the government is not seeing value for money on the loans it gives out to graduates.

Alongside the directly financial, higher education providers are battling a number of other issues: the Higher Education (Freedom of Speech) Act, though briefly halted by the new government, has meant that many institutions have had to change the way they approach freedom of speech, or face hefty fines from the Office for Students (OfS); a "cultural mismatch" [[UKRI](#), 2026] between universities and investors has prevented early-stage spin-outs from maximising their commercial potential; and inadequate attention has been paid to supporting universities to welcome mature learners onto their campuses.

The reality is stark: students no longer feel they are experiencing the "improved employment prospects and pay" [[Dearing](#), 1997] they were once promised, universities are beginning to buckle under the pressure of a broken system.

Furthermore, these challenges do not affect all students equally. Evidence shows that students from ethnic minority backgrounds, particularly Black students, face disproportionate financial hardship and are more likely to work excessive hours during term time to make ends meet. The awarding gap — the disparity in degree outcomes between white students and students from ethnic minority backgrounds — persists across the sector, reflecting deeper structural inequalities in access, experience, and support. Reform of the university system must address these inequalities.

3. A NEW FINANCIAL SETTLEMENT

i. Student Finances

The university experience has long been associated with living frugally, but the current climate has transformed what once was manageable budgeting into what HEPI calls a “cost of learning” crisis [HEPI, 2024]. While financial constraints have always been a feature of the student experience, the scale of the current hardship is unprecedented. Financial insecurity is not only threatening students’ ability to put food on the table, but also has serious impacts on their mental health, academic success, and social participation.

The roots of this crisis have developed over the last decade through specific policy choices. Following the 2012 reforms in England, which raised tuition fees but implemented an income-contingent loan system, funding initially appeared stable [UCL, 2024]. However, a failure in maintenance loan design, which aligns maintenance loans with inflation forecasts, has severely eroded the real value of support as no mechanism exists to correct incorrect forecasts. This was particularly exacerbated in recent years due to global inflationary pressures which were not able to be predicted. This means that in 2025-26, the poorest families are now entitled to borrow £1,284 less in real terms than they were eligible for in 2020-21 [IFS, 2025]. Furthermore, parental income thresholds for maximum support eligibility have been frozen in nominal terms since 2008, creating ‘fiscal drag’ where fewer students qualify for full support despite rising costs.

Today, the financial reality for students is precarious. Maintenance loans frequently fall short of covering living costs; in many cases, rent alone consumes almost the entire average maintenance loan [HEPI, 2024], leaving students with a monthly shortfall of approximately £500 [Save the Student, 2025]. More than 40 percent of students now survive on less than £100 per month after expenses [NUS, 2025], with the average student loan now contributing just £20.30 per day to a student’s living costs¹. This is less than half of the Minimum Income Standard of £57.88 per day for those studying outside of London, and less than a third of the £68.22 per day standard for those in the capital [HEPI, 2025].

To bridge this gap, a majority of undergraduates now undertake paid employment during term time, often working hours that negatively impact their studies. Despite evidence that suggests working more than 11 hours per week can have an impact on academic participation [University of Edinburgh, 2023], students are increasingly working beyond this in order to make ends meet, negatively impacting their academic outcomes. According to HEPI research, those from the most deprived groups work an average of 18 hours per week, the joint-highest of any deprivation quintile [HEPI, 2025]. This is extremely close to the 20 hours per week that HEPI claims has an impact on a student’s

¹ Liberal Democrat-commissioned House of Commons Library Research.

chance of achieving “good” academic honours. The strain is evident in daily essentials, with over 60 percent of students reporting they skip meals to save money, and a growing minority relying on food banks [[Save the Student](#), 2025]. Consequently, many students are forced to sacrifice the wider university experience, cutting back on societies and social activities that are vital for their personal and professional development.

While much of this sabotage was overseen by successive Conservative governments, Labour has so far failed to grasp the reality of the student funding crisis. According to Treasury documents, just 1 percent of Labour's £450 million raised through the international student levy will be reinvested into maintenance grants. This flagship announcement from the Budget will provide a meagre £1,000 per annum to disadvantaged students studying specific subjects. It does not even begin to touch the sides.

And while Liberal Democrats welcome the Government's agreement to rejoin the Erasmus+ programme from 2027, which will restore the opportunity for UK students to study, train and gain work placements across Europe as part of their degree, the failure to address pressing financial need will mean that students, particularly those from disadvantaged backgrounds, will be unable to seize these valuable opportunities.

The above represents a serious crisis that has transformed the student experience from one shaped by financial restraint into one defined by mere survival. Such a crisis requires swift action to ameliorate the hardships experienced by students, beginning with the immediate **reintroduction of fixed-sum maintenance grants** for the most disadvantaged students. In order to make a tangible difference, these grants must be far more generous than those offered by the current Labour Government. The initial ambition must be to ensure the entitlements are above £3,500, the rate at which Liberal Democrats fought tooth-and-nail to preserve in coalition, with a long term ambition to increase this to £5,000 for the most disadvantaged students. We would introduce these maintenance grants to cover 35 percent of students from the lowest household incomes, rising to 50 percent of students when public finances improve. Crucially, maintenance grants must supplement, not replace, maximum loan entitlements in order to close the gap between financial support and the cost of living. Students eligible for grants should also be given the option to reduce their level of borrowing if they wish to graduate with less debt.

Equally, rather than targeting support to those studying specific subjects, finances mustn't be a barrier to students of any discipline. Liberal Democrats recognise that a degree in the arts and humanities can be equally valuable and equally enriching as STEM qualifications. We would therefore ensure maintenance grants were available to all students regardless of subject.

We also believe the Government must urgently **uprate the parental income thresholds to access the most generous loans** from Student Finance England. The

nominal freezing of thresholds since 2008 has resulted in fewer students qualifying for the maximum amount of support. Taken together, we believe these proposals would reverse the steady decline in student financial support, prioritise the most disadvantaged students, and lay the groundwork for a student experience in which financial insecurity no longer limits participation, wellbeing, or academic success.

Any comprehensive reform of the student finance settlement must also consider the different financial realities of university life outside of London. Currently students are eligible for different rates of financial support based on whether they live in the capital, in regions outside the capital, and at home. This does not however take into account the diversity in the cost of living throughout the country, where in some regions expenses track more closely to London prices, and those living elsewhere in areas with cheaper housing and transportation costs. Therefore, as part of our commitment to review Universities and their finances, we would also include a review of whether the current student loan system accurately reflects the financial pressures of cities outside of London, and what flexibility could be applied to student loan payments to address this.

ii. Graduates and Outcomes

For too many graduates, opening their student loan statement reveals a dispiriting reality: despite making payments month after month, their balance is bigger than the amount they borrowed. High interest rates mean that for many, repayments don't even cover the interest accruing. Watching no progress despite consistent contributions feels profoundly unjust.

The current crisis stems from a combination of deliberate political choices and economic circumstances. In 2016, immediately after the Liberal Democrats left coalition, the Conservative government froze the repayment threshold at £21,000 when it was supposed to rise with earnings. A jump in the threshold to £27,295 in 2022 was followed by another freeze even as inflation eroded its value. These changes were a deliberate decision to extract more revenue from graduates without the political difficulty of raising taxes. After initially raising this threshold, Labour has now budgeted to continue with a freeze for the same reason.

But deliberate political choices tell only part of the story. High inflation combined with modest earnings growth has also caused particular damage. When inflation runs high while graduate earnings grow slowly, the gap widens quickly. Interest rates on student loans are linked to inflation, while graduate starting salaries have remained relatively flat in real terms. This combination has proven toxic: graduates pay more from frozen thresholds while their balances grow faster from inflation-linked interest, even as their real earnings barely rise.

The coalition government set the RPI inflation measure as the basis for calculating interest on loans. We must acknowledge this mistake. RPI is discredited as a measure of inflation and consistently runs higher than CPI. This has compounded the unfairness graduates face. There is a particular issue for graduates in the so-called 'squeezed middle'. The lowest earners pay little and eventually have debt written off after 30 years (Plan 2) or 40 years (Plan 5). The highest earners clear their debt relatively quickly. But those in the middle contribute for decades, paying a larger proportion of their lifetime earnings than higher earners, despite earning less. High earners clear their debt and stop paying; middle earners keep paying for decades without making meaningful progress on reducing the debt. The system now includes multiple loan plans – Plan 2 (2012-2023), Plan 5 (post-2023), plus postgraduate loans – each with different terms. High inflation was not foreseeable, but the system handled it badly, with no correction mechanism to protect those caught in impossible situations. The Conservatives found it far too easy to change terms retrospectively, breaking the implicit contract with those who made life decisions based on promised conditions. And now Labour have done the same.

Given these failures, the appeal of cancelling student debt is entirely understandable. But alternatives present real challenges. It is also worth noting that the value of student loans stands at £267 billion on the government balance sheet. For comparison, the entire annual budget of NHS England is £187 billion [[King's Fund](#), 2025].

Funding through general taxation would require either cuts to other services or tax rises on non-graduates, including those on lower incomes who never attended university. It's worth noting that most peer countries funding higher education primarily through general taxation have far fewer people attending university than the UK. As a party that believes in opportunity, restricting access is not an acceptable policy solution. A graduate tax presents different problems. Graduate taxes assume a traditional model: three years of full-time study aged 18-21, then a working life paying a fixed percentage. But higher education is changing. Flexible, modular pathways – taking qualifications across multiple institutions, at different life stages – require funding systems that can handle this complexity. A graduate tax applied to someone taking level 4 and 5 qualifications over 15 years would either be horrendously complicated or horrendously unfair and very probably both.

There's also a substantial transition challenge with a graduate tax. Retrospectively imposing graduate tax on all existing graduates would be untenable, but introducing a graduate tax only for new graduates leaves a black hole in the funding of universities during the years before enough graduates are paying sufficient graduate tax. Based on a stable number of university graduates, we believe there would be a £42-60 billion funding shortfall through any graduate tax transitional period, while the system would still have too few graduates to support the entire university sector for many years to come. Finally, a graduate tax may serve as an incentive for young people to move abroad after their studies to avoid repayments. While this problem does exist with student loans too, they are inherently transnational, with 61% payment compliance as of November 2025 [[Written Parliamentary Question](#), 2025].

We must, however, reckon with the reality that the student loan system does lead to individuals making difficult decisions about their future in the United Kingdom. The UK invests heavily in training doctors, teachers, and other essential professionals, only to see too many of them leave these vital roles soon after qualifying. Long hours, high stress, and comparatively lower pay already place pressure on these roles, but large student loan balances can be the tipping point that pushes people toward the private sector, different careers, or opportunities abroad. The average student debt for teachers and nurses is between £35,000 and £55,000, and for doctors it is much higher because of their longer study time [[Student Loan Calculator](#), 2025]. We must send a clear signal that society values the contribution of talented graduates who work in sectors crucial to the functioning of this country. **Liberal Democrats therefore believe that those entering certain essential professions after graduation should receive generous student loan-write offs after certain years of service.** A portion of this loan debt should be forgiven after 10 years of service in specific public-sector roles, with further debt forgiveness at 15 years. For a junior doctor or newly qualified teacher, knowing that their loan balance will shrink as they contribute to the public good can materially change career decisions and improve long-term retention. We would also explore whether this policy can be expanded to other professions, such as armed forces service personnel.

Principles of Reform

Despite the failures of implementation, income-contingent loans remain most consistent with liberal values when properly designed. Higher education is an investment in yourself. You borrow to gain skills and knowledge that may lead to better opportunities. An income-contingent loan respects this in ways alternatives cannot. You borrowed money to invest in yourself, and if that investment leads to substantially higher earnings, repayment occurs in proportion to the benefit you received, directly tying the obligation to the outcome. At the same time, you retain some individual agency over the process: you can plan your finances, and make extra payments if you choose. The obligation is also proportional to use, in that someone who studied for three years necessarily borrowed more than someone who studied for only one year, and their repayment reflects that difference. These benefits only hold, however, if the system incorporates proper income-based thresholds. Education is a risk rather than a guarantee, and if a degree does not lead to substantially higher earnings, whether because of circumstance, career change, caring responsibilities, or other factors, people should not face crushing repayments that effectively punish them for pursuing learning. The system should encourage people to undertake education and training, and measures that impose costs regardless of outcome actively discourage the very aspiration they should be designed to support. At the same time, if we recognise that education generates broad public benefits, those benefits should be publicly funded, with private contributions limited to the private financial gains that individuals receive. Properly designed income-contingent loans with

genuine income-based thresholds can respect individual agency, maintain time-limited obligations, and connect contribution to benefit. The problem is not the principle, but the poor execution.

Reform of the system remains difficult, however. The size of the loan book and government accounting rules mean that any changes alleviating burdens on graduates result in immediate costs to public finances. The structure creates inherent tension: in any income-contingent system, some pay very little, some pay substantially more than they borrowed, and many fall in between. Addressing unfairness to those squeezed in the middle while maintaining genuine progressivity requires careful design.

The single most important intervention is unfreezing the repayment threshold. **Liberal Democrats would immediately reverse Labour's three-year freeze and ensure the threshold rises with earnings, as graduates were promised when these loans were taken out.** This addresses the core injustice both Conservatives and Labour have inflicted. It restores the principle that graduates only contribute when earning sufficient income above a reasonable threshold. It immediately puts hundreds of pounds back into the pockets of the typical graduate, and it prevents future governments from quietly extracting more by allowing inflation to erode threshold values while doing nothing. Most importantly, these terms should not be changed by successive governments looking to balance the books on the backs of graduates. That's why, alongside meaningful reform, **Liberal Democrats would protect graduates from retrospective changes through independent oversight.** We would depoliticise key parameters in the system through independent oversight for thresholds, interest rates, and repayment terms in a similar way to the Low Pay Commission. This would protect individuals from retrospective changes by arbitrary state power – a core liberal principle.

The graduate repayment system has become a symbol of how governments treat younger people as convenient revenue sources. Liberal Democrats would change that through honest, principled reform, acknowledging the fiscal reality while refusing to accept graduates must simply endure ever-worsening terms.

Given the complexity of the system, the need for cross-party consensus on reforms that will outlast any single parliament, and the requirement for detailed Treasury modelling and OBR analysis, **Liberal Democrats would establish a cross-party Royal Commission on Graduate Finance Reform.** Like the approach we have championed for social care, the sustainability of the graduate contribution system demands solutions that command broad political support and can endure beyond election cycles. The Commission would be tasked with designing a reformed system based on principles set out below, with full access to Treasury data and fiscal modelling. Its scope would include Plan 5 as well as Plan 2 loan conditions, as well as the overall system moving forward.

At the core of the principles for reform must be genuine income contingency, so that repayments remain affordable and proportionate to income, alongside realistic

repayment horizons that allow graduates to understand what they are likely to pay and when their obligations will end. The system must also protect those who do not benefit financially from their degree, ensuring that people whose earnings do not rise substantially are not left carrying excessive burdens. Fairness across the income distribution is essential, with a genuinely progressive structure that does not simply extract the maximum possible contribution from middle earners. Graduates should retain individual agency, with clear, transparent information about repayments and likely outcomes, and the system should be protected from political tinkering so that terms are not changed retrospectively to meet short-term fiscal objectives. Finally, any reformed approach must be compatible with flexible and lifelong learning, working not only for traditional three-year degrees but also for modular study and learning undertaken later in life.

These principles could guide a range of specific reforms. Introducing a cap on total repayments would ensure that graduates who contribute consistently do not end up paying vastly more than they borrowed simply because interest has outpaced repayments, addressing a legitimate source of grievance. The Augar Review, for example, recommended a cap of 1.2 times the original loan value in real terms. Greater progressivity could also be achieved by moving away from a flat repayment rate, so that lower earners pay less while higher earners pay more, directly improving fairness across the income distribution. Reform should also include replacing RPI with CPI, since RPI systematically overstates inflation and has been abandoned for most official purposes, while CPI better reflects the inflation actually experienced by consumers. In addition, the system must be redesigned to accommodate lifelong learners, as the current model assumes people borrow between the ages of 18 and 21 and repay over several decades, an assumption that does not hold for someone borrowing later in life who may require different terms.

These examples are not firm commitments to specific parameters or outcomes. They illustrate how the principles could translate into policy, subject to proper modelling and fiscal analysis in government. What is being committed to are the principles themselves, and to pursuing reform that is consistently guided by them.

Finally, the psychological impact of the current system also deserves attention. Graduates receive statements showing ever-rising debt balances, even when making regular payments. This is profoundly dispiriting. **Liberal Democrats would reframe the system as a "graduate contribution system"** rather than "student loans." This reflects the reality more accurately – for most Plan 2 graduates in particular, it functions as a time-limited income-contingent contribution, not traditional debt that must be repaid. Communications would emphasise likely total contribution and timeframe rather than outstanding balance. Statements would work more like pension statements – showing projections of what you will likely pay over your working life rather than a running total that climbs despite payments. For graduates on track to clear their debt, they would still

be able to progress towards that goal. But the emphasis should be on the time-limited nature and eventual write-off, with clear projections of monthly costs rather than scary numbers bearing little relation to what they'll actually pay.

iii. Institutional Sustainability and Accountability

The financial instability currently gripping the English higher education sector must not be seen as a sudden event, but rather as a cumulative crisis resulting from a funding model that has remained largely static while costs and economic conditions have shifted dramatically. The university reforms of 2012, while controversial, did inject large amounts of cash into the sector by shifting the burden of funding from direct government grants to student loans. Taken together with changes to student finance, these reforms, described as “put[ting] universities in a strong financial position”, ensured that the sector was broadly insulated from key market failures, namely credit constraints, risk and uncertainty, and debt aversion [[Economics Observatory](#), 2024].

A central driver of this decline has been the failure to index-link tuition fees to inflation. The 2012 reforms were intended to foster a marketplace in which universities would compete at varying price points below the £9,000 per year threshold. When that didn't transpire, fees were then expected to increase yearly with RPIX [[IFS](#), 2025], however the fee cap has only been raised once, to £9,250, between 2012 and 2024. As a result of high inflation and fixed income, the real-terms value of the maximum fee has fallen by approximately 30 per cent since between 2012 and 2024 [[Economics Observatory](#), 2024]. By 2022/23, the initial surplus universities enjoyed for teaching each domestic undergraduate student had become a deficit of 9.9 percent, which by 2024/25 was estimated to be around £4,000 per home student in England [[OfS](#), 2024].

To compensate for the erosion of domestic tuition fee values, universities have aggressively expanded international recruitment, something which has developed into an almost addictive dependence for many institutions that, while lucrative, embeds financial volatility into university financial planning. By 2023-24, international student fees contributed £12.1 billion to the sector, effectively cross-subsidising substantial deficits of £1.7 billion in domestic teaching and £5.3 billion in research [[HoC Library](#), 2025]. To attract this market, institutions borrowed heavily to upgrade facilities and expanded postgraduate provision, where international students now outnumber domestic ones.

However, this reliance on a single, uncapped revenue stream has exposed the sector to significant geopolitical and policy risks. Recent government restrictions on student visas for dependants contributed to a sharp decline in applications, with non-UK entrant numbers for 2024-25 forecast to be 21 per cent lower than previously expected [[OfS](#), 2025]. The latest data shows a specific 7 per cent decrease in international postgraduate recruitment at research-intensive universities, driven partly by an 11.6 per cent drop in

visa issuances for students from China [[OfS](#), 2025]. There has been little effort by universities to diversify this pool of students, or explore alternative funding avenues. This precarious funding source, already damaged by the Labour Government's changes to visa rules, took a further hit with the announcement of the International Student Levy in the 2025 Autumn Budget. The levy, introduced as a flat, per-student fee, is expected to take around £450 million per year from the university sector to the Treasury, but also reduce numbers of international students by 77,000 over the next five years [[UUK](#), 2025], leading to an even higher direct impact on university finances. Contrary to Government assumption, universities are unlikely to pass this cost on to international students, with a Universities UK submission to the 2025 Autumn Budget noting the high price elasticity of tuition fees [[UUK](#), 2025], supported by similar analysis from HEPI [[HEPI](#), 2025]. Combined with the Government's National Insurance increases, the overall cost to the sector across the two years modelled is estimated to be £1.9 billion - this rises to £3.1 billion when factoring in reductions in funding for teaching and research grants and Level 7 apprenticeships [[UUK](#), 2025]. We have consistently opposed these raids on university finances, and have committed both to **reversing Labour's damaging national insurance hike** and **reviewing the international student levy**.

Despite its extensive raid on university finances, the Labour Government has recognised the need to increase university revenues in some quarters to stave off total sector collapse, with a plan set out in the Post-16 education and skills white paper to automatically increase tuition fees except in exceptional circumstances where the quality of provision falls below minimum standards. The problem that emerges however is that the system as proposed by Labour sanctions failure, rather than rewards quality. A university that fails by the Government's metrics could receive sanctions on recruitment and a lower cap on tuition fees, precipitating a spiral in which it struggles to keep ground with its competitors. Equally shortsighted are performance metrics which focus purely on the financial outcomes of graduates. While undoubtedly important to demonstrate value added from a degree, these metrics benefit universities who see students relocate to London and the South East upon graduation. This disincentivises university careers services from encouraging students to remain in the local area, particularly in medical fields and teaching, where recruitment shortages in deprived areas are typically higher.

We believe that any first step, before automatic increases in tuition fees, must focus on assessing how universities are spending the money they have. OECD statistics show that on average, UK universities are spending comparatively less than their counterparts on direct research and development funding, and less on academic staffing costs [[OECD](#), 2025]. As part of a comprehensive review of university finances, we must first ascertain whether this spending mix is delivering best for students, and, if not, work towards a rebalanced funding approach that delivers on both research and student outcomes. This should include assessment of whether spending patterns contribute to narrowing or widening inequality gaps—such as the persistent awarding gap between white students and students from ethnic minority backgrounds, or disparities in access to opportunities

for professional development and career progression among staff from underrepresented groups.

Thus the Liberal Democrats would demand demonstrable financial sustainability and transparent reporting on teaching investment and student outcomes in exchange for tuition fee increases. This must come alongside a recognition that current quality metrics poorly reflect institutional mission, regional economic context, and widening participation commitments. However, in helping the sector achieve financial sustainability, the government must have a role in providing policy and financial support to encourage the crucial structural reforms which will allow universities to thrive on a sustainable footing once again. The Government must therefore encourage the streamlining of non-academic support services by **reviewing VAT from shared services**. This would incentivise universities to slim down bloated backroom operations by sharing these core functions with other local universities. We also believe this transformative change would be nearly cost neutral to the Treasury, as so few universities currently choose to integrate backroom services given the additional VAT incurred in doing so.

To help universities achieve long-term financial sustainability through a revised tuition-fee framework, we would also explore how the sector could be supported further to undertake urgent capital investment and restructuring projects. In the 2025/26 fiscal year, the OfS allocated £88.5 million to universities for capital investment [[OfS, 2025](#)], lower than the £450 million across the three years between 2022-23 to 2024-25 which preceded it. Liberal Democrats would consider replacing this lost funding with **low-interest loans** for one-off injections into capital investment, and **expanding eligibility to broader restructuring projects**.

The OfS has also reported on issues of liquidity within the university sector. Currently, SLC payments are made to universities across the three academic terms in installments of 25:25:50 of the total fee payment [[Wonkhe, 2024](#)]. The current funding model means that in the first two cost intensive terms - due to higher teaching and ancillary service output - institutions are incurring significant costs that may not necessarily be covered by the proportion of fee income that they receive. This means that universities more reliant on tuition fees as a source of funding are forced to cross-subsidise the first two terms from other budgets before they can be balanced throughout the year. We believe **reprofiling these payments** so that they align more closely with financial need throughout the academic year is a proportionate measure to improve liquidity. This would require a one-time cost for the initial reprofiling, but ultimately be a cost-neutral change that could deliver tangible improvements to university finances.

Even with more generous support detailed in section 3i on Student Finances, for some students studying at home will be the best and more affordable option. Ensuring that these students receive an extensive education with broad subject choice is crucial, particularly in smaller towns and cities that are typically host to post-1992 universities.

The evidence is clear that students who study in these types of institutions are more likely to remain in the region they studied, ensuring that the investment in their skills benefits the regional economies these universities serve [[Million Plus](#), 2025]. Yet in recent years we have witnessed departmental closures, staff redundancies, and severe reductions in choice, particularly in smaller post-1992 institutions. These regional cold spots have reduced choice for students who choose to stay in, or are unable to move away from, their home regions. This choice must be preserved if universities are to act as drivers of regional economic growth, supporting local skills ecosystems by educating graduates with a wide range of talents who can meet local labour-market needs. We would therefore **develop a targeted fund to ensure breadth of subject provision across every region**, with a priority to support subjects with specific local demand according to regionally-developed skills strategies.

Finally, for regional, post-92 universities to thrive, action must be taken to dismantle embedded inequalities between them and older universities. Most pre-1992 universities participate in the Universities Superannuation Scheme, while post-1992 institutions typically rely on the Teachers' Pension Scheme. The TPS is an unfunded defined benefit scheme for post-92 universities whereas the Universities Superannuation Scheme for pre-1992 institutions is a hybrid scheme. TPS contributions have outpaced the USS since 2020, with 2025 reaching the highest historical level of contributions at 28.7% [[Financial Times](#), 2025]. This has led to post-92 institutions being legally required to pay roughly double the pension contributions of established universities, costing an extra £8,200 annually per typical salary [[HoC Library](#), 2025]. There is little justification for the university sector to have two separate schemes, particularly when the existence of dual schemes has created structural inequalities. We must therefore work towards the long-term ambition of **a unified pension scheme framework**, where all universities are expected to contribute on equitable terms, with risks and costs shared fairly across the sector rather than determined by institutional history.

4. LOCAL SKILLS ENGINES

i. Employer Skills Partnerships

The landscape of adult education faces a crisis of funding and participation, with apprenticeship participation rates falling by 49% since 2004 [[Social Market Foundation, 2020](#)]. This contraction comes at a critical time; the reality of an ageing population working for longer means the current education system, designed for a shorter working life, is no longer fit for purpose. As the global skills gap widens, lifelong learning must transition from a niche activity to a structural necessity, requiring energetic innovation in delivery and content.

The Labour Government has promised a joined-up post-16 skills system, but their announcements mask deep structural fractures. While we have welcomed the introduction of a more flexible Growth and Skills Levy, the Government's failure to link this to flagship Lifelong Learning Entitlement (LLE) risks these two complementary pipelines operating in total silo. Furthermore, their decision to cease funding for level 7 apprenticeships (degree-level apprenticeships) for those over the age of 22 will have significant consequences for the upskilling of the existing workforce, particularly in high-skill sectors such as engineering, digital, health and advanced manufacturing, where employers rely on degree-level apprenticeships to retrain experienced staff.

We think universities are a vital part of delivering a comprehensive and joined-up post-16 skills offering. So rather than accept the shortsightedness of Labour's framing of degree apprenticeships, we believe they should be expanded. As an initial step, we would look to **restore funding for level-7 apprenticeships for learners aged 22+ in critical sectors**. However this must be the first step to a genuine transformation in our future skills preparedness. Degree apprenticeships have proven highly effective in producing well-rounded graduates with the technical expertise and professional skills employers consistently say they need. Building on this success, we would seek **to double the number of degree apprenticeships in priority sectors**. To ensure opportunity is widely shared, **we would reserve 50% of new places for learners from disadvantaged backgrounds**. This should include specific attention to students from ethnic minority backgrounds, who are underrepresented in degree apprenticeships relative to their presence in higher education overall. Employers working with universities on degree apprenticeships should also be expected to demonstrate commitment to inclusive recruitment practices and to report transparently on the diversity of their apprentice cohorts. Employers themselves are clear that skills gaps are holding back growth. They are best placed to identify emerging workforce needs, and stand to benefit directly from a stronger, more responsive system. Universities, as anchor institutions at the heart of local and regional economies, are equally vital partners. Stronger, more structured collaboration between the two is therefore essential.

Where employers wish to play a more significant role in shaping provision, it is reasonable that they contribute accordingly. However, this is not a cost without return. In exchange, we would **empower employers to work alongside universities to embed employer-identified transferable skills more consistently across curricula.** This is not about turning degrees into narrow, firm-specific training programmes, but about scaling best-practice models, such as Kingston University's Future Skills approach, which integrate professional capabilities into academic study. Although multiple national, regional and local strategies aim to close skills gaps, too often they operate in parallel rather than in partnership. The result is a persistent disconnect between the skills developed in education and the needs of local economies. To address this, **we would introduce mandatory collaboration between universities, local authorities and contributing employers in the development of Local Skills Improvement Plans.** These plans should shape future workforce priorities and be aligned with a strengthened, more proactive National Careers Service that reflects genuine local labour market demand, driven by contributing employers who would gain multiple new seats at the table, at the nascent point of skill development.

In order for employers to fulfil their role working with universities, they will require support to navigate what can be bureaucratic and expensive processes. **Liberal Democrats would encourage the creation of apprenticeship cooperatives for small and medium-sized businesses** to pool resources and hire apprentices on a rotational basis. This would allow smaller, local employers to access the Growth and Skills Levy and provide those on degree apprenticeships with a broader, well-rounded education across different companies. Cooperatives would share training coordinators and facilities, develop sector-specific training programs aligned to national standards, and enable apprentice rotation between member businesses. Skills Cooperatives would be supported through enhanced tax relief under the Skills Tax Credit system, along with development grants for new cooperatives and local coordination support, as set out in the Liberal Democrats' 2025 [Opportunity for All](#) skills paper.

ii. FE and HE integration

Universities should not be seen purely as the domain of younger people or academics, but as institutions for potential learners from across all ages and backgrounds throughout their lives. With the changes in population, this is more important than ever. The birth rates in England and Wales have been consistently falling since 2010 - apart from a slight uplift during the pandemic - and the population is ageing. People are living longer and having fewer children. This will impact many areas of society from education, the workforce and costs for the economy and taxpayer. Department for Education statistics project that this trend will continue into the next decade, with 397,000 fewer children in schools by 2030 [DfE, 2025]. The 2024 HEPI report Student Demand to 2035

found that the main driver of demand for higher education is the young population, particularly 18-year-olds. The number of people in this age group is forecast to decline by 17 per cent between 2030 and 2040, and the report concluded that the decline is expected to cause “serious problems for much of the higher education sector” [HEPI, 2024]. While this trend is currently rippling through early years and schools, universities can see this coming down the track, and must plan accordingly. Universities must be prepared to adapt and innovate their curricula, services, and revenue streams to attract and ultimately serve a more diverse student population necessitated by this coming demographic challenge. That same HEPI report highlights the importance of participation rates on university sustainability, translating demographic shifts into student demand. Broader participation rates across society would, the report claims, mitigate the financial impact that demographic decline is expected to have on the sector.

The Labour Government did come forward with an announcement on Lifelong Learning, allowing students to borrow money in the same way they do for student loans for modular and vocational courses. While the intention is correct, the evidence suggests that people are less likely to borrow money for vocational or modular training. This is largely driven by increased risk-averse attitudes the older people get, with loans and high graduate debt seen as less attractive trade offs when people have fewer years of work to benefit from such retraining, or have family and home commitments. That is why our policy on Lifelong Skills Grants, £5,000-£10,000 worth of support for retraining throughout a person’s life, is so important. However universities have a massive part to play in delivering this type of modular education which supports lifelong learning and retraining. We would encourage universities **to diversify their module offerings**, through innovation of delivery and content, so mature learners or those from non-traditional backgrounds could access a quality modular education, delivered by universities. The Department for Education should also develop mechanisms which would enable learners to combine self-funding, including through a Lifelong Skills Grant, with employer funding throughout their learning journey through a “stackable funding mechanism”. This could also allow employers to fund specifically university or college modules within a broader academic pathway. We believe this is an important way for universities to diversify revenue streams, while remaining relevant in a world and a policy climate that increasingly favours vocational education over an academic one. Alongside this, we would task the Office for Students **to develop a robust regulatory framework to ensure high quality and mandatory accreditation of modules** in order to be eligible for lifelong learning funds, putting quality at the heart of this new offering.

We see the above changes as the first step in a broader restructuring of how the Further Education sector - the traditional providers of a more modular, vocational education, and the Higher Education sector, work together. Moving towards such a system does require big institutional change. Currently, a competitive environment between FE and HE, and regulatory challenges make it challenging. However it is accepted that stronger collaboration can improve progression pathways for learners, and encourage revenue to

flow throughout the sector [[Universities UK](#), 2025]. **Our vision would be underpinned by strong regulatory oversight to manage and promote collaboration between the FE and HE sectors, working towards a unified funding model and regulatory system, that allows colleges and universities to share facilities, co-deliver courses, and allows learners to seamlessly migrate from FE and HE providers according to their learning needs through flexible credit transfer models.** There are a number of transfer models already in operation across the world. The ONTransfer Programme in Ontario has created specific two-year transfer schemes at colleges (particularly in Arts and Business courses) that guarantee admission to a university for the final two years. The Ontario model has had demonstrable success in improving mobility for disadvantaged students—including students from ethnic minority backgrounds and first-generation university attenders—and interestingly, reduced their overall debt burden through recognition of credits at college level [[Arnold et al.](#), 2020].

Demographic change makes this shift unavoidable. Universities must move now from a system designed primarily around 18-year-olds to one built around lifelong participation and flexible progression. The next step is to align funding, regulation and credit transfer so that modular learning, stackable finance and seamless FE–HE collaboration become the norm rather than the exception. If we act decisively, universities will reposition themselves at the centre of a resilient, future-facing skills economy.

5. RESEARCH

i. Engine of the Knowledge Economy

The United Kingdom's higher education and research sector has long been recognised as a global powerhouse, home to four of the world's top ten universities and boasting a research publication rate per capita that exceeds both the United States and China [UKRI, 2026]. Liberal Democrats believe this massive comparative advantage must be leveraged as a primary engine for the UK's future economic prosperity. London Economics analysis for Universities UK estimates that the UK higher education sector's teaching, research, and innovation activities generate a staggering total economic impact of £157.6 billion annually, with research and knowledge exchange activities alone contributing £62.8 billion [London Economics, 2024]. While these headline figures are impressive and the UK has successfully built a mature ecosystem for creating companies, it faces persistent structural friction that threatens to stall its momentum. The Government must therefore encourage sectoral collaboration in the interest of generating national prosperity as part of an ambitious strategy that also addresses issues of capital fluidity, regional inequality, shifting policy priorities, and innovator flight, amongst other systematic barriers.

The UK's ability to spin commercially viable companies out of its university base is robust and, by many metrics, world-leading. As of 2025, over 2,300 unique spin-outs have been identified, with nearly 1,700 currently active, which UKRI characterises as the leading start-up ecosystem in Europe [UKRI, 2026]. A comparative analysis of the UK and US ecosystems reveals that the UK compares favourably with its transatlantic peer when normalised for the size of the research base, with spin-out production rates at leading UK universities similar to those of US research institutions [University of Cambridge, 2024]. UK university spin-outs account for a disproportionately high share of investment-backed start-ups in key industries, comprising 60% of the top 25 pharmaceutical and biotech start-ups, 44% of healthcare devices start-ups, and 28% of semiconductor start-ups [University of Cambridge, 2024]. This activity is not evenly distributed but is heavily concentrated in high-value, knowledge-intensive sectors that have strategic value in driving growth.

Despite the health of the spin-out pipeline, the UK ecosystem is severely constrained by a fragmented capital landscape. Innovators face not a single "valley of death" but two distinct financing gaps that threaten the viability of high-potential ventures. The first gap exists at the pre-incorporation and pre-seed stage. There is a chronic shortage of Proof of concept (PoC) funding and proof-of-market funding necessary to de-risk complex technologies before they can attract private capital. University Technology Transfer Offices report that many promising ideas are left stranded or are forced to spin out prematurely to chase grant funding [UKRI, 2026]. There is overwhelming evidence that the supply of PoC funding is not keeping pace with demand, most recently noted by the extremely high

interest in UKRI PoC fund that far exceeded its £9 million capacity (£40 million over 5 years). While this fund is an important first step, having been borne from the 2023 Tracey report on university spin-outs, the current level of funding compares poorly against other innovation economies such as Australia and Israel, the latter of which has a per-capita PoC funding budget more than four times as high as the UK's [IIA, 2024]. Liberal Democrats would therefore take immediate steps to **quintuple proof of concept funding to £40 million per year, with inflation-indexed funding settlements beyond parliamentary terms**, as a first step towards creating a unified and well resourced innovation funding pipeline. The second funding bottleneck seems to occur at the scale-up stage, where a lack of investment capacity forces relocation or early exit via acquisition by foreign entities [UKRI, 2026]. Ensuring these companies are able to grow in the United Kingdom is crucial to justify sequencing increased levels of investment into the innovation pipeline. The UK's vast institutional capital should be leveraged to make it a more attractive environment for spin-outs, and the Government must urgently explore ways to unlock this funding to meet the needs of ambitious innovators. **University Affiliated Funds, such as Northern Gritstone should be expanded as key vehicles through which institutional capital can be channelled into spin outs.**

More broadly, the UK's current GDP spend on research and development sits at 2.8% of GDP, slightly above the OECD average of 2.7% [Written Parliamentary Question, 2025]. Liberal Democrats were right to support a rise in R&D spending to 3.5%, which would put the United Kingdom as fourth-highest spender on R&D in the OECD. Universities must be prepared to play a key role in leveraging this funding to create tangible value, both through government-directed funding, but also through expanded partnerships with the private sector, who are equally important to driving towards this ambitious R&D target. Much focus has rightly been placed on spin-outs, but **the Government should also create incentives for the private sector to utilise spin ins**, where industry can utilise university research expertise to develop solutions to leverage back into the private sector. Normalising this type of collaboration will also be crucial in diversifying university income streams in light of demographic changes which will challenge the assumed business model of universities.

In the 2021-22 academic year, the total research-related income accrued by UK higher education providers stood at £9.70 billion [London Economics, 2024]. Recurrent grants from funding bodies accounted for the largest share at 27% (£2.66 billion), providing the stable baseline necessary for long-term planning. Project-specific funding from UK Research Councils contributed a further 25% (£2.39 billion), while UK charities, industry sources, and international funding provided 13%, 19%, and 16% respectively. Despite these substantial figures, the financial sustainability of the research base is under acute pressure. Research in UK universities is structurally loss-making. Despite grant funding allocated by UKRI supposedly covering up to 80% of the full economic cost of research, rates of recovery declined to 68.1% in 2022/23, resulting in universities subsidising research from other, increasingly overstretched income streams, mainly international

student fee income to the tune of a sector-wide deficit of £5 billion [[Royal Society](#), 2025]. Expecting universities to continue to subsidise to this level, especially in light of changes to funding streams given the expected reduction in international student numbers, is not sustainable. The Government must aim to make this **80% of full economic cost recovery a binding target, and ensure sufficient funding is provided to meet it.** And, while in some ways the diversity of funding sources may well prove a benefit to the UK's R&D landscape, this patchwork does result in weaknesses when it comes to long-term funding. Many grants are short term or require repeated application to receive sustained support, creating a degree of uncertainty for more extensive research beyond 5 or even 10 year terms. The Government cannot expect to marshal entire funding bodies purely towards longer term research, but it should move towards **multi-year funding settlements to meet the demand for extended research**, particularly through bodies to which it provides the bulk of funding such as UKRI. **These research budgets must not be set in cash terms but rise with inflation** so that research receives sufficient and sustained funding throughout the lifecycle of the project.

What is most important however is that research produced in British universities is of high-quality and is impactful. Ensuring that funding is distributed to those institutions that have a record of quality research, or the potential to develop one, must be a central principle of any Liberal Democrat research policy, balancing excellence with opportunity for growth across the sector. It was therefore disappointing to learn that the Labour Government adjusted the Research Excellence Framework formula to reduce the main quality metric for research, the Contributions to Knowledge and Understanding (CKU) from 60% to 55% of the funding formula, after previously trailing a potential drop to 50% [[Times Higher Education](#), 2025]. **Liberal Democrats would immediately restore the CKU to 60% of the REG, and establish a new, bespoke funding pot distributed solely on CKU scores, ensuring that universities producing the highest-quality research are directly rewarded.**

ii. Regional Innovation

Regional inequality remains a defining characteristic of the UK's innovation landscape, primarily driven by the dominance of the "Golden Triangle" (London, Oxford, and Cambridge). While spin-out formation broadly correlates with research income, equity investment is heavily skewed with the Greater South East attracted nearly 78% of all spin-out investment between 2015 and 2024 [[Parkwalk](#), 2025]. Consequently, spin-outs in this region typically raise significantly larger sums in initial funding rounds compared to those elsewhere, benefiting from a dense concentration of specialist investors and deeptech literacy.

However, the landscape is evolving. Scotland, particularly Edinburgh, performs strongly

relative to its size, securing £1.51 billion in equity since 2015, and the North West is emerging as a hub, supported by platform aggregators like Northern Gritstone [Parkwalk, 2025]. We believe university affiliated funds like Northern Gritstone are critical to creating cohesive innovation hubs across regions, and we would expand these engines of growth **ensuring that every region has its own university-affiliated investment companies**. This is particularly important as data suggests that smaller research-active universities outside the Greater South East are often more productive, generating more spin-outs per £100 million of research income than their counterparts within it [University of Cambridge, 2024].

Despite this, structural barriers persist. Specialist and vocational institutions, particularly in rural or coastal areas, face a double disadvantage of lower public infrastructure investment and funding formulas that favour large, income-generating research universities. We would therefore take specific measures to address the structural inequalities that smaller and newer universities face. As a first step, **we would create regional innovation centres in every region in the United Kingdom**. These would be shared research hubs where smaller universities could collaborate on research using state of the art facilities. We would aim to expand the scope of these regional innovation centres to employer-university collaborations as part of a push for all regions, and universities within the areas, to be embedded within a broader innovation ecosystem.

iii. Domestic and Global Talent

Access to global talent is a critical component of the UK's innovation success. International mobility is a structural necessity given that 39% of the UK's top 100 fastest-growing firms were founded or co-founded by individuals born outside the UK [UKRI, 2026]. However, the sector faces significant headwinds regarding Labour's immigration priorities, which threatens the UK's position not only as a destination for global innovators, but international students more generally.

A primary concern is cost. Analysis by the Royal Society indicates that total upfront immigration costs for researchers have risen by 58% since 2021, making UK visa costs up to 17 times higher than those in other leading science nations [Royal Society, 2025]. Furthermore, the UK is currently the only country in Western Europe that requires researchers from the EU, EEA, and Switzerland to apply for visas, placing it at a competitive disadvantage in attracting talent from its closest neighbours.

When students arrive, regulatory barriers pose further challenges. Current student visa rules prohibit self-employment and company formation, effectively banning international students from beginning initiatives while still enrolled. This restriction risks driving aspiring student founders to relocate to more permissive jurisdictions to build their companies. Liberal Democrats are therefore calling on the Government to **urgently change visa**

rules to allow PhD and MRes students to found startups during their studies, and to **expand the scope of the Innovator Founder Visa** to ensure no talented international student is prohibited from accessing longer-term innovator pathways. We would also ensure that PhD students studying relevant degrees receive mandatory training in commercialisation, as they receive for research skills currently. The Liberal Democrats would ensure that international talent who have their primary residence within the UK, and are able to demonstrate commitment to staying in the country, would be eligible for any expansion of proof of concept funding and seed funding schemes.

As liberals, we place strong emphasis on the capacity of individuals, and their ability to collaborate, to drive forward the outcomes of their research. Our vision would see universities as facilitators of an individual's innovation, rather than for the benefit of the organisation itself. We therefore welcome the sectoral trend of successively lower IP stakes in spin outs, with the amount of founding equity universities taking trending downwards since 2015. The Government should encourage this trajectory further by **introducing standardised frameworks for negotiating intellectual property across the sector**. However, this should be understood as only a first step. Under our long-term vision, **the default expectation will be that academics, or research teams, retain full ownership of the intellectual property arising from their work**. Such a change would necessitate reevaluating the role of technology transfer offices, the university bodies that drive the commercialisation of research. There are many TTOs that have a fantastic record of commercialisation, particularly those in the Golden Triangle such as Cambridge, Oxford, and Imperial College London. However, this success is not uniform across the sector, as evidenced by disparities in spin-out activity and investment. We do however also recognise that some academics are not necessarily able, or indeed willing, to commercialise their research alone. Under our vision for spin-outs, technology transfer offices would retain their role in supporting the commercialisation of research, but universities would no longer be entitled to claim a stake in the intellectual property produced. To pre-empt the behavioural change of universities in light of removing some of the commercial incentive to maintain TTOs, we propose that **TTOs should be partly-funded through government budgets**, reimagining their role as enablers of innovation rather than revenue-generating units. Existing TTOs with a demonstrable record of success would be able to continue serving individual universities, **while smaller institutions would be encouraged to collaborate on shared TTOs**. Alongside this, we would develop best-practice guidance to ensure that new and shared TTOs can learn from the most effective established models and improve commercialisation in regions outside the south-east.

6. CIVIC LEADERSHIP

Universities are civic anchors with responsibilities that extend beyond teaching and research. They sustain local economies, shape regional skills, and project British influence globally. But they must also collaborate with local authorities on housing, support student wellbeing, protect academic freedom from interference, and act as responsible community partners.

i. Pride in Place

Universities are major economic anchors, sustaining thousands of jobs in hospitality, retail, transport, and housing while driving innovation through research collaborations and graduate employment. For many towns and cities outside the South East, universities are the single largest employer and a vital source of economic resilience.

Students who study at post-92 universities are significantly more likely to remain in the area after graduation, directly benefiting regional economies [[Million Plus](#), 2025]. Universities also enrich civic and cultural life through public lectures, exhibitions, community partnerships, and by opening facilities to schools and local groups. They are not separate from their communities but integral to them.

Yet coordination between universities and local authorities remains inadequate. Between 2010 and 2020, international student numbers rose sharply while purpose-built student accommodation fell from 330,000 new beds annually to fewer than 9,000, placing acute pressure on private rental markets. Universities forecast student numbers years in advance but rarely share this systematically with local housing teams.

Liberal Democrats would place a duty on mayors, combined authorities, and local councils to collaborate with universities on long-term housing planning for incoming students. Universities should share enrollment forecasts, contribute to infrastructure discussions, and work with councils to ensure adequate affordable accommodation. Where universities expand significantly, they should contribute proportionately to mitigating pressure on local services.

Beyond housing, universities should work actively with local partners on skills development, cultural programming, and civic engagement. Town-gown relationships work best when universities see themselves as accountable to local needs and responsive to community concerns—not as separate institutions that happen to be located nearby.

ii. Student Experience and Campus Life

Students deserve safe, supportive campus environments with adequate mental health provision, quality teaching, and a commitment to equality. Current provision is uneven, with demand for mental health services surging while resources lag behind.

Mental Health and Wellbeing

Demand for mental health support has surged, but resources have not kept pace. Students face long waits for support, and there is confusion about what universities can and should provide.

Liberal Democrats believe universities have clear responsibilities to support student wellbeing, but they cannot and should not replace clinical mental health services. We would encourage universities to provide accessible counselling schemes offering rapid triage, trained frontline staff, and clear referral pathways into NHS services. For commuters and part-time learners, evening and online access is essential.

Universities should focus on reasonable steps—risk assessment, escalation procedures, and NHS referral—not open-ended clinical responsibility. Most importantly, these responsibilities must be adequately funded and shared explicitly with health services, not imposed on universities alone.

We support the Mental Health Charter as a framework for improvement, but it needs sustainable funding and aligned reporting expectations to drive genuine change rather than box-ticking compliance.

Teaching Quality and Academic Development

Teaching in higher education is often undervalued. Promotion structures prioritise research over pedagogy, and training for new academics is increasingly unfunded. Most post-92 universities require new staff to gain teaching qualifications within two years, but the HEA Fellowship process is burdensome and universities must now self-fund it [[UA Briefing](#), 2025].

Liberal Democrats would expand HE Fellowships and teacher training opportunities for academics, streamlining the HEA Fellowship process and ensuring promotion routes give genuine parity to teaching alongside research. Excellent teaching should be rewarded in practice, not just celebrated in principle.

Equality and Inclusion

Persistent inequalities remain across the student experience. The awarding gap between white students and students from ethnic minority backgrounds persists. Students from ethnic minority backgrounds are underrepresented in postgraduate study and among senior academic staff. Disabled students report barriers to support.

Frameworks such as the Race Equality Charter and Athena Swan provide structured approaches to addressing inequality, but they are only as effective as institutional commitment behind them. Liberal Democrats believe universities must take equality seriously as integral to their mission, not as box-ticking. This means transparent reporting on awarding gaps, proactive support for underrepresented groups, and accountability for progress. It means ensuring widening participation extends beyond admissions to success and thriving once students arrive.

Access and participation plans overseen by the Office for Students should be genuinely risk-based, focused on institutions needing improvement rather than imposing uniform bureaucracy on all.

iii. Free Speech and Democracy

Academic freedom and free inquiry are essential to universities' mission. Ideas must be tested and challenged without fear of censorship. These principles face pressure from multiple directions, but the most serious threat comes from hostile foreign states.

Foreign Interference and Academic Freedom

Hostile foreign states seek to censor research, suppress dissent, or exploit academic expertise. In February 2026, MI5 and the National Cyber Security Centre briefed university leaders on sophisticated methods used by hostile actors to shape research and teaching. The Government announced £3 million in protective measures, including the Academic Interference Reporting Route, enabling universities to report concerns directly to security services, with comprehensive guidance published for staff and students.

Liberal Democrats welcome these measures as an important first step but believe more is needed. The Academic Interference Reporting Route must be adequately resourced and responsive. Universities need actionable guidance on protecting themselves without undermining legitimate international collaboration. There is a balance to strike: the UK benefits from international partnerships, and security concerns must not create suspicion that chills beneficial exchange.

Liberal Democrats would strengthen the Academic Interference Reporting Route

by staffing it with experts who understand higher education nuances and develop sector-led guidance on managing foreign interference risks, ensuring smaller institutions without dedicated security teams can navigate these challenges.

Transnational repression—where foreign states intimidate or threaten critics abroad—affects students, academics, and researchers in the UK. Universities need support to protect individuals at risk and create environments where people feel safe to speak freely regardless of background.

Liberal Democrats believe universities must uphold free speech and academic freedom even when uncomfortable. This means resisting pressure from any source to suppress legitimate inquiry or debate.

Balancing Free Speech with Campus Safety

Universities must balance rigorous debate with ensuring campuses are safe and that all are treated with dignity. This includes robust action against harassment and discrimination.

Liberal Democrats believe free speech and campus safety are complementary, not contradictory. Universities should foster environments where people with profoundly different views can engage respectfully. This requires clear policies, consistent application of principles, and transparency in decision-making. Where universities restrict speech, they should explain their reasoning based on genuine risk assessment, not simply to avoid controversy.

iv. Soft Power and Global Influence

British universities are among the UK's greatest global assets. Four of the world's top ten universities are in the UK. British qualifications are globally recognised. Hundreds of thousands of international students study here and go on to become leaders worldwide. This is soft power in action—shaping global perceptions and advancing British values through education.

Yet soft power is fragile. Restrictive visa policies, rising costs, and mixed messages about whether international students are welcome have undermined the UK's offer.

International Education Strategy and Transnational Education

The International Education Strategy, published January 2026, targets £40 billion in education exports by 2030, up from £32 billion [[Gov.uk](#), 2026]. Unlike the 2019 strategy which focused on recruiting international students to the UK, the 2026 strategy emphasises **transnational education (TNE)**—delivering British education overseas through branch campuses, joint degrees, and online provision. Over 620,000 students are already enrolled in UK higher education programs abroad.

Liberal Democrats believe TNE must complement, not replace, recruiting international students to UK campuses. TNE allows universities to diversify revenue and reach students who cannot study in the UK. But it cannot replicate the full experience—cultural exchange, networking, and deep connections international students forge with British society. Both models are valuable.

The strategy emphasises "sustainable" recruitment—code for managing immigration pressures. While we understand political sensitivities, short-term migration concerns must not undermine long-term benefits. International students contribute billions economically, support jobs regionally, enrich campuses, and build lasting UK ties.

Liberal Democrats would ensure visa policies support high-quality international student recruitment. This means maintaining the Graduate Route (though we note Labour's reduction to 18 months), ensuring competitive visa costs, and sending consistent messages that international students are valued.

Liberal Democrats fought vigorously to rejoin Erasmus+ and succeeded - from 2027, UK students will once again be able to study, train and gain work placements across Europe as part of their degree [[Gov.uk](#)]. This is a significant victory that restores opportunities lost through Brexit and reconnects British students to European academic networks. However, we must ensure financial barriers don't prevent students from disadvantaged backgrounds from accessing these opportunities. The Government must provide adequate support so that Erasmus+ participation is genuinely accessible to all, not just those who can afford it.

UK-EU Qualification Recognition

Brexit ended automatic recognition of professional qualifications between the UK and EU. British graduates face bureaucratic hurdles working in EU states, while EU professionals face similar barriers in the UK. This undermines the portability of qualifications on both sides.

Liberal Democrats would pursue reciprocal recognition of UK and EU qualifications, starting with semi-automatic recognition and working toward full

automatic recognition in key sectors such as healthcare, engineering, and teaching. This would restore advantages graduates enjoyed pre-Brexit and make British qualifications more attractive to international students valuing multi-country mobility.

Strengthening the British Council

The British Council is the UK's principal vehicle for cultural diplomacy and international education outreach. It promotes British education, facilitates partnerships, and supports students and institutions globally. Yet it has faced significant funding cuts, undermining its effectiveness in key markets.

Liberal Democrats would properly fund the British Council as an essential delivery partner of British universities' soft power ambitions. The Council builds trust, opens doors, and maintains the UK's reputation. Cutting its budget is false economy that weakens British influence and makes it harder for universities to build needed partnerships. We would support the Council in expanding transnational education work, helping universities navigate regulatory requirements and ensuring UK-branded education maintains high standards.

Expanding International Research Collaboration

Britain's research base benefits enormously from international collaboration. Brexit disrupted long-standing relationships, particularly with EU partners, and the UK must rebuild trust. Maintaining Horizon Europe association was critical, but bureaucratic barriers remain.

Liberal Democrats believe international collaboration should be encouraged, not hindered. We would reduce administrative barriers, support joint funding initiatives, and protect rights of EU, EEA, and Swiss researchers working in the UK. The UK is now the only Western European country requiring researchers from these regions to apply for visas—placing us at competitive disadvantage [[Royal Society](#), 2025].

The UK must also capitalize on opportunities created by instability elsewhere. Political turbulence in the United States has prompted an exodus of academics seeking more stable environments and stronger protections for academic freedom. Britain should position itself as a destination of choice for displaced researchers and scholars, but only if visa policies, research funding, and institutional support make the UK genuinely competitive. We cannot expect to attract world-class talent while simultaneously making it harder and more expensive for researchers to work here.

Universities have responsibilities as global citizens—advancing knowledge, promoting

understanding, and addressing global challenges. Liberal Democrats believe universities should embrace this global citizenship as integral to their mission. We support universities prioritizing globally relevant research, building partnerships with institutions in the Global South, and ensuring higher education benefits are shared widely. Britain's universities are a force for good in the world and should be supported as such.

6. CONCLUSION

British universities stand at a crossroads. A funding model designed for a different era is buckling under political short-termism. Students struggle to afford basic living costs while graduates face being squeezed for decades through repayment terms that are too easily changed against them. Institutions teeter on the edge of financial crisis while the country loses international talent to more welcoming shores.

Yet the diagnosis of crisis should not obscure the opportunity.

Britain's universities remain world-leading assets with unmatched potential to drive economic growth, anchor communities, advance knowledge, and project British influence globally. They are not cost centres to be managed down but engines of prosperity to be unleashed.

The scale of the challenge demands transformation. Piecemeal fixes—a frozen threshold here, a small fee rise there—will not suffice. We need fundamental restructuring of how we fund students, sustain institutions, develop skills, commercialise research, and connect universities to the communities they serve.

That is why Liberal Democrats want a settlement that treats universities as what they are: essential national infrastructure for the knowledge economy. It means honest reform of graduate finance through a cross-party Royal Commission that can build consensus beyond electoral cycles. It means treating students as people investing in their futures, not revenue streams to be squeezed. It means empowering universities to collaborate with employers and colleges on the lifelong learning revolution the country desperately needs. And it means backing British research to translate world-class discovery into commercial success that stays in the UK.

It is a settlement that comes with clear expectations. Universities must embrace transformation, not simply demand protection from change. Public investment must be matched by institutional reform—focusing resources on excellent teaching, groundbreaking research, and civic leadership rather than bureaucracy or marketing. Universities that rise to this challenge will thrive; those that resist it will not.

The alternative is managed decline—universities closing, courses cut, talent lost, regions left behind. Liberal Democrats reject that future. We believe in a Britain where universities thrive as civic anchors, innovation hubs, and gateways to opportunity for all. That vision requires political courage to make difficult choices and sustained commitment that outlasts any single parliament.

This paper has set out that vision and the policies to achieve it. What follows is a summary of our key recommendations.

iv. Summary of Recommendations

Student Finances

- **Reintroduce maintenance grants** of at least £3,500 for the most disadvantaged students (35% initially, rising to 50%), with a long-term ambition of increasing them to £5,000, available to all students regardless of subject.
- **Urgently uprate parental income thresholds**, frozen since 2008, to increase eligibility for maximum support.
- **Review regional variation** in student loan entitlements to better reflect diverse living costs across the country.

Graduate Finance and Outcomes

- **Ensure the repayment threshold rises with earnings**, as graduates were promised when these loans were taken out.
- **Create a cross-party Royal Commission on Graduate Finance Reform** to design a sustainable system based on principles of genuine income contingency, realistic repayment horizons, and protection for those who don't benefit financially from their degree.
- **Establish independent oversight** of key loan parameters through a body similar to the Low Pay Commission, protecting graduates from retrospective changes.
- **Introduce student loan write-offs** for graduates entering essential public sector professions (teaching, healthcare) after 10 and 15 years of service.
- **Reframe the system** as a "graduate contribution system" rather than "student loans", with communications emphasizing likely total contribution and timeframe.

Institutional Sustainability

- **Reverse Labour's National Insurance hike** on universities and **review the international student levy**.
- **Reviewing VAT from shared services** to incentivise universities to streamline non-academic operations.
- **Explore low-interest loans** for capital investment and restructuring projects.

- **Reprofile SLC payments** to align with universities' financial needs throughout the academic year.
- **Create a targeted fund** to ensure breadth of subject provision across every region.
- **Work toward a unified pension scheme framework** for all universities, ending the structural disadvantage faced by post-92 institutions.
- **Demand demonstrable financial sustainability** and transparent reporting on teaching investment in exchange for tuition fee increases.
- **Make 80% recovery of full economic costs** a binding target for research funding.

Local Skills Engines

- **Restore funding for level-7 apprenticeships** for learners aged 22+ in critical sectors and **double the number of degree apprenticeships** in priority sectors, with 50% reserved for learners from disadvantaged backgrounds.
- **Empower employers** to work alongside universities to embed transferable skills across curricula.
- **Introduce mandatory collaboration** between universities, local authorities and employers in developing Local Skills Improvement Plans.
- **Encourage universities to diversify their module offerings** to enable mature learners and those from non-traditional backgrounds to access quality modular education.
- **Develop a stackable funding mechanism** enabling learners to combine self-funding (including Lifelong Skills Grants) with employer funding.
- **Task the Office for Students** to develop robust quality assurance and mandatory accreditation for modular learning.
- **Work toward a unified FE-HE funding model and regulatory system** that enables seamless credit transfer and co-delivery.

Research and Innovation

- **Quintuple proof-of-concept funding** to £40 million per year with inflation-indexed settlements beyond parliamentary terms.
- **Expand university affiliated funds** like Northern Gritstone to every region.
- **Create incentives for private sector spin-ins** to utilize university research expertise.
- **Move toward multi-year funding settlements** for research that rise with inflation.
- **Restore the Contributions to Knowledge and Understanding (CKU)** metric to 60% of REF funding and establish a new funding pot distributed solely on CKU scores.
- **Create regional innovation centres** in every region as shared research hubs for smaller universities.
- **Change visa rules** to allow PhD and MRes students to found startups during their studies.
- **Expand the Innovator Founder Visa** scope to ensure no talented international student is prohibited from longer-term innovator pathways.
- **Introduce standardised IP frameworks** with a long-term vision that academics retain full ownership of IP by default.

Civic Leadership

- **Place a duty on local authorities** to collaborate with universities on long-term student housing planning.
- **Expand HE Fellowships and teaching training** for academics, streamlining the HEA Fellowship process.
- **Ensure equality frameworks** (Race Equality Charter, Athena Swan) are backed by genuine institutional commitment, with transparent reporting on progress including awarding gaps.
- **Strengthen the Academic Interference Reporting Route** with expert staff and sector-led guidance on managing foreign interference.
- **Ensure visa policies support international student recruitment** while

maintaining the Graduate Route.

- **Pursue reciprocal UK-EU qualification recognition** starting with semi-automatic recognition in key sectors.
- **Properly fund the British Council** as an essential partner in British universities' soft power ambitions.