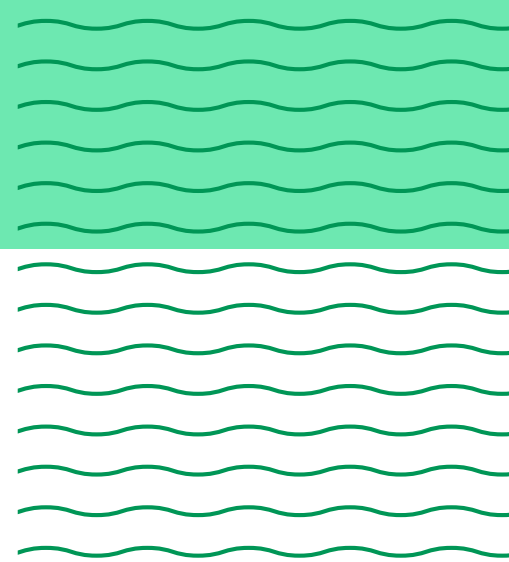
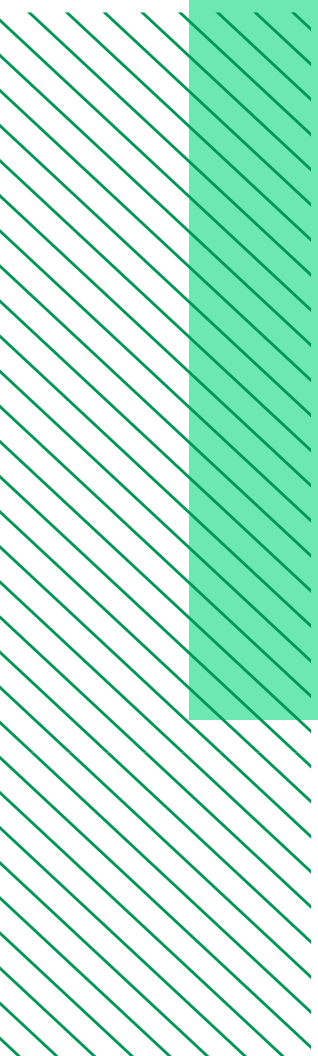


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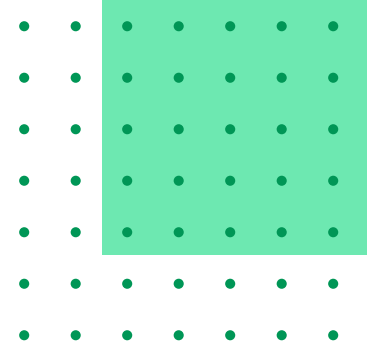


The higher education policy landscape

APRIL 2023



In association with 



Welcome to the latest edition of our regular briefing on the higher education policy landscape, brought you by Wonkhe and KPMG.

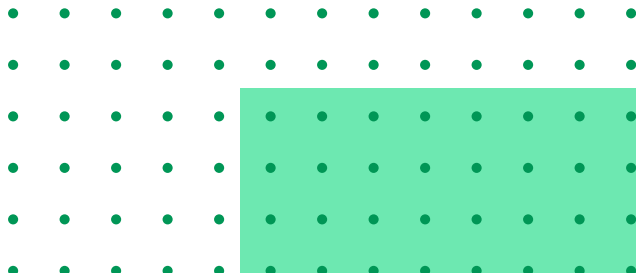
There has been confirmation of plans for the new student finance system in England in the shape of the Lifelong Loan Entitlement, and there's a new department in the Westminster government that leads on science, innovation, and technology, backed by a new Science and Technology Framework. The Office for Students has set out its plans for regulating access and participation, and is consulting on a new condition of registration on harassment and sexual misconduct. And challenges around cost of living continue to hit students hard.

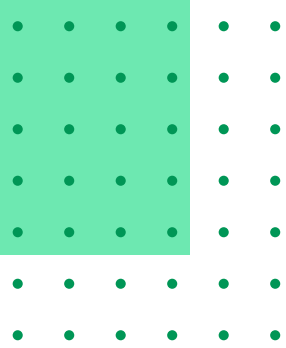
Here we digest the headline policies and their implications, with particular focus on boards of governors and university stakeholders who are not working full time in higher education. If you have any feedback or comments please let us know.

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Unless otherwise stated, all opinions remain those of the Wonkhe team and not KPMG.





Key issues and considerations for boards of governors

Justine Andrew, Partner, KPMG

There is a significant amount to digest currently for leadership teams and governors across the regulatory, research and broader financial sustainability landscape.

One of the issues for board members in particular will be prioritising responses to the issues below alongside what is already an undoubtedly busy board agenda. Some of this will be driven by what is a statutory duty; some by the specifics of the institutional focus and some by where the organisation is from a financial sustainability perspective.

Governors could be forgiven for finding this prioritisation of focus a challenge - especially given the interconnectedness of so many of the issues: those looking to diversify income might look to the Lifelong Loan Entitlement for a new source of student demand while also fulfilling a social purpose of extending access to a university education far more broadly.

However, while it is undoubtedly “a good thing” to extend student loans to a much wider pool and respond to changing world of work, demand is far from secure and the changes required to many aspects of the curriculum; student support model; workload planning; IT systems and timetabling (to mention a few) are significant.

R&D and innovation are also clearly high on the agenda, and while the Nurse review may ask for a “single strategic framework” that focuses on a longer horizon, in the meantime the interventions remain welcome but disjointed. There is no doubt that there remains a significant role for universities to play in this wider innovation and productivity space, not least in its link to the levelling up/regional agenda.

No doubt regional discussions are already underway on the potential Investment Zones, here collaboration (rather than competition) will be important. Of course, the sector is also creating its own funding mechanisms for spin outs and start-ups, with the recent announcement of Midland’s £250m Mind Forge fund, alongside Northern Gritstone and SetSquared (amongst other funds) with £millions of capital being raised for spin out investment.

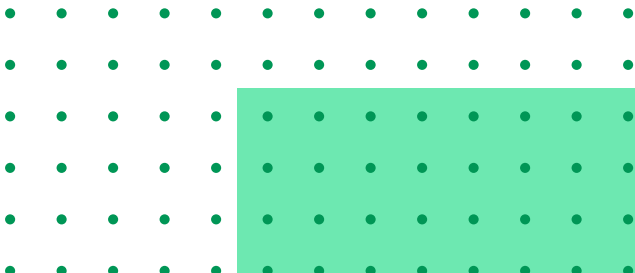
These are significant activities to put real-world impact at the heart of university R&D activity. There is a role here too for governors to ensure their Institutions are well-placed to maximise this opportunity in how they approach research translation and commerciality.

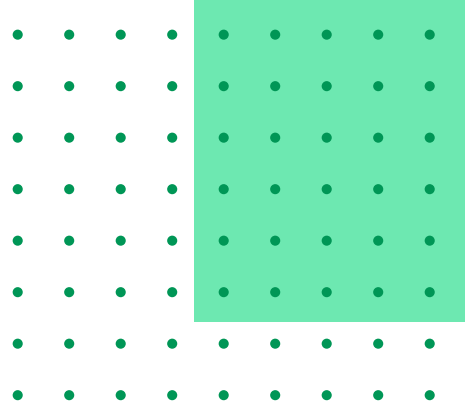
Against the consistent backdrop of overall financial sustainability and funding that remains front and centre there is, as always, much for governors who are not in the sector full-time to absorb and understand. We hope you find this briefing useful and please do share any feedback



For further information please contact justine.andrew@kpmg.co.uk

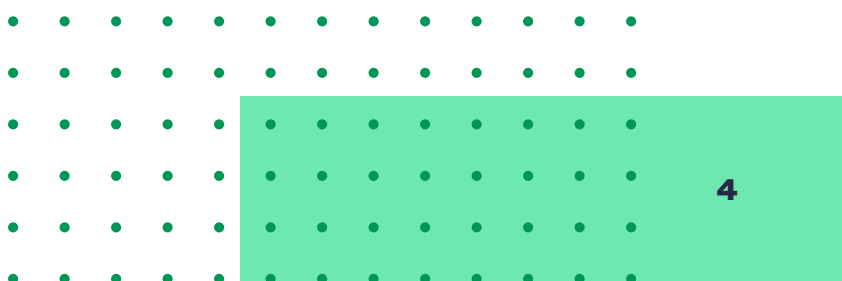
If you have not done so already please register for the [KPMG Board Leadership Centre](#) for timely updates on the sector and wider board issues.





Contents

Lifelong loan entitlement	5
Budget	6
Science and research	6
Regulatory activity in England	8
International student visas	9
Cost of living	10
Shawcross review of Prevent	10
Mental health provision in HE in Wales	10



Lifelong loan entitlement

Following its consultation on the Lifelong Loan Entitlement (LLE), which closed in May 2022, the Department for Education has now published its response setting out plans for student finance in England from 2025.

From 2025, the adult learning loan (currently available to post-18 learners in FE) and higher education student finance will be harmonised. Current courses that attract adult learning loans will be reviewed for their suitability to become higher technical qualifications. There will be a universal entitlement to loans for the equivalent of four years' full-time study at levels four to six (ie undergraduate), accessible up to the age of 60.

Returning learners - ie those who already hold an undergraduate qualification - will be able to access a residual entitlement, and current rules that restrict finance for equivalent and lower qualifications will be removed, allowing mature learners to upskill through taking modules at a lower level than their current highest qualification.

Loans will be available for students to take single modules at a 30 credit minimum - raising the possibility that adults could "stack" their credentials over time, and transfer between institutions. All modules financed in this way must be part of a designated full course - no "orphan" modules will be funded by the LLE. Additional funding will be made available for exceptional courses such as medicine that fall outside the four year full time model, and for priority subjects - ie subjects where there are skills needs or where the government would like to see additional growth; likely to be focused on STEM subjects.

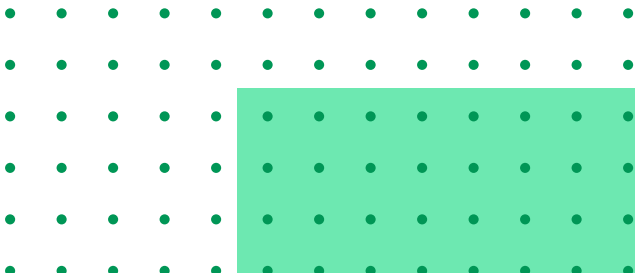
Universities, as autonomous institutions, will not be forced to modularise their courses, and those that plan to do so will be required to produce a standardised transcript for students that complete the modules setting out the module learning outcomes the students has notionally acquired. The Office for Students (OfS) will carry out scoping work to explore how its current outcomes-based approach to regulating quality might be applied to modular courses, recognising the risks of increasing regulatory burden in doing so.

The government has already passed legislation to allow the Secretary of State to set fee limits in relation to credits (rather than time), in the Skills and Post-16 Education Act 2022. A further bill, the Lifelong Learning (Higher Education Fee Limits) Bill has reached the committee stage of its passage through the Commons, and makes provision for maximum fee levels to apply to parts of a full degree course as well as the whole based on a standardised calculation. The specific fee limits, as well as loan repayment terms, have yet to be determined but the whole system will be managed by the Student Loans Company.

“Loans will be available for students to take single modules at a 30 credit minimum - raising the possibility that adults could ‘stack’ their credentials over time, and transfer between institutions.”

Universities will need to consider the extent to which their course portfolio could usefully be modularised, and what the demand for those shorter modules would be - possibly in dialogue with other regional providers and employers. Arrangements for induction and the level of access to wraparound student support for students on shorter courses or single modules will need to be worked through, and issues around the recognition of prior learning and valid course pathways within institutions mapped out.

The working assumption in government is that sector-wide arrangements for credit transfer between institutions will need to improve to facilitate accumulation of course credit over a longer period of time and potentially multiple institutions. This is not an area that government has the power to mandate because providers have autonomy over their own admissions decisions, and as a policy issue national credit transfer has historically proven a very tough nut to crack. Currently no specific plans on credit transfer have been announced, but it is likely to prove a vexed discussion point as the LLE develops.



Budget

There was little in the recent Budget directly for universities, but a number of headline measures announced will have an impact on the sector. The Chancellor announced the creation of 12 “investment zones” designed to foster “innovation clusters” in one of five thematic areas: digital technologies, life sciences, creative industries, green industries, and advanced manufacturing. Eight combined mayoral authorities in England will be the initial targets for discussion of creating investment zones, and there will be at least one further investment zone in Wales, Scotland, and Northern Ireland. Where they are established, they will be expected to ensure strong collaboration between universities, research institutions, and industry, with participating universities expected to increase the volume of innovative research and development (R&D) and adoption of innovations to benefit local areas. There is also an enhanced R&D tax credit targeted at small and medium enterprises where R&D is more than 40 per cent of their overall expenditure - this is likely to benefit some university spinouts.

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The removal of the lifetime allowance cap on pension contributions (and Labour’s pledge to reintroduce this if it wins the next election) is likely to affect executive teams and senior academics, who may make choices about pension contributions and retirement accordingly.

The plan to increase subsidised childcare from 2025 will affect early career academics and university staff on lower wages - while childcare costs may become less burdensome, there is also likely to be a shortage of places if the overall rate of subsidy is not increased.

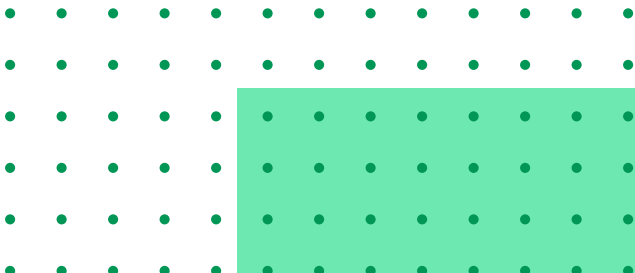
On wider issues of university financial sustainability, interest rates are projected to fall sharply this year, as are energy prices, though only from the summer, so the price cap is extended for three months.

Science and research

New Department of Science, Innovation and Technology

The government department in which university research was formerly housed, the Department for Business, Energy, and Industrial Strategy (BEIS) has been dismantled and a new Department for Science, Innovation, and Technology (DSIT) created, reflecting Prime Minister Rishi Sunak’s interest in technology and innovation. Former universities and skills minister Michelle Donelan has been appointed Secretary of State for the new department, following a brief spell as culture secretary. UK Research and Innovation (UKRI) falls under the aegis of the new department.

One of the early actions of the new department was to publish a refreshed Science and Technology Framework setting out actions to help achieve the goal of making the UK a “science superpower” by 2030. It identifies five “critical technologies” - artificial intelligence, engineering biology, future telecommunications, semiconductors, and quantum technologies - where the UK aims to keep pace with, and secure our global competitive advantage against, other nations. The framework reiterates the government’s commitment to increase funding for R&D, and signals that DSIT will publish a cross-government action plan which will include piloting new innovation accelerators to help UK city regions become more competitive in R&D.



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Horizon Europe

There has been a significant step forward for the UK’s association to Horizon Europe with the agreement of the **Windsor Protocol** between the UK and EU, setting out future arrangements for the passage of goods through Northern Ireland. Association to the major EU research programme had been contingent on securing a favourable outcome on the Northern Ireland Brexit issue. However, association to the Horizon programme may yet take some time to materialise, as there are some voices in government who remain to be convinced of the programme’s value - and that a UK-based alternative would not offer greater benefits.

Review of university spinouts

University of Oxford vice chancellor Irene Tracey and venture capitalist Andrew Williamson are to lead an independent review into how UK universities spin out companies and evaluate best practice in spin-out and licensing deals, including making international comparisons. The review will report to the Secretary of State in the summer.

Nurse review of the research, development, and innovation organisational landscape

The independent Nurse review assesses the current state of the research, development, and innovation (RDI) organisational landscape, and was published alongside the Science and Technology Framework. Nurse concludes that while the research the UK produces is undeniably impressive, it takes place against a backdrop of policy turmoil, patchy and sometimes counter-productive funding arrangements, excessive bureaucracy, and ongoing cultural divides between organisations that produce original research and those that translate or apply it.

The key recommendation to government is to adopt a single strategic framework for RDI that would reduce policy turbulence and generate confidence for longer term investment. Nurse suggests this should be based on comprehensive and regularly updated intelligence on the size and shape of the RDI landscape. Falling out of this framework would be funding priorities - Nurse suggests reviewing current quality-related (QR) research funding to consider whether it remains fit for purpose - and that research activity should be funded “end to end” to reduce research-intensive institutional reliance on cross-subsidy from international student fees. He also suggests the abolition of the Teaching Excellence and Knowledge Exchange Frameworks as part of a wider drive to reduce bureaucracy. The government will respond as part of the forthcoming cross-government action plan for R&D.

Public perceptions of R&D

The Campaign for Science and Engineering (CaSE) has published a major dataset on public attitudes to research and development, based on two years’ worth of polling and focus group data from Public First, and funded by the Wellcome Trust. Among a wide range of findings, the data suggests that the idea of the UK being a “science superpower” has low salience among the public, and there is stronger public support for increases in public funding to R&D when it is presented as an element of addressing wider social issues such as healthcare, education, climate change, or housing, rather than as a priority in its own right. CaSE concludes that *the more universities and other research organisations can engage directly with the tangible benefits of research to people’s lives, the more the public will support it.*

Regulatory activity in England

Regulation of access and participation

OfS has concluded its consultation on future plans for **access and participation**. The regulator has confirmed that from 2024 all higher education providers in England will be expected to produce new access and participation plans (APP) which assess which student groups are at disproportionate risk of not achieving good outcomes, paying due regard to the OfS sector-wide Equality of Opportunity Risk Register, and how the provider will mitigate these risks for those student groups over four years.

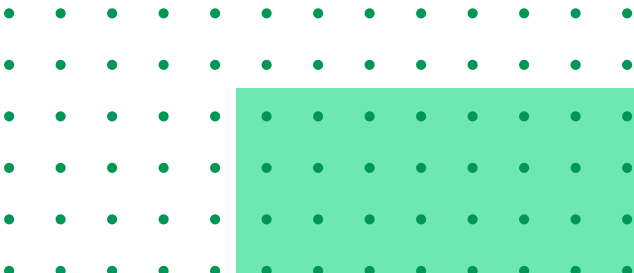
OfS has signalled that it expects to see much greater focus on evidence-informed design of interventions, and robust evaluation in access and participation plans. Providers will continue to set objectives and numerical targets, with milestones for tracking progress over the four-year lifespan of the APP. Providers will also be expected to articulate activity that relates to the achievement of OfS’ sector-wide priorities, particularly raising attainment in schools.

Regulation of harassment and sexual misconduct

OfS has begun a consultation on a new condition of registration that would require registered HE providers in England to take steps to tackle harassment and sexual misconduct. Providers would be expected to publish a document explaining their approach to addressing harassment and sexual misconduct, including management of reporting of alleged incidents, and training and support for students and staff.

Use of non-disclosure agreements in cases of sexual misconduct would be prohibited and providers would have to adequately resource their work on harassment and sexual misconduct and comply with the condition of registration in a manner consistent with the promotion of free speech. OfS is also consulting on how best to manage cases of staff-student relationships: whether to require providers to keep a register of relationships or to ban them altogether.

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Inquiry into the Office for Students

The House of Lords Industry and Regulators Committee has opened an inquiry into the work of OfS, scrutinising whether the regulator’s statutory duties are clear and appropriate, and how it has performed against them. It will also consider OfS’ relationship with government, higher education providers, and students, and whether its position and activity in relation to the financial sustainability of the HE sector are appropriate and sufficient. The committee has so far heard evidence from former universities minister Jo Johnson, former OfS chief executive Nicola Dandridge and former OfS chair Michael Barber, as well as a number of heads of institution. Written submissions closed before Easter and the inquiry is likely to report before the summer.

International student visas

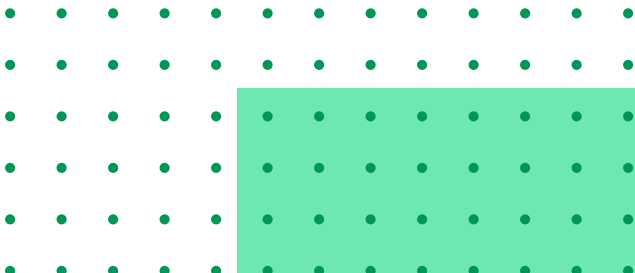
There is internal debate in government over international student visas as overall numbers and the numbers that bring dependants continues to climb. The latest figures, published in February, show an overall increase in international student visas issued of 81 per cent in 2022 compared to 2019, with 22 per cent of these issued to dependants in 2022, compared to six per cent in 2019.

Recent polling from Public First for Universities UK suggests that the public is relatively relaxed about immigration when it comes in the form of international students, much more so than about issues like small boats crossing the Channel - only a minority is actively concerned about international students and their dependants.

“Recent polling from Public First for Universities UK suggests that the public is relatively relaxed about immigration when it comes in the form of international students.”

Nevertheless, there have been media reports that the government is considering restricting international student dependant visas to those students studying “high-value” courses. Restricting dependant visas to families of PhD students has also been mooted, as has closing a loophole that currently allows international students to switch to work visas before completing their course.

It is reported that the Home Office would like to consider reducing the graduate route that enables international students to stay in the UK to work post-graduation. Visa changes are a clear risk for an HE sector increasingly dependent on cross-subsidy from international student fees, but the ongoing policy uncertainty is also a problem.



Cost of living

The maximum **student maintenance loan** in England is not to keep pace with inflation, as the Department for Education has confirmed an uplift of only 2.8 per cent for 2023-24. By contrast the Welsh government has confirmed that it will uprate its student maintenance package in line with the national living wage. The latest data from the Office of National Statistics cost of living tracker for students in England, released in February, found that two thirds of students in receipt of a student loan said it does not cover their living costs, and three in ten students had taken on new debt to meet the rising cost of living. 78 per cent were concerned that rising costs may affect how well they do in their studies.

The Sutton Trust has also published polling on student cost of living, which found that 63 per cent are spending less on food and essentials, and 47 per cent have reduced their social activity. And a survey undertaken by the students' unions of the Russell Group of universities found that 79 per cent of those surveyed agree their student experience has suffered due to cost of living, 72 per cent agree their mental health has suffered, and 54 per cent agree their academic performance has suffered.

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Shawcross review of Prevent

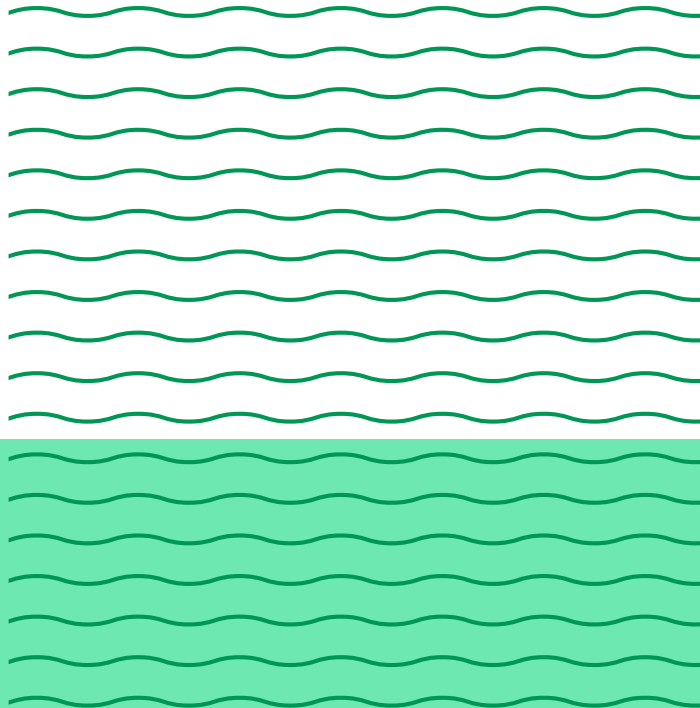
Former Charity Commission chair William Shawcross has published his independent review of Prevent, which raised concerns about the reported strength of anti-Prevent sentiment in universities and the robustness of OfS' annual monitoring of compliance with Prevent duties. The report recommends the development of measures to counteract the spread of “disinformation” about Prevent in universities. The response from the Home Office accepts the recommendation and undertakes to seek to “develop a more constructive relationship on the implementation of Prevent in higher education, including with student bodies.”

Mental health provision in HE in Wales

The Senedd committee for children, education, and young people has concluded its inquiry into mental health support in higher education with the recommendation that the Welsh government should work with education and health providers to establish a shared and consistent standard of mental health support for students. The committee's report highlights the diverse needs of different student groups - including international, and postgraduate students, and those on health and social care courses - the impact of the pandemic on students' preparedness for higher education, and the link between financial struggles and mental health.

The committee recommends that as part of the new Commission for Tertiary Education and Research's development of a condition of registration that relates to student mental health, there should be a common framework for mental health support across the higher education sector in Wales.

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