

WONKHE

The higher education policy landscape

JANUARY 2024

In association with



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

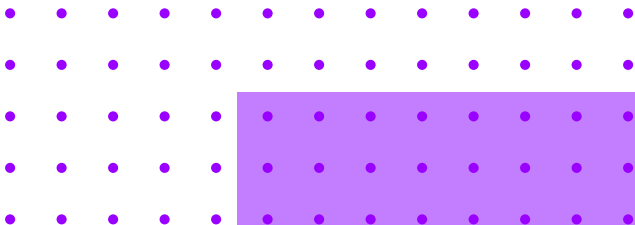
It's been a busy term for higher education policy, yet all this activity doesn't represent a meaningful change in the condition of universities. Higher education institutions are increasingly focused on financial sustainability, with indicators for both home and international recruitment a source of concern and new review of the Graduate route creating additional policy uncertainty. Research has entered the spotlight with the UK's association to Horizon Europe, and the Office for Students has taken on board some stiff criticism from the Industry and Regulators Committee of the House of Lords. 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.

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Key issues and considerations for boards of governors

Justine Andrew, Partner, KPMG

If there is one thing any business, organisation, or indeed university, requires for planning, budgeting and prioritisation, it is some level of certainty. In the absence of this certainty, from a macro to a micro level across the sector, governance becomes an exercise in balancing risks against a diminishing funding pot and strategic intent. This will require some very deliberate decision making and prioritisation.

While the focus on international recruitment and reduction in numbers is unwelcome for the sector, it was not wholly unexpected that student numbers would be down this year against what was an extraordinary year last year. It is an example of this fine tightrope boards need to walk between commerciality (where is the demand?), optimism bias (are our numbers realistic?) and core purpose (how does this align to strategy?). All while noting the interconnectivity of many of the decisions they are making – interconnected in the sense of institutional funding cross-subsidies, but also more broadly.

The section on research below is a perfect example of this connectivity. The headline involvement in Horizon is a rare good news policy story for the sector and opens up greater opportunity for research income. At the same time, the REF29 process is looking to strengthen measures for people, culture and environment – how good is an entity at working across its existing boundaries and to deliver outcomes for its people? The overarching policy directions also talks to an impact-led lens to research and a scale of working with industry and other partners that will need a different approach in both universities and businesses. Overall, this brings us back to size and shape, focus and operating model - the need for flexible, agile, efficient and collaborative ways of working will be true across all university operations.

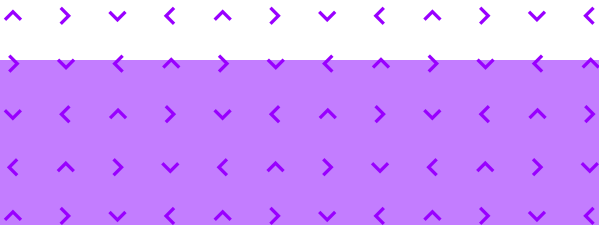
If we were starting again, we would not start from here... the current challenges will require a root and branch review of activity from the sector, and some brave decisions will need to be taken on activity, focus and priorities. This will inevitably require fundamentally doing things differently and tackling some of the thornier sector issues, such as genuine workload planning, estate utilisation, and implementing a more agile way of operating that can flex with changing needs and that makes the best use of systems. It may require different governance and skills and will certainly require leadership that is aligned and able to manage the raft of uncertainty.

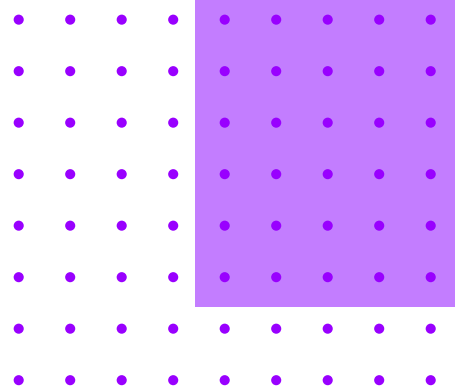
The higher education sector has shown itself to be incredibly resilient, but the next few months will bring significant further challenge. The role of boards will be to support their executive teams with the right amount of challenge and “realism-bias” while also recognising the need for focus and clear decisions on activity. To do that governors need to be across all aspects of the policy landscape. Although any policy change “silver bullet” is highly unlikely, the ability to see the connectivity and manage that uncertainty will be crucial. We hope these updates go some way to supporting that understanding.



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.

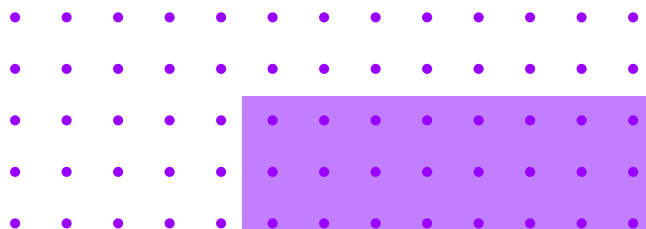
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Finances, funding and recruitment

Rising costs and inflation continue to exert pressure on university finances, with very little relief in sight. Senior staff at the Office for Students (OfS) issued an informal warning against “optimism bias” in financial projections in speeches to the sector during November, along with a plea for early engagement with the regulator if institutions are experiencing financial difficulties. While the aggregate outlook for the UK sector remains fair, early data indicates risks for both home and international recruitment this year.

UCAS end of cycle data for the 2023 admissions cycle confirms an overall drop of two per cent. UCAS data for the 15 October application deadline shows a further drop in undergraduate applications of two per cent compared to the same time last year, and Student Loans Company autumn data suggests that takeup of undergraduate and Masters loans in England

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is declining. The demographic trend of growth throughout the decade in 18-19 year olds continues, suggesting that the application numbers are moving unexpectedly against trend. UCAS insists that overall numbers remain healthy and that the fall represents a reversion to trend following accelerated demand for higher education during the Covid-19 pandemic.

There are also major concerns over international recruitment and the impact of the new restrictions on taught international students bringing dependants to the UK kicking in from January. These are likely

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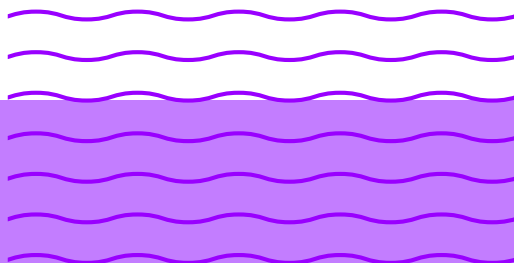
to affect recruitment markets in India and Nigeria in particular, increasing the likelihood that known financial risks manifest - boards would do well to scrutinise risk registers and financial assumptions very closely indeed.

Graduate route review

In Westminster Suella Braverman's departure as Home Secretary was marked by her vituperative letter to the Prime Minister accusing him of reneging on a deal they had struck to restrict migration to the UK, including scrapping the Graduate route, which enables international students to stay in the UK for two years after completion of study, and which was only relatively recently reinstated following intensive lobbying from the higher education sector.

New Home Secretary James Cleverly has been publicly positive about the value of international students to the UK, but has nevertheless announced a review of the Graduate route by the Migration Advisory Committee as part of a wider package of measures designed to bring down net migration, presumably under pressure from the right of the Conservative party. The review is focused on addressing potential for “abuse” of the Graduate route.

While from one angle a review creates space to avoid making immediate changes to policy - indeed, even if the review reports before the next election, it's feasible that its recommendations are not implemented by this government - it has two negative consequences.



The first is that it contributes to a wider perception of unfriendliness and policy uncertainty for the international recruitment market. The other is that a future government could find it politically difficult

“A future government could find it politically difficult to avoid implementing a recommendation to restrict access to the Graduate route.”

to avoid implementing a recommendation to restrict access to the Graduate route if it thought doing so would play badly with voters, even if it did not agree with the policy.

Lifelong Learning Entitlement

The Lifelong Learning Entitlement (LLE), will - at various points between 2025 and 2027 - become the new funding model for higher education in England. So far, it's very much been held by providers at arm's length, with the sense that it is something for the continuing education specialists to sort out.

Though the publicity has focused on the lifelong learner, and vocationally based retraining, polling from Public First for Phoenix Insights has suggested the key markets for such provision - at least initially - are likely to be the traditional undergraduates coming straight from A levels, and potentially the later-life leisure learner. Mature learners, especially those over 50, are less open to the idea of taking on debt to fund their studies than younger learners, and those with less prior educational experience are also less likely to express an interest in lifelong learning.

Universities may well wish to canvas the employers they work with as to their appetite to fund directly the kind of module-based approach the LLE makes provision for. It will also probably be important, if the re-skilling objective of the system is to be realised,

to link modular provision to specific employment opportunities and jobs rather than general skills development.

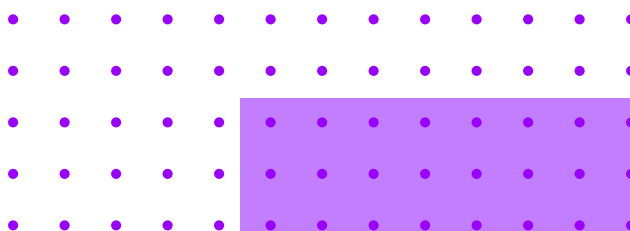
For the degree applicant, there will be four years of full time fee loans immediately available. As former higher education minister David Willetts has spotted, the likelihood is that many existing three year courses may benefit from the availability of an extra year of full time study.

Eligibility links to the amount of undergraduate university level study a person has already taken. If you've a three year undergraduate degree you have a year of funding left - no matter how much postgraduate study you have undertaken. If you studied as an undergraduate for four years - in Scotland, for example, or an undergraduate degree plus a PGCE - then you will have used all of the available entitlement.

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The other parameters of the LLE are better known: the Secretary of State will set fee levels for each academic credit with one credit equating to a notional ten hours of study. There will no longer be such a thing as accelerated learning or part-time learning - fees are paid each year based on the number of credits taken. As a provider you can offer courses at a minimum of 30 credits but these must meet both criteria of having been drawn from an existing qualification, and forming a discrete unit of learning in their own right.

Despite these, and other, curious holes in implementation plans the LLE appears to have the support of all major political parties. Though the delivery timetable is very likely to slip (as it already has for courses currently funded via Advanced Learner Loans) the smart bet is that it will all happen roughly as set out.



Research

In September, to the relief of the scientific community, the UK's association to Horizon Europe was confirmed. As the world's largest research framework, participation in Horizon Europe is a vital international link for UK research, and association means the UK can now access a proportion of the €95.5 billion scheme but association discussions had dragged on as the Westminster government sought to secure as favourable terms as possible. Under the terms of the final agreement the UK cannot receive more than eight per cent in funding above its contributions and there will be a correction mechanism if the funding returns to the UK fall below 84 per cent of investment (ie more than a 16 percentage point gap).

This was greeted with enthusiasm by Horizon advocate and then science minister George Freeman, who subsequently resigned from government in the autumn reshuffle that also saw the departure of Home Secretary Suella Braverman. Andrew Griffith, Freeman's successor in the role, seems to be primarily focused on pursuing pension scheme reforms that would give greater flexibility for R&D investment, venture capital funding, and attracting more foreign direct investment.

Research Excellence Framework

Research England, together with the devolved funding bodies, has published its response to its consultation on initial decisions on changes to the Research Excellence Framework (REF) - the most headline-grabbing of which is that the next REF will now take place in 2029 rather than 2028. The intention is to give the sector an additional year to work through the implications of the proposed changes, which include changes to how HESA data is used to calculate volume measures, and severing the link between unit submissions and individual researchers. Outputs authored by PhD students and those by staff on non-research contracts will not be eligible for submission.

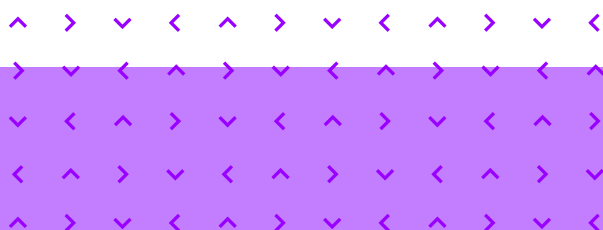
“The next REF will now take place in 2029 rather than 2028.”

Research England will launch a consultation on REF open access requirements in January 2024 and publish the results and further decisions on the shape of REF 2029 in the spring of 2024.

There was no update on proposed plans for the people, culture and environment action of the REF, which the funding bodies propose should carry greater weight (25 per cent) in the 2029 exercise. Research England has solicited separate additional commentary from the sector on these questions specifically, and intends to address them separately. The proposals have prompted debate in the sector over the most appropriate way to measure people, culture, and environment, as well as the appropriate weighting for this element, and Research England has undertaken to carry out detailed work to test options for reliable indicators for research culture, and further consider the appropriate

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weighting in light of the results of this work. Boards should assume that wherever the specific weighting of the people, culture, and environment section ends up in the next REF, that the expectation on universities to articulate excellence and inclusion in research culture is here to stay, and make plans accordingly.



“Woke ideology”

The four funding bodies are under particular pressure to get the development of measures around people, culture, and environment right given that, while there is a widespread commitment in the sector to enhancing research culture and working to address equality, diversity, and inclusion issues, some external commentators have framed the REF proposals as (in paraphrase) capture of the scientific endeavour by “woke” elements at the expense of high quality research.

The Secretary of State for Science, Innovation and Technology Michelle Donelan has not criticised the REF proposals directly but has at times made political capital of the idea that her department will be clamping down on “woke ideology”. In her speech to Conservative party conference in October she announced a review into the use of sex and gender questions in scientific research and statistics, tapping into public controversy over the status of trans people.

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In the wake of the Hamas attack on Israel and subsequent Israeli invasion of Palestinian territories, Donelan wrote to UK Research and Innovation (UKRI) chief executive Ottoline Leyser, drawing her attention to the social media comments of one of the academics who had been appointed to a Research England advisory committee on equality, diversity, and inclusion, and signalling concern that UKRI has been “going beyond the requirements of equality law in ways which add bureaucracy and burden to funding requirements.” UKRI responded by suspending the committee pending an investigation, adding that

UKRI has never mandated adoption of any charter or equality code. A number of academic organisations condemned the committee’s suspension.

As yet nothing concrete has been heard from the Secretary of State on this theme but as the funding bodies continue their work on research culture we should expect further missives to issue from Donelan’s desk.

Nurse review response

The government’s response to the Nurse review of the research and development landscape has been published. The document styles itself as a “series of short term actions” and a “first step” towards addressing the broader challenges laid out in the Nurse review. Back in March, the Nurse review had identified problems with policy uncertainty, patchy and sometimes counter-productive funding systems, excessive bureaucracy and cultural divides between the organisations that produce research and those that translate it.

Nurse recommended that the government should adopt a single framework for R&D which would incorporate national research infrastructure, and national research programmes and priorities which would shape strategic choices about where to target funding. Crucially, Nurse also recommended that project-based research be funded at full economic cost, that the government should put in effort to diversify the research landscape, and that all research organisations should be granted administrative independence from government.

The government’s response to Nurse sets out what it will do to make the research system more “diverse”, more “resilient”, and more “investable” which engages in part with Nurse’s recommendations. There will be measures to boost the profile and sustainability of public sector research organisations, funding for innovation zones, and plans to increase philanthropic investment in UK research. The government will create a new metascience institute, focused on the science of effective scientific research.

The response considers the arguments on the financial sustainability of research, but argues that cross-subsidy of research from other income sources

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is a feature of the system rather than a weakness, and that increases to project funding to meet full economic costs would require reductions elsewhere. There is also the promise of more to come in the months ahead – including a national plan for R&D infrastructure, an interactive map of UK research excellence and innovation clusters, and a “sector-wide discussion” on how research organisations are funded and their financial sustainability - as well as the government response to the Tickell review of research bureaucracy (originally published in 2022).

Innovation

Conservative party conference saw Secretary of State for Science, Innovation and Technology Michelle Donelan announce a new £60m Regional Innovation Fund. The fund uses the Higher Education Innovation Funding (HEIF) formula with a regional research multiplier to distribute funding for regional research projects.

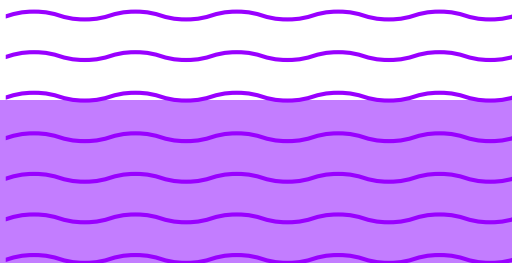
The government has also published an independent review of university spin-outs, jointly chaired by University of Oxford vice chancellor Irene Tracey, and Andrew Williams, chair of the venture capital committee at the British Private Equity and Venture Capital Association. The review focused on recommendations that will grow the maturity of the research commercialisation system and aid the various stakeholders including universities, investors, established businesses, and individual researchers/prospective founders to work effectively together to make spin-out ecosystems self-sustaining.

It is recommended that universities adopt clear institutional policies, standard investment terms, and are more transparent in their approach to enabling spin-outs. Nationally, the Higher Education Statistics Agency (HESA) is encouraged to gather more reliable data on spin-outs, and Research England and devolved national funding bodies encouraged to deploy HEIF to support the costs of technology transfer offices

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- including exploring the creation of regional or shared service offices for smaller research institutions - and to ensure commercialisation is integrated and recognised as a form of impact in the Research Excellence Framework. The review also identifies opportunities for capacity building for researchers to commercialise, starting from integrating training into PhDs. The government response, published alongside the review, accepts the recommendations and announces a review of HEIF, work with universities on improving terms, data, and transparency, and ongoing efforts to support access to finance.

Read alongside the Labour Party’s review of start-ups, published in December 2022, which likewise recommends greater transparency from universities on the offer for spin-outs, as well as better data on spin-out activity, there is clearly a degree of cross-party consensus on the role of innovation in future economic growth and the importance of universities in fostering spin-outs. It is likely, therefore, that both parties will be open to dialogue with universities about the policies that will create the best conditions for development in this area.



Quality and regulation

Industry and Regulators committee inquiry

The higher education sector in England and OfS haven't really been getting on. This has become so noticeable that the Industry and Regulators Committee of the House of Lords spent the early part of this year conducting an inquiry, with a report emerging in September. The Lords warned of a "looming crisis" facing higher education, and raised concerns over regulation of institutional financial sustainability, OfS' decision to take over direct regulation of academic quality, the extent to which OfS is engaging students appropriately, and the relationship between government and the regulator.

"The Lords warned of a "looming crisis" facing higher education."

In response OfS has undertaken to strengthen its approach to regulating institutional financial sustainability, and has held a number of senior round tables this term to inform its thinking. It has also promised to review its engagement with students, and to reset its relationship with the higher education sector through enhanced communications, including introducing designated contacts for providers and a regime of institutional visits.

Both OfS and the Department for Education in their responses to the report, however, do not accept the committee's criticisms of the quality regime, or of the regulator's relationship with government. OfS maintains that if a body existed that was willing and capable of acting as the designated quality body it would be open to handing over the responsibility, but does not consider this to currently be the case. Both maintain that the decision of OfS chair Lord Wharton not to relinquish the Tory whip in the House of Lords is a personal matter and does not raise a conflict

of interest concern. One outcome of the tensions between regulator and regulated has been that the Labour Party has been critical of the "politicisation" of the English regulator and its overall approach.

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Overall it seems unlikely that OfS will face major reform under the current government, and boards should not expect significant change to the regulatory environment in the year ahead. Efforts on the part of OfS to increase transparency will be welcomed, and Boards may wish to be assured that their executive teams are taking opportunities to better understand the regulator's approach. A Labour government would certainly look to make reforms, but it seems relatively unlikely this would be a priority for its first parliament.

Quality investigations

OfS has published the findings of a number of institutional quality investigations (dubbed "boots on the ground"), arising from scrutiny of B3 student outcomes data, two of which yielded concerns, with regulatory action arising from these concerns yet to be determined. Following an investigation at London South Bank University vice chancellor Dave Phoenix reflected publicly on the experience, arguing that OfS needs to make clear to the investigated institution what specifically is being investigated.

OfS has acknowledged that the system of quality investigations requires further refinement and learning, and in the interests of transparency over how it regulates quality, has published its areas of focus for quality investigations in 2023-24 - which will be full-time undergraduate courses, particularly business courses, those with an integrated foundation year, and franchised provision. As results of investigations for the current cycle continue to be published - including

some that date back several years - institutions will be reading the findings carefully to glean insight about OfS' approach and how academic inspection teams arrive at judgements on quality.

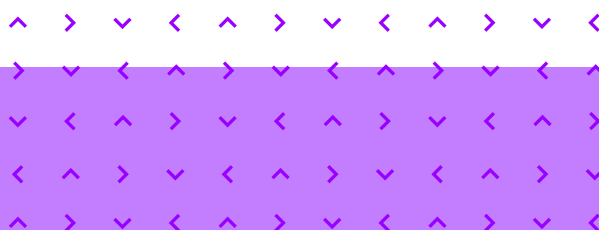
Teaching Excellence Framework

The results of the latest iteration of the Teaching Excellence Framework were published in September with participating institutions given an award of Gold, Silver, Bronze, or Requires Improvement for student experience, student outcomes, and overall award.⁵³ institutions appealed their initial judgement and their results were published in December.

In the final tally, 54 providers were awarded Gold, 125 Silver, and 48 Bronze. One received the “requires improvement” rating. Aspects of outstanding practice were identified across the broad range of providers.

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In December OfS published the provider submissions, student submissions, and panel statements for each provider. It is too soon to say what impact the exercise will have - certainly past exercises had limited impact on informing student choice - but informal reflection suggests that the exercise has some value in raising the profile of learning and teaching inside institutions, and in forcing a cross-institutional conversation on teaching strategy and approach. This exercise is the first in which providers were invited to articulate a definition and approach to education gain, which should provide useful insight on contemporary concepts of the value and purpose of higher education.



Student experience

Mental health taskforce

A government taskforce on student mental health chaired by Nottingham Trent University vice chancellor and government student support champion Edward Peck has begun its work in earnest, and is expected to issue an interim update in early 2024. The taskforce is exploring what can be done outside the bounds of formal regulation to encourage universities to adopt best practice in supporting student mental health, including signing up to the University Mental Health Charter, identify students at risk and intervene, and pay greater regard to the potential impact on mental health of university

“The government “will not hesitate” to ask OfS to introduce a new condition of registration on mental health if it doesn’t believe enough progress has been made.”

policies, procedures and communications. The taskforce is also commissioning a national review of student suicides.

Skills and higher education minister Robert Halfon signalled at a Universities UK conference that student mental health is “the number one issue in his inbox” and that the government “will not hesitate” to ask OfS to introduce a new condition of registration on mental health if it doesn’t believe enough progress has been made.

Campus relations and free speech

Following the crisis in Israel and Palestine after the terrorist group Hamas attacked Israel on 7 October universities have been managing the fallout on campuses as tensions rise between student and staff groups. The Union of Jewish Students has reported a rise in antisemitic incidents, and called on vice chancellors to do more to protect Jewish students from antisemitism.

This crisis arises as Arif Ahmed the new OfS Director for Freedom of Speech and Academic Freedom takes up his post and begins the process of implementing the Higher Education (Freedom of Speech) Act which will come into force next year.

OfS has published a consultation on how it intends to implement the new statutory complaints scheme for free speech, which will be in force from August 2024. OfS proposes to investigate complaints that remain unresolved after 30 days, unless there is a case for earlier intervention, and in which the complainant believes they have suffered “adverse consequences” as a result of actions or inactions of a provider within the preceding 12 months. The scheme includes students, staff and visiting speakers who have received an invitation to speak, but excludes those who would like to be invited.

There are also proposals for how OfS will regulate students’ unions on free speech matters, including maintaining a list of regulated students’ unions, monitoring any concerns around students’ unions’ protections for free speech, and intervening as it judges appropriate - in some cases through requesting a voluntary undertaking, but with the potential to issue a monetary penalty. Boards may wish to consider the extent to which institutions are confident that freedom of speech complaints could be resolved internally within the requisite 30 days - a very tight timeline - and the degree to which institutions and students’ unions are aligned and coordinated in their approach to free speech.

Minimum service levels

Following rounds of industrial action at every level of the education system and the passing of the Strikes (Minimum Service Levels) Bill in the summer, the government has published a consultation on creating new regulations on provision of minimum service levels in schools, colleges, and - to some extent - universities. The aim is to ensure that education can continue as far as possible during periods of industrial action, and would give employers and/or head teachers or principals the power to issue work notices to staff, with particular focus on protecting vulnerable groups, examinations, and children of critical workers.

For higher education, the consultation does not make specific proposals, and instead solicits information on the scale of the impact of the latest round of industrial action - including last year's marking and assessment boycott - on students and assessments, and views on what actions the government might take to mitigate the impact.

Labour HE policy

All major polls are predicting a change of government, and there is a possibility of going to the country as early as May of next year - commentators seem split between a spring and autumn 2024 election, with a few pondering a wait till the last possible moment in early 2025.

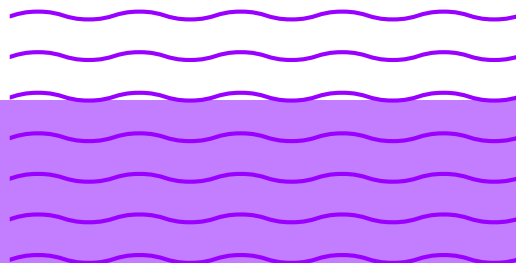
Shadow higher education minister Matt Western has hit on a formula - hearing a senior politician say something nice to higher education is such a rare and pleasant experience that Western is able to go a long way on very little policy commitment. What is there is sensible if slight - there's more appetite on the opposition benches for a reform of OfS, and an agreement that recent changes to the graduate repayment model ("Plan 5") which reduced

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the interest rate on student loans but extended the repayment terms to 40 years are regressive.

At the recent Independent Higher Education conference, Western appeared to promise a review of "the way the whole landscape of tertiary education works, and how the LLE can provide opportunities for everyone." There's been sustained speculation that a "major review" is on the cards, but our sense is that - for the early years of the next parliament at least - Western has in mind a general rethink of what a tertiary education looks like and what it can offer the country, rather than nuts-and-bolts reform.

Of course - there is a Labour run higher education sector in the UK already - as the Commission for Tertiary Education and Research (CTER) takes shape in Wales many are watching to see how an emphasis on collaboration rather than competition, and an adaptive, personalised, student journey play out in reality. Labour has already committed to a new skills body in England, and a widening of applicability for the planned Growth and Skills Levy beyond apprenticeships. But all these are still weak signals - with higher education unlikely to be front and centre in the manifesto the sector will need to become more used to working with weak signals in the months to come.



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