

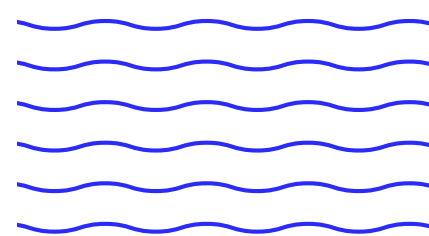
WONKHE

The higher education policy landscape

General Election special

JULY 2024

In association with **KPMG**



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

This briefing is a General Election special, digesting the key policies of the new Labour government, the challenges that await the new ministerial teams in the Department for Education and the Department for Science, Innovation and Technology, and the options for what might happen next.

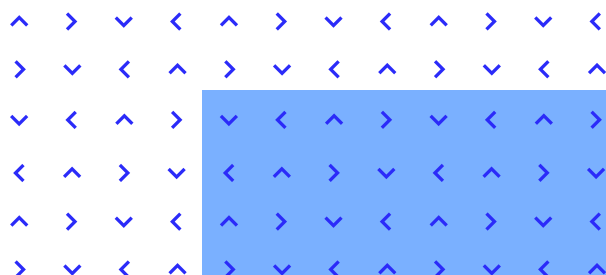
Labour’s plans revolve around a race for economic growth, with one of its five key missions in government geared around opportunity in education. There will be a post-16 education strategy, which is expected to set out how further and higher education could work more in a more coordinated way. Labour has also said it will act to strengthen access and quality and seek to secure a sustainable funding settlement for higher education. But in the short term the new government will need to decide what it wants to do about the financial sustainability of universities, especially those at material risk of insolvency.

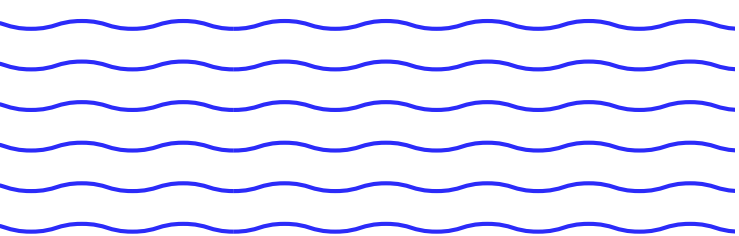
The briefing is designed to offer a digested summary of policies and their implications with particular focus on boards of governors and university stakeholders who are not working full time in higher education. If you have any feedback or comments please let us know.

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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

I will keep this brief given there is so much that is still to evolve as we understand the direction of travel of the new government. Much of this is picked up in the below but a few things to pull out from me...

The fact that the Labour government has appointed Jacqui Smith as a minister covering skills, further and higher education is an indication of the (rightful) prominence of a tertiary perspective, rather than a narrative that sets FE and skills against higher education. The debate has never been an "either-or" one (or shouldn't have been) but rather a matter of choice and progression for all students post-16.

This reflects the move that has already happened in Wales with the creation of the Commission for Tertiary Education and Research. Skills and innovation in their broadest sense will be a core underpin of the wider growth narrative, especially regional growth and productivity, and we can certainly expect to see more in this space.

It also underpins wider sectoral discussions on structural change, consideration of what a more seamless tertiary model might look like and a host of other potential areas for collaboration, partnership and genuine structural change – where it can lead to increased efficiency and effectiveness in delivery.

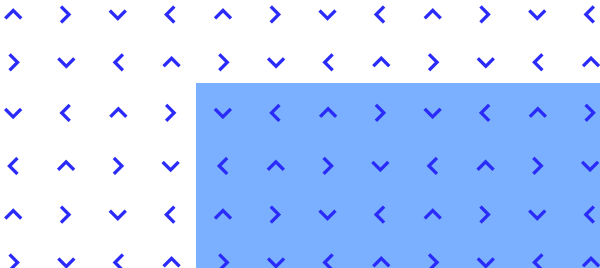
Many of these are not short-term "fixes" but a more fundamental opportunity to enact some of the ideas that have been in discussion for many years, where it leads to a better outcome. Universities and boards are undoubtedly faced with immediate challenges but should also keep more than half an eye on the medium-term horizon and ensure that there are concrete ideas; actions and proposals that sit behind the sector's important role in supporting growth across the UK. Many of these will require different way of working; collaboration and a mature discussion about roles within, for example, a place based tertiary model.

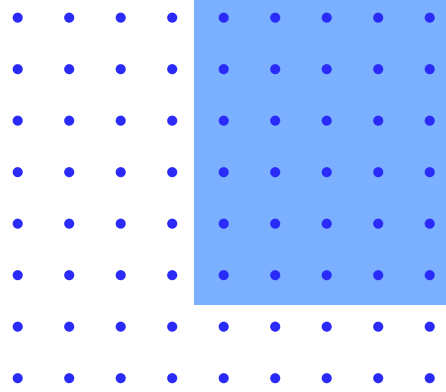
This will be an ongoing theme and one we hope to play a role in shaping thinking.



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.

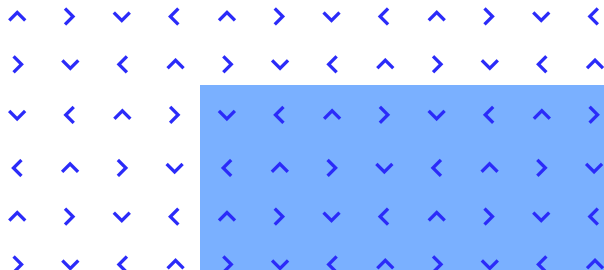
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A Labour government

Labour has won the General Election in a landslide, securing 412 seats and a majority of 172. The Conservative Party now moves into opposition, with only 121 seats. The scale of Labour’s majority does not necessarily represent firm public support for the party; voter turnout was down seven percentage points from 2019 at 59.9 per cent, and Labour secured 33.8 per cent of the popular vote, only 1.6 percentage points higher than in 2019.

The win can be credited to a highly focused and disciplined campaign from Labour, a collapse in public confidence in the Conservative government in Westminster, and the decline in the dominance of the Scottish National Party in Scotland. The Liberal Democrats, the Greens and Reform saw comparatively significant gains, with the Liberal Democrats securing 72 seats, the Greens four and Reform five.

“The scale of Labour’s majority does not necessarily represent firm public support for the party.”

A notable artefact of the first past the post system is that Reform achieved a higher share of the overall vote (14.3 per cent) than the Lib Dems (12.2 per cent) but only a fraction of the seats. The size of the Reform vote indicates that it is these voters the Conservative party will try to win back as it seeks to rebuild its strength.

With a parliamentary majority on this scale the Labour government does not need to worry a great deal about holding together fragile coalitions in order to implement its legislative agenda. However, the government will be keeping in mind that it is currently at the peak of its political powers and that winning a second term will depend a great deal on its ability to generate tangible results, especially on economic growth and public service improvements, in straitened economic times.

Throughout the campaign the debate within higher education has been about the extent to which universities will be a priority for a Labour government. Political commentator Sam Freedman

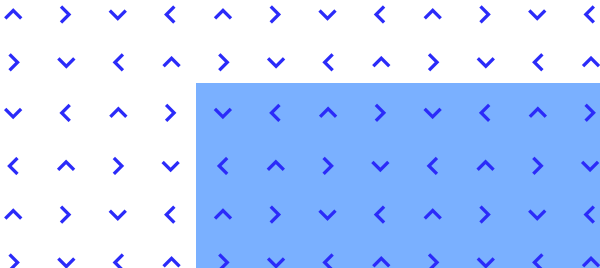
proposed in a back-of-envelope calculation that universities are approximately 37th on the new government’s list of priorities – reflecting the dire state of the economy and public services generally, rather than the perceived value of universities among Labour ministers.

“Winning a second term will depend a great deal on its ability to generate tangible results.”

During the campaign the Financial Times reported that the possibility of the failure of one or more universities has been briefed to incoming Prime Minister Keir Starmer’s chief of staff Sue Gray as one of six possible crises that could hit the government early in its time in office. This could mean that Labour takes early action to stabilise higher education, but there is limited optimism in the sector that this would include a significant injection of funding.

Before the election shadow higher education minister Matt Western repeatedly emphasised that a Labour government would seek to work in partnership with the higher education sector. This was in the context of presenting Labour as a contrast to the approach of the outgoing Conservative government which, while supportive of research, has expressed scepticism about the quality of some higher education provision, has created a significant degree of unhelpful policy churn around international recruitment, and has sought on occasion to scapegoat universities in culture war issues. The hope in the sector is that a more consistently constructive relationship can be established with government, and that active attacks on the sector will cease.

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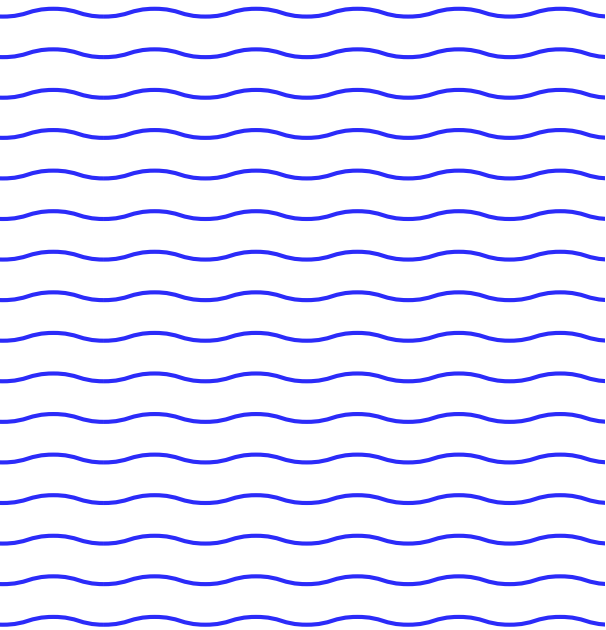


Ministerial teams for education and science

Bridget Philipson moves from the shadow brief to take up the post of Secretary of State for Education, and Peter Kyle likewise moves from his shadow ministerial role to be appointed Secretary of State for Science, Innovation and Technology.

Patrick Vallance, the government’s chief scientific advisor during the Covid-19 pandemic has been appointed Minister for Science in the Department for Science, Innovation, and Technology, one of several appointments of non-MPs in key roles, and a signal of the seriousness with which Labour plans to approach science. Earlier in his career Vallance was President, R&D at GlaxoSmithKline and Professor of Medicine at University College London. He replaces Chi Onwurah who held the shadow science brief in opposition.

Jacqui Smith, who served as Home Secretary under Gordon Brown, and as Chief Whip under Tony Blair, has been elevated to the House of Lords and given a ministerial post in the Department for Education with responsibility for skills, further education, and higher education. She replaces shadow higher education minister Matt Western, and shadow skills and further education minister Seema Malhotra. As with the appointment of Vallance, Smith’s appointment brings significant experience and capability into the brief.



Labour’s manifesto and approach to governing

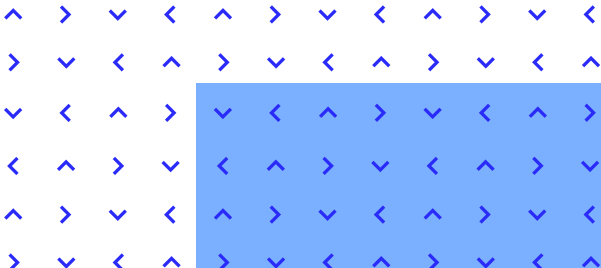
Labour has indicated that it will adopt a mission-led approach in government, with five cross-cutting missions around which government will align. Prime Minister Keir Starmer has said he plans to appoint five cross-government mission boards, chaired by him personally, which will include external expertise as well as ministers.

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Of the five missions there are two that are highly relevant to universities: sustained economic growth and breaking down barriers to opportunity – although the other three which pledge to “make Britain a clean energy superpower” “build an NHS fit for the future” and “secure our streets” are also relevant, particularly for those institutions with large medical and health provision, or research specialism in health, energy technology, or crime. But for our purposes, the economy and opportunity are the keywords around which are likely to resonate with the higher education sector as a whole.

Economic growth

On the economy, Labour’s Chancellor Rachel Reeves has dubbed her approach “securonomics.” Essentially, the approach is one in which the role of the state is neither to supplant the market nor get out of its way, but to work in partnership with the market to achieve strategic economic objectives such as equitable growth, productivity, and a decent standard of living.



Labour has promised to publish a “modern industrial strategy” which will seek to build on the UK’s key strengths: its research institutions, professional services, advanced manufacturing and creative industries. Investment in infrastructure through a National Wealth Fund will target funding to regions to boost productivity, guided by a ten-year infrastructure strategy and a transport strategy, including gradual re-nationalisation of the railways. There will be a major push on house building which, if successful, could go a long way to enhancing Labour’s reputation among people in their 20s and 30s.

On innovation specifically, Labour has set out a plan focused on supporting start-ups, university spin-outs and business growth, and has pledged to adopt ten-year budgets for “key R&D institutions” although which ones it has in mind have yet to be spelled out.

“The role of the state is neither to supplant the market nor get out of its way, but to work in partnership with the market to achieve strategic economic objectives.”

Notably for universities in their employer role, a promised New Deal for Working People will be brought forward as legislation by the autumn, and seek to address the deterioration in industrial relations through strengthening employment rights including a ban on zero-hours contracts, stronger protections for whistleblowers, and giving employees rights from day one of their employment, including parental leave and sick pay. The minimum wage will be tied more closely to the cost of living. Current legislation on trade union activity will be updated, including reforming current restrictions on balloting for industrial action.

Devolution is also a key Labour agenda, with a commitment to deepen existing settlements for Combined Authorities, and widen devolution to more places, which would include devolving funding for adult skills. There will be a statutory requirement for Local Growth Plans in which local leaders will be tasked with working with local actors, including industry, universities, and colleges, to “identify growth sectors and put in place the programmes and infrastructure they need to thrive.”

Opportunity

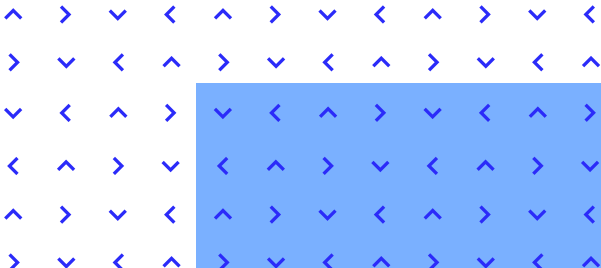
The economic growth mission ties closely into the opportunity mission, which promises a “comprehensive strategy” for post-16 education and a guarantee of training, work or an apprenticeship for all 18-21 year olds. A new body, Skills England, will act as a convening body for coordination of the skills system, including with the Migration Advisory Committee and local/combined authorities. Labour has committed to reduce net migration, and specifically to achieve closer alignment between migration policy and skills shortages – though it has not as yet said anything in public about its view on international students.

Labour has pledged to “continue to support the aspiration of every person who meets the requirements and wants to go to university” and has said that the post-16 strategy will set out the role for different providers, and how students can move between institutions, as well as strengthening regulation.” Labour’s manifesto also says it will improve access to universities and raise teaching standards, and revisit the funding settlement to “create a secure future for higher education.”

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Some clues to a Labour approach on the post-16 agenda can be found in a [Labour report of its Council of Skills Advisors](#), chaired by Lord David Blunkett, formerly Secretary of State for Education and Employment in Tony Blair’s government. The report argues:

“ Post-16 learning, both vocational and academic, must be seen as a seamless pathway through apprenticeship, further and higher education – which instead of being juxtaposed as competitors, should instead be seen as partners in delivering a high-skill, high-productivity, technologically enabled workforce of the future.



Achieving this desire for better coordination across further and higher education – which some have dubbed a “tertiary” approach similar in some ways to that adopted in Wales and Scotland – would require a degree of dismantling of the current regulatory architecture in England in which the object of regulation is individual providers, which are considered to be in competition with each other.

While there is already a significant degree of regional engagement and partnership between further and higher education providers, an approach that sought to achieve a much greater degree of coherence, efficiency and coordination could mean quite a bit of culture change for universities.

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Spending

The new government is expected to deliver a one-year budget in the autumn, followed by a full five-year spending review in 2025. Although Labour has said it will not raise income tax, national insurance, or VAT, and that it will hold corporation tax at 25 per cent, there is an expectation that there will need to be tax increases in some form to deliver on its manifesto plans. Labour has promised that it will adhere to tight fiscal rules, so the working assumption of all sectors seeking additional funds must be that there will only be small-scale and essential injections of funding, until such times as the government can reap the rewards of economic growth.

With this in mind, the challenge for higher education is not about demonstrating losses from its current financial circumstances – these issues are shared across publicly-funded sectors – but in articulating what government support, including funding, would be required to enable higher education institutions to best support the government’s five missions. It has been suggested, for example, that a transformation

fund for higher education could allow institutions that are struggling financially some headroom to make the structural changes required to become financially sustainable, which could include closer coordination with regional partners.

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The higher education sector has been very successful in producing highly skilled graduates to serve a particular section of the economy and in conducting the research that supports innovation and economic growth. By any measure higher education institutions are a key economic asset, but the sector needs a clear-eyed assessment of what its role should be within the context of Labour’s aspiration for opportunity, good jobs, and a decent standard of living for all, and how it can execute that role most impactfully.

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Challenges for the incoming government

Labour’s proactive policy agenda will be at the front of mind for the new ministerial teams in the Department for Education and the Department for Science, Innovation and Technology but the new ministers will also be faced with a long list of challenges and pre-existing agendas from higher education, some of which will require decisions to be made at an early stage, and some of which have the potential to derail existing plans and policies.

University financial sustainability

At the top of the list – and occupying minds in the Labour leader’s office, if media reports that university failure has been identified as one of six issues that could hit the new government in its earliest weeks and months are to be believed – is the financial sustainability of the higher education sector as a whole, along with the very real possibility that a large provider could find itself facing insolvency.

The annual report on the financial sustainability of universities in England from the Office for Students (OfS) in May warned, “An increasing number of providers will need to make significant changes to their funding model in the near future to avoid facing a material risk of closure.” Around 40 per cent of providers in England are forecasting a deficit in 2023-24, and although the projections submitted to OfS predict improvements from 2024-25, the credibility of some of these projections is questionable. A lot of the expected recovery seems to rely on the probability of growing international student numbers by, in aggregate between 2022-23 and 2026-27, 18 per cent for EU and 36.2 per cent for non-EU and, apparently, charging them more.

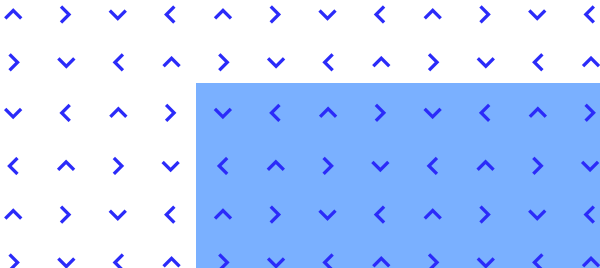
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Providers are also projecting, in aggregate, demographic-busting growth in home student numbers by nearly a quarter (23.9 per cent) for the same period. Given the January 2024 recruitment deadline saw applications from home students dip slightly, something quite significant would have to happen for growth to be on this scale.

“A Labour government could seek to institute a regime on which universities at risk of financial failure could call to enable them to secure the confidence of their lenders.”

Labour has not said whether it has a plan to stabilise higher education, or what it would do if an institution were to be at risk of insolvency and closure, though it has recognised the need for a new and sustainable HE funding settlement. In the absence of an agenda the question of the party’s response to the risk of institutional insolvency has been a major feature of the pre-election debate in higher education. Increasing fees, even modestly, is viewed as being too politically difficult, although Wonkhe’s Mark Leach has argued that the difficulties are overstated. A modest fee increase might not help those providers in the worst trouble, however. But a public statement that Labour would not let a major provider go bust would also introduce a degree of moral hazard into the mix, encouraging providers to take bigger risks in the expectation of a bailout were things to go wrong.

The regulatory regime is not especially helpful in this situation; the Conservative government and OfS have publicly endorsed the principle of market failure and OfS has said that it would not provide support for an institution at risk of insolvency. However, now that this proposition is increasingly likely to be tested, with all the upheaval and risk to students involved, as well as all the political fallout, it’s possible that a Labour government could seek to institute a regime on which universities at risk of financial failure could call to enable them to secure the confidence of their lenders, possibly including the regulator in its implementation.



It cannot be stated firmly enough that any provider that is facing a serious risk of insolvency cannot assume that a Labour government would step in with a rescue package – especially if the provider’s business model is structurally unsound. Nor can a fee increase be assumed, especially in the short term. Boards would be well advised to scrutinise carefully the financial forecasts of their institutions, and triple-check the assumptions on which they rest.

International students

The Migration Advisory Committee recommended in May that the Graduate route visa should be retained, finding no evidence of “abuse” in the terms the government had commissioned it to look for. The government accepted that post-study work arrangements would remain in place, though the uncertainty over the route’s future during the first half of the year is thought to have been a factor in dampening demand.

It already looks likely that 2024 will see a significant drop in international recruitment across the UK, driven by the restrictions on dependant visas introduced in January as well as economic problems in key sending countries, particularly Nigeria. Home Office visa application data, being released on a monthly basis since April, already shows the signs of a fall in applications. In terms of the important September intake, a BUILA survey of 75 UK universities at the start of May saw 64 per cent say that international deposits were down at undergraduate level – and 83 per cent for postgraduate taught courses.

The drop in international student numbers has made what was already a tricky financial situation for universities much worse. More widely, the sense among international applicants that the UK is not an especially stable or friendly policy environment for international study may do more long term damage than the immediate impact of those policies.

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The sector is optimistic that Labour will make a move to address the stability and friendliness issues in the first instance through some kind of early public statement that Britain is “open for business,” and that efforts will be made to woo international ambassadors from key countries such as India.

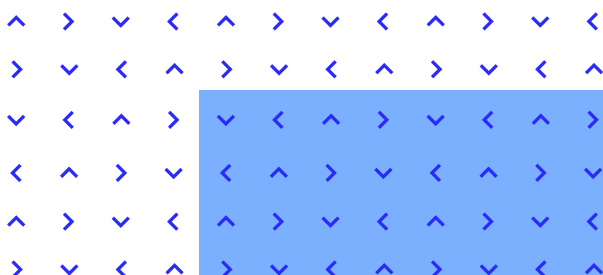
“Boards should be prepared to review international recruitment targets and seek assurance that institutional work with agents conforms to sector best practice.”

There could be immediate benefits in contribution to the state of university finances and the broader contribution that international students make to GDP, but Labour could also be cautious about how a full-throated welcome for international students could play in its early months. In the medium term the sector will need to set out some assurances on sustainable international recruitment and there could be a refreshed international education strategy. Agendas on the regulation of agents are also unlikely to go away, and Boards should be prepared to review international recruitment targets and seek assurance that institutional work with agents conforms to sector best practice.

Student finance and cost of living

The other side of the university sustainability coin is of course the cost pressures on students which, if not addressed, will continue to drive a loss of engagement and learning and reduced student experiences for an increasingly large proportion of the student body. A follow up report of the UPP Foundation Student Futures Commission published in March makes clear that although institutions have worked hard to achieve recovery from the pandemic, new threats to students’ futures have emerged in the shape of a cost of learning challenge.

A Higher Education Policy Institute report on students’ basic income needs published in May proposed that students outside London need a



minimum of £18,600 annually to have an acceptable standard of living and “participate fully in the world around them.” Currently, for a student studying outside London, the maximum government maintenance support, provided to support students to meet their living costs, falls short by £8,405 for English students, £6,482 for Welsh students, £7,232 for Scottish students and £10,496 for Northern Irish students.

“Although institutions have worked hard to achieve recovery from the pandemic, new threats to students’ futures have emerged in the shape of a cost of learning challenge.”

Wonkhe’s own Belong student polling data indicates links between students’ financial wellbeing and their wider wellbeing with those students who are financially better off reporting they are less likely to feel lonely at university, less likely to be anxious, and have higher life satisfaction than those who are struggling financially.

Uprating the maintenance loan allowance in real terms would offer some brief relief but the wider problem that the rising cost of participation continues to price out those without a ready supply of parental income, remains. While universities have done their best with hardship funding and cost of living relief measures, these interventions do not offer a sustainable roadmap to mass higher education participation in the absence of a more generously funded student finance settlement.

“Students who are financially better off report they are less likely to feel lonely at university, less likely to be anxious, and have higher life satisfaction than those who are struggling financially.”

It may be time to consider in a more meaningful way the intersection between paid work and study, and the flexibility that can be offered on completing a

“It may be time to consider in a more meaningful way the intersection between paid work and study, and the flexibility that can be offered on completing a full-time degree.”

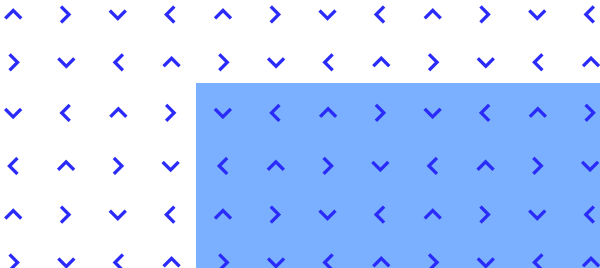
full-time degree. Higher education institutions have benefited from the dominance of the three-year full time degree and are assessed on whether students progress through that model successfully. If the cost of participation is such that the benefits of that model are spread extremely unevenly, then the model itself may not be sustainable and genuine innovation may be required.

This is not a problem that universities can solve single-handedly, but Boards may wish to assess the available evidence on student engagement and active participation, any concerning trends on retention and success that appear to be tied to cost of living, and what consultation their institution has done with students about what might help.

Mental health taskforce

Nottingham Trent vice chancellor Edward Peck remains at the helm of a student mental health taskforce in the Department for Education, with a brief to take forward specific work on student suicide prevention, and a more general guidance on good practice for institutions.

In February, an interim report from the taskforce provides updates on the four strands of the project: supporting the adaptation of good practice, identification of students at risk, the development of more sensitive policies and communications to students, and a national review of student suicides. One of the goals of the taskforce is to encourage institutions to sign up to the University Mental Health Charter (UMHC); at the time of the report 83 institutions had signed up, and the taskforce had developed principles for an alternative assessment process that would be less burdensome for smaller and specialist providers.



Labour will need to decide whether to shut down the taskforce, support it to complete its brief, or amp it up. Despite being commissioned by Conservative Minister for Skills, Apprenticeships and Higher Education Robert Halfon the taskforce is not especially aligned to any political party's agenda. On the other hand, the taskforce remit is rather narrow given the scale of the student wellbeing challenge, and though it has not especially signalled this, Labour may have its own plans on student mental health and wellbeing. Whatever the fate of the taskforce, the issue of student mental health and wellbeing itself will remain pertinent. Boards might wish to take an interest not only in whether their institution has signed up to the UMHC, but the ongoing strategy for its implementation and embedding in practice.

Research and innovation

Britain's science base remains world-leading and R&D investment has increased under the Conservatives, but crowding in additional private sector investment remains elusive. Labour will not cut headline research investment but for as long as the party retains its commitment to the fiscal straitjacket of Conservative spending plans, there is not much room for funding increase. The focus of Labour's plans, in addition to the ten-year funding settlement commitment, has been in innovation and commercialisation of research, but it is likely to find that core research funding also presents challenges.

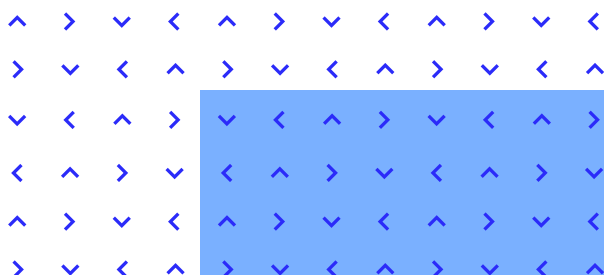
Last year's Nurse review of the research landscape left open the question of whether the sector would prefer to do fewer better funded research programmes or maintain a broader research portfolio where funding now falls well short of costs. The Conservative government's view was broadly that the decision to fund research projects at lower than full economic cost is a feature of the system, not a bug. But given the wider financial pressures on higher education and the dependence of many institutions on cross-subsidy from international students to fund the research portfolio, the pressure on Labour to find efficiencies in the research system will only grow. The Labour government will need to decide whether it wants to grasp the nettle of research funding through fully

funding fewer programmes, and/or reopening the question of the effectiveness of quality-related (QR) research funding.

“Last year’s Nurse review of the research landscape left open the question of whether the sector would prefer to do fewer better funded research programmes or maintain a broader research portfolio where funding now falls well short of costs.”

The next Research Excellence Framework (REF), which is the mechanism by which UK research is peer assessed and QR funding disbursed, is scheduled for 2029, but five years out there is still a lot to decide and a degree of discontent, edging into disgruntlement. The nub of the criticism of the proposed 2029 model is that it is a very expensive way to allocate research funding, and the requirements pendulum has swung too far towards cultural projects including making provision for open access and greater scrutiny of research culture and environment as part of the assessment. The proposal that academics in the social sciences and arts be required to make REF submissions open access, when many are in book length format, seems set to be very expensive.

Cutting research bureaucracy is an ongoing agenda – the Tickell review of research bureaucracy highlighted instances where funding requirements drive additional bureaucracy, but also noted the impact of internal institutional processes. The Conservative government response was to propose a new duty on UK Research and Innovation to reduce bureaucracy but this is yet to be implemented. Notably, Tickell's review endorsed the inclusion of equality, diversity, and inclusion within research culture measures. Boards may wish to consider the strategic choices underpinning investment decisions across the research portfolio and any risks arising from dependence on cross-subsidy.



Lifelong learning entitlement and foundation years

The 2023 Lifelong Learning (Higher Education Fee Limits) Act made provision for the Lifelong Learning Entitlement (LLE) to be implemented by giving ministers the power to set the price of a single academic credit. These powers may be useful for the incoming government but the likelihood of the LLE being implemented right away seems low, given the pre-existing delays to rollout from the Student Loans Company that speak to wider systemic issues, and the aspiration set out in the Labour manifesto for a more wholesale consideration of the post-16/tertiary system.

“The likelihood of the LLE being implemented right away seems low.”

The LLE was initially scheduled for launch in September 2025. The last announcement suggested that while university short courses will be available from September 2027 the initial set of Higher Technical Qualification modules would be available from January 2026. Given widespread concern about the demand for such courses, and the technical underpinnings of the “personal account” style loan system delivered by the Student Loans Company, many are expecting further delays or a policy rethink under a new government. Labour, for its part, has supported LLE legislation on every occasion, but has expressed some reservations about the design of the scheme.

The 2024 annual statutory instrument that confirms fee caps would in principle have been the first made under the new regulations. It would also have been the one in which the planned cut to foundation year fees in OfS price group D to £5,670 would have been enacted. There’s an opportunity for Labour to quietly not cut foundation year fees, which would offer some relief for finances in affected institutions.

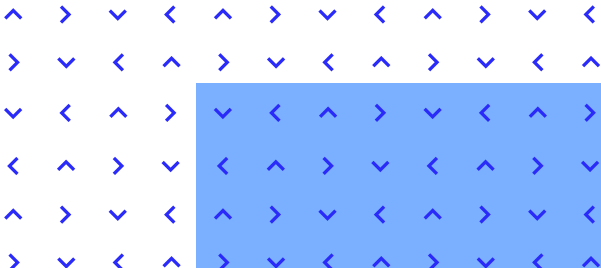
Franchising

Lack of government oversight has left open a “back door into the student loan system for organised fraudsters,” the House of Commons Public Accounts Committee concluded in April. The committee’s inquiry followed a National Audit Office investigation published in January, which found that the proportion of detected student loan fraud cases which were occurring at franchised providers had increased from four per cent to 45 per cent in just two years.

The committee’s recommendations went beyond simple anti-fraud measures to urge increased transparency across the system, including for OfS to set out what proportion of fees can be reasonably retained by those institutions franchising out provision. The government was also called on to mandate that universities publicly release summaries of those agreements they have entered into. However, the suspension of Parliament for the General Election has meant that neither the government nor OfS has responded formally to the committee.

“The committee’s recommendations went beyond simple anti-fraud measures to urge increased transparency across the system, including for OfS to set out what proportion of fees can be reasonably retained by those institutions franchising out provision.”

This is a technical but not necessarily especially politically problematic issue: it’s likely that a Labour government would be more inclined than a Conservative one to take action, given it can simply blame the failures of the system on the last government. There could, however, be a direct impact on specific institutions that have relied on income from franchised provision to carry them through the lean times. The committee’s recommendation that a guiding limit should be placed on the proportion of fees that awarding institutions can recoup from franchising arrangements is also unlikely to be especially popular.



From a Board perspective, the National Audit Office investigation and Public Accounts Committee report should have prompted a discussion at Board level on franchised arrangements and any associated risks that may not have been fully appreciated. The assumption here should not be that scrutiny will cease with a new government; Labour is arguably even more likely to pursue regulatory intervention on this matter. There is, however, a chance that the agenda gets sidelined in any regulatory reform Labour might want to pursue.

Pensions

From April 2024, employer contributions to the Teachers’ Pension Scheme (TPS) rose by five percentage points in England and Wales, to 28.68 per cent. The equivalent schemes for Scotland and Northern Ireland are seeing increases of three and four percentage points respectively. For those modern universities mandated to participate in these pensions arrangements for their academic staff, this represents a significant increase in costs.

After an unsuccessful campaign last autumn for the Westminster government to cover the increased costs for higher education institutions – as it did for schools and colleges – in March, Universities UK and the Universities and Colleges Employers Association (UCEA) wrote to then higher education minister asking for a review of universities’ participation in the scheme. There was no public response from the Department for Education ahead of the election, but such a review – if it did come to pass under a future government – would be strongly opposed by trade unions.

For those older universities who instead participate in the Universities Superannuation Scheme (USS), both employer and employee contributions have reverted to lower levels. The new employer contribution level of 14.5 per cent, in place since January, means there is now a significant disparity between TPS and USS institutions. Employer representative responsibilities for USS will pass from Universities UK to UCEA from August.

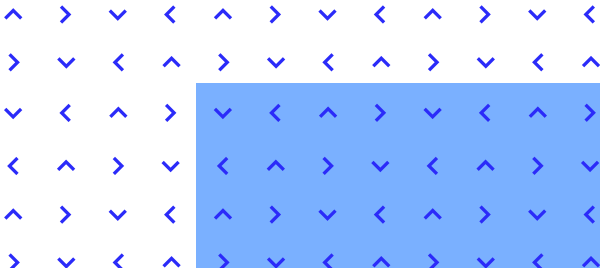
“There is now a significant disparity between TPS and USS institutions.”

Free speech

The key provisions of the Higher Education (Freedom of Speech) Act 2023, particularly the new OfS complaints scheme, will come into force over the summer, with a consultation on the scheme’s implementation now concluded. While there is nothing immediately for an incoming government to do in legislative terms, the enacting of a scheme that at every stage has been critiqued as at best a hammer to crack a nut and in practice, probably unworkable, creates a risk for a Labour administration that an early test case creates some kind of media storm – especially if it concerns the clash of free speech and protected characteristics under equality law.

With pro-Palestine encampments continuing to flourish on university campuses, Alice Sullivan’s review of sex and gender and scientific data due to report in the summer, not to mention the rollout of the new duty on gender-based harassment and violence expected imminently from OfS, there are plenty of potential flashpoints to keep the director of free speech quite busy.

The sector has also recently seen the conclusion of two high-profile tribunal cases relating to free speech, giving an indication of how employment law might be interpreted in the case of staff holding controversial beliefs. In January the full decision of the employment tribunal in the case of gender-critical academic Jo Phoenix v The Open University was published. The tribunal found that Phoenix was discriminated against and harassed because of her gender-critical beliefs, and that she was constructively dismissed. Similarly, anti-Zionist academic David Miller won a tribunal case against the University of Bristol, as evidence of direct discrimination and unfair and wrongful dismissal was found following Miller’s sacking. The tribunal took the view that Miller’s anti-Zionist beliefs constitute “protected philosophical beliefs” and, while recognising the university’s concerns over the impact of Miller’s expressions on its reputation and welfare of students and staff as legitimate, it concluded that dismissal due to the manifestation of his beliefs was unfair under employment law.



The risk for the government is that free speech cases in universities drag the government into the kind of culture war that the previous government pursued but this one will want to avoid. Attempting to dismantle the provisions of the Act would be pretty costly in time and political capital, so the best hope is that nothing too controversial happens when the scheme kicks off in August.

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Scotland’s tertiary system

The Scottish government has opened a consultation on the future shape of the tertiary system, asking for feedback on two proposed changes to how the different funding bodies operate – following recommendations from James Withers’ independent review last year. One option would see all funding powers, for further and higher education students and institutions as well as apprentices, arrive at the doorstep of the Scottish Funding Council (SFC). This would involve a transfer of responsibility away from Skills Development Scotland, and the dissolution of the Student Awards Agency Scotland (SAAS). The second proposal is for all further and higher education student funding to fall to SAAS, and for SFC to fund institutions.

There are also proposed changes to SFC governance and questions about what additional data-gathering responsibilities it will need – these will require legislation. Universities Scotland has welcomed the forward movement on reform. A key issue for the higher education sector was that university funding continues to be distributed by the SFC, a non-departmental public body, rather than an alternative which might risk jeopardising universities’ status as separate from the public sector.

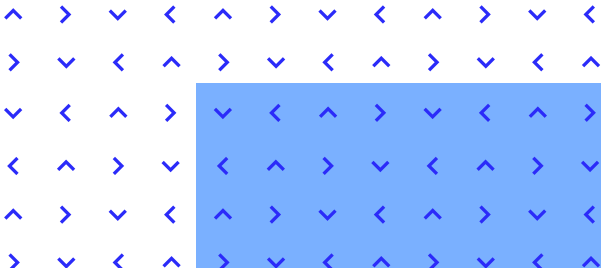
“A key issue for the higher education sector was that university funding continues to be distributed by the SFC, a non-departmental public body, rather than an alternative.”

Will there be a major higher education review for England?

It seems a safe bet that Labour’s post-16 education strategy will be focused on skills, apprenticeships, and further education provision, but if the wider goal is a more coordinated tertiary education sector, then higher education is also likely to come under the spotlight. The alignment of the FE, skills, and HE briefs under Jacqui Smith’s ministerial oversight signals an intent to achieve greater coherence across the gamut of post-16 provision. As such, there may be a case to hold a review of higher education provision and regulation as part of the wider post-16 skills strategy – or indeed, a review of tertiary education as a whole. Universities UK, in consultation with the sector, is expected shortly to publish a “white paper” report setting out the sector’s agenda for policy change to the new government.

“There may be a case to hold a review of higher education provision and regulation as part of the wider post-16 skills strategy – or indeed, a review of tertiary education as a whole.”

One model for a review could be the Australian Universities Accord, a 12 month review of Australia’s higher education provision, commissioned by the Australian government and led by an expert panel, which reported in February. The final report of the



Accord set out a new vision for higher education based on radically increased, and more equitable participation, and made recommendations on inclusion, skills and qualifications, student experience, research, and regulation.

The appeal of the Accord model in the UK is that it is seen as representing a fresh national consensus on the role and purpose of higher education, and offers a coherent policy agenda to achieve it, though in practice many of its recommendations have not found universal favour and, as with all major policy reviews, there is no guarantee that the Australian government will implement it in its entirety.

A major review of tertiary and/or higher education in England, on a similar or more substantial scale than the Augar review post-18 education and funding of 2019, would take a long time to accomplish, and even longer to implement, and could potentially be quite tense if there was a presumption of no or very limited new money. It would derail the current regulatory regime which, while not especially popular, has only been up and running for a short time.

On the other hand a review could be a useful exercise in co-building a new approach to replace the rather fragmented post-16 sector as it currently stands, and addressing some of the current features of the regulatory system that could stand in the way of Labour achieving its wider objectives. And if the financial pressures on universities mean the funding system is going to need reviewing then there is a strong case to ensure that universities are as efficient, in the best sense of the word, as they can be.

“A review could be a useful exercise in co-building a new approach to replace the rather fragmented post-16 sector as it currently stands.”

The current regulatory regime is geared primarily around fostering market competition between providers, with very minimal provision for coordination. The weakness of this approach is that there are aspects of higher education provision that

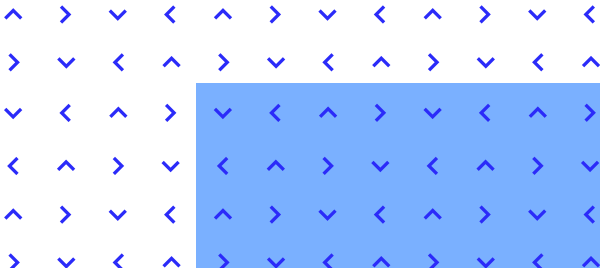
might be desirable for the national good, but that there is not a well-established market for. These include maintaining a choice of subject areas in a particular region, innovative delivery models for which there may not be significant latent demand, provision of higher education in “cold spots” where there is little history and culture of higher education, and a meaningful system of credit transfer between institutions. If the sector wishes to grow further, it is unlikely to be on the basis of continued expansion of three-year full-time degrees, which is where the market is at its most competitive.

“If the sector wishes to grow further, it is unlikely to be on the basis of continued expansion of three-year full-time degrees.”

Greater coordination between institutions could also open up the possibility of more radical solutions to efficiency challenges, such as sharing services between institutions, or the development of regional federated structures. KPMG and Wonkhe are currently conducting some work in this area and we expect to be able to share the insight in an autumn edition of this briefing.

Although we do not know whether Labour is planning to conduct a formal review, Boards and university leaders should expect there to be debate about the structure and purpose of higher education provision in the next Parliament and be prepared with evidence and ideas for a new sustainable compact between government and higher education that seeks to retain the best and most impactful elements of current education and research activity, while being pragmatic about what is currently missing and what will best serve the public interest in the future.

“Boards and university leaders should expect there to be debate about the structure and purpose of higher education provision in the next Parliament.”



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