

The future *of*

higher education

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Higher, further or tertiary?

Lessons for the future
of education from
across the UK nations

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Introduction

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The Policy Institute at King's College London is delighted to be publishing a collection of papers by education sector leaders, as part of its future of higher education programme.¹ All authors participated in a recent workshop at King's, comparing developments across the United Kingdom, and their papers provide a wealth of detail and analysis. This overview attempts to contextualise and pull together the authors' insights.

The UK has a university system which, in key respects, is unified across the four nations of England, Scotland, Wales and Northern Ireland. Thus:

- ♦ Applicants for undergraduate degrees use a UK-wide portal, UCAS (the University and Colleges Admission Service).
- ♦ Academic and research posts have the same structure.
- ♦ The academic trade union, the University and College Union, operates UK-wide, as do the unions representing non-academic staff, and the university pension systems.
- ♦ All four nations have unified university systems, with no formal distinctions between, for example, technical and general universities, or universities with and without doctoral programmes.

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- ♦ All universities (and other higher education institutions, such as conservatoires) can participate in the periodic government evaluations of research quality, currently known as the ‘REF’ or Research Excellence Framework.
 - ♦ All four countries have further education colleges alongside universities, which recruit post-secondary students and, to varying extents, offer higher education as well as lower-level courses.

They also all manifest growing financial pressure on universities (as do many other countries). As Professor Shitij Kapur, Vice-Chancellor & President of King’s, has argued in his paper for this programme,² it is questionable whether the UK’s relatively expensive model can be sustained for much longer. Governments are understandably loathe to increase fees (whoever is paying them). Other demands on the public purse are huge and growing, and while the British public has a positive view of universities, they rank low in its priorities for extra spending.³

There are also, however, major differences among the four nations’ systems. They therefore provide an opportunity to compare different approaches in an environment with strong system-level similarities.

Four nations

Education (at all levels) is one of the most important devolved government functions. Historically, there have always been differences among the nations. For example, Welsh schools have generally and historically used the Welsh exam board (WJEC) for their public examinations, and the history of Welsh universities (notably the University of Wales) is both relatively recent and unusual. Northern Ireland has retained grammar schools across the entire school system. Scottish undergraduate degrees are longer, with a clear differentiation between ordinary and honours degrees and, uniquely, sub-degree higher national certificates and diplomas are developed and overseen by a government agency. Scottish colleges are post-secondary or ‘post-

school', rather than also enrolling large numbers of upper secondary students, and secondary-level public examinations are also Scotland-specific.

However, in the last two and a half decades, devolution has enabled increasing and consequential divergence among all four nations, including how higher education is financed. Three developments have fuelled this divergence. First, continuing rapid rises in participation have created major fiscal pressures. Second, ideas about how higher education should be organised have also diverged. In England, policymakers and politicians have largely embraced competition and supported direct student contributions, for ideological as well as budgetary reasons. Those who benefit directly, it is argued, should also contribute directly to higher education's costs. Visible results include the removing of any cap on home undergraduate student enrolments by English higher education institutions, the encouragement of 'market entry' by new alternative providers, and the embracing of fees funded through government-backed income-contingent loans to students. These are repaid if and when recipients' incomes exceed a certain threshold. The other three nations have, to varying degrees, rejected both the underlying arguments and the resultant policies.

Third, the devolved governments currently receive large unhypothecated block grants calculated according to the Barnett formula. While the total size of the grants is derived from English spending on specific devolved areas such as higher education, hospital buildings and nurses' pay etc, the devolved governments can and do allocate their own spending differently, reflecting their own priorities and beliefs.

Taken together, this combination of growing diversity and shared features offers revealing insights into policy alternatives, most notably with respect to the choice between planning and marketisation, access, support for student living costs, and the creation of tertiary systems.

Planning versus the market

The headline attraction of a planned system of higher education is that it allows governments to control spending, by limiting or ‘capping’ numbers as well as deciding per-student levels of support. However, in the case of UK higher education, this does not play out in a clear or predictable fashion. For example, Northern Ireland has both tight controls on the number of places it supports, and the highest entry rate into higher education for its 18-year-olds. Based on applications through its system, UCAS reported a 38 per cent entry rate in 2023, compared to 37 per cent for England, 30 per cent for Wales and 29 per cent for Scotland. These differences are in substantial part independent of ‘home country’ policies, since students can and do move between the UK’s nations in sizeable numbers, just as they do within a country or globally.

The most striking differences within the UK are between Scotland and England. The number of funded higher education places is capped in Scotland. They are reserved for Scottish students, who pay no fees. In addition, there is also a far more clearly articulated system of progress from further education colleges to university than exists elsewhere in the UK, not least because the Scottish government ‘owns’ the key higher-level qualifications offered within colleges, notably Higher National Certificates and Higher National Diplomas.

However, as both our contributing Scottish university principals (vice-chancellors) point out, Scottish higher education is acutely short of funds. James Miller says in [his contribution](#) that the Scottish approach ‘should provide a stable funding environment which aids planning’. But in practice, annual changes in allocations, along with complex ‘outcome agreements’, have made forward-planning very hard. The determination of the Scottish government to keep higher education ‘free’ is increasingly problematic for the universities: and recent work by London Economics showed that in 2024 Scottish universities had the second lowest level of ‘core’ funding per home student of the four nations, behind both Wales and England.⁴ But as Edinburgh’s Peter

Mathieson discusses in [his paper](#), attempts to have a national debate about university finances are publicly rebuffed.

Northern Ireland also operates with number controls. It does charge fees to home students in Northern Irish universities, but these are currently (2024) set at £4,710 per annum, just over half the level charged in England. Teaching grants are more generous, but the total university income per home student remains significantly lower than in England, and is the lowest of the four nations. At present, almost a quarter of home-domiciled Northern Ireland students study elsewhere in the UK, paying a £9,250 fee to do so. (The comparable figure for Scotland is only about 4 per cent.) The province's recent history, with its Assembly (parliament) frequently suspended, also means there has been little opportunity for politicians to develop and implement new policies.

In contrast, the recent history of Welsh higher education, summarised by Colin Riordan in [his paper](#), reflects very strongly the changing responses by politicians to changes in English policy, within the constraints imposed by large cross-border student flows. Welsh politicians, like their Scottish counterparts, were very against 'marketisation'. However, their original policy of holding down the fee for Welsh-domiciled students to well below the English level, with the government making up the difference between this and what other UK-domiciled students were charged, created major pressures on the budget. With other priorities (notably health) demanding spending increases, the total quantum for universities was held constant, and fee payments for Welsh students were made at the expense of research and general teaching grants. This created enormous pressure on universities and, as Riordan explains, was duly replaced: Wales now has demand-driven enrolments and fees which are largely analogous to England's, though with much more generous support for students' living costs. However, financial pressures remain. In 2024 there were sizeable cuts in higher education allocations.

Meanwhile, in England, a commitment to income-contingent loans has now been in place for almost 20 years. The system, which covers fees

that are paid directly to the universities, was introduced by the Blair government in 2006, and the basic structure today is the same as in 2006. However, in the early years the maximum, and actual fee paid by students, was much lower, and covered only a moderate part of teaching income: the government continued to pay substantial teaching grants. In 2012, fees increased markedly to a maximum of £9,000, and loan terms were also modified. The terms changed again in 2016, 2018 and 2023, while the fee itself, after one rise from £9,000 to £9,250 in 2017, has, as of July 2024, been frozen and declined substantially in real terms. Meanwhile, the direct contribution by government to teaching costs has also declined to a very small proportion of university income. And in the absence of number caps, some universities grew extremely fast, while others struggle to recruit. We can confidently expect yet more changes in the near future.

Access

Although the UK is marked by several distinctive funding approaches, its governments have shared a recent emphasis on improving access to higher education by selected under-represented groups. The focus has been particularly on lower-income students and those resident in economically deprived areas. In Scotland, this has been particularly clearly formalised. Targets for specific demographics are part of the Outcome Agreements signed with each institution as a condition of funding. But in England, too, demographic targets have become very important. When fees were raised to £9,000 a year (maximum), it was on condition that universities charging this level also developed active policies to increase access, developing formal Access and Participation Plans, and set aside large amounts for bursaries. England's powerful regulator, the Office for Students, has continued to pressurise universities to increase enrolments from economically disadvantaged demographics, and from state rather than independent schools.

Few people, in or outside the education sector, question the desirability of reducing participation differences. However, policies which affect

individual applicants' chances of success inevitably attract attention, and, often, controversy. This has been especially evident in Scotland, with its central control of 'home' places. There is widespread discussion (and criticism) of the impact on middle-class students, especially when the policy produces an outcome such as Edinburgh's in 2022/23, when every single entry place to its prestigious Law School went to a student from a designated disadvantaged group.

And, as so often, there have been unintended consequences too, especially for further education. In [his paper](#), Jerry White, an experienced and prominent English college principal, explains how a combination of marketisation, which fuels highly active recruitment of students, and the pressures on universities to widen participation, have combined to reduce college-based higher education provision. Similar developments are evident in Scotland, in spite of its carefully structured system: Audrey Cumberford [discusses](#) how 'Over a 10-year period the number of FTE full time HE level students in the college sector has reduced by almost 20 per cent.'

These developments deserve attention. Falls in student numbers mean that many college courses become unviable. So while rhetoric embraces lifelong learning and flexible provision, the reality is that choice has diminished for the many adults who cannot attend a full-time university course. Moreover, there are financial implications. College provision in Scotland is funded less well than university provision. From a college principal's point of view, this is clearly problematic (and indeed unjust). But from a social point of view, less expensive, high-quality provision is clearly desirable. Meanwhile in England, as Jerry White [notes](#), a huge growth in 'Year 0' or Foundation Year courses, often recruiting lower-achieving young people who would otherwise complete a (free) additional year in college, means that these students are taking on a whole additional year of debt.

Support for student living expenses

Most of the discussion of higher education finance, within the sector and in the general media, focuses on fees. But for students, living costs or ‘maintenance’ expenses, are at least as important.

As Colin Riordan [notes](#), Wales is the UK nation which has taken maintenance support most seriously, in good part because it was demonstrably the ‘doorstep issue’. Wales now offers easily the most generous support in the UK, with a combination of grants and loans which takes all students to living-wage level. For those from households in the lowest income band, this can mean a grant as high as £10,124, with a loan of up to an additional £5,046 – and everyone gets a grant of at least £1,000. However, this inevitably has placed pressure on direct funding to universities. London Economics’ calculations, which were carried out ahead of the most recent cuts in funding for Welsh universities, show them to be even more dependent on fee income than English ones.⁵

Elsewhere, loans and grants vary by jurisdiction, as detailed in a recent House of Commons briefing.⁶ Currently, Scotland combines small grants for those with family incomes under £34,000 with income-contingent maintenance loans. Part-timers are largely ineligible. England no longer offers any grants, but treats part-timers more generously than Scotland does. Northern Ireland offers a combination of income-related grants and loans.

Tertiary aspirations

The nations of the UK are alike in sharing a rhetorical, and indeed a genuine, belief that both enhanced opportunities for their citizens, and economic success, require ‘tertiary’ thinking: that is, for policies that look at higher and further, or academic, technical and vocational education, in an integrated way. Wales has just established a Commission for Tertiary Education and Research,⁷ designed to bring

higher and further education and research together. Scotland has had a single funding council for higher and further education since 2005. The previous English government had an express policy of bringing further and higher education closer together, notably through the introduction of a Lifetime Learning Entitlement (due to be launched in 2025),⁸ which can be used for any approved credit-bearing courses in colleges and universities. England also, unlike Scotland, funds a given qualification or qualification level the same way whether it is delivered in a college or a university.

However, as [Audrey Cumberford](#) and [Jerry White](#) make clear, the rhetoric and the reality have been moving further apart, rather than closer together, in recent years. Higher education enrolments in English and Scottish colleges have declined. There has also been no reversal of the recent trends towards an ever-more youthful undergraduate cohort. Wales' initiative may bear fruit, but at present there is very little higher education in Welsh colleges, and little obvious sign of a unified sector emerging. The most positive recent developments are probably in Northern Ireland, where, independently of government action, the Open University has become an increasingly active collaborator with the college sector.

Now what?

What the UK demonstrates, in each of its constituent nations, is that the funding of modern higher education is highly political, and consistently unstable. Financial strains are increasingly evident in all four countries, and indeed in the Republic of Ireland, in spite of its higher recent economic growth. Universities' favoured source of income growth in recent years has been recruitment of international students, whose fees are not regulated. This is now under strain, because of wider concerns about migration: again, the UK is not alone, with both Australia and Canada recently introducing numerical caps on international student numbers with little or no notice.

Two of the papers here focus on how the sector might address these challenges, other than by campaigning for better funding. [Huw Morris](#), who has spent many years working on Welsh higher education policy, focuses on the potential for greater efficiency. This is not a favourite topic for either university representative organisations or higher education and college unions, but Morris is not alone in arguing that savings can be made. The OECD's Andreas Schleicher pointed out,⁹ in a recent discussion as part of the Policy Institute's future of higher education programme, that many observers, here and in other countries, think there is room for substantial economies in the sector without sacrificing quality.

Michael Shattock, in [his piece](#), argues that we need radical structural change. Shitij Kapur also highlighted structural reform in his paper for this programme, but Shattock's emphasis is much more clearly on the underlying governance and regulation of a future UK system. It needs to be tertiary, he argues, but in the case of England, it also needs to be far more regional than at present. This is a key and necessary step in order to achieve the structural diversity and innovation that the sector requires. Certainly these papers clarify how strongly the organisation of higher education responds to the priorities and political philosophies of its funding jurisdiction. And we can learn a great deal from the different choices made within the UK, even though, unfortunately, no country provides clear answers on how higher education might best evolve.

The cost of ‘free’ higher education: university number controls in Scotland

Professor James Miller

Principal and Vice-Chancellor of University of the West of Scotland

Background

The higher education system in Scotland is distinct within the United Kingdom due to the Scottish government’s totemic policy of providing free tuition for Scottish students. The quid pro quo being the number of places available is controlled (capped) to manage the financial impact.

HE number controls

The Scottish HE system is capped in the most obvious sense – a limit on the total number of funded places for (predominantly) undergraduate Scottish-domiciled students at Scottish universities, but the Scottish Funding Council (on behalf of the Scottish government) manages the funded student population in a number of further ways:

- ♦ Student number allocations per institution, allocated on a historical basis and with minor incremental adjustments.
- ♦ Allocations of funded places by ‘price group’, awarding places at six different price points to each institution, ostensibly aligned to cost of delivery.

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- ♦ Specific ‘controlled’ populations, for typically public sector subjects such as nursing and teacher education.
 - ♦ Targets for specific demographics as part of the conditions-of-grant Outcome Agreement agreed annually, including targets for widening participation, students articulating from college and students with care experience.

Tuition fees and grants

While the sector in Scotland is perceived not to have tuition fees, there are several ways that fees still play a role in the Scottish funding model. Scottish postgraduates (taught and research), some part-time, and students studying for multiple degrees, typically must pay a tuition fee – and are not part of the overall student number controls.

For the typical Scottish-domiciled undergraduate, the Scottish government funds the student tuition fees through the Student Awards Agency Scotland (SAAS). SAAS in turn passes the fee (currently £1,820 a year) to the institution where the student is enrolled. Students do not repay this fee. This tuition fee level has not changed since 2009. The Scottish government also funds a grant, distributed to institutions via the Scottish Funding Council (SFC).

The level of grant is determined by the six price groups, with programmes allocated a price group. The price groups range from £3,781 to £15,940 per student, per year. This means expensive-to-deliver subjects such as medicine and veterinary medicine reach price group one, through intensive lab-based programmes such as physics, engineering in two, lab and complex programmes such as life sciences or education in price groups three and four, and classroom-based programmes of arts and humanities typically in price groups five and six. The fee element is demand-led and the grant element is capped.

In essence, universities can enrol as many Scottish-domiciled students as they wish. However, for any above the defined allocation they only attract the £1,820 per student fee, and if an institution exceeds 10 per cent above their population they are liable for penalties from the SFC of the full grant value per student.

There are some additional supplementary funding streams that are overseen by the SFC. These include the widening access and retention fund (£15.6m)¹⁰; compensation for expensive strategically important subjects (£6.2m); Small Specialist Institutions (£13.8m); and the Disabled Student Premium (£2.9m), all of which tend to be historic provisions that do not directly relate to the number of students and are often flat cash provisions and subject to removal, as was the case with an upskilling fund (£7m) and a pension support fund (£4.8m) in the 2024/25 allocations. Research and innovation funds are a separate stream, which have increased in recent years, however the SFC views these as offsetting some other reductions in the learning and teaching grants.

The funding is derived from a combination of the block grant received from Westminster via the Barnett formula and the additional revenue raised from the Scotland-specific income tax regime. A recent analysis demonstrated that funding per student received by institutions in Scotland is significantly lower than institutions in England, where number controls were removed some years ago and the fees became a liability for the individual student, repayable depending on circumstance (ie level of income). The same study also revealed that the cost to the Scottish government is significantly higher than in England:

‘Per-student public investment in higher education in Scotland is approximately 5 times as high as in England. Despite this, higher education institutions in Scotland receive approximately 23% less funding per student than their counterparts in England. The public costs of the system and funding shortfall experienced by institutions has resulted in domestic student number controls, as well as an

increasing reliance amongst higher education providers to recruit from the rest of the UK and overseas.¹¹

This policy, while designed to balance budget constraints and equitable access, has sparked considerable debate regarding its implications for students, universities, and the broader society in Scotland. The policy intent facilitates the very laudable principle that ability is the key determinant to accessing higher education in Scotland and not socioeconomic background.

This policy supports the Scottish government’s commitment to “free education” for Scottish-domiciled students and forms part of what it describes as the social contract with the people of Scotland.¹² Until Brexit, this also applied to students from the European Union. This policy has never extended to rest of UK (rUK) students. As was sometimes quoted, a student from Umbria could study in Scotland for free, however a student from Northumbria had to pay a fee. There were also some very complex arrangements in place for students from Northern and the Republic of Ireland (liable for the r(UK) despite not being in the UK), especially for those holding dual passports.

Determining the cap

The funding made available to the SFC from the Scottish government as part of the annual budget setting process largely dictates the number of places available. Individual institutions are given their ‘allocated places’ and expected to manage within the tolerance of 2 per cent below and 10 per cent above the allocated number. Going beyond these thresholds leads to penalties or clawback of funding, by the SFC.

Illustrative case study

University X is given an allocation of 100 places (new + continuing students).

Places filled	Impact
<98	Clawback of block grant depending on any accepted mitigations
100	Full grant
101-110	Fees only; the institution receives £1,820 per student
110+	Fees only + Financial penalty

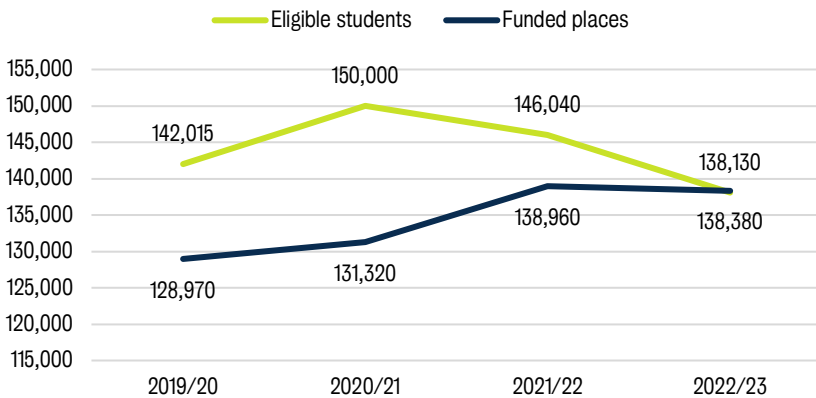
NB It is possible for the institution to be below total population but still meet the expected levels of those students within the subcategories identified with the Outcome Agreement.

The core number can be traced back to its origins in 1992 and is largely rolled forward with some flexing between years. In the last 30 years there has been no zero-basing of the number and distribution of places across the 19 institutions in Scotland. There has been some change to where places are allocated within the price group structure – that too is now more than a decade ago. Given the history, combined with the current and expected fiscal constraints, there is a strong argument for a review of the mechanism, taking account of changing demographics, pedagogical practice and learning patterns.

There have been exceptional events where the number of places made available has shifted significantly. For example, the additional number of students meeting entry criteria when teacher-assessed grades were introduced during the Covid years resulted in an additional number of places being added to the system. Following Brexit, places once taken up by students from European countries remained in the system with the expectation that they would be filled by Scottish residents – in fact this has not been the case (largely for demographic reasons).

For some years the number of students eligible for funding has exceeded the number of places allocated by as much as 10 per cent, with the figures converging in very recent times. The chart below illustrates the gap.

Figure 1: Comparison between the students eligible for funding and the number of places available 2018/19–2022/23¹³



In 2023/24 the number of allocated places dropped to 120,913 and will drop further to 119,540 in 2024/25. The number of eligible students for these years is not yet publicly available.¹⁴

Impact on students

While the policy aims to create a fair and sustainable system, it has several implications for students. The most immediate impact is on competition. With a limited number of places available, students potentially face intense competition to secure a place at their desired university in the location that they can attend if they are commuter-students, or within their desired subject

For students and those who advise them, the picture in Scotland can be confusing. The recent narrative from the Scottish government is that there are sufficient places available to everyone who meets the entry requirements in Scotland, while simultaneously students are hearing from their preferred institution(s) that places for Scottish students are full. This in turn gives rise to the view that Scottish students are being displaced for fee-paying international or rUK students, which provides

an eye-catching headline but is not the case. Entry requirements vary between institutions and Scottish institutions have instigated an agreed programme of contextualised admissions as part of the approach to widening participation. As autonomous institutions, universities are of course free to accept any student.

The choices left open to students are:

- ♦ Another institution in Scotland which isn't their preferred option.
- ♦ A different discipline.
- ♦ Paying for what they want to study in another part of the UK (or the world).
- ♦ Abandoning altogether the ambition of going to university.

Some of these choices and constraints also apply to students in a non-capped system where not every student is able to access their university of first choice. Similarly, some of these options are not viable for many applicants, especially those from lower socio-economic backgrounds due to financial constraints or other personal circumstances.

Impact on universities

Planning

The number control system presents both challenges and opportunities. In theory, it should provide a stable funding environment which aids planning. However, the reliance on government funding makes universities vulnerable to policy changes, political priorities and budget cuts, potentially impacting their long-term strategic planning and development. An annual budget settlement with an annual allocation of places for a group of students who expect to undertake a four-year undergraduate degree creates a complex environment in which to plan

strategically and, where necessary, to implement immediate change. Turning off an undergraduate programme due to a reduced student population requires anything up to a three-year teach-out plan.

Changing the number of places and by extension the funding available to an institution on an annual basis makes medium- or long-term planning much more difficult and can disincentivise innovation within the sector. Conversely, reducing the funding (either directly or through flat cash settlements with rising costs) but retaining the number of places simply reduces the amount available per student.

In recent years, it also created difficulty for short-term planning. With annual Scottish government budgets not being prepared until December each year, the SFC is required to finalise and publish allocations for the next academic year in spring, which is very late in the university recruitment cycle.

Managing performance

There are further complexities within the allocation in that universities are expected to fill certain places with students with specific characteristics, defined by the institution's Outcome Agreement. These include students from the most deprived areas of Scotland¹⁵; care experienced students; and articulating students from colleges with advanced standing. The consequences being that universities can find themselves adversely impacted by perturbations in other parts of the education system – the two most recent examples being teacher-assessed grades during Covid, which saw an increase in demand from schools, and a dramatic reduction in college students resulting in an equally dramatic drop in students articulating to university – with or without advanced standing. The drop in the college population was largely down to three factors: (1) a reduced number accepting college places during the Covid years, (2) a decrease in the completion rate, and (3) an increase in students entering the labour market rather than continuing to study at university, as a result of the cost of living crisis.

This latter drop resulted in several universities falling short of their allocated population. Where universities do not meet their allocated number, the funding council seeks to have the funding returned (clawback) and this retrospective correction can take up to two years following the allocation. As we look to the 24/25 academic year, the process for determining the clawback for academic year 22/23 has not begun. While the SFC seeks to understand the factors that have contributed to the under-population it does not necessarily take account of wider requirements as outlined in the Outcome Agreement. This is an issue that was highlighted some time ago by the Auditor General for Scotland:

'The SFC has recovered funding where universities have delivered less than the agreed volume of teaching activity. But there is no evidence of a direct link between funding and university performance against other agreed targets, such as those for student retention and for recruitment to courses in Science, Technology, Engineering and Mathematics (STEM).'¹⁶

This can lead to two contradictory situations: one, where an institution can meet its overall targets for student population, but failing to meet the specific targets within that, and two, where an institution meets the specific targets but fails to meet the overall population target

Full economic cost recovery

For some universities, the cap is, in one sense, a red herring – a level of funding that reflects the true cost of teaching is a more pressing concern. Audit Scotland in 2019¹⁷ concluded that the sector on average only recovered 92 per cent of the full cost of teaching from publicly funded teaching. Across the UK, the recovery of full economic costs in 2022/23 has fallen to 90 per cent from 94 per cent in 2021/22.¹⁸ Some institutions estimate recovery for Scottish-domiciled students could be as low as 50 to 60 per cent.¹⁹ For some institutions, it does not make

financial sense to seek to increase the number of Scottish-domiciled students, even where there is increased demand:

'At the margin, a Scottish university receives much more funding for teaching an additional rUK or international student than an additional Scottish student. This means Scottish universities have a financial incentive to expand provision, but not for Scottish students'²⁰

Impact on society

The capped system has broader implications for society. A capped system can influence the alignment of higher education outputs with labour market needs. This is most evident in Scotland by the defined controlled subjects – including health-related professions (medicine, nursing, paramedics and professions allied to medicine), as well as both primary and secondary teaching. These are directly controlled by the relevant Scottish government directorates and are influenced by the workforce planning data generated from the National Health Service and the education sectors. Once identified, this workforce data forms the basis of places allocated to individual institutions providing such programmes.

By regulating the number of graduates in various professions, the government can better match the supply of skilled workers with demand, potentially reducing unemployment among graduates. However, this requires precise forecasting and coordination, which has been challenging across several years.

More cynically, it might be suggested that where there are identified workforce shortages it becomes the universities' problem to recruit more and thus overlooks issues such as retention of nurses/teachers/doctors, lack of willingness to live in specific parts of country, or a lack of appeal in, for example, STEM teaching.

There are few examples from around the world where the workforce planning process has neatly matched the creation of suitably qualified graduates, which is an artefact of many different factors including economic stability, public sector pay constraints and demographic changes.

What next?

The capped system for university places in Scotland reflects a careful balancing act between financial sustainability, equity, and access. The policy objectives of balancing sustainable financing and high standards of education are in some peril. As the funding levels fall, not only in absolute terms but in relation to competitor nations, there is an inevitable consequential impact on the quality of the student experience and the relative standing and reputation of the nation's higher education.

To date, these funding gaps have been filled through the innovation and entrepreneurial endeavours of universities. However, one of the most important additional streams of funding, international student recruitment, has been severely negatively impacted by immigration policy, a reserved matter for the Westminster government.

An approach that incorporates funding commensurate with cost of delivery – which might include the need for a different funding model that does not necessarily move away from the principle of free tuition, and that also reflects flexible learning options – can help address the challenges and maximise the benefits of this policy. There will always be the need and indeed desire for universities to exercise their entrepreneurial muscle to diversify income opportunities. Through continuous evaluation and adaptation, Scotland can maintain its commitment to accessible and high-quality higher education while meeting the evolving needs of its population and economy.

Calm consideration, please

Professor Sir Peter Mathieson

Principal and Vice-Chancellor, University of Edinburgh

Just over a year ago I wrote an article in the Scottish newspaper *The Herald* in which I suggested ‘calm consideration’ of the issues raised therein concerning the funding of higher education in Scotland.²¹ I pointed out, among other things, the anomaly that Scottish-domiciled families can pay for their offspring’s university education in England or any other part of the world but not in Scotland, so that both talent and wealth are leaving the country.

What followed could hardly be considered ‘calm’: the then First Minister of Scotland Humza Yousaf publicly disagreed with me²² and one of his predecessors Alex Salmond used his social media platform to publicly condemn me for having the temerity to comment on the subject, expressing his opinion that I am unfamiliar with the issue (despite my 20 years of senior university leadership roles) and that I should concentrate on matters within my own university.²³

At least some calmer consideration did supervene elsewhere, for example in *The Spectator*,²⁴ and more recently one of my counterpart principals in Scotland, Sir Paul Grice, wrote a similarly balanced article.²⁵ (Incidentally, Mr Salmond condemned that one too, saying that Sir Paul ‘should know better’.²⁶) UK universities are inadequately funded for the education of domestic students and for most of their research, such that their survival depends upon cross-subsidy, mostly from the higher tuition fees paid by international students. International students contribute massively to our campus culture, to the cosmopolitan nature of the university experience for our home students and staff, to the UK economy and to the global spread of the outcomes of UK education, but it is inescapably true that they are also financially propping up an under-funded UK higher education sector.

The fragility of this situation was amply illustrated in the early stages of the Covid-19 pandemic, when we and others modelled the impact of a reduction or cessation of international student mobility: universities would be rapidly bankrupt if there was not mitigation. For the University of Edinburgh, the only two significant sources of revenue for cross-subsidy are (1) these international fees, plus (2) any surplus we can generate for re-investment (we are a charity, so we don't make profits or have shareholders, but financial surplus from any commercial activities can be re-invested into the university's running costs) – for example via commercial letting of any vacant accommodation in the summer months when Edinburgh is a major tourist destination and cultural hub with the International Festivals and the Fringe.

Recent events have contributed to an impression among overseas students, their parents and advisers that the UK is not as welcoming a place as it once was. Changes to availability of visas for students' dependents; the (hopefully now averted, but maybe not?) threat to the graduate visa; election rhetoric about the perils of immigration, without any mention of its advantages to the UK or the risks of including international students in net migration numbers when they clearly behave differently to other groups of migrants and make massive measurable contributions to the UK economy; stasis for multiple years in the public funding of universities (worse in Scotland than in England) despite rising costs; and a lack of appreciation of the key role that universities play in the much-desired economic growth that all politicians refer to as the answer to the UK's current problems.

It is encouraging that there is objective evidence of substantial public support for the importance of universities and the risks of allowing them to fail,²⁷ but unless this is recognised and there are favourable fiscal and other policy changes, there is a risk of squandering opportunity. A recent survey conducted for the Russell Group by Survation found universities are rated by the UK public as our top world-beating sector, ahead of technology, financial services and even sport. Even more pleasingly, the survey found that 54 per cent of people said that having more international students would demonstrate the global prestige of our

universities, and only 1 per cent think they should be a priority target for reducing immigration. So, while other polling suggests that cutting overall immigration is a priority for much of the electorate, it seems that most people don't want to see international students as a target for reductions.

The recent report of the Migration Advisory Committee (MAC), showing that the graduate visa is working as intended and is not the subject of systematic abuse, should be required reading of governments in Westminster and in Holyrood. There is talk of a Scotland-specific visa system, perhaps linked to tax codes: an intriguing idea which could allow Scotland, a part of the UK that welcomes immigration and recognises that it needs more not less, to differentiate its reputation to potential international students and other employment-seeking migrants.

So, what can the new UK government do? (1) Take international students out of net migration numbers; (2) Accept the MAC report; (3) Ideally extend the graduate visa time period from two years as other countries have done; (4) Adequately fund education of home students (a devolved matter in Scotland, so this is a message to the Holyrood government as well as to the future UK government); (5) End unhelpful anti-university rhetoric about culture wars, 'woke' policies and the like and start treating universities like the 'jewels in the crown' that politicians often call us when it suits them to do so; and (6) End speculation and uncertainty, which are themselves unhelpful to sensitive international trade markets as well as potential students and staff.

Student support versus university funding: higher education finances in Wales since 2010

Professor Colin Riordan

Secretary General and Chief Executive of the Association of Commonwealth Universities, and former President and Vice-Chancellor of Cardiff University

Since education in Wales became a devolved power in 1999, the four nations have diverged significantly in the way that higher education is funded, and students supported.

The distinction between funding for universities and financial support for students is a critical one that is often elided or overlooked, but in fact it lies at the heart of the tensions that have beset UK universities in recent decades.

Those tensions became readily apparent in 2010, when the coalition government proposed, and subsequently implemented, a new approach to higher education funding based on the outcome of the review led by Lord Browne which had cross-party support and was published as planned after the general election of that year.

The recommendations of the Browne review were not accepted in their entirety, but after intense coalition negotiations it was accepted that university fees could be set in a band from £6,000 to £9,000, though in practice almost all universities opted for the top level of the band.

It came as a surprise to some members of the government (Nick Clegg in particular, who paid a very high political price for breaking the Liberal Democrats' pledge to abolish fees) that it did not lie in the government's power to set fees directly.

While the Higher Education Funding Council for Wales did have powers to restrict fees to a maximum of £6,000 (as did the Office for Fair Access in England), this was a blunt instrument and of little practical use.

Clegg and others discovered that in setting a maximum fee limit of £9,000 there was nothing that could be done in practice to stop universities from charging that higher amount. An initiative in Wales to encourage institutions to charge fees of £7,500 in 2013/14 only lasted a year, once the impact on universities' income became clear.

The mass (and sometimes highly volatile) student demonstrations that took place in London against the policy likewise appeared to take the government by surprise. The pushback was also evident in the devolved nations, with Scotland in particular under First Minister Alex Salmond taking a very strong line in ruling out the possibility of university fees ever being introduced for Scottish students in Scotland.

In Wales the reaction was similar, the Welsh government rejecting the whole concept of a marketised system for Wales. To a degree this was rhetorical, because the cross-nation flows were and are very much greater as a result of the long, porous border, and in some universities – such as Cardiff and Swansea – English students greatly outnumber those from Wales as a result of the differential in population and the relative ease of travel.

There was a specific policy reaction in Wales too, however. The Welsh government of the day refused to accept the increase in fees for Welsh-domiciled students, which it did by instituting a fee-grant system. The effect of this was to hold fees at their original £3,000 level plus inflation so far as the Welsh-domiciled students were concerned, in that this was the amount of funding that would be supplied to universities by the Student Loans Company (SLC). The difference between this lower level would be made up directly to universities by Welsh government.

This meant that Welsh students would be less exposed to the ‘lifetime of debt’ that anti-fee campaigners said would be the consequence for graduates who had studied under this new financial regime. On the face of it, this was a neat solution to a difficult problem. Universities would still receive the new level of fee of £9,000, but students would only incur the same level of debt that they would have done without these changes.

In fact, this policy began to be increasingly deleterious to the finances of Welsh universities. The reason is that the total quantum of funding for the Welsh sector did not change, given the increasing demands on the health service and the fiscal requirements of other Welsh government priorities.

Wales receives lower per capita income than Scotland from the Barnett formula, which distributes UK government funding to the devolved administrations, despite greater socioeconomic needs, so the cost of the fee-grant system had to come from the existing funding envelope.²⁸ The inevitable result of this was that the funding available for universities suffered.

The cost of student support – in this case holding fees down for students – meant that the direct funding available for research and teaching at Welsh universities was constrained in proportion to the numbers of Welsh-domiciled and EU students that they collectively recruited. A perverse incentive was created to hold down the numbers of Welsh students, which did not happen, because of the strong sense of obligation which the Welsh universities rightly held towards Wales, and the EU students, which did happen, informally and organically.

According to European law, EU students had to be afforded the same rights and conditions as home students, which in this case meant Welsh-domiciled, and so it became less attractive to recruit them because of the effect their recruitment would have on the overall budget for universities in Wales.

These circumstances were clearly not sustainable, and to their great credit the Welsh government privately did accept the difficulties the system was engendering, although there was a feeling that universities were perhaps exaggerating the problem somewhat.

That said, it was agreed that (in a move rather similar to the Browne review) a commission would be set up to review the policy, with a brief to report after the next Welsh Assembly elections in 2016.

A commission was duly set up under the chairmanship of Professor Ian Diamond with representation from across the sector, from students, trades unions and others. After around two and a half years of evidence-gathering and deliberations, the commission published its report. The broad outcome was that the fee-grant system should be abolished, universities should be allowed to charge the full £9,000 fee which would be paid by the SLC and recovered from graduates as in England, but in return there would be a generous system of student support, including grants at the rate of the living wage for those students on the lowest income, and a progressive grant for living costs of at least £1,000 for all Welsh-domiciled students.

On the university funding side, there was a recommendation to increase substantially the grant available for research (so-called Quality Related or QR funding), and to ensure that high-cost subjects were adequately funded through the teaching grant.

The initial response of the Welsh government was positive. The findings were broadly accepted, subject to further analysis of affordability. A private warning was given that the transition period would be difficult, with two systems running at once as the old one ran out and the new one introduced over a period of years. Implementation was complicated by the fact that in 2015 the UK government announced the removal of the cap on student numbers that had been a feature of university finance for a generation.

From the academic year 2015/16, the Treasury would allow universities to recruit as many students as were available, with support from the SLC. This would have been the final death knell for the fee-grant system, had it continued, but it still imposed strains on the new system which came into force in Wales at the beginning of the academic year 2017/18.

Over time the result was rather similar to the previous circumstances. The quantum available for higher education as a whole was defined and any policy outcomes had to be achieved within that envelope. The funding eventually failed to keep pace with inflation, and priority was always given to student support. In many ways this was both right and necessary. Financial support for students is a doorstep issue, whereas financial support for universities is not, even though there are obvious knock-on effects for the student experience if university funding falls short. While the recommendations of the Diamond review in relation to student support were implemented, those relating to university funding and support for the sector were not, or at least only in a limited fashion.

This is not meant as criticism of the Welsh government. They almost always acted in a spirit of partnership and dialogue, but the demands on government funding are great, especially in the arena of health and other devolved powers.

Unfortunately, the effect is that a system that was meant to be a lasting settlement for decades has become a major constraint on the ability of Welsh universities to compete both within the UK and internationally. The problem was compounded by the political sensitivity of fees, and the policy of abolition introduced by Her Majesty's Opposition when Jeremy Corbyn became the Labour leader. This meant that in the autumn of 2017 the Welsh government announced an inflationary increase in the £9,000 fee which was withdrawn within weeks. The increase to match the English level of £9,250 (still far below the original 2012/13 level in real terms) did not happen until 2024.

It is undoubtedly true that an important principle of university funding revolves around the proportion of private versus public funding. Indeed, then UK Universities Minister David Willetts recognised this back in 2010, arguing that the increase to £9,000 meant a reverse in the proportion from 60 per cent public/40 per cent private, to 60 per cent private/40 per cent public. The argument then becomes about the fairness of that distribution between the individual and the taxpayer. Yet the further dimension of the proportion devoted to directly funding university activities versus the financial support provided to students often goes under the radar.

The Welsh experience shows that in any higher education funding system, a frank and open, if private, discussion between the sector and the government would allow for an approach that is fairer, and more sustainable, to students as well as universities, and ultimately to the prospects of the country and the health, wealth and wellbeing of its population.

Towards a collaborative, place-based tertiary system

Jerry White

Principal and CEO, City College Norwich

Having spent 23 of my 30 years in education working in either a university or a further education college, I believe that I can bring a certain amount of experience and perspective to comment on the current position of English higher education and the relationships between the FE college sector and universities.

Our college in Norwich has delivered HE programmes since 1901 (back then through a partnership with University of London), some 62 years before our region got a university. Indeed, our formal name remains ‘Norwich City College of Further and Higher Education’, reflecting our long-held position as a provider of HE as well as FE. In my discussions with local business leaders and other stakeholders, I’m constantly reminded of that legacy as I encounter another former HE student of our college now leading a local enterprise or in a position of influence. And up and down the country, FE colleges will tell the same story, of long histories of delivering higher levels qualifications to local communities, seeing this as both a key part of their history and their mission and role today. Too often, I think we use the handle of ‘FE’ for colleges when in actuality we should use FE and HE colleges.

However, we are approaching a crossroads: we need to decide what we want from our post-16 tertiary education system. Do we want to see colleges and universities working as partners in delivering the educational opportunities and skills our society needs? Such a partnership model could create a supportive ‘educational ecosystem’ at a local and regional level where longstanding and respected institutions

in both the college and university sectors are actively facilitated to work collaboratively together for the ‘greater good’.

Or are we prepared to simply allow market forces to let educational institutions ‘battle it out’ for supremacy, and are we prepared for the casualties? You may feel this is too stark an analysis but let me unpack some of my thinking that has led me to suggest this is a distinct possibility unless we change our current course.

In their excellent 2022 report *Going Further and Higher*, the Independent Commission on the College of the Further and Sheffield Hallam University (on behalf of the Civic University Network) noted that our current FE and HE systems of investment and management are disjointed and ‘within and between sectors, institutions can be pitted against each other, locked in unproductive competition, whether as a result of government policy or funding choices, or as a result of institutional cultures and behaviours.’

Post-pandemic, it can be argued that many of the drivers of this unproductive competition have increased. Universities are under increased financial pressure, driven by multiple sources including static (at best) levels of public investment, inflationary pressures and changes in international student recruitment. Colleges are also subject to many of the same inflationary pressures but are now also 15 years into austerity, a period that has led to substantial underinvestment from government and resulted in significant workforce issues as pay has been constrained by levels of public funding. When under such pressures, colleges’ and universities’ shared occupation of the Level 4+ educational space might not be a recipe for ‘playing nicely’ together, with institutional pressures potentially trumping collegiate cooperation.

More recently, parts of the HE sector have themselves been reflecting on their sense of ‘place’ and their civic roles. Such a movement could have been the logical place for a coherent consideration of the local educational landscape, a stimulus to bring institutions together to place cooperation and coherence above competition. However, a review of

the published civic university agreements clearly demonstrates a very wide variety of institutional approaches that universities have taken to their local colleges. Some have the local college as a core signatory and partner in the civic university approach. In others, there are some warm words about ‘working with’ or perhaps (paternalistically) ‘supporting’ colleges. However, most striking is that in a number of the other civic university agreements local colleges are all but absent. This feels like a missed opportunity to me.

Furthermore, current mechanisms of regulation and national policy directions have to date done little to drive partnership working between colleges and their local universities, and in fact you could argue actively encourage a disjointed approach. For example, colleges have for decades widened participation into HE through the delivery of successful and well-respected Access to Higher Education programmes. Intensive one-year Level 3 programmes for adults, these programmes have supported generations of individuals to see HE as possible for them, despite their educational record in their younger years.

But for the past decade these programmes have been directly undermined by, and faced competition from, the massive growth of Year 0 programmes in the university sector. On the face of it, the two types of programmes have identical intentions, equipping individuals with the skills and knowledge to make a success of undergraduate study. Yet for much of the last decade the average Access to HE course was funded at the college at around £3,500 per student, while the Year 0 was funded at the £9,250 level. Despite the Augar review highlighting this inequity in 2019, only now is government policy starting to partially address it. For many colleges, access provision has been seriously damaged by this competition and may never recover, despite the wider policy objectives of ‘widening participation’.

I would go further to suggest that the fundamental driver of the WP agenda in England, the Access and Participation Plans (APPs), have also failed to recognise their impact as a driver of competition, not collaboration. Without any requirement that APPs consider the impact

on other institutions' provision locally or in any way lead to a co-ordinated local approach to WP work, WP students who previously would have stayed at their local college to progress to Level 4+ study, are now 'target students' for the local university.

I would welcome an analysis of the 'displacement' of students that has occurred from the college sector to universities, as a result of an uncoordinated institution-based approach to APP target-setting – as opposed to one that looks at what a region needs and asks the institutions that serve it to agree a coordinated and deliberate approach to WP.

So how could we challenge these drivers over the next decade to produce a more coherent, collaborative approach to the FE/HE system interface?

Changing this narrative will require leadership. It will require universities and colleges to overcome institutional interests to recognise that their 'place' needs them to function coherently, to open up pathways for progression, to jointly address the productivity challenges of local business and the economy and to change their places and the communities they serve, for the better. So, the first challenge is to empower, encourage and support institutional leaders into a productive dialogue that has tangible outcomes. These outcomes require codifying within institutional arrangements, so they can be long-lasting and 'live beyond' the individuals who have initially created the positive dialogue and the impetus for change, so they inherently change the DNA of our education ecosystem for the long term.

However, there is a risk inherent in any approach that is left to individuals and their personal commitment to system leadership, in that it may not happen. Institutional priorities may continue to overwhelm instincts to 'do the right thing', especially as investment in both sectors looks likely to continue to be inadequate. We must therefore provide structures that drive forward collaboration and demand a level of dialogue and partnership working.

In their recent report *Opportunity England*, the Association of Colleges makes the case for clearly defining the roles of colleges and universities, to support the goal of developing a coherent, place-based tertiary educational system that is effective, efficient and fair. Such collaboration should be a requirement, not left to chance and levers such as APP plans, or other regulatory measures could be employed to bring those unwilling to shed themselves of institutional self-interest to the table.

However we do it, I believe that the case to create a coordinated and coherent Level 4+ educational offer for every part of our country is compelling and is critical for helping our economy grow, providing life chances for those who may not have previously considered HE was ‘for them’. I also believe that it will enable our local educational ecosystems to grow to become mutually supportive and more sustainable while we face the inevitable challenges of the next decade.

The need for a bold vision and investment to secure a college sector fit for the future

Audrey Cumberford

Principal & Chief Executive Edinburgh College

Reform or evolve

Colleges in Scotland were at the centre of significant reform in 2012, creating 13 regions and regional colleges of scale and influence. At the heart of the reform agenda was an emphasis on ‘place’ and regional coherence in terms of planning and delivery of provision. There are undoubtedly benefits of regionalisation but this needs to be combined with coherence across the wider system, policy and funding environment. Policy coherence is critical in the context of transformation or reform, preventing fragmented or siloed policy actions and supporting alignment across local, regional and national actions. To understand why coherence is such an issue, we need only look at the recent policy landscape.

The potential for a cluttered education and skills policy environment

In 2018 the Fraser of Allander Institute noted a proliferation of competing economic strategies and advisory boards launched by the Scottish government over a period of 10 years.²⁹ The analysis identified the potential risks associated with a ‘cluttered’ economic landscape: confusion, a lack of alignment, duplication and weakened accountability.

The same critique could apply to the education and skills sector. During the period 2020 to 2023 a plethora of reviews have been published, all ultimately centred on the reform of aspects of our education and wider skills system. Recent major developments affecting the college sector include: *The Muir Review* (2022), focusing on reform of the Scottish Qualifications Authority; the Withers Review (2023) of the Skills Delivery Landscape; the Smith Review (2022) of the Careers Service; the Hayward Review (2023) of Qualifications & Assessment; and the OECD Review (2021) of Curriculum for Excellence. Each call for reform highlight challenges and opportunities, and each comes with its own set of recommendations with the potential to inform future policy and system reform. It is difficult, if not impossible, to consider each review in isolation without being aware of the interdependencies. Reform in one part of the system will undoubtedly impact either directly or indirectly on other parts of the wider system and policy.

The commissioning of this range of reviews points to the need for change and an acknowledgement that the perpetuation of the status quo in the policy environment and education and skills system is not an option. And what of the outcome of the reviews? Of particular note is the Scottish government's response to the Withers Review, which recognised the 15 recommendations were 'persuasive'. In the same month the Scottish government published its 'Purpose and Principles' to set out a framework for decision making in educational and skills reform.³⁰ One year on, a consultation was launched on 25 June this year on legislation and proposals for change in the funding body landscape. An Education and Skills Reform Ministerial Group has also been established to support and challenge the government in looking at reform issues right across the education system.

Converging on the need for reform and vocational excellence

During that same period, Scottish government ministers commissioned a review of the economic impact of colleges in Scotland. The

Cumberford-Little report, *One Tertiary System: Agile, Collaborative, Inclusive* (of which I was one of the authors), was subsequently published in 2020, highlighting the economic and social impact of Scotland’s colleges.³¹ The report illustrated the already significant impact of regionalisation from the 2012 college sector reforms and identified the potential to do much more. The report set out the conditions necessary to realise the untapped potential of Scotland’s college sector.

The report identified the significant economic impact colleges already have – not least, an annual boost to Scottish GDP of some £3.5bn. The report set out a series of recommendations for government and its partners, with a starting point of defining the purpose of colleges in Scotland which should place employer support as colleges’ cornerstone, such that colleges provide world-class lifetime learning, and high-quality business support. The report also argued that funding, accountability, performance, and quality regimes must align and support the pursuit of the new purpose, pointing to the need for systemic change in creating a fully integrated tertiary system in Scotland.

In 2020, Scottish ministers also commissioned the Scottish Funding Council (SFC) to undertake a *Review of Tertiary Education & Research – Coherence and Sustainability*.³² The final report was published in 2021 and the recommendations were subsequently endorsed by the Scottish government with a commitment to develop a clear strategic, longer-term vision and intent for the future of tertiary education and research.

In 2023 James Withers’ independent review of the skills delivery landscape, *Fit for the Future: developing a post-school learning system to fuel economic transformation*, made the case for transformational change of the skills system, setting out why structural reform was required to the current way skills are delivered in Scotland and proposing recommendations to ensure the public sector could meet the level of economic transformation expected over the coming years. The report described how the public body landscape should be adapted to drive

the government's ambition for a skilled workforce, a key pillar of the government's National Strategic for Economic Transformation.

What many of these reviews have in common is that they emerge from a need for transformation driven by technological advances, changing demographics, a climate crisis and the need for economic growth.

In Europe, the implementation of vocational excellence features prominently in EU policy, with a focus on the reform of colleges to ensure opportunities exist to train young people as well as the upskilling and reskilling of adults. Provision must meet the needs of a dynamic labour market, shaped by both green and digital transitions. Colleges are catalysts for local business support and applied close-to-market innovation. Colleges have to rapidly adapt skills provision to evolving economic and social needs.

It is no different in Scotland and there are strong foundations on which to build.

Scotland's college system in the wider UK context: towards harnessing the benefits of regionalisation

The UK wide Independent Commission on the College of the Future, established in 2018, brought together leading figures from business and the trade unions as well as national and international experts and key stakeholders from across the four nations of the UK. The work of the commission in framing the UK-wide recommendations for the college of the future was significantly informed and shaped by the Scottish experience, specifically the regionalisation of Scotland's colleges and college system.

Initially the commission set out to answer two simple but fundamental questions:

1. What do we want and need from colleges in 10 years' time?

2. What changes are needed in order to achieve this?

Following extensive consultation with the sector and its stakeholders throughout 2019 and 2020, we shared our vision for the college of the future. We published our final reports for the whole of the UK³³ and reports for each of the individual four nations, including the Scotland-specific report.³⁴

This work recognised the importance of colleges as a national asset and an essential part of public infrastructure. In this regard, regionalisation of colleges in Scotland was considered to be a particular strength by stakeholders across the other three nations, providing a coherent structure for closer working with employers, and the foundations for much closer integration with universities, schools and other public bodies at local and regional level.

Professor Sir Peter Scott, Commissioner for Fair Access, said:

‘Scotland is in a better position to develop a truly flexible tertiary education system than any other UK nation. The case for an integrated tertiary education system, rather than discrete university and college, higher education and further education, education and training sectors, should be vigorously promoted in Scotland.’

The commission concluded that the regionalisation of colleges in Scotland established a more coherent system, with colleges playing a much stronger role in the delivery of national, social and economic policies and an enhanced role in local and regional economic development.

Colleges in Scotland are also key partners within each of Scotland’s eight Regional Economic Partnerships – collaborations between colleges, universities, local government, the private and third sectors. These partnerships bring together regional interests and promote a collaborate approach and platform to accelerating economic growth at a local and regional level.

‘Tipping point’: the possibility of reform in a funding crisis?

Despite what has been achieved by the college sector in Scotland since regionalisation, it is important to recognise that successive Audit Scotland reports, including the most recent in 2023,³⁵ as well as SFC reports,^{36 37} point towards a ‘tipping point’ being reached with regard to the ongoing financial sustainability of the sector.

In 2022, Audit Scotland reported that change was needed to improve this for the long term, and that the Scottish government and the SFC should support colleges in this process. But risks to the sector’s financial sustainability are now even greater, with the Scottish government’s funding for the sector reducing by 8.5 per cent in real terms between 2022 and 2024.

In May 2023, the Scottish Parliament’s Education, Children and Young People Committee concluded:

‘If additional funding is unavailable, and flexibility within current funding arrangements is also not forthcoming, then the Scottish Government and the Scottish Funding Council need to provide colleges with a clear steer on what they should be prioritising.’

The Scottish government’s Purpose and Principles for Post-School Education, Research and Skills included a target outcome that the system is ‘financially and environmentally resilient’.

Institutions and the systems in which they operate evolve naturally but can they reform naturally? What kind of environment needs to exist for reform to happen? And can we take regionalisation to a new level, building on the strong foundations that exist today.

It is questionable whether the level of reform required can be achieved, at pace, against the backdrop of a funding crisis. Colleges face daunting challenges now to their business models and finances. In the context

of the wider tertiary system, per-student public investment in higher education in Scotland is approximately five times as high as in England. However, Scotland's universities receive approximately 23 per cent less funding per student. Scotland's colleges deliver around 13 per cent of all higher education in the country, yet the corresponding differences in funding levels for Scotland's colleges are even more significant: they receive approximately 51 per cent less income per student than English HEIs and 36 per cent less than Scottish universities.

Demand for what we provide, and how we provide it, is changing. In colleges, the full-time higher education full-time equivalents (FTEs) fell by 16.5 per cent from 2021–22 to 2022–23. Over a 10-year period the number of FTE full-time HE-level students in the college sector has reduced by almost 20 per cent. In contrast, there are strong signals pointing to an increase in demand for more part-time flexible provision, more work-based and work-integrated training and a rapid upskilling and reskilling of our workforce with shorter and more flexible educational provision.

The case for reform is clear, as demonstrated through the recommendations of the various reviews that have been commissioned. The challenge, however, is to support colleges in planning for change now and ensure the sector is sustainable in the longer term. It is vital that we invest in the education, skills planning and delivery needed to drive the economy and society of the future.

Reform that achieves a future-proofed college sector requires clarity and consensus on the role and purpose of colleges, with a planned and funded transition to see it through. But is there now a case to also consider a review of the funding environment, underpinning the recognised need for wider reform?

Investment in the education, skills planning and delivery needed for our economy and wider society should be grounded in clarity of what it is we are trying to achieve; what we want to prioritise; equity and fairness of investment in individuals and across the system; and distribution

of investment to ensure it is in the right place, reflecting and meeting regional demand.

‘Please, sir, I want some more’: moving from an Oliver Twist to a Mr Micawber approach to tertiary education sustainability

Huw Morris

Honorary Professor of Tertiary Education, Institute of Education, UCL's Faculty of Education and Society

Introduction

Recent discussion about the future of higher education funding in the UK has focused on requests from university leaders to government ministers for increases in the undergraduate student fee for UK students, as well as relaxation of the controls on overseas student recruitment and improvements in research funding. This approach could be characterised as an Oliver Twist strategy after the famous request, ‘please, sir, I want some more!’.³⁸

To date the Oliver Twist strategy has not been successful. Opinion surveys have revealed a mismatch between what the public believes is an acceptable student tuition fee, £6,500 to £7,500, and vice-chancellors’ assessments of a desirable fee, £13,000.³⁹ It has also revealed that while most of the public view investments in research positively, they would like to see more of this expenditure focused on where they live.⁴⁰ Finally, while young graduates see the benefits of overseas student recruitment, a majority of older people without a degree are more sceptical.⁴¹

Faced with this mismatch in views, and before the next Comprehensive Spending Review in 2025 or 2026, now is good time to look again at the cost-effectiveness of different forms of higher education and to consider

what lessons can be learned from the past. To borrow from Dickens and to paraphrase Mr McCawber, how can a strategy be developed which gets us to, ‘annual income [43 billion] pounds, annual expenditure [40 billion]...., result happiness’. And avoids ‘annual income [43 billion] pounds, annual expenditure [44 billion] pounds...., result misery’.⁴²

Interest in the cost-effectiveness of higher education is not a new concern. There has been a long-running and increasingly prescriptive interest in the efficiency of providers. This interest has moved through four distinct phases from (1) ministerial encouragement to (2) directly imposed cuts and tighter regulation and on to (3) market mechanisms to increase cost-effectiveness and more recently (4) direct intervention in the management of institutions.

i) Encouragement to improve cost-effectiveness

Many modern histories of higher education in the UK give pride of place to the Robbins review in early 1960s which it is commonly believed presaged a major expansion of university provision. What has been given less attention was the Labour government’s response to the review and the decision to limit the costs of expansion through the creation of a polytechnic sector. As Peter Mandler demonstrates, this concern predated Anthony Crossland’s time as Secretary of State for Education and Science and can be traced back to the concerns of the Treasury and previous Conservative administrations about the cost.⁴³

Concern about the cost-effectiveness of higher education continued in the late 1960s when the Minister of State for Education and Science, Shirley Williams, provided the Committee of Vice-Chancellors and Principals with a list of 13 proposals for improving cost-effectiveness.⁴⁴

The possible replacement of student grants by a system of loans for undergraduate courses. The possible replacement of student grants with a system of loans for postgraduate courses. Restrictions on the recruitment of overseas students. A requirement that students who

received a grant should work in related jobs for a period of time after graduation. Greater use of part-time and correspondence courses. Two-year degree courses for the most able students. Two-year non-degree courses for less able students. Introduction of a period between school and university to help school leavers decide whether they wish to proceed to higher education study. More intensive use of buildings and equipment, including reorganising the academic year. Increased sharing of facilities between adjacent institutions. More UK students for the same level of funding. Development of student housing associations to provide residential accommodation. Increased staff-student ratios.

Concern about cost-effectiveness remained a cross-party issue, as revealed by similar proposals from Margaret Thatcher when she became Secretary of State in the early 1970s.⁴⁵ The initial reaction by vice-chancellors to the proposals was dismissive and limited progress was made over the next decade with these suggestions.⁴⁶ The failure to act in response to these proposals revealed the difficulties that leaders of independent, loosely coupled higher education institutions face in galvanising collective action to improve cost-effectiveness.⁴⁷ History reveals that it is easy for the staff in these institutions to cooperate to gain more government funding or new market opportunities (witness the introduction of PhD degrees in the 1920s and the expansion of international student numbers in the 2020s), but difficult if not impossible to gain collective agreement to reductions in costs.

ii) Cuts to funding and tighter regulation

Recession in the 1970s and the election of a Conservative government in 1979 ushered in big cuts to public spending. Faced with these reductions, the University Grants Committee spread the pain unevenly, focusing the biggest cuts on what they considered to be the least prestigious institutions. The scale of these cuts was eye-watering, eg: Salford -44 per cent, Aston -31 per cent, Stirling -27 per cent, Aberdeen -23 per cent, Sussex -21 per cent and Hull -20 per cent.⁴⁸ Despite these large cutbacks none of these institutions closed or were

forced into the hoped-for mergers. Instead, they reduced staff and student numbers and increased their income from other sources.⁴⁹

A backlash against the way in which reductions in funding were organised in the early 1980s led to the commissioning of the Jarratt Report in 1985, which sought to encourage change to university governance and management modelled on corporate practice.⁵⁰ It also provided the context for a more targeted approach to research funding.⁵¹ However, this was not without its own costs. The first Research Assessment Exercise in 1994, following the conversion of polytechnics to university status, cost £47m.⁵² The cost of the most recent Research Excellence Framework in 2021 was £471m.⁵³

Increases in the number of universities in the 1990s raised concerns that institutions were cross-subsidising this activity at the expense of teaching as they sought to improve their reputational standing. These concerns led to the introduction of the Transparent Approach to Costing to provide university leaders with feedback on spending. A review in 2021 by KPMG found that institutions found this information helpful, but burdensome to collect.⁵⁴ Meanwhile, more recent analysis has found that research cost recovery varies from 39.4 per cent to 72.3 per cent, with the remaining 60.6 per cent to 27.7 per cent of research costs being covered by the surpluses achieved from international student fees and student accommodation, where this creates a surplus.⁵⁵

Cost-effectiveness through market competition

The global financial crisis in 2007-8 prompted the commissioning of the Browne Report on higher education funding and student finance.⁵⁶ The government responded to this review with legislation which introduced variable undergraduate student tuition fees of between £6,000 and £9,000 (not the ceiling of £12,000 proposed by Browne) with an expectation that most providers would compete on cost and offer courses at an average fee of £7,500 per annum.⁵⁷ Contrary to expectations, all universities in England increased their fees to the

highest level and while there was more competition between providers student perceptions of the value for money provided by these courses declined.⁵⁸

In response to these changes two higher education institution efficiency reviews were undertaken for Universities UK.⁵⁹ These reviews recommended that university leaderships should improve cost-effectiveness through better use of data, improved estates usage and shared services. These recommendations were not as extensive as those made by Shirley Williams and Margaret Thatcher four decades earlier and were not implemented across the now much larger university sector.

Concern about the costs of higher education were echoed again in the Augar Review in 2019, which commented on the very high cost of higher education in the UK by comparison with other OECD nations, a view echoed in a parallel government-sponsored analysis of costs by KPMG.⁶⁰ In the light of these analyses, the Augar Review's final report recommended that undergraduate tuition fees should be reduced to £7,500 with additional payments to be made to fund STEM and other high-cost courses. This proposal was not adopted, but the maximum undergraduate fee was not increased and with inflation its real value has now fallen below £7,000 when measured against the Consumer Prices Index, or lower if other measures of inflation are used.⁶¹ Increased cost-effectiveness was achieved in many higher education providers in response to these changes through increased staff-student ratios and reduced capital investment. In others, the need for this change was avoided through the expansion of international student recruitment and transnational education activity.

Direct intervention in the management of institutions

The last of the government measures designed to encourage greater cost-effectiveness by universities was the Higher Education Restructuring Regime (HERR) introduced at the beginning of the Covid pandemic. Modelled on the arrangements operated by the

Further Education Commissioner, this scheme offered access to government loans to higher education institutions in financial difficulty, in exchange for agreement from their governing body to abide by a review by an independent team of management consultants.

The HERR arrangements were actively considered by three universities and taken up by one, but it has been suggested that they had a beneficial impact on the risk appetite and financial commitments made by institutions that did not take up the offer. This meant that the challenge of potentially relinquishing management control and governance oversight encouraged the leadership teams of these institutions to introduce cost reduction measures that made them more efficient. Whether these and subsequent changes made all institutions cost-effective in the eyes of all their stakeholders is a moot point. What is much clearer is that this was not the first of this type of intervention. As others have documented, there have been regular interventions to save institutions from insolvency and to steer them towards greater cost-effectiveness.⁶²

As we contemplate the changes that might be needed in the future, it is important to remember that there are 404 higher education providers in England and at least a further 50 in the devolved nations of the UK. Of these providers, there are 165 universities and of the 80 that took part in the recent PwC financial analysis for UUK, 36 per cent were predicting a deficit in the financial year 2024–25, rising to 80 per cent if international student numbers fall significantly.⁶³ Meanwhile, 50 universities have announced plans for staff redundancies.⁶⁴ Having noted these reductions in a minority of institutions, it is also important to note that, over the period 2010/11 to 2022/23, among the 220 higher education providers monitored in the Higher Education Statistics Agency, income rose from £24bn to £45bn and staffing grew by 56,930.⁶⁵

Meanwhile, there was a significant reduction in the volume of higher education provided by further education colleges, often in the most deprived communities in the UK. Over the same period the income

for these institutions declined from £7.5bn to £6bn and staff numbers fell by 12,162.⁶⁶ In short, a crisis for some in the last two years has not to date been a crisis for all over the last 14. There has been expansion in many institutions with high reputations and also in some lower-cost institutions which are better able to meet the changing patterns of student demand, particularly the Open University. Meanwhile, some of those institutions caught in the middle have found stagnant fee levels, reduced international student recruitment and the expectation of engaging in significant levels of research more challenging.

Conclusion

There is a significant mismatch between the views of the general public and university leaders about the fee that should be paid for undergraduate higher education. Faced with these views, politicians belonging to all the major political parties in the UK have been reluctant to commit to increasing university funding in the foreseeable future. With income reducing and costs increasing, it would seem sensible for institutions to adopt the Mr McCawber strategy outlined earlier. The specific actions that will enable a better balance to be struck between income and expenditure will vary between institutions and are unlikely to be advanced effectively by central diktats.

History does not provide a good account of the success of ministerial encouragement of cost-effectiveness measures, targeted cuts, increased regulation or market-based competition. What does appear to have been more successful is the sharing of learning between institutions about how to raise income and targeted intervention from government agencies through loan funding to help institutions reduce costs when in difficulty. The specific ways this can be made to happen are the things we should be talking about now.

The case for unifying higher and further education and decentralising to regions

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The UK approach to governing/administering higher and further education is running out of road. A continuing process of centralising governance has extended over a period of 100 years, beginning with the establishment of the University Grants Committee in 1919 to the later transfer of the polytechnics from local authority control and the ‘nationalisation’ of further education. From 1992, however, we have seen decentralisation to Wales, Scotland and Northern Ireland (populations of 3.3 million, 5.5 million and 1 million respectively, leaving 56 million, 85 per cent of the population, governed as a single entity in England). It is now time to consider decentralising the policy decision-making process in England, and for the following main reasons:

1. Management/policy overload

Demography tells us that over the next six or seven years we may expect, on current trends, for post-secondary numbers to expand by 150,000.⁶⁷ According to the precedent of the mid-1980s, numbers will not then necessarily fall in line with demography but, on the contrary, may be maintained by rising participation. The fate of the forecasts in the Department for Education and Science green paper of 1985 should be enough to warn the Treasury not to plan on ‘tunnelling through the hump’ as it mistakenly attempted to do then. If there is a sense of policy overload now in the central bodies, the Office for Students (OfS) and

the Education and Skills Funding Agency (ESFA), it will be greatly increased, with serious consequences for the two sectors if no action is taken. Even now the House of Lords and most commentators would suggest that the HE sector is too heavily and bureaucratically regulated and insufficiently independent of central government. The same criticisms could be made in the FE sector. In both cases the decision-making bodies are too distant to be effective in the local or regional situation.

2. Tertiary education

The needs of the country both economically and educationally have changed since the 1990s and require more diversified HE/FE systems working together. The development of apprenticeship education provides a good example. The OfS and ESFA operate entirely separately and have shown little signs of creating joint policy initiatives. The situation points strongly towards jettisoning the concepts of HE and FE and substituting that of tertiary education, where the two sectors are governed/administered together (with the individual institutional status and legal identity of universities and colleges retained). Research evidence suggests that there is a growing collaboration between institutions in the two sectors. Shattock and Hunt⁶⁸ show that on a 45 per cent return, 89 per cent of UK colleges had joint arrangements or direct partnerships with at least one university and that 95 universities, over half of UK universities, were involved.⁶⁹

The strongest argument for unifying HE and FE is the national need for reducing local and regional inequalities. The English Indices for Deprivation for 2019 show that, of 317 Local Authority Districts in England, 260 have at least one of the 20 per cent most deprived areas within their boundaries.⁷⁰ Pockets of social and economic deprivation are thus spread across the country. FE colleges have a much better reach into these communities than universities and can make more flexible education offers. They and the universities should be strongly encouraged to deliver together to the diversified workforce needs that

are on the horizon, as well as to a ‘levelling up’ of communities. This process could only be managed successfully in a regionalised system – a merger of HE and FE in England on a centralised basis would perpetuate the stifling of local and regional vitality and initiative.

3. Regional policy deficit

The regional economist Professor Philip McCann, in a much-quoted statement, says that ‘the UK has the greatest spatial inequality in Europe’,⁷¹ a view endorsed by IPPR North⁷² and the Levelling Up White Paper.⁷³ Both main political parties in England have committed themselves to new regional governance structures with Labour promising ‘full devolution’; around 15 or so metro mayors and combined authorities are already established or are in gestation. This structure provides a constitutional framework for a revision of the role of regions in respect to HE and FE. Labour’s plans, however, are to concentrate devolution on infrastructure, transport, skills and employment support, thus maintaining a divisive separation of skills training from further and higher education and ignoring the desirability of integrating educational planning and development into regional economic strategies. This may be a reflection of the previous government’s mistaken view that ‘levelling up’ is simply a question of making capital grants to ‘left behind’ towns and cities or perhaps of opposition within Whitehall. The disparities of participation in education will not be addressed with any chance of success unless they are tackled at the local or regional level and unless concerns about the provision of human capital are integrated with capital investment in infrastructure.

It is easy to forget that we already have workable precedents for decentralisation in the devolution to Wales, Scotland and Northern Ireland. It is no accident that Wales has already gone tertiary, Scotland is moving in that direction and even Northern Ireland is talking about it. In 1992 there were all sorts of doubts voiced about how this would affect HE but it could be argued that in all three cases the institutions and the systems are now stronger (though steep reductions

in government funding are currently a concern in Scotland). The populations of Greater Manchester or the West Midlands, with West Yorkshire only a little behind, are analogous with that of Wales; London, of course, is far greater. There is no reason to think that these and other regions, not yet established, do not have the capacity to take responsibility for a regionalised tertiary education system as being established in Wales or in prospect in the other nations.

Realising the changes

Realising the changes implied by the above, urgent though they are, cannot be achieved overnight. Let us start with the universities themselves: the UPP Foundation rightly says that ‘universities have lost some of their tangible connections to their place’ and ‘that UK policy has been relatively agnostic territorially for many years’.⁷⁴ The centralisation of bureaucracy in England (particularly under the OfS), the reputational effects of national and international ranking tables, the impact of the REF and, over an even longer term, the influence of UCCA/UCAS have reshaped the priorities of universities which, except for the 1960s New Universities, were all founded directly by local communities. On grounds of ‘efficiency’, and under pressure from central bodies (eg the 1985 Jarratt Report⁷⁵ and 1997 Dearing Report⁷⁶), universities have abolished meetings of their courts (annual representative meetings with members of local and regional communities) and reduced their governing body membership by discontinuing local representation and concentrating on ‘professionalising’ membership by importing members with relevant national experience in finance and legal affairs. Many universities have been energetic in addressing local or regional projects but these have not necessarily been integrated with regional economic and social development planning. Regions have no locus in FE or HE national planning at a time of widening disparities in regional wealth and productivity.

The establishment of a network of regional authorities with real decision-making powers offers a constitutional framework within which the decentralisation of tertiary education can be developed. It does, however, offer a complex reorientation of the current governance structure. In two respects there need be no change: research should remain under central policy control and a regulator with quality assurance functions would continue to be necessary. The transfer of other central responsibilities would, however, need to be phased: only a minority of combined authorities have yet to be established and some may be too small in population terms to justify on their own the management of a tertiary education system. Moreover, some time will be required to assemble appropriately experienced staff. There would thus be advantage in proceeding with two or three of the largest regions first to iron out any difficulties. These would certainly include finance, transfers from the Department for Education budget and the adoption of some Barnett-type formula. New machinery would also be necessary at the regional authority level to establish intermediary committees to interface with the regional authority and to protect the autonomy of the institutions. There would also be a good case to establish a joint regional authorities committee, analogous to the joint Lander committee in Germany, to represent the common interests of the authorities to government. There are undoubtedly other ways in which regions might be given responsibility for the implementation of tertiary education in their region, but this seems to me to be the most straightforward.

A concern among many universities in England about decentralising responsibility for a tertiary system to regions might be that it would be a threat to the profile of their institutions internationally and would weaken their roles nationally and at Westminster. On the first, there is no evidence that this has been the case in respect to universities in Wales and Scotland. Indeed, it could be argued that the Russell Group universities in these nations have benefitted because of the greater identification with their location. On the second, the roles of Universities UK and the ‘mission’ groups would be unchanged, but on some issues the support of a powerful metro mayor might carry more political weight.

Regions are key in reconnecting HE and FE with society on the ground. It is their vitality and initiative that can be crucial in giving new purpose to the divided systems we have at the moment. In political terms we are in what we might describe as a ‘plastic’ period, where a change of government has just occurred and policies are more open to review. The opportunity to raise the importance of the regional role in a tertiary system should be seized upon and plans to legislate for regional devolution should be flexible so that FE and HE can be incorporated in due course. The danger is that with other priorities the present structures in FE and HE will remain frozen and ideas for change will lack purchase. The establishment of an effective tertiary education system and the regionalisation of the system in England would be transformative educationally, socially and economically.

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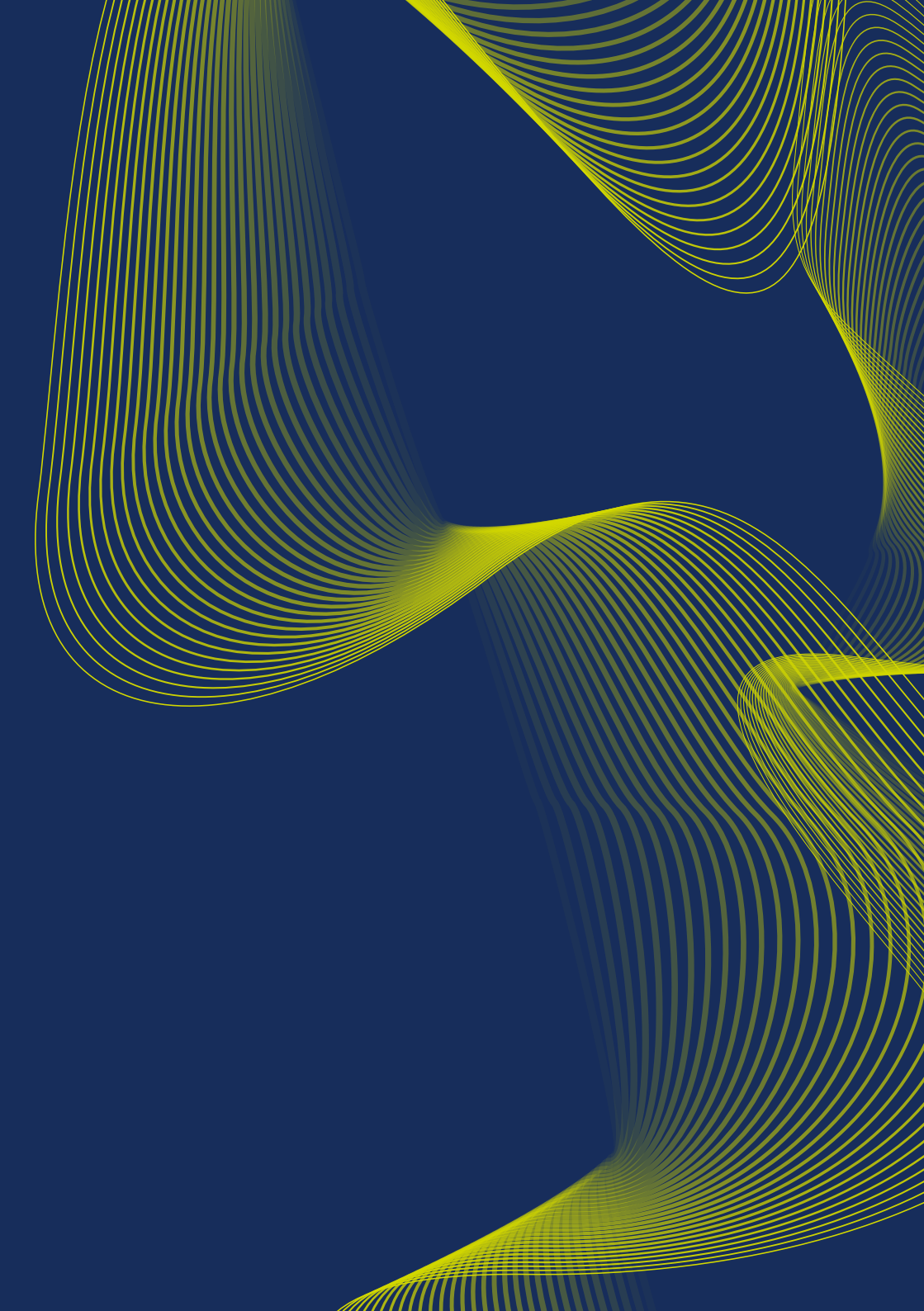
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