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Debate

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New choices: Revisiting futures for higher education in England

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Executive summary

Four Futures was a HEPI pamphlet written in 2024. It diagnosed structural challenges in English higher education and outlined four plausible 'ideal type' scenarios to inform thinking about the future. Two years on, *New Choices* revisits the analysis against a backdrop of accelerating financial difficulty, widespread institutional restructuring, rapid technological, social and cultural change and government policy, and considers the implications for strategic decisions across higher education.

The updated analysis set out five arguments:

1. The financial pressures identified in *Four Futures* have accelerated and intensified far more quickly than envisaged. As a result, institutions are changing strategic direction at speed. The four scenarios developed in *Four Futures* remain useful analytical frameworks and are summarised in the box below.

Scenario 1 **Evolution of the present** Financial pressures squeeze the sector ever more tightly, leading to course closures, degraded student experience, declining participation and market exit.	**Scenario 2** **Delivering the 2010 vision** Full funding of the sector for the economic costs of teaching and research allows the sector to thrive as it did in the early 2010s.
Scenario 3 **Place-based tertiary system** An infrastructure prioritising the co-ordination of post-18 tertiary education and a focus on regional collaborations to drive skills with credit accumulation and transfer at its heart.	**Scenario 4** **A differentiated system** A small number of universities undertaking fundamental research, other institutions focused on translational research, teaching institutions focused on professional programmes and specialist institutions.

2. In 2026, Scenario 2 is even less plausible. The remaining scenarios are no longer so clearly separable but elements of all three can be found. Despite fee indexation, Scenario 1 is advancing faster than projected due to cost inflation, shifting demand and volatility in international student numbers. National and regional governments are sharpening the skill asks of higher education as envisaged in Scenario 3, but without the infrastructure required. Research policy changes are driving concentration without the transitional support or transparency that Scenario 4 envisaged.

3. New developments are creating a potentially significant moment of transition. Student experience has changed: rising commuter numbers, cost-of-living pressures and worsening mental health are redefining expectations of higher education. Public perceptions of universities have shifted. AI has posed questions about how universities undertake their core functions of teaching, assessment and graduate employability that none of the original scenarios directly addressed but are now central and likely to reshape the contours of the sector.

4. The analysis that follows generates a new choice landscape for government and for institutions. Simply increasing income is no longer a viable solution. Institutional missions and forms will diverge. Operating, business and delivery models are likely to diverge after a long period of convergence. The paper offers a potential typology of the future sector.

5. This divergence poses questions for institutions and for government as they navigate the implications of a more layered sector. Questions about how institutions work, how higher education is configured and how it relates to wider society all need to be addressed. In this context, both institutions and government need greater clarity about the relationship between policy vision and institutional change.

1. Four futures revisited

The challenges are mounting. *Four Futures* was written just before the 2024 General Election. It was already clear that the model of English higher education built after 2010 was financially unsustainable. Throughout the 2010s, universities shaped their strategic plans to navigate fixed and inflation-eroded home undergraduate fees, structurally underfunded research and dependence on international student recruitment to fill income shortfalls. Almost all were founded on assumptions of continued growth.

The paper had a positive reception. Its four scenarios shaped discussions about options at the end of what seem to have been boom years. It questioned prevailing assumptions that institutional adjustment alone would be sufficient. The description of government as having 'called into being a large and diverse higher education sector' while being 'reluctant to provide the funding and policy framework in which it can thrive' crystallised what many felt.

But there were gaps. The paper did not engage sufficiently with shifting public perceptions of higher education, or what a pivot towards economic impact would mean structurally for institutions. Written at the close of a long period of Conservative-led Governments, it could not fully anticipate political change. Although written after the launch of ChatGPT3, it did not engage seriously with AI's potential to transform the university's core functions or its relationship with the labour market. And it underestimated exogenous shocks – geopolitical, demographic, cultural – that have since reshaped institutional strategies.

This paper updates the analysis. It examines developments since 2024 and considers new strategic drivers for universities. It uses this analysis to describe the underpinning decisions facing institutions and government, and the possible future contours of higher education. It does not pretend to offer a comprehensive analysis of the questions with which university leaders and policymakers are grappling, but tries to unpick underlying issues and to sketch out how they may interact with institutional decision-making to shape higher education.

Table 1: The *Four Futures* scenarios

Scenario	Trajectory	2024 Summary
1. Evolution of the present	Continuation	Financial pressures squeeze the sector ever more tightly, leading to course closures, degraded student experience, declining participation and market exit.
2. Delivering the 2010 vision	Restoration	Full funding of teaching and research allowing the sector to thrive as it did in the early 2010s
3. Place-based tertiary system	Transformation	An infrastructure prioritising the co-ordination of post-18 tertiary education and a focus on regional collaborations to drive skills with credit accumulation and transfer at its heart.
4. A differentiated system		A small number of universities undertaking fundamental research, other institutions focused on translational research, teaching institutions focused on professional programmes and specialist institutions.

2. The world now

The financial challenges intensify

Four Futures identified three major drivers of financial difficulty: domestic student funding; volatile international recruitment; and structural underfunding of research. Since 2024, all three have worsened. Despite fee indexation, the trajectory of Scenario 1 has been faster than anticipated. The Office for Students (OfS) projects 45% of providers in deficit in 2025/26, with 45 holding fewer than 30 days of liquidity.[1] Academic restructuring has impacted elective modules and low-recruiting subjects, with widespread retrenchment in languages, humanities, arts and creative provision. According to the University and College Union (UCU) tracker, over 100 universities are implementing restructuring involving reductions.[2] Severance costs rose to £303 million in 2024/25, up 71% year-on-year. For the first time in over a decade, the academic staff base reduced in size during 2024/25.[3]

The Government's decision to raise the undergraduate fee cap in England to £9,790 has had little impact on institutional budgets, and the Commons Select Committee has warned of up to 24 institutional failures.[4] The Institute for Fiscal Studies calculated that the £390 million annual gain from fee rises was almost entirely offset by the £372 million increase in employer National Insurance contributions, leaving a net gain of approximately £18 million – a rounding error against the structural deficit.[5] Increases in employer contributions to the Teachers' Pension Scheme, which stand at 28.68% of employees' salaries, have had a huge impact on many universities, though they will fall sharply in 2027.[6] The OfS Strategic Priorities Grant was cut by £108.3 million in 2025/26, with the capital allocation falling from £450 million to £84 million.[7] The foundation year fee cap of £5,760 has created serious pressure on institutions whose foundation year cohorts are a significant part of their student intake.[8] The Government has overhauled the Access and Participation regime, extending it to participation challenges at postgraduate level, producing a tension between diminishing financial resources and expanding equality expectations.

Looking ahead, the demographic outlook compounds the financial picture. HEPI found that the 18-year-old participation rate has reversed for two consecutive years.[9] Higher-tariff universities have recruited students who would previously have attended lower-tariff providers, squeezing the middle tier from both directions.[10] After 2030, the decline in the 18-year-old population will reduce overall demand by close to 20% between 2030 and 2040 unless participation rates significantly increase.[11]

International student recruitment has become more volatile. The May 2025 *Immigration White Paper* reduced the Graduate Route visa from 24 to 18 months,[12] tightened compliance thresholds and proposed an annual levy, which was subsequently confirmed as £925 per student from August 2028.[13] Visa applications in January 2026 fell 31% on the previous year.[14] The cumulative deterrent effect is compounding: an 83% collapse in dependent visas following January 2024 restrictions was an early warning.[15] Many institutions are revising down international recruitment plans significantly, not least to reduce the risk of breaching strict performance thresholds set by UK Visa and Immigration (UKVI). The International Student Levy taxes the income stream that cross-subsidises teaching and research while the Government declines to fund the gap through alternative means; the impact of a flat fee rather than a percentage tax will be proportionately larger on non-research-intensive institutions with smaller international recruitment and lower fees than the most selective institutions.

Research investment has increased over the last half-decade so that research income has continued to grow in cash terms but with increased absolute concentration in the most research-intensive institutions. Government committed £38.6 billion for 2026 to 2030, organised into three investment 'buckets': curiosity-driven research; strategic priorities aligned to the Industrial Strategy; and support for innovative companies, and with enhanced focus on securing translatable outcomes.[16] But cost recovery on research has fallen from 76% to 67%.[17] As a result, notwithstanding headline commitments, a significant majority of English institutions are considering reducing R&D spending over the next three to four years, and 20% are cutting early-career research investment.[18] The Science and Technology Facilities Council faces £162 million in cumulative cost reductions by 2029/30.[19] The Medical Research Council, Biotechnology and Biological Sciences Research Council and Engineering and Physical Sciences Research Council all suspended applicant-led funding routes in late 2025 and early 2026.[20] The combination of research cost recovery shortfalls and UKRI's more strategic approach to investment effectively constitutes a tilt towards research concentration envisaged in Scenario 4, though without the mitigations envisaged there.

Institutions are responding to tightening financial constraints in a series of ways. Many have made significant progress on cost control and restructuring. Most are looking for growth in some form or another. Some are looking to continue research volume growth, while others seek to diversify domestic recruitment. Many institutions are accelerating global partnerships and looking to growth in transnational education, not least as a response to the Government's 2026 *International Education Strategy*.[21] But the 2026 Office for Students report on the financial sustainability of English higher education remains sobering. It concludes that universities collectively are basing future financial plans on 'overly optimistic assumptions' about student recruitment, that only 'some providers are adopting a more realistic view of future financial conditions when determining the action required, leading to more substantial transformation'. As a result:

> *There is a risk that providers focus on managing short-term pressures while deferring the more fundamental structural changes needed to ensure long-term financial sustainability or do not go far enough when undertaking longer-term transformation.*[22]

The new strategic drivers

The financial constraints are an intensification of elements present in 2024, but have been joined by new strategic drivers. These new drivers include the accelerating impact of AI, rapid changes in modes and patterns of student engagement, changing public perceptions of universities and a shifting political landscape. These drivers combine long-term persistent erosion of current provision with the potential for disruptive change, and thus pose profound questions about how the sector operates. Leadership teams need to allocate effort between these different drivers and decide whether to respond primarily to encroaching incremental impacts or potentially highly disruptive sudden changes.

Accelerating artificial intelligence

The release of ChatGPT3 in November 2022 had a huge impact on higher education and, notwithstanding other issues, is now routinely described as the pre-eminent leadership challenge for universities.[23] The pace of development is extraordinarily rapid. According to the 2026 HEPI / Kortext *Student Generative AI Survey*, 95% of students report using AI in some way, while only 36% say they are encouraged by their institution to use AI.[24] Jisc's staff perceptions of AI survey identified a tension between the speed of change and the timetable for institutional responses, citing one claim that changing a single assignment can take six months.[25]

AI divides views between techno-optimists and tech-sceptics. For the optimists, AI gifts universities a possibly unique opportunity to redefine the way they work, 'not just a tool [but] … a transformative force' requiring new approaches to curriculum pedagogy, assessment, student support, employability and research development.[26] On the other hand, there are sceptics, who argue AI constitutes a fundamental threat to assessment integrity and quality of learning, breaching what was described as 'educational authenticity'.[27] For some, it undermines the critical importance of 'meaningfully processing new … information – in other words, thinking hard about something'.[28] But institutional positioning is needed. Early responses focused almost entirely on assessment integrity; more recently there have been attempts to plot institutional AI maturity to underpin phased adaptation, but the pace of technological change and the constraints of institutional decision-making make coherent strategy difficult.[29] Janice Kay has made a compelling case for a whole institution systemic response to AI.[30] The difficulty, as Anthony Finkelstein points out, is that 'whilst artificial intelligence holds real promise', universities, like other public services, lack the 'digital foundations on which meaningful AI deployment depends'. Established institutions with technical legacy debt may be vulnerable to private institutions able to build tech stacks from scratch.[31] An institution that cannot afford to invest intensively in AI infrastructure – which is most of them – makes strategic positioning between the opportunities AI offers to enhance what universities do and disruptive system-wide change difficult to confront.

Student experience and expectations

Patterns of study and modes of student engagement are changing rapidly. Some of this reflects wider social trends: the long-term consequences of pandemic disruption, increasing digital dependence, the impact of cost pressures and the rise of term-time working. In 2025, the HEPI / TechnologyOne *Minimum Income Standard for Students 2025* found that a typical full-time student living away from home needs around £244 per week.[32] The HEPI / Advance HE *Student Academic Experience Survey 2025* found 68% of students now work part-time.[33] Even so, most face an income shortfall. All of this is eroding conceptions of what is involved in full-time student life. Some evidence suggests there is an interaction between increased term-time working and absence from timetabled teaching.[34] UCAS data for the 2025 intake show a 4.4% increase in students intending to study from home, even as total student numbers rose by 3.5%.[35] Recent press coverage of the burdens of Plan 2 student loan repayments on graduate salaries has also led to widespread, if not always well-informed, questioning of the overall undergraduate funding model, and campaigns to 'end the graduate rip-off'.[36] The impact on future enrolment remains unclear.

The sharp deterioration in student mental health is widely acknowledged. Thirty-seven per cent of UK students experience moderate to severe symptoms of depression or anxiety – significantly higher than in the general population of the same age group.[37] The interplay between mental health, study patterns and AI is important: some students with anxiety disorders describe online and hybrid access to learning as an 'academic lifeline', but growing isolation among commuter students and increasing dependency on AI tools as a substitute for human interaction have been identified. Bahram Bekhradnia, President of HEPI, argues that demographic decline and 'predatory recruitment' constitute 'twin threats' to English higher education over the next 15 years.[38] The institutions most exposed to demographic decline and participation reversal are the most financially fragile: lower-tariff universities with high proportions of local commuter students.[39]

Public perceptions of universities

Universities operate in a public space. Formally private institutions, they nonetheless depend on public spending decisions across a range of their activities, from the level of undergraduate fees and research funding through to planning consents for their future development. In Australia, the term 'social licence' has been used to describe the degree of tacit public support given to institutions for them to operate freely, following survey evidence suggesting that a significant minority of Australians thought that universities were focused on their own interests rather than the public good.[40] It is often a loose and rather abstract concept, but it does reflect a sense that while many of the things universities do are highly valued, views have shifted as a result of debates about issues such as the perceived labour-market value of a degree, grade inflation, senior staff pay and freedom of speech.[41] In June 2026, the *British Social Attitudes Survey* reported that while the idea that the higher education sector is too large remains a minority view, 34% now believe that a university education is not worth 'the time and money' – an increase from 14% in 2005.[42] Other survey evidence suggest that a majority want to see an expansion of what the surveys describe as sub-degree vocational opportunities.[43] In October 2025, the

UCL Policy Lab and More in Common drew on survey evidence to argue that 'universities face a political threat as some voters are sceptical of the sector', finding 47% of Britons believe that there are too many low-quality degrees, and 71% would prefer a focus on vocational education.[44] Returning to the theme in May 2026, they reported that 'despite their strengths, universities have struggled to define their role with successive governments of all stripes', and identified specific concerns: disconnection from working-class communities, perceptions of being 'woke' and out of touch, high costs and poor value for money and an unconvincing case for universities as drivers of growth.[45]

The sense of disconnection from working-class communities has become more important for two reasons. The first is the increasing empirical evidence of the scale of low educational attainment in working-class communities, and especially white working-class communities. The June 2026 report of the *Independent Inquiry into White Working-Class Educational Outcomes* found that while some individual schools are effective in supporting working-class children to thrive, they are the exception. The report found a widespread belief that higher education does not feel relevant, and only a fifth of young white working-class people believed that university is important for getting a good job. The report argued that universities should be incentivised to align provision more closely with local labour markets and to collaborate more closely with further education colleges.[46] The second reason is the increased understanding of the ways in which geography and place are themselves drivers of inequality. The Social Mobility Commission reported in 2025 on what it called ‘extreme disparities’ between outcomes for young people in different places, focusing especially on former industrial and mining areas in the North East, Yorkshire and the West Midlands.[47] Place, concluded the Resolution Foundation, is itself a driver of inequalities.[48]

These ideas about public perception and the need to rethink the way higher education engages with different public perceptions are increasingly reflected in political debate about post-18 education, alongside a growing emphasis on alternatives to higher education. In the long run, the sector’s legitimacy depends on demonstrating public value, either through the strength of its core teaching and research or through universities' wider contributions. Questions of public value have become more pressing because the sector's claims to success appear weaker in both areas: in teaching, because perceived graduate economic returns have declined; and in wider impact, because rising university participation has coincided with stalled productivity and economic growth. Both the survey evidence and the shift in political discourse raise questions about how universities should position themselves: whether to redouble their focus on teaching and research at the expense of wider public engagement, or, as Universities UK has increasingly sought to do, to reshape public expectations of what universities do.

Policy and politics

The 2024 General Election brought a new government and a shift in policy rhetoric. The new Secretary of State for Education told the House of Commons that she wanted to 'return universities to being the engines of growth and opportunity that we want to see after 14 wasted years'.[49] The Secretary of State for Science declared an end to the 'war on higher education' in 2024.[50] The October 2025 *Post-16 Education and Skills* White Paper acknowledged higher education's problems and made the case for a reset.[51] Fees were raised in line with inflation in 2025, and the regulatory architecture for access and participation was overhauled. But beneath the surface, the change of government did not cause a significant shift in the dynamics of the sector. The White Paper, characterised by the President of the British Academy as 'more hope than plan', offered little new money to drive either the greater specialisation or the collaboration it placed at the centre of its thinking.[52]

The Government set economic growth as one of its core goals, and in June 2025, the *Modern Industrial Strategy* set a 10-year framework for eight priority sectors (IS-8) to drive growth. One study argued that around 80% of the roles critical to IS-8 require degree-level qualifications,[53] and UKRI's restructuring is explicitly aligned with IS-8 priorities.[54] In his first major policy speech, Andy Burnham argued that growth comes 'from placing our universities at the heart of local economies'.[55] These are welcome shifts which open significant opportunities for universities to contribute to the prosperity of their regions, but difficulties remain. The *Modern Industrial Strategy* focuses on city-region clusters, but two-fifths of English universities sit outside a Mayoral Combined Authority region and have no clear route into the IS-8 growth model.[56] The skills ambitions require the Lifelong Learning Entitlement (LLE) to work as intended, which is currently far from certain. The Labour Government retained the previous Government's plans for the Lifelong Learning Entitlement, but a January 2026 survey found only 12% of the public was aware of the LLE.[57] The Office for Students has not published modular regulation guidance as of early 2026. Most institutions have made little operational investment in credit-tracking systems, admissions processes or curriculum structures that modular provision requires.

On the political Right, views of universities have become distinctly cool. Both the Conservatives and Reform argue the sector is too large. The Conservative leader proposed 'slashing' university student numbers, claiming that higher education was a 'rigged system' in which 'every year, thousands of young people go off to university but leave with crippling loans and no real prospects'.[58] The Reform UK education spokesperson declared 'too many of our universities are failing our young people' and proposed a significant shift to lower-level vocational training while cutting international student recruitment: policy changes which would intensify financial challenges for higher education.[59] Universities find themselves caught between what has so far been incrementalist policy change and the prospect of hugely disruptive futures.

Four Futures and the new strategic landscape

The scenarios set out in *Four Futures* were analytical devices rather than predictions and proved useful as a way of thinking about both institutional strategies and the possible shape of higher education. *Four Futures* concluded by arguing that Scenario 1 (drift) was unacceptable for everyone, and that without movement towards Scenario 2 (full funding), the country would need a combination of Scenarios 3 and 4: a hybrid enabling regions to build prosperity while keeping the UK internationally competitive through properly funded research. In practice, Scenario 2 (full funding) has indeed proved implausible. The current situation is a rapidly advancing Scenario 1 overlaid with an implicit Scenario 4 (research concentration) and some elements of a nascent but under-developed Scenario 3 (tertiary frameworks), but in each case without the explicit policy provisions that would ensure coherence and transition. This hybrid is less stable than any of the original scenarios.

Table 2: The 2024 scenarios revisited

Scenario	2024 summary	2026 experience	Status
1. Evolution of the present	Financial pressures, leading to course closures, degraded student experience, declining participation and market exit	45% of providers in deficit; course closures; participation rate declining for second consecutive year	Confirmed – faster than projected
2. Delivering the 2010 vision	Full funding of the sector for the economic costs of teaching and research	Fees to £9,790 (+3.1%); net gain after NI costs ≈£18m; funding gaps unresolved; international student levy from 2028 contradicts the scenario	Implausible and unrealistic

3. Place-based tertiary system	An infrastructure prioritising the co-ordination of post-18 tertiary education	LLE implemented Jan 2027; only 12% public awareness; no regional tertiary structures; institutional readiness low	Directional intent without implementation
4: A differentiated system	Research concentrated in a small number of universities, others focusing on translational activity and regional growth, teaching institutions delivering professional programmes and specialists.	UKRI pivot to IS-8; STFC* cuts; grant pauses; de facto concentration	Happening implicitly

** STFC = Science and Technology Facilities Council*

This was not the result of intentional policy. The 2025 *Post-16 Education and Skills* White Paper, characterised higher education as 'one of our country's most valuable strategic assets' and acknowledged challenges 'which have remained unaddressed for too long'.[60] But its underlying logic was one of preservation when, in the absence of significant funding, change drivers call for something more fundamental. The White Paper identified a series of objectives relating to economic growth, world-leading student experience, national research capability, regional impact and international leadership, but did not set out a strategy for equipping the sector to deliver.

Higher education as it has been for the last 20 years is no longer sustainable. The demand-led, expanding and confident system in which institutional missions have been based on autonomy and competitive advantage is receding and cannot be restored. The landscape is now more complex than it was two years ago and requires a shift in mindset from boards and leaders. Defining questions for higher education are emerging at a time when universities are structurally under-resourced to answer them.

This is challenging for institutions and policymakers, but the questions can be sequenced. The financial crisis is immediate because the funding assumptions on which strategic plans have been based are no longer viable. Beyond this, there are contextual or philosophical challenges about technology, student expectations and legitimacy. First, in relation to technology, agentic AI speaks directly to universities' core purposes in a way that previous technology changes did not, forcing fundamental questions about every aspect of institutional operation. Secondly, student expectations are shifting rapidly from a world of planned and timetabled delivery to one based on demand and instant availability, which is redefining the terms on which students engage with learning. Thirdly, the sector faces a legitimacy crisis as higher education struggles to define its functions and purposes at a time of deep social division.

3. The world to come

Four Futures described the collapse of the 2010s financial model and four scenarios for its resolution, concluding that 'there are painful choices in every direction'. Two years on it has become more urgent to confront those choices because of faster financial deterioration, AI transformation, changing student expectations, research concentration, government expectations and shifting public perceptions of higher education. The cost of not choosing is demonstrably higher than it was in 2024.

Nothing dates more quickly than predictions, and fortunately for bookies, most predictions are wrong, but higher education in 2026 feels on the verge of fundamental change, because the change drivers are multiple and systemic. Even if, say, the current, cost-of-living-driven shift to commuter learning and high levels of term-time working turn out to be blips, other forces are driving change. University financial plans collectively continue to assume income growth and expansion, but the range of challenges mean that income growth alone is no longer a route to sustainability.

Although higher education may indeed grow, it takes some heroic assumptions to imagine that in 10 years it will look much as it does now, but bigger. The number of 18-year-olds will fall by something like a fifth in the decade after 2030, which means that participation rates would need to rise very sharply for higher education to grow. In practice, policy is focusing more on addressing the human, economic and social costs of poor outcomes and trajectories for the majority of young people who do not progress to higher education.[61] Continued pressure on budgets seems inevitable. The Government is unlikely to come to the rescue. The pressures on government spending, given an ageing population and the need to invest more heavily in defence and security, will make investment in higher education more difficult, and, anyway, government and institutions prize autonomy.

Given these pressures, there is a strong likelihood that the sector will be smaller in 10 years than it is now. Shrinkage could be achieved through a smaller number of large institutions or the same number of smaller institutions and any combination along the way. Of course, some shrinkage could be averted as new modes of learning and provision grow. This depends on initiatives such as the LLE delivering at scale, which the pilots have not achieved. It could be avoided by the rapid growth of online learning allowing new markets to be accessed, though the growth would need to be in addition to rather than a replacement for existing modes. It is almost certain there will be innovation in delivery modes: too much of the rapid growth of technologies speaks to the core mission of universities for institutions to remain untouched by their impact. But for new provision to support sector growth, it needs to expand very fast and at scales which we have not yet seen across any aspect of provision. Again, for this to happen, several trends need to be reversed: the power of technology to support remote learning and a sea-change in national economic fortunes.

All this makes reshaping of the system likely. Change could be rapid. Government incentives, funding and pressure could shift things quickly. Institutional strategic plans could see the rapid repositioning of institutions. Private provision could develop very quickly. Already, the rapid growth of for-profit providers, especially in high-demand subjects in larger cities, is squeezing recruitment to more conventional universities.[62] There is large-scale investment in new higher education providers, often from private equity, and strategic partnerships, which may be de facto takeovers, are in evidence.[63] And the boundary between non-profit institutions and for-profit providers may be blurring, as conventional universities make agreements with commercial partners for staffing, curriculum, recruitment or student support. The sector looks to be on the verge of change through a combination of policy, planning and disruption.

Table 3 sets out a possible future typology of a more differentiated sector. **Global players** will remain critical to knowledge creation, cutting-edge innovation and soft power, though the likely financial constraints in the UK, and investment in research universities in other parts of the world, suggest they will be relatively few. They will lead research development, maintaining their current operating and delivery models and their research portfolios at levels of international excellence. Research excellence will be the vehicle for their social purpose, creating the new knowledge and high-level innovation which will in turn attract global companies to the UK and preserve the UK's position as a leading global centre for research and knowledge creation.

Alongside the global institutions, there will be a cadre of **large regional universities**, increasingly likely to be university groupings or university-tertiary institutions. These institutions will drive regional growth through innovation centres, strong employer relationships and flexibly delivered degree qualifications in which full-time and part-time, often lifelong provision, co-exist. These institutions will require revamped delivery and staffing models and the scale needed to sustain a broad portfolio. Most will maintain some research portfolio, but it will be more focused and specialist than at present. Science, technology and health research may be key disciplines in these universities, shaped by economic growth priorities. These institutions will coordinate with devolved government, public sector and health organisations, generating a visible contribution to regional skill development.

A third group will be **local universities**. Many of these will also be linked into regional groupings to provide economies of scale, but they will be characterised by a flexibly offered teaching portfolio. Not all will be working in large groups; some will remain small, offering a small portfolio and operating highly efficient services underpinned by contracts with private suppliers. For-profit providers are likely to be found in this third set of institutions, and some existing institutions will have been subsumed into commercial groups. Credit-transfer arrangements to support student and qualification mobility across the second and third groups will be well-established.

A fourth group will be genuinely **specialist institutions**, focused on a small number of disciplinary areas, or innovative pedagogies and working closely with professional communities.

Table 3: A possible typology of the future sector

Type	Prevalence	Some characteristics
Global players	Few in number	Knowledge creation, cutting-edge innovation and soft power Recognisable operating and delivery models and their research portfolios Research excellence defining social purpose, creating the pipelines of knowledge and innovation, to attract global companies
Regional universities	Large organisations or university groupings, possibly dual-sector further education / higher education institutions	Drive regional growth through innovation centres and strong commercial relationships Flexibly delivered full-time and part-time degree qualifications Revamped delivery and staffing models to sustain a broad portfolio Science, technology and health research as key Co-ordinate with devolved administrations, visible contribution to skills
Local universities	Widespread flexibly offered teaching and progression routes; credit-transfer	Possibly clustered into regional groupings but some small institutions with a focused portfolio and outsourced services For-profit provision extensive
Specialist institutions	Small in scale, possibly large in number	Portfolios in a small number of areas, or in distinctive, challenger pedagogies working closely with professional communities

This typology, of course, is a version of the *Four Futures* scenarios, but achieved through institutional differentiation rather than sector architecture. Scenario 2 is implausible, which means the other three scenarios are represented in different ways across higher education: a small number of research-intensive global players (Scenario 4); a large group of regional anchors (Scenario 3); and local universities (Scenario 1). There are consequential questions for both individual institutions and government. For individual institutions, planning strategy for the next 15 years, there are questions about realistic positioning in this choice landscape, and the operating models, sector relationships and engagement with geographies that will sustain them. The question for government is whether it wants to shape the future of the higher education system, putting in place the policy framework, incentive levers and market management to sustain a sector which can balance excellence and equity, or whether it will allow institutional adaptation to the new strategic landscape to do the work, accepting the messiness which may result.

4. Navigating the new choice landscape

Institutions and policymakers will need to navigate the choice landscape in ways that maintain a coherent and sustainable higher education sector and which can deliver complex policy objectives: to generate knowledge, to create opportunity, to engage students, to drive innovation and growth and so on. Boards and leadership teams need to pick their way through the financial challenges while the contextual issues mount. Although each of these is significant and requires disciplined attention, the decisions they involve rest on re-appraising three more fundamental questions: about the way institutions work, their relationships with other institutions and their relationships to the wider community. These go to the root of how universities and government respond to the new landscape.

Shaping the organisation: operating and delivery models

Transformation and restructuring programmes are underway in over 100 universities.[64] Some are now on their third or fourth round of such programmes in as many years. Services have been re-scoped, portfolios reviewed, technology solutions deployed and staffing structures revised. The pace has, by necessity, been rapid and the changes are now extensive.

The underlying question is whether measures to secure vital cost savings are principally designed to preserve an existing operating and delivery model or as a route towards a different model. There is evidence of both approaches. For example, some universities have experimented with timetabling and assessment (shifting the operating model); others have cut optional modules and removed less popular subjects (maintaining the operating model). Universities at the lower end of league tables tend towards the first; those at the upper end of league tables are more likely to consider the second. Transformation is likely to become more pressing, not least as for-profit institutions, often with deep investment capacity, can innovate at speed with the capacity to implement fit-for-purpose technological underpinnings.[65]

The funding, regulatory and reputational context has homogenised universities over the past 20 years.[66] But the scale of the current change drivers makes that convergence unsustainable. There are innovative alternatives around the world, including Minerva University, École 42 and Olin College of Engineering.[67] There is increasing evidence that alternative delivery models can be operated at scale: the University of Southern New Hampshire teaches 185,000 students, Western Governors almost 200,000. In England, Arden University has grown rapidly to almost 40,000 students.[68] Change can happen swiftly with sustained investment. But for most established universities, operating- and delivery-model innovation is likely to proceed through local steps rather than large-scale change unless one of three things impels a radical shift: a system-level policy or funding overhaul; financial fragility accelerating to the point where traditional delivery models become unsustainable for large numbers of institutions; or rapid and decisive shifts in employer-side signals.

The shape of the sector: competition, collaboration and cohesion

The second consequential set of choices concerns the overall configuration of higher education. The 2025 White Paper is explicit that it wants a 'more collaborative system', driven by increased institutional specialisation – though specialisation does not necessarily drive collaboration. The defining feature of higher education in recent years has been competition: for students, for research contracts, for league table position. Competition was turbo-charged by the abolition of student number controls in England in 2015 and intensified by grade inflation during the pandemic years. Higher-tariff universities have grown at the expense of medium- and lower-tariff institutions; other institutions have been forced to widen their market, lowering tariff and expanding franchising relationships with further education and for-profit providers.

The policy assumption is now that the future of English higher education involves fewer institutions, greater specialisation and more consolidation. But the Government has been reluctant to set the pace: although it argues that 'over time there will be fewer broad generalist providers and more specialists', it also insists that 'the higher education sector is independent and autonomous, and it is not for government to impose these changes'.[69] It is absolutely right for government to respect the autonomy of institutions, but respect for institutional autonomy does not necessarily mean reluctance to articulate a strategy for the sector. There is a gap between the Government's aspirations for collaboration and specialism on one hand and the elaboration of a coherent strategy for the sector on the other. Given the underlying financial issues result from government policy decisions, the shape, size and structure of provision is a public policy question.

Mergers are almost certainly part of the way forward, but the pace has been slow for policy, cultural, regulatory and cost reasons.[70] Continued financial constraint may speed them up. A Universities UK survey suggested that two-fifths of universities had explored the possibility of mergers.[71] In the present funding and regulatory context, mergers are a market solution to a public provision problem; they may deliver stronger institutional resilience and viability to less popular subjects, but neither is certain.

Irrespective of mergers of existing institutions, there is growing international evidence that higher education systems can change very quickly. In France, enrolment in private institutions grew by 33.8% between 2018 and 2023, compared with just 0.5% in the public sector over the same period.[72] Germany's dual-study programmes have grown to represent over 10% of students at universities of applied sciences, systematically linking academic and vocational learning; Singapore has rapidly developed a coherent national architecture for vocational and higher education integration, with stackable micro-credential pathways and a public subsidy of over 70% of study costs.[73] The elements for reconfiguring higher education exist, but without a clearer steer from government they will not necessarily reflect public policy priorities.

Embedding universities: universities, communities, regions and beyond

The third consequential set of choices concerns the relationship between universities and their places. The late Bob Kerslake's Civic University Commission report in 2019 stimulated a step-change in university engagement with place. Over 100 universities published civic agreements setting out their role in their communities, though relatively few were accompanied by tangible targets or delivery plans.[74] Almost a decade on, financial and reputational pressures have turned energies inward, towards restructuring and survival, rather than outward towards deepening place-based relationships.

Universities differ in how they position themselves in relation to their communities, even if they rarely state that explicitly. At one end of the spectrum are institutions that appear to see locality principally as a labour market and a source of planning permissions – present in a place, but not of it. At the other end are institutions that regard themselves as genuine civic anchors: employers, partners in health and cultural infrastructure, participants in civic life. Between these extremes lie the majority. Some universities occupy places that have no other comparable civic institution: the university is the largest employer, the most significant cultural institution, a key driver of opportunity and a vital source of innovation. For these institutions, civic engagement is vital because their local communities are often those which survey evidence suggests have become more sceptical about higher education. Research-intensive universities can plausibly argue for global rather than local impact, but their local and national engagement is increasingly important, not least as geopolitical tensions have shifted national policy rhetoric away from 'soft' power.

The case for place-based engagement remains powerful. Local and regional impact – supplying graduate talent, partnering with health and public services, supporting the local cultural economy, engaging with employers – is a significant contribution to national productivity. Civic relationships can be a powerful source of public legitimacy for universities. But the danger is that civic engagement is insufficiently strategic, seeking to do too much with too little. The tendency has been to launch economic, social and cultural engagements without a coherent account of where the institution can make the most difference and with what resources. The result has often been broad but shallow: communities frequently cannot identify what universities do for them. The new landscape requires harder choices around two aspects of engagement with place. The first is about setting clearer priorities, which means identifying a smaller number of place-based commitments where institutions have both distinctive capability and long-term intent, and engaging with Combined Authorities, local councils, NHS trusts and cultural organisations as genuine partners rather than occasional contributors. The second relates to scale. Many universities pursue local, regional, national and global ambitions simultaneously, treating them as complementary rather than competing goods. The realities are more difficult. Increasingly, universities need to make explicit choices about where on the local-to-global spectrum they concentrate their effort rather than attempting to be all things to all geographies. For many institutions, clearer articulation of their place in their community and strong employer partnerships will shape more coherent identities than attempting to operate at every scale simultaneously.

5. Choices for government and institutions

The contemporary culture of university leadership has been shaped by two decades of growth in which league table position and research ranking drove strategic decisions. The choice landscape now means that decision-making needs to be more focused and more realistic about institutional differentiation. At issue are underlying operating models, the configuration of higher education and the balance between different facets of engagement with place. Decisions in these three areas drive institutional choices (see Table 4).

An agenda for government

The sector as it currently exists, and institutions within it, are unsustainable in any plausible funding model. Despite this, higher education seems to have low political salience in 2026. Of course, institutions are autonomous and responsible for their own strategic decisions, and the Government has definitively opted for a market-led approach to higher education. Nonetheless, it retains overarching responsibilities, and it needs to mitigate some clear risks. At root, the Government should do what it did not do in the *Post-16 Education and Skills* White Paper and articulate a clearer vision for the future of higher education. This includes universities' roles in innovation, growth, opportunity and skill formation. Without clarity from the Government on the range of institutional missions and purposes, universities will continue to struggle. The new Prime Minister, Andy Burnham, has stressed the importance of putting universities at the centre of local economies, but this will not happen without policy clarity from government.

Clarifying a strategic vision for higher education does not mean a reversion to a now vanished world in which government shepherded the sector through arm's length bodies. But it does involve bringing into focus six issues where a policy lead is needed. The first is clarity about teaching funding, including both multi-year funding arrangements and the ways in which strategic, high-cost and vulnerable subjects are supported. Without such clarity, decisions about the future of provision will be driven by individual institutional planning and short-term financial pressures. This will bring significant risks for national capability in key subjects or the emergence of geographic cold spots in provision, which will impact most sharply on disadvantaged students.[75] Secondly, government needs to be much clearer about the delivery of the Lifelong Learning Entitlement (LLE). Successful implementation requires regulatory clarity, public awareness and institutional systems development, including linking the LLE to digital badging.[76] A third issue where greater clarity is needed is resolving the tension between universities' dependence on a funding model underpinned by international student income and the challenges of immigration policy.

Given the pressures on research funding, a fourth issue for government is about the long-term configuration of research and innovation. Recent shifts in UKRI policy are producing concentration without the transparency it requires or sufficient concern for regional innovation capability. The Government could make concentration an explicit goal, but if it is not the goal, interventions will be needed to build regional growth capability. If the Industrial Strategy is to reach every part of England, the policy architecture for civic engagement must be extended and resourced. A civic university premium within the Strategic Priorities Grant, Strength in Places-style funding for non-Mayoral Combined Authority regions and explicit recognition of local and regional impact in national research metrics would signal that place-based contribution is valued. The alternative is that civic engagement remains voluntary and underfunded with predictable consequences for institutional behaviour, public trust and sustained impact.

Fifth, the Government needs to revisit the relationship between regulation and risk. Currently, regulation is focused almost entirely on compliance, which means that the regulatory framework is not sufficiently geared to support innovation or institutional adaptation. Given the pace of change in the sector, there is a risk that regulation does not respond with sufficient alacrity to the decisions institutions need to take and to the speed of potential change.

Finally, and perhaps most urgently, as the May 2026 Education Select Committee report suggested, government should create a sector-wide framework for orderly exits and mergers, including monitoring, early intervention and structured managed exits. The implicit assumption that institutions are 'too important to fail' is itself a risk: emergency intervention costs far more than structured preventive action. Each of these questions – teaching funding, the Lifelong Learning Entitlement, international student recruitment, research support, regulation and market management – is important in its own right, of course, but collectively they have major implications for the sector's future capacity and capability.

Choices for institutions

Because of the combination of change drivers they face, institutions have profound decisions to make. These decisions have acquired greater urgency because of the intense financial challenges the sector faces, but the combination of technological, demographic, cultural and social changes means they are not solely driven by financial constraint. The fundamental choices are about reshaping the institution. Transformation has so far been relatively successful in reducing costs, but has rarely asked more systemic institution-wide questions about how the university will operate over the next two decades or how it will be organised, resourced or staffed.

Each of the change drivers requires sustained leadership and governance attention. In making decisions about AI, for example, no institution or group of institutions has the resources or bandwidth to innovate across the full gamut of possibilities. One commentator observes that higher education is simply 'not equipped for the A.I. revolution'.[77] That means choices; institutions need to think hard about the way they position themselves in a world in which AI is all-pervasive and accelerating. With almost all students using generative AI on assessed work, institutions operating without fundamental assessment redesign have academic integrity gaps that are widening. But similar questions arise across almost every domain: curriculum, student support, institutional operations, research support and so on. The choices to be made reflect decisions about long-term strategic, operating and delivery models: if no one can invest everywhere, then investment plans depend on the institution's strategic positioning.

There are other institutional choices to be made. The changing make-up and expectations of the student body require decisions about student experience. Most universities' timetabling, pastoral support, student union provision and financial aid are typically designed for full-time residential students. Institutions must redesign their student experience offer for students who are working more than 20 hours per week, living at home, commuting significant distances and managing mental health issues without easy access to on-campus support. Many challenger and for-profit institutions have been able to deliver greater flexibility, and make the system investments needed to support more diverse student needs.[78]

Research funding will be more closely aligned with the Industrial Strategy. In practice, this means more concentration both within and between universities unless the Government changes direction. Institutions need to assess honestly which research areas are sustainable without cross-subsidy, and which align with UKRI priorities in ways that make competing for funding realistic. The answer for many institutions may be uncomfortable, but it will be far better to make decisions with agency and planning time than to have them imposed.

This account of institutional choices is not comprehensive, but the strategic landscape in which institutions are making choices requires underlying core decisions. It is tempting to see these choices as separate and individual, but increasingly they are overlapping and interrelated: decisions about technology, about delivery models, about student engagement, about research, about relationships with the community and other institutions all relate to each other. Once institutional direction is established, everything, as one observer put it to me, comes down to questions about the operating model. These are difficult in themselves, but they also involve challenging decisions about staffing structures and people strategies, including fit-for-purpose contract and reward arrangements based on the portfolio of teaching and research universities can realistically deliver in the future, rather than the one they delivered some time ago. The history of campus industrial relations makes addressing them difficult, but it is increasingly clear that the sector as it has existed for a generation is unsustainable.

Fundamental change in higher education is unavoidable. The combination of the financial crisis and wider change drivers mean the sector is likely to look very different in a decade's time. The choices will play out in different ways as institutional trajectories diverge, but they will be demanding of Boards and leadership teams. Institutions will need to take responsibility for navigating the new landscape with clarity on the relationships between institutional mission and strategic plans; avoiding the issues or postponing decisions will create more, and possibly existential, issues later. But there is also an important role for the government to enable the sector to contribute to widening opportunity, supporting growth and driving innovation. Institutional restructuring may keep market exit at bay, but at the cost of narrowed portfolios, degraded student experience and repeated redundancy programmes. This will make it far more difficult for the government to deliver its goals for a prosperous economy and fairer society. What the sector needs is a combination of government activism and institutional courage to create a far more flexible and fit-for-purpose higher education system.

Table 4: Decisions in the new strategic landscape

Area	Government choice	Institutional choice
1. What is a sustainable operating model?	Multi-year funding arrangements Support for strategic / vulnerable subjects Immigration / HE contradiction?	A sustainable operating model Portfolio reshaping Viability as a governance priority Diversify Challenge optimism bias Reshape staffing models

2. How to meet changing student expectations?	Address maintenance requirements Protect widening access	Consider quality, student experience, outcomes as strategic priority Design for the cost-constrained student
3. How to sustain research and innovation?	Make concentration decisions explicitly with transitional support Avoid grant pauses Shape a system coherently	Identify sustainable research areas Exit or concentrate rather than letting research erode by attrition
4. How to drive growth?	Consider how IS-8 funding reaches outside MCAs* Force Skills Agency alignment Clarify interface between UKRI priorities and universities	Identify IS-8 areas where the institution has genuine advantage Build employer and Mayoral Authority partnerships
5. How to meet changing skill needs?	Support institutional delivery capacity Run a public awareness campaign Link LLE to digital badging	Test systems, admissions processes, programme structure, curriculum design Assess institutional appetite
6. How to make strategic technology decisions?	Create incentives for change? Treat graduate labour market deterioration as a policy problem Build system capability	Define institutional AI priorities in context of AI-first, and ensure alignment with polices, staff capability and governance

7. How to secure public trust?	Acknowledge the problem Win the communications argument about tertiary education as a whole Define expectations more clearly	Be transparent about institutional difficulties Make clear choices about engagement with place
8. How to secure viability?	Articulate clearer goals for the sector, accepting trade-offs Create an active, resourced framework for mergers and managed exits before institutions fail	Govern for viability not prestige Consider merger appetite and scope for collaboration explicitly at Board level Build liquidity reserves

** MCAs = Mayoral Combined Authorities*

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HEPI

Debate

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English higher education is heading into a future nobody planned, according to this new HEPI paper by Professor Sir Chris Husbands.

The report argues the severe financial pressures facing universities have arrived even faster than expected and that they are being compounded by other disruptive forces such as the spread of AI, changing student expectations and the erosion of public trust.

The report says England's institutions face an unplanned mix of decline, quiet research concentration and stalled regional reform. It outlines a possible future typology based on a small number of globally-competitive research universities, a tier of regionally-anchored institutions, networked 'local' universities increasingly working alongside private providers and specialist institutions.

Sir Chris encourages universities to ask hard questions about their operating models, relationships with other institutions and their place in their communities and calls on the new Government to articulate its own vision for the sector.

HEPI was established in 2002 to influence the higher education debate with evidence. We are UK-wide, independent and non-partisan.

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