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The state of higher education at the start of the 2026/27 academic year: A personal take on what universities need to get right

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The summer of 2026 turned out to be a politically eventful one, including for higher education institutions. It witnessed a change of UK Prime Minister and a new Secretary of State for Education in Whitehall, the marking of Plaid Cymru's first 100 days in power in Cardiff and a substantial report from the Future Framework for Sustainability and Success of Scotland's Universities.

Meanwhile, UCAS reported a record number of 18-year-olds had secured their place in higher education and the media continued to ask questions about the financial sustainability of higher education institutions, the way student loans work and the state of the graduate labour market. Important questions were also raised about the recruitment, oversight and treatment of staff.

This HEPI Policy Note takes stock of some of the key issues facing higher education at the start of 2026/27 and considers what more institutions can do to respond to external pressures and protect their futures. It is based on a speech delivered at the University of St Andrews.

Leadership, staffing and governance

Perhaps the most important area that universities need to ensure they get right in the next few years is leadership, staffing and governance. In the past, HEPI has produced a number of reports on university leaders, looking – for example – at the average tenure of vice-chancellors / principals and also trying to add some measured commentary into the chaotic debates on vice-chancellors' pay.

On staffing more generally, HEPI has produced a detailed assessment of academics' terms and conditions and how these compare to those of other professionals – in short, we found academics have more autonomy, less pay and better benefits. We will follow this up soon with a detailed report on professional services staff, produced in conjunction with the Association of Higher Education Professionals (AHEP) and Technology1. These days, professional services staff make up a majority of higher education staff and our report will show not only that they are more important than ever before, as regulatory burdens and heightened expectations on institutions bite, but also that professional service roles are still sometimes performed under the radar. The report will argue for clearer progression routes, more access to training and policy tweaks to encourage cooperation between institutions.

While the rules on governing universities differ within the UK, minds have been focused on the challenges exposed at the University of Dundee. Yet governance has generally improved across the higher education sector in recent years, aided by governance codes and regular effectiveness reviews.

I spent nine years on the Board of the University of Manchester, the second biggest university in the UK on some measures, and by the time I left in 2025 the University had a robust skills matrix covering every Board member, a head-hunting firm on a retainer to fill any gaps as they arose and a general culture of constant improvement, informed by a cycle of external reviews, not to mention a scheme to bring on new governors from traditionally under-represented groups. This, in turn, helped to ensure a rigorous and consultative process was followed when recruiting a new President and Vice-Chancellor.

The growing expectations and the gradual professionalisation of governance procedures rather begs the question of whether it is time for governors to be paid. This is the topic of other HEPI work that finds strong arguments on both sides of the debate.

Funding

The primary role of universities' executive teams and the governors that oversee them is to strengthen their institutions for the future and, today, that means above all ensuring financial security. As Scotland's higher education system has historically been regarded as the strongest of any part of the UK, it feels a particular tragedy that Scottish universities now face the biggest funding crisis of any part of the UK. On this, Professor Sir Anton Muscatelli's new report on Pillar 1A of the Future Framework for Sustainability and Success of Scotland's Universities is an important piece of work.

It shows that, after you tot up the financial shortfall from teaching Scottish-domiciled students with the shortfalls in research and then add the surpluses made on international students, there is an annual deficit of £200 million, which is becoming ever worse thanks to decisions made in both Edinburgh and London. As Professor James Miller, the Principal of the University of the West of Scotland, wrote in a HEPI blog back in March 2026, 'The funding gaps that once could be bridged through entrepreneurial activity are now too wide to close without change.' Or as Professor Andrea Nolan and Neil Rennick, Co-Chairs of the Future Framework Steering Group, write in the new document's Foreword, 'it is clear that the status quo is unsustainable.'

Now the £200 million headline number is accepted, we should break it down to show what it means for learners. The BBC say the shortfall equates to 'a shortage of £2,703 per Scottish student', though my preferred method is to contrast the amount spent educating each Scottish school pupil (around £10,400 per year, 21% more than in England) with the amount available to universities for each Scottish-domiciled undergraduate (around £7,800, 24% less than in England).

According to London Economics, the cost to taxpayers of each student in Scotland is three times what it is in England yet institutions get 24% less to spend on educating each one. So we need to get funding right in the next decade, and the answer needs to be qualitatively different from what the answer has been for the past 20 years in Scotland.

There is plenty of scope for a Scottish-specific solution in tune with Scotland's separate educational history – and at HEPI we have published, as one example of this, Alison Payne's thoughts on introducing a graduate contribution.

Either way, the funding problems are ever more urgent and there are new warning signs on the horizon. For example, there are rumours that the Government could give EU citizens home-student status once more while institutions in England are already preparing for the new International Student Levy.

Alongside the substantial shortfalls in institutional funding, there are similarly substantial shortfalls in student funding. Detailed work HEPI has conducted with the Centre for Research in Social Policy at the University of Loughborough, sponsored by Technology1, shows that the maximum maintenance support package tends to cover only around half of a first-year student's true costs. Student poverty blights the lives of students while blocking them from enjoying the traditional student experience: data from the 2026 HEPI / Advance HE *Student Academic Experience Survey* confirms two-thirds of students now work during term time. The Unite Students / HEPI *Applicant Index* additionally shows that most school leavers applying to higher education expect to do paid employment once there.

Insolvency

All the discussions about the funding crisis facing universities begs the question of what would happen when and if any UK university should completely fall over. In the English context, there was an illuminating Select Committee enquiry into university insolvency recently, which found a deep disconnect between policymakers and professionals.

> ***We heard deeply conflicting evidence about what would happen if a university, particularly a Higher Education Corporation or a Royal Charter body, became insolvent. While the Government contends that such institutions could enter liquidation and continue operating, legal specialists and other stakeholders told us liquidation would require immediate cessation of trading.***

I have long thought it unlikely that any major university would be allowed simply to go under, especially if it is fulfilling a major local need. There is the option of a bailout and new management, as at the University of Dundee, though this raises both financial and moral-hazard questions. Some Scottish voices say the Dundee situation is helpful because it sets a precedent, but others think Dundee is receiving pretty much all the money that is likely to be set aside for such situations north of the border.

What tends to be missed in such conversations is that there are many shades of grey between an institution thriving or going under. One other option is mergers and takeovers. We sometimes speak as if mergers are something that happens in other sectors that might one day reach our own, but there have been various mergers of higher education institutions in the past. At this very moment, we are seeing in England the Kent and Greenwich tie-up come to fruition and the takeover of Cranfield University by King's College London is only a little behind, all of which comes after other activity, such as the creation of City St George's, University of London.

Another possibility, one that lies between bailouts and mergers, is a takeover by private money and this is something we definitely do not talk enough about. Yet it has just been announced that Lincoln Bishop University, an institution with a 150-year long history, is becoming part of Global University Systems (GUS), a for-profit education group that already owns the University of Law, Arden University, FutureLearn and the London School of Business and Finance as well as many higher education institutions abroad. I have spent eight-and-a-half years as the governor of my local university, the University of Buckingham, and it is public knowledge that they have been subject to intense interest from the private sector.

Perhaps privately-financed takeovers seem more remote from a Scottish vantage point. Yet my time in Whitehall taught me that options can move surprisingly swiftly from impossible to likely when people or priorities change. Moreover, a famous old Scottish boarding school established by William Gladstone and sometimes known as 'the Eton of Scotland', Glenalmond College, has just been acquired by 35 Education, which has Qatari money behind it. A planned future HEPI paper will aim to evaluate whether what is happening among independent schools could be an augur of what is to come in higher education.

Internationalisation

International students and internationalisation have been keeping the wolf from the door for many institutions. Scotland seems to conduct these debates better than England. When back in the early 2010s, I and my colleagues in the Business Department were fighting unsuccessfully against the Home Office for the retention of Post-Study Work visas for international students graduating from UK universities, we envied the apparent relative political consensus on this issue in Scotland.

In the early 2020s, things improved, when the Graduate Route visa came in, but that is now being reduced to 18 months in most circumstances alongside other unhelpful changes and the debates rage on. This particularly matters to Scotland: our recent work on the economic contribution of international students to the UK shows – for example – that, aside from London, the ratio of international students to local residents is higher in Scotland than anywhere else in the UK.

As a sector, we remain on the backfoot on all this, mainly because voters care a great deal about migration and it is easier for politicians to control legal migration than illegal migration. My only advice would be that, as a sector, we should continue to do all we can to distinguish highly-skilled international students, as well as international researchers, from other migrants. That is not to say other migrants are better or worse, less deserving or more deserving; just that the political arguments are qualitatively different.

The UK Government's recent *International Education Strategy* was spun as reorientating the focus away from bringing international students to the UK and towards transnational education. This argument was overcooked because you cannot achieve the newly-adopted national target of £40 billion in educational exports by 2030 that way alone.

However, there is clearly a push to get educational institutions to do more abroad, especially in India, Indonesia, Nigeria, Saudi Arabia and Vietnam as well as China and Hong Kong.

High-quality British education is very popular overseas and I am a strong advocate of exporting it via transnational education. I see the benefits up close as the governor of Repton, an independent school in Derbyshire, that has seven other sucessful schools spread across the Middle East, Egypt and China (as well as three others in the UK). Transnational education serves a different, but potentially large, market from those families who can afford and want to send their offspring overseas. But it is very hard to do well and there have, sadly, been a number of high-profile failures among both schools and universities.

To succeed, you need:

- entrepreneurial leaders with spare bandwith;
- trusted in-country partners;
- access to capital;
- a global reputation for quality;
- a clear understanding of, and a plan to deal with, cultural differences; and
- an educational ethos that is transferable to another jurisdiction.

You also need to be patient, as it is rarely the route to a quick buck.

Future size and shape

The push for transnational education is also part of a growing perception that 'big is beautiful'. I spoke recently to the former head of one of the US systems of state higher education and he certainly took this view, arguing that: resilience comes with scale; collaboration enhances an institution's identity; and, if you cannot scale, you need to share back-office functions as much as you can.

However, what is true for a big state-wide university system is a more contestable proposition for others. I recently read *Capitalizing on College: How higher education went from mission driven to market obsessed* by Joshua Travis Brown. This considers in some detail four different expansionary routes that higher education institutions in the US have taken when responding to the challenges facing traditional residential higher education.

- The first approach was increasing residential enrolments and universities' endowments. But the institutions in question still lost out to more prestigious places and 'ended up with no endowment and a campus they couldn't afford to maintain.'

- The second method was taking higher education to where new potential learners could be accessed, such as conference hotels and military bases. Yet after initial enrolment growth, quality issues and new competition saw enrolments drop.

- The third strategy was a 'networked' one. Initiatives like transnational education acted as legs propping up the loss-leading residential core, but endless expansion ended up siphoning off the money meant to be subsidising the core.

- The fourth route embraced online education for 'explosive' growth. In this scenario, the moral purpose of education was lost to such an extent that staff were left with skewed priorities: 'If we build a library, how's it going to make us more money?'

In other words, none of the strategies worked, at least for the institutions studied. A year ago, *The Times* conducted some new analysis on many of the data points in the National Student Survey, which they ended up publishing under the headline, 'Students happiest at small and remote universities'. While some institutions will need to grow or to merge, others may find that growing pains hurt an institution too much and that success lies in doing what they already do best even better.

Demography is destiny

When thinking about institutional futures, it is worth noting that many people think we need to prepare for a smaller higher education sector in future, thanks in part to shifting demographics and reducing demand. In recent years, hundreds of degree-awarding institutions have closed in the United States and I read that Scotland has lost a net total of over 250 schools since 2007 while London is thought to have lost 100 schools in just six years. Evidently, no educational institution has an absolute guarantee of survival.

These school closures reflect a significant reduction in the number of young people. We are on the cusp of a big drop in the number of 18-year olds, which begins around now in Scotland though does not hit England and Wales until 2030. As a result, people tend to assume that we should prepare for fewer higher education places and this is indeed the argument of a recent report by HEPI's President, Bahram Bekhradnia.

It is not inevitable, however, for at least three reasons.

i. There are large parts of the population that are still underserved – the most notable is young men. For example, the Scottish Funding Council committed in 2016 to reducing the gender gap in undergraduate study from 15.4 percentage points to no more than 5 percentage points by 2030, but it widened afterwards.

ii. There is a clear historical precedent from the 1990s showing that higher education can expand even when the number of 18-year-olds is falling, if the participation rate grows thanks to wider educational improvements.

iii. Policy can affect the number of mature students – for instance, people are watching England's rollout of the Lifelong Learning Entitlement carefully to see what effect it has – so the debate should not be entirely focused on the number of young people.

In a recent HEPI blog, Professor Steve Olivier, Principal and Vice-Chancellor of Robert Gordon University, wrote: 'If most people will need to retrain during longer careers, we should consider establishing a system-wide planning assumption that, for example, 80% of the population will access tertiary education during their lifetimes.' This no longer seems as radical a proposition as it once did. Almost a decade ago, I argued for setting a new 'target of around 70 per cent participation' and even Keir Starmer's conservative (small 'c') administration set a target of two-thirds. While overly simplistic targets can be problematic, a high-level target of this sort can concentrate minds by forcing people to plan ahead.

Artificial intelligence

The appetite for material on edtech and artificial intelligence (AI) has become extraordinary; anything we at HEPI publish on it gets lapped up. However, this is not because our authors have all the answers; it is because the questions remain so open. It is the uncertainty that has prompted us to do so much work on the topic.

The annual HEPI / Kortext survey of students' use of generative AI (tools like ChatGPT) is the most well-read piece of output in HEPI's entire c.25-year history, and it is now being used by a number of other countries' governments to inform their work. The results show that AI use is ubiquitous, with 95% of full-time undergraduate students taking advantage of it, though only a very small minority (12%) admit they use it in ways that are obviously inappropriate.

HEPI's other work on AI includes an assessment of universities' AI policies – in essence, these seem to be often hard to find, of variable quality and lacking central oversight or support from sector bodies. We have also published a report on the use of AI in translational research as well as a collection of essays on *AI and the Future of Universities*.

Given we are so often told AI is taking away graduates' jobs, the most thought-provoking chapter in our collection was the one by Professor Rose Luckin of UCL, as it reminds us the opposite might be true: 'The AI revolution represents a pivotal moment where humans need to become more intelligent, not less, as we develop increasingly sophisticated tools.'

Professor Arvind Narayanan's welcome address to Princeton's incoming undergraduate class for 2026/27 agrees:

> *We have enough evidence now to conclude that the shrill predictions of rapid, massive job loss were misplaced. Even in a field like software engineering where AI has been rapidly adopted, its effect has been to shift, not replace the role of the human …*
>
> *Similarly, the panic about what to major in is also misplaced. There will be enduring demand for computer science, philosophy, and just about everything else. (In fact, AI companies hiring philosophers has been a big recent trend.)*

Conclusion

There is no reason to think the next couple of years will be any less turbulent than the past couple of years have been for higher education in political or policy terms. Much more than this is hard to say, given how unpredictable so much of UK politics seems to have become.

The best way for institutions to respond to this unpredictability is surely to stay true to themselves, as well as never to lose sight of the importance of delivering an excellent student experience, not least to counter the rising sense of loneliness and lack of belonging that is so rife among young people.

As a sector, we also need to engage even more with the world outside our gates. HEPI's work last year with the King's College Policy Institute found shockingly inaccurate perceptions about UK higher education among the general public: we saw how wildly exaggerated opinions that are completely out-of-kilter with the truth are very common on issues like how many graduates regret their higher education and how many graduates feel their student debt has hampered their lives.

Equally depressing perhaps is HEPI's earlier work with the UPP Foundation, which revealed a majority of people from poorer backgrounds say they have never visited a university. We must do more to engage with the society we serve by ensuring campuses are open and welcoming, by deepening understanding of institutions' civic roles and by continuing to diversify the make up of students and staff.

Finally, as we enter the 2026 political party conference season, we must do more to engage with policymakers, especially those with whom we may not so naturally see eye-to-eye, in order to deepen their understanding both of the higher education sector's true challenges and of its potential for tackling regional, national and global problems.