WONKHE

STRATEGIC INSIGHT FOR HE LEADERS AND BOARDS

POLICY NAVIGATOR

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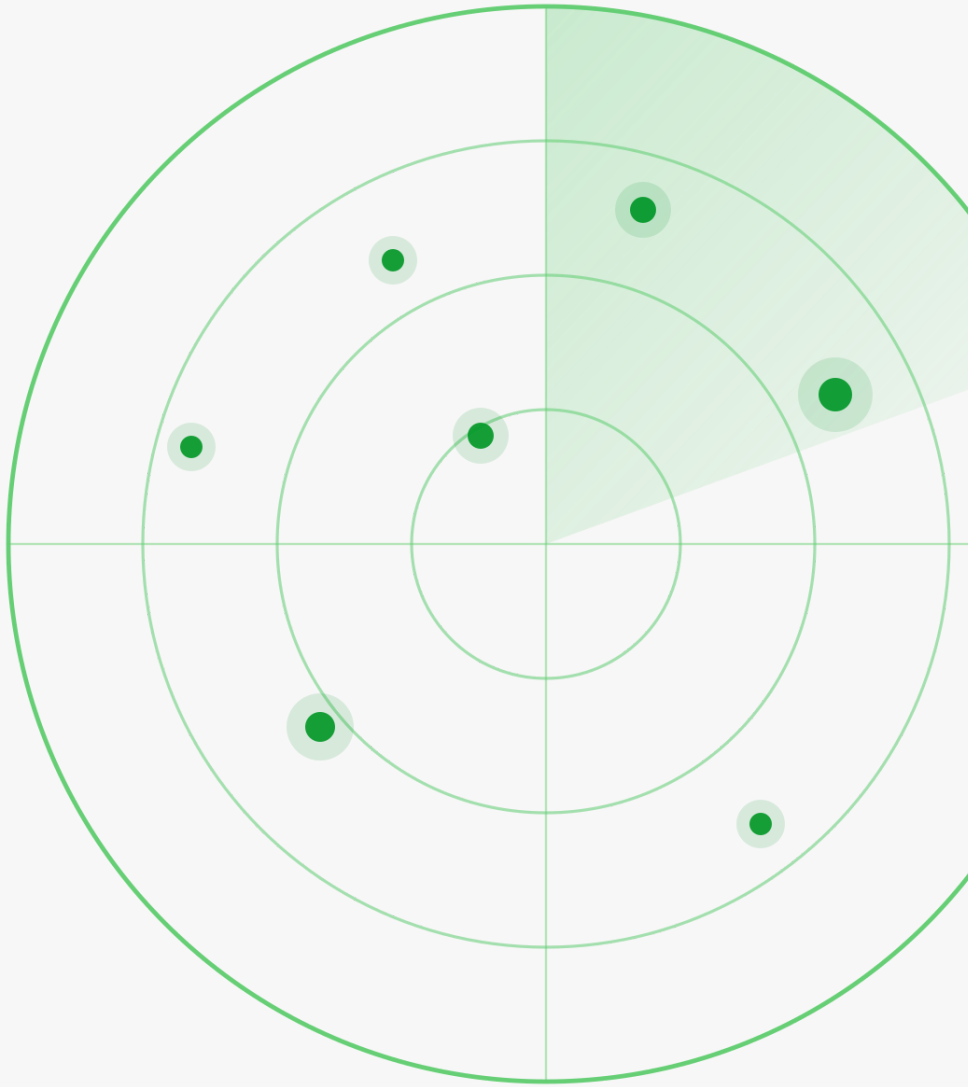

In association with KPMG

Welcome

Welcome to the latest issue of Policy Navigator, a round-up of key current political and policy agendas with reflections on their strategic implications for higher education institutions, brought to you by Wonkhe and KPMG.

Local elections rarely have a material impact on the wider political agenda in Westminster – but the swing away from Labour in May's locals in England and in the Senedd in Wales, alongside the surge in support for Reform across England, Wales and Scotland and – to a lesser extent – the Green party, has brought to a head discontent with the leadership of Prime Minister Keir Starmer.

The forthcoming leadership election – which seems increasingly likely to be a coronation – offers an opportunity, of sorts, for the HE sector to play its part in the policy debate about the future of the country, and to convince the next Prime Minister of its critical role in national wellbeing – such is the intention of Universities UK's recently launched Future Universities strategy.

Current signs indicate that achieving this will take considerable political skill and grit, with public discourse on HE continuing to focus on graduate employability, the student finance system, and rebalancing the post-16 offer towards vocational provision.

In Scotland, the SNP's return to majority leadership of the Scottish Parliament will secure ongoing work on the joint framework for universities' future. In Wales, having secured minority leadership of the Senedd, Plaid Cymru is set to execute its promise of a wholesale review of higher education funding.

In this issue we also cover research strategy, free speech, quality in England, and pensions. We hope you find it useful and informative.

Debbie McVitty
Editor, Wonkhe

Sam Sanders
Head of Education, Skills and Productivity, KPMG in the UK

In this issue

01 The political landscape for HE 04
02 Student finance 05
03 Strategy and funding changes at UKRI 06
04 Skills, NEETs and graduate employment 07
05 Judicial review of OfS on free speech 08
06 The quality regime in England 09
07 Pensions and the problem of rising costs 10

The radar screen

Seven signals we're tracking this month. Distance from centre = time to impact; dot size = strategic weight.

01	The political landscape for HE	ACT	p.04
02	Student finance	WATCH	p.05
03	Strategy and funding changes at UKRI	ACT	p.06
04	Skills, NEETs and graduate employment	ACT	p.07
05	Judicial review of OfS on free speech	WATCH	p.08
06	The quality regime in England	ACT	p.09
07	Pensions and the problem of rising costs	WATCH	p.10

- **ACT** – live now; belongs on the executive or board agenda this term.
- **WATCH** – direction set, detail pending; brief your committees.
- **SCAN** – early signal; assign an owner and monitor.

Placements reflect the editorial judgement of Wonkhe and KPMG, June 2026.

01 The political landscape for HE

Signal: **volatile** Horizon: **now–2027** ACT

May's local and national elections signalled both the public's widespread rejection of the Labour government – and little consensus on the alternatives. The expected Reform surge left Nigel Farage's party with overall control of 24 councils in England, and significant numbers of seats – though short of a majority – in Scotland and Wales. Andy Burnham seems set to become Prime Minister in the coming weeks or months.

The possibility of a future Reform government in Westminster remains unlikely – but polling suggests Reform has captured the allegiance of a significant minority of voters. While Reform is currently topping polls at around 27 per cent, the latest British Social Attitudes data indicates that 18 per cent of the population supports Reform in preference to any other party. These voters skew older, male, less formally qualified and socially conservative. Their concerns – especially cost of living, lack of trust in politics, and a strong dislike of immigration – seem likely to play a shaping role in political discourse arguably disproportionate to their numbers.

While both Labour and the Tories have been concerned about losing votes to Reform, Labour should also be worried about the combined impact of the Lib Dems and Greens. The latter has seen a small but significant surge of its own, winning four councils and one elected mayoralty – Hackney, in London – and positioning itself under Zack Polanski as a credible liberal-progressive alternative.

In Wales, a minority Plaid Cymru-led Senedd marks a major shift in the political settlement. The party has committed to an "independent, comprehensive and sector-wide" review of higher education funding in Wales, framed around keeping Welsh public money spent on HE in Wales – and attracting more students to study there.

Andy Burnham's win in the Makerfield by-election, his decisive defeat of the Reform candidate, and the resignation of Keir Starmer as Prime Minister opens a clear path towards No.10. While Burnham has been equivocal about higher education in his public speeches he has worked closely with HE providers in Manchester and seems set to make key appointments with some knowledge of the sector.

Despite a likely bump for Labour with a new PM, the likelihood is that there will be continued political volatility, with no realistic expectation of significant government intervention on the key sector issues of university finances or international student recruitment. Mainstream debate continues to focus on skills and technical education – though no skills legislation is scheduled for the 2026–27 session.

24 councils

in England under overall Reform control after May's elections – plus significant seats in Scotland and Wales.

Implications for leaders and boards

+ Public affairs work will need to engage across all parties – including building relationships with those sceptical or hostile to higher education.
+ Place matters: especially where institutions are trusted partners in sustainable interventions to improve places and the wellbeing of their citizens.
+ The political affiliations of staff and students may be more complex and varied than is appreciated – and campus debate more polarised.

02 Student finance

Signal: **strengthening** Horizon: **2026–27** WATCH

In March 2026 the Commons Treasury Committee launched an inquiry into student loan repayment terms and the taxation of graduates in England – the most significant parliamentary scrutiny of the system in some years.

The inquiry lands amid mounting political pressure. Martin Lewis told the Chancellor that freezing the Plan 2 repayment threshold for three years from April 2027 was "not moral", estimating it will cost those above the threshold around £300 a year more by 2030. The New Statesman's Oli Dugmore has campaigned across Question Time, Newsnight and LBC, branding the system a "stealth tax" and the retrospective change to agreed terms "loan sharking".

NUS has warned the freeze will leave new graduates struggling, and polling suggests most graduates would back a party promising to fix it.

The committee's terms of reference focus on the graduate end of the system – whether interest above inflation is fair, whether government should be able to change loan terms after the fact, whether borrowers get enough information, and how repayments interact with marginal tax rates. Committee chair Meg Hillier has framed it around fairness – whether the goalposts have been moved unfairly.

For its part, the government says it is looking at options to make the system fairer, with ministers pointing to possible changes to interest rates and the threshold – even as they continue to defend the freeze as necessary and the system as fair, leaving the direction of travel unclear.

£265bn / £158bn

What graduates owed by March 2025 – and what the government values that book at on its own balance sheet. Treasury expects to recover even less.

Implications for leaders and boards

- The inquiry could reopen questions about fee levels, repayment terms and the unit of resource, with knock-on effects for income planning.
- Treasury-driven reform may seek to shift even more cost onto graduates rather than improve provider funding.
- Devolved nations are tied to England by the "broadly similar terms" rule, so change in Westminster carries UK-wide consequences.
- Value-for-money and debt communications should anticipate sustained public and media scrutiny.

03 Strategy and funding changes at UKRI

Signal: **direction set** Horizon: **2026–30** ACT

UKRI's new settlement for research investment has gone all in on cross-disciplinary funding to meet the challenges of the industrial strategy, drive economic growth, and diffuse funding in key technologies.

There is no year-on-year comparison between this budgeting methodology and the previous research-council-led accounting – but overall, this is a record research settlement, spread across four strategic "buckets", each serving a different purpose in the research ecosystem.

The change in approach is designed to allow UKRI to be a narrower but deeper funder that acts with more agility in achieving the government's goals. The buckets will allow UKRI to pursue a specialisation agenda, concentrating more funding into fewer areas – likely those aligned with government policy, established areas of excellence, and the strongest commercial ideas.

Research-led economic growth will be a key focus across regional clusters and specific industries, and in crowding in private capital. UKRI has signalled it intends to be more active in the research commercialisation agenda.

Reducing bureaucracy remains a key focus – the purpose being not only to reduce costs, but to improve accountability for spending by UKRI.

£14.5bn
curiosity-driven research

£8.3bn
strategic government and societal priorities

£7.4bn
support for innovative companies

£8.4bn
underpinning capabilities

Implications for leaders and boards

+ There will inevitably be "winners" and "losers" from the shift in strategic deployment of public research funds.
+ The objective may be less to maximise overall funding share, and more to build a portfolio of well-defined research strengths that can compete with a moderate chance of success.
+ Strengths may lie in world-leading output – but also in collaborations and industry partnerships, commercialisation capability, or particular infrastructure and resources.

04 Skills, NEETs and graduate employment

Signal: **strengthening** Horizon: **now–2027** ACT

Last autumn's transfer of responsibility for skills policy in England from the Department for Education to the Department for Work and Pensions has accelerated the government's use of skills policy as a lever to boost youth employment.

This comes against a background of rising rates of 16–25-year-olds not in education, employment or training. The interim report of the Milburn review of NEETs rehearsed the view that too great a historic policy focus on university routes does not produce the breadth of post-16 offer that could accommodate the greatest diversity of young people.

The key policy change so far is the imminent defunding of various management-related apprenticeship standards, including the popular level 6 chartered manager apprenticeship – on the heels of stringent age restrictions on level 7 apprenticeships, announced last year and now in force. Ministers have been clear they aim to "rebalance" the skills system towards younger learners, and that fewer apprenticeships should go to those already in work – historically a substantial share of many institutions' apprenticeship offer.

There has been media attention around graduate employment levels, and the latest British Social Attitudes data identifies a significant increase in people who view higher education as not worth the time and money. Only 18 per cent, however, agree that HE opportunities should be reduced.

The latest Graduate Outcomes data indicates only a moderate cooling in graduate employment since 2025 – suggesting either that reports of graduate job challenges are overstated, or that this year's cohort has not yet filtered into the data. The impact of AI on the graduate market remains a talking point, alongside sluggish economic growth. The latest LEO data indicates that the financial returns on a higher education investment remains healthy for most graduates, although there is variability by subject of study, region of study, and other factors.

In Scotland and Wales, parties across the spectrum were clear in their May manifestos that they want to grow apprenticeship numbers in both nations.

34% vs 14%

now say higher education is not worth the time and money – up from 14 per cent in 2005 (British Social Attitudes).

Implications for leaders and boards

+ Understanding the institution's relationship with local skills needs and labour market shifts is essential – including patterns of progression to employment across subject and student groups.
+ For English institutions, the apprenticeship portfolio may need reconfiguring in light of funding changes – informed by demographic data for current and historic apprentice cohorts, in particular age and socioeconomic background.
+ The impact of AI, and employers' expectations of AI literacy among graduates, is an emerging area that bears close monitoring.

05 Judicial review of OfS on free speech

Signal: **direction set** Horizon: **Sept 2026** WATCH

The judicial review of the Office for Students' decision to fine the University of Sussex for regulatory breaches relating to free speech and academic freedom found in favour of the university – and OfS has confirmed it will not seek to overturn the ruling.

Justice Lieven raised issues both with the legitimacy of OfS's conclusions around whether Sussex had breached a condition of registration, and with the conduct of the investigation – in which the evidence pointed to OfS approaching the investigation with a "closed mind".

Going forward, it seems likely that OfS will need to revise its regulatory advice to the sector on the interpretation of free speech legislation, espousing a less "absolutist" interpretation of free speech.

That means acknowledging that duties to secure free speech must be exercised in the context of other duties relating to protection from harassment and harm, and securing an environment that enables effective work and learning.

The new free speech complaints regime will come into force in September, and OfS is expected to consult on a new condition of registration relating to free speech and academic freedom.

September 2026

The new free speech complaints regime comes into force – with consultation expected on a new condition of registration covering free speech and academic freedom.

Implications for leaders and boards

- It is unlikely that policies or practice relating to free speech and academic freedom need updating – but it remains important that policies cross-reference where they interrelate, and that it is clear who is empowered to make decisions where a free speech issue arises.
- The judge considered regulatory "test cases" legitimate – a single provider can be investigated for an issue held in common with others. But the investigation must be carried out fairly, without a predetermination to find fault, even if doing so would "send a message" to the wider sector.

06 The quality regime in England

Signal: **direction set** Horizon: **2027–28** ACT

OfS has published the outcome of the first of two planned consultations on the future "integrated" quality system for higher education providers in England.

The new Teaching Excellence Framework (TEF), in operation from 2027–28, will involve a cyclical review of providers – now resulting in two separate ratings of Gold, Silver, Bronze or Requires Improvement, for student experience and for student outcomes. Ratings will be based on a mixture of student experience and outcome data, supplemented by a provider submission and an independent student submission. Apprenticeships, and franchised and validated provision, will be included – for the latter, both providers will be assessed.

Following consultation, the regulator has amended its plans to consider Bronze-rated institutions as at risk of breaching the B conditions of registration – for the first cycle this will normally apply only to those graded Requires Improvement.

But plans to attach incentives to TEF ratings will proceed, including measures to restrict student number growth, limit acquisition or extension of degree awarding powers, and reduce access to certain funding streams. The plan to link TEF ratings to permission to uplift fees sits with the Department for Education, but seems likely to proceed.

Otherwise, OfS has said it will not publish ratings where the data is insufficient to reach a judgement, and may defer the assessment of some providers to the first year of the second cycle to allow data to mature.

The next round of consultation, dealing with the specifics of implementation, will consider the degree to which incentives should be withheld from Bronze-rated institutions – including whether this might be applied flexibly – and the treatment of the student outcome data feeding the outcomes rating: how to benchmark it, and the range of data points, likely to include graduate salary data and graduates' judgement of whether they are using their learning from HE.

2027–28

First cycle of the new TEF – with two separate ratings per provider, for student experience and student outcomes, from Gold to Requires Improvement.

Implications for leaders and boards

+ A Bronze rating now carries less risk of direct regulatory intervention, but the direction of travel strongly incentivises at least Silver – with criteria tied to the B conditions. There is an opportunity now to identify points of potential risk in student experience or outcomes, and address them before the first cycle.
+ Now is also the moment to consider what measurement of graduate outcomes is meaningful in your context, and what contextual factors shape those outcomes – to feed into the evidence base for OfS's consultation on how these will be measured and benchmarked.

07 Pensions and the problem of rising costs

Signal: **strengthening** Horizon: **2026–27** WATCH

While a few years ago the sector's attention was focused on USS, the contemporary debate concerns two government-backed schemes – the Teachers' Pension Scheme (TPS) and the various Local Government Pension Schemes (LGPS).

Both TPS (for academic contracts) and LGPS (for other contracts) must – by law – be offered to staff by providers with their roots in pre-1992 local-authority-funded provision.

The cost of TPS for employers has soared following a very cautious setting of contribution rates by government in 2023. For a larger university already paying £15m into TPS on staff costs of £200m, this has added a further £3m – making it much more expensive for these providers to employ staff than their competitors. A very recent change to the underlying rate means things may improve slightly, but there are a lot of moving parts.

The issue with LGPS is similar but more variable: costs have generally increased, but by different amounts in different areas. And unlike other statutory employer-members, higher education providers have not been compensated for the change.

The Universities and Colleges Employers Association has been lobbying government for support with these additional costs. The underlying SCAPE rate used to calculate employer contributions has recently been increased – which seems likely to equate to a fall in contributions of around five per cent, though more information is needed to be sure.

In a sector where funding is already tight, providers have attempted to manage these costs by offering alternative pension schemes, or employing staff via a subsidiary without a requirement to offer these pensions. These moves have been met with suspicion by staff keen to preserve existing benefits.

+£3m

added TPS cost for a larger university already paying £15m on staff costs of £200m, since the 2023 contribution reset.

Implications for leaders and boards

- The issue primarily affects providers required to offer TPS and LGPS to all staff. Most institutions contribute to a variety of schemes – decisions should look at this totality.
- Institutions considering alternative schemes (for example USS) should carefully assess the terms attached – USS has an exclusivity clause – and be prepared for other schemes to seek parity.
- Communication with staff about scheme benefits – including differences in cash drawdown at retirement – should be clear and honest.

Contacts

Debbie McVitty
Editor, Wonkhe
debbie@wonkhe.com

Sam Sanders
Head of Education, Skills and Productivity, KPMG in the UK
samuel.sanders@kpmg.co.uk

Wonkhe
31–35 Kirby Street
London EC1N 8TE

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