

Universities at the Crossroads



How higher education leadership must act to regain the trust of their staff, their communities and the whole nation

Lucian J. Hudson and Iain Mansfield

Foreword by Chris Sayers



Universities at the Crossroads

How higher education leadership must act to regain the trust of their staff, their communities and the whole nation

Lucian J. Hudson and Iain Mansfield

Foreword by Chris Sayers



Policy Exchange is the UK's leading think tank. We are an independent, non-partisan educational charity whose mission is to develop and promote new policy ideas that will deliver better public services, a stronger society and a more dynamic economy.

Policy Exchange is committed to an evidence-based approach to policy development and retains copyright and full editorial control over all its written research. We work in partnership with academics and other experts and commission major studies involving thorough empirical research of alternative policy outcomes. We believe that the policy experience of other countries offers important lessons for government in the UK. We also believe that government has much to learn from business and the voluntary sector.

Registered charity no: 1096300.

Trustees

Diana Berry, Alexander Downer, Pamela Dow, Andrew Feldman, Candida Gertler, Patricia Hodgson, Greta Jones, Edward Lee, Charlotte Metcalf, Roger Orf, Andrew Roberts, George Robinson, Robert Rosenkranz, Peter Wall, Nigel Wright.

About the Authors

Lucian J. Hudson is a board chair, strategic communications consultant and executive coach. He served as director of communications in six large, complex organisations in UK Government and Higher Education, including the Foreign & Commonwealth Office and most recently The Open University and University of Oxford. Before that, he was a senior executive and journalist at BBC and ITV. Lucian is Chair, Earthwatch Europe, was Chair, Tavistock Institute of Human Relations, and Liberal Judaism, and is a CEDR accredited mediator.

Iain Mansfield is Head of Education, Skills, Science and Innovation at Policy Exchange. He is a former Special Adviser to Universities and Science Minister Jo Johnson and to Energy Minister Kwasi Kwarteng. Prior to that he was a senior civil servant at the Department for Education and Department for Business, Innovation and Skills, where he worked on a wide range of roles in science, innovation, higher education and trade.

Acknowledgements

This paper is a personal perspective informed by primary and secondary and research, including extensive interviews. We are most grateful to briefing and information provided by Policy Exchange, HEPI, Advance HE, British Universities Finance Directors Group, BritainThinks, UPP Foundation, Institute of Directors, British Library, and many colleagues from higher education institutions, regulatory and representative bodies and mission groups across all four nations of the UK. Special personal thanks go to Nick Hillman, Chris Sayers, Sir Steve Smith, Sir Anthony Seldon, Sir Nigel Carrington, Sir Nigel Chadbolt, Wendy Thomson, Alan Rusbridger, Rachel Wolf, Diana Beech, Ben Page, Fraser Woodburn, Samina Khan, Tim Watkinson, Joan Concannon, Karel Thomas, Kim Ansell, Holly Wicks, Robin Middlehurst, Angela Wheaton, Richard Brabner, Roger Miles, Zena Creed, Bethan Cornell, Stephen Jolly, Mannie Sher, Margaret Prythergch and Dan Large. They all provided invaluable insight, support and challenge. Their input does not imply endorsement of any specific points made.

© Policy Exchange 2020

Published by
Policy Exchange, 8 – 10 Great George Street, Westminster, London SW1P 3AE

www.policyexchange.org.uk

ISBN: 978-1-913459-12-3

Contents

About the Authors	2
Acknowledgements	3
Foreword	5
Executive Summary	7
Recommendations	9
Higher education at a crossroads	11
Options for action	21
A way forward: a bolder sector, thinking more radically, more open to different perspectives	25
Conclusion	40

Foreword

Chris Sayers, Chair, Committee of University Chairs

One of the challenges of UK Higher Education today is that in some regards the sector as a whole is fragmenting as its individual institutions need to be increasingly commercial and act more competitively within worsening funding constraints. Competition is putting enormous pressure on some institutions to take individual action to survive and thrive. But as this paper assesses, just because it is increasingly difficult to speak of one sector, there are some things that transcend competition. A collective response to ensure things like the best possible governance, academic quality, student welfare and arguing for the value of universities are important if we are going to maintain our current level of autonomy and global reputation. 2020 provides an opportunity for the sector to act collectively and address the gaps in its performance and governance, and to engage more constructively with government, its own staff, communities and the whole nation.

The paper is careful to say that the sector is not in crisis, but could be facing one, if it does not take action. It correctly challenges assumptions that the sector is homogeneous, and brings out many positive examples of how the sector and its institutions are excellent in different ways, including demonstrating civic leadership and addressing not just skills gaps but knowledge gaps in the economy. But following the General Election, Brexit and now the Government reshuffle, it is also fires a timely shot across the bow, warning us that the leadership of the sector needs to step up to close the gap in perception between how the sector sees itself and how others see us.

It gives credit to the sector for gripping governance and showing leadership, but also rightly challenges us all now to be more proactive, bolder, if not more radical, in transforming higher education and reconnecting with the people it serves.

What this paper does particularly well is examine how the external and internal challenges are two sides of the same coin, and gives additional encouragement to the sector's leadership to continue to work together to address academic and teaching quality, student wellbeing and tackle bullying and harassment. These are certainly all critical in building and rebuilding trust.

The paper is prescient in calling on the sector to work closely with the new UK Government in delivering on its policy priorities, especially to play its full part in "levelling up" the UK, and in addressing the sector's funding constraints, and it provokes a pertinent question: how

do we balance being a sector with being commercially independent and competitive?

Lucian Hudson has written a very important paper, pulling together views from across the breadth of the sector and paying attention to both fact and sentiment, and he presents a balanced argument. Sometimes it can be advantageous to have the view of an insider-outsider who knows the sector well enough and yet exercises a dispassionate perspective now that he is no longer aligned to any single institution. Whether one agrees with all the recommendations or not, what this paper proposes is a helpful summary of the environment that we are in and it presents some good provocative challenges – I am sure that there are many in the wider HE sector, including Chairs and Vice-Chancellors of institutions, the Department for Education, the Office for Students and other sector bodies who would find this paper very insightful and useful.

Executive Summary

The UK higher education sector has much to be proud of, but is at a crossroads in terms of its future direction. It is having to respond to the twin pressures of reduced income and increasing costs, combined with increased political and public criticism – some of it valid. This presents significant challenges for leaders, individually and collectively.

The sector is not in crisis, but it could be, if action is not taken. In some critical areas universities have lost the trust of the nation. They have allowed themselves to be perceived all too often negatively, and this needs to be corrected. Universities need to be clearer about the value they add, think longer term and change the way they engages with key stakeholders. They must preserve and build on what they do best, and be more radical in addressing what needs to change.

While higher education may be differentiated, all parts of the sector should stand for excellence and opportunity for all. This means unashamedly championing high standards, whether in academic or vocational courses; levelling up, not dumbing down; and doing more to reach those who do not feel that they have a stake in higher education or can benefit from it. In the face of mounting competition, higher education institutions need to demonstrate unprecedented collaborative leadership, both at sector level and in their communities.

The election of a UK Government with a substantial parliamentary majority gives the sector even more reason to think afresh and plan accordingly. This coming year should give all governments, regulators and funding bodies in the four nations the opportunity to think more strategically, and work with the sector more effectively to deliver greater economic impact in target regions and take a more systemic approach to achieve social mobility. The sector's research firepower significantly contributes to the UK's prosperity and international standing. Higher education institutions need to show how this translates into benefits for local communities. The UK needs the sector to achieve excellence and a greater focus on place.

The sector has to tackle its internal challenges head on: whether it is improving governance, which is part of a wider solution, or addressing specific issues, such as brokering agreement on pay, pensions and working conditions. Higher education has to do more to tackle financial performance building on good practice, especially integrated reporting and thinking.

If it is to protect and make even better use of existing funding, it should engage in a more meaningful dialogue with government and other parts of the education sector, particularly further education. The sector needs to address concerns about low quality of degrees, and demonstrate that it is delivering the skills required to achieve economic and social outcomes, valued by government and other key stakeholders such as business and the NHS. It must continue to accelerate widening access without compromising high academic standards. It also needs to address the widely criticised recent trends in grade inflation, unconditional offers and vice-chancellors' pay.

Following a very vocal and at times highly partisan participation in the Brexit debate, as well as an increasing number of unnecessary rows over freedom of speech, there is a growing risk that some on the right may begin to see the sector as actively and irredeemably opposed to conservative and British values. That would be a tragedy both for higher education and the UK as a whole. The sector needs to build bridges, not dig in, and demonstrate that it is a national asset, prized by the whole nation and capable of engaging with the values of those outside the educated metropolitan elite.

The sector knows that it can tell a more positive story about itself, to itself and to the outside world, by showing what it does best, focusing on students and the impact of research. It needs to be clearer and more honest about what is in its scope to change, and where responsibility has to be more widely shared.

Drawing on more than 50 interviews, on and off the record, with current and past chairs of council, vice-chancellors, university secretaries, members of executive teams and governing bodies, as well as key stakeholders and media, this paper offers a challenging yet constructive perspective on leadership and communication priorities for UK higher education. It recommends a bolder, more proactive approach and greater visibility by the sector where it is making a positive difference, and a willingness to deliver genuine change in areas the sector is currently falling short.

The findings of our research aim to stimulate a discussion on how best to engage with governments across the four nations, business, public sector, civil society, media and, critically, its own staff, students and alumni. Leadership is here broadly defined as vice-chancellors, principals, chairs of council, governing bodies and executive teams, sector representative bodies and mission groups.

Recommendations

1. Policy positioning and engagement

The higher education sector has to do much more to demonstrate that it is working for the benefit of everyone in the UK, vigorously addressing perceptions that it is serving an elite and its own interests, while engaging more constructively with UK Government and key external stakeholders, especially in local communities.

To this end, the sector needs to:

- 1.1 Have a meaningful dialogue with UK Government on what the sector can achieve within funding constraints and reductions in income**, working more closely with further education to support technical and vocational education;
- 1.2 Be proactive and deliberate in engaging with employers** in addressing not just skills gaps (helping employers to access highly qualified graduates) but also knowledge gaps (supporting local and regional employers with innovation), thereby transforming the ecosystems of which higher education institutions are part.
- 1.3 Encourage government to adopt a joined up strategy to improve social mobility**, recognising that there are limits to what universities can achieve alone in widening access;
- 1.4 Engage more widely with more UK Government departments.** As well as the Department for Education, Number 10 and Cabinet Office, the sector and its institutions should engage directly with the Department for Business, Energy and Industrial Strategy, the Treasury, the Department for International Trade, the Department for Digital, Culture, Media and Sport and the Ministry of Housing, Communities and Local Government, all of whom now look on higher education as an engine for prosperity;
- 1.5 Develop and adopt strategies that more explicitly reflect the interests of the communities that higher education institutions serve.**
- 1.6 Address the growing political and public concern over ‘culture war’ issues**, including free speech, academic freedom, boycotts and the perceived growing lack of tolerance for diverse views on campus.

2. Addressing the sector's own internal challenges

The sector must take rapid and meaningful action to tackle issues of legitimate concern which are having a disproportionately negative impact on their ability to engage positively.

- 2.1 **Reverse recent trends on increasing grade inflation and unconditional offers** to restore confidence amongst the public and employers in the value of a UK honours degree.
- 2.2 **Do more to level up the whole of the UK in terms of skills**; dealing with the perceived problem of low quality and low value degrees.
- 2.3 **Devote real effort and resources towards reversing the decline in part-time education**, encouraging lifelong learning and increase the provision of adult learning, especially in local communities.
- 2.4 **Champion excellence and widen access to those from underrepresented or deprived backgrounds** who have the ability and can benefit from higher education;
- 2.5 **Support investing more in research to achieve excellence and rebalance funding to focus on lagging regions**, demonstrating the impact of research and the difference it makes to different parts of the population.

3. Leadership and governance

The challenge is to make the sector's success more visible, to ensure collaborative leadership moves beyond warm words to meaningful actions, and to disseminate good practice swiftly and on a broader scale. The sector's leaders now have the opportunity to exercise even greater collaborative leadership to address the threats that face higher education institutions collectively and individually:

- 3.1 **Establish a task force of chairs and vice-chancellors focused on strategic priorities for the UK higher education.** This would work across existing representative bodies and mission groups to forge common purpose and achieve even greater impact with governments and influencers across the UK.
- 3.2 **Broker a comprehensive agreement on pay, pensions and working conditions** to put the sector on a more financially sustainable footing and address concerns about casualisation and short-term contracts;
- 3.3 **Ensure that governance is as much about changing culture and behaviours, as delivering compliance**, bringing on leadership at every level, and valuing a much broader range of perspectives, from inside and outside the sector; and do more to share good governance practice across the sector.
- 3.4 **Consistently demonstrate that bullying, harassment and discrimination are unacceptable**, and uphold the highest standards of ethical behaviour with respect to staff and students, beyond minimal compliance with the law.

1. Higher education at a crossroads

The UK has a thriving, changing and successful higher education sector, globally recognised, contributing significantly to the UK and international economy, culture and wider society. Some of its oldest and most prestigious universities are also some of its most enterprising and innovative, especially in using advances in science, medicine and technology for social and commercial benefit. It is also a sector at a crossroads, which could be even more in the line of fire, if issues (for example, pensions) and trends (for example, funding and the pace of change in widening access) are not addressed. The sector as a whole is not in acute crisis, but some institutions are much more vulnerable, and the sector as a whole could face a chronic crisis, because of the underlying trends in financial performance and reputation, particularly the value put on universities and studying for a degree.

The future of the sector should be bright, but it does not feel that way to many of my respondents. Both Conservative and Labour election manifestos were fairly critical of the sector. The Onward survey published last August reported that 66% of respondents had said that more people going to university and fewer gaining technical qualifications has been bad for the country overall, compared to 34% who think that it has been beneficial. On some critical issues, for example vice-chancellor pay or the use of non-disclosure agreements to silence students making allegations of sexual harassment, the sector has lost the trust of the nation.

The sector is in a mixed financial state, and this assessment will not change soon. Much of the sector is surviving, some of it even thriving, but between 20 and 30 per cent of higher education institutions across the UK have financial challenges and are at risk of not being sustainable.

According to HEPI's calculations based on demographic trends, the UK could see potential future growth provided by an additional 300 000 students entering post-education by 2030¹. This could provide respite eventually to some troubled institutions, but there is no guarantee that all those potential students will go into higher education, let alone those troubled institutions. Market volatility means that more than a third of the sector is feeling the pinch because of fewer students being recruited, much capital spend has been halted because of uncertainty over Brexit and the General Election, and the prospect of no rise in student fees with increasing costs, coupled with increasing pension contributions, will put pressure on all of the sector. Regulators and funding bodies suspect

1. Bahram Bekhradnia and Dr Diana Beech, <https://www.hepi.ac.uk/2018/03/15/demand-higher-education-2030/>

that some financial forecasts by institutions are over-optimistic. Many respondents said that some institutions will face having to merge and many will lose jobs.

There is disquiet in the sector's ability to reach agreement on the future financing of pensions, despite the strenuous efforts that are being made to work through the issues. The rift between management and staff could widen, and the sector could be divided on the best way forward. As one vice-chancellor warns:

To avoid worsening industrial relations, we have not given further consideration to a shift from a pension scheme based on defined benefits to one based on defined contributions. But we cannot carry on kicking the can down the road. With fixed student fees, rising pay inflation, something has to give.

If the sector can achieve a comprehensive settlement on pay, pensions and working conditions, it might be able to address the underlying concerns of an increasingly discontented workforce, and put the sector on a more financially sustainable footing. Just as union representatives need to recognise what for the sector would be affordable, management representatives have to acknowledge more fully that concerns over casualisation and short-term contracts are genuine. The sector needs to face up to the fact that for too long it has put up with too high a level of casualisation and insecurity.

Most institutions are having to change, and many must change significantly, in response to adapting to changes in student numbers, research funding, competition, financial constraints and more exacting regulatory compliance.

Higher education institutions in the UK need to embrace the increasing diversification of the sector globally as a result of financial, social and technological change. This poses a substantial challenge to the sector's being considered a single sector, unless leadership of the sector means finding ways to capitalise on what makes different institutions distinctive. Many in the sector are apprehensive, concerned that generalising about the sector as a whole masks important differences and stark contrasts within the sector, both in terms of financial performance and quality of governance. Sir Steve Smith, Vice-Chancellor and Chief Executive of the University of Exeter, asks if it makes sense any longer to speak of a single sector. David Watson's HEPI report, *Only Connect*, brings to the surface how much the sector has in common and how it is differentiated. My own reading is that both *centripetal* and *centrifugal* forces are increasingly at play (respectively, moving towards and away from a common position). Some of these are planned, but most are dynamic, depending on the threats and opportunities facing particular institutions.

The sector is trying to embrace complexity yet finds it difficult to work through it. In terms of future trends, Sir Anthony Seldon, Vice-Chancellor, University of Buckingham, points to market segmentation leading to six different kinds of institution (global, national, regional, professional, digital and local). This indicates how much universities are needing to

adapt to the rise of artificial intelligence, online learning, part-time and all-age students, as well as other factors².

Our reading of the sector's challenges is that it can still plan for a common position on many critical issues whilst allowing for some differentiation. Provided the will is there, higher education leaders should aim for the sector to achieve coherence as a single sector in terms of communicating its value and impact. We agree with Sir Anthony Seldon's point that in terms of advocacy, we need higher education to be on the front foot, setting the agenda, rather than reacting to it³.

Where differences are expressed among the sector's leadership, that should be seen a sign of strength, provided there is constructive engagement with different voices.

Scotland, Wales and Northern Ireland show how much universities can be integrated into a nation's positive vision of itself. Professor Julie Lydon, Chair, Universities Wales aptly conveys the centrality of higher education to national life:

Universities matter to Wales, its prosperity and its prospects for growth. They drive innovation, create jobs and attract investment to communities needing new avenues to economic success⁴.

The Augar Review was an important step in acknowledging and working through what the UK wants of post-18 education. Not surprisingly, one of its main conclusions focused on the under-resourcing of further education, which must be a priority for the UK Government. But it would be a missed opportunity not to see how post-18 students, existing and potential, are best served in the round by the whole education system. Shearer West, Vice-Chancellor, University of Nottingham, makes the point:

We need to create an educational system that works for everyone. It's not a matter of seeing higher education and further education as somewhat at odds with each other, but all of us working together. Whatever conflicting pressures we have to deal with, we should try to make collaboration work more effectively.

Under successive UK Governments, the sector has had to become more commercial-minded, if not more commercial. Most of those interviewed for this paper accept that universities have to operate much more like businesses, and be more competitive, yet are very concerned about the kind of behaviours that competition has unleashed. Viki Cooke, recently Vice-Chair and Pro-Chancellor of University of Warwick, and Founding Partner, Britain Thinks, remarks:

We have seen quite a bit of competitive behaviour that is undesirable, with quite naive marketing tactics to attract more students. We then wonder why higher education is treated like a commodity. We need to change the overall narrative about the value that higher education brings to society, and that should be done at a sector level.

The sector needs more collaborative leadership to balance the inherent

2. Anthony Seldon with Oladimeji Abidoye, *The Fourth Education Revolution: Will Artificial Intelligence liberate or infantilise humanity?*, University of Buckingham Press, 2018. Extract: What will next-gen universities look like? eCampus News, April 2019. <https://www.ecampusnews.com/2019/04/03/what-will-next-gen-universities-look-like/>

3. Anthony Seldon, *Universities have lost the country: Here's how UUK must reform to win it back*, HEPI, March 2019. <https://www.hepi.ac.uk/2019/03/14/universities-have-lost-the-country-heres-how-uuk-must-reform-to-win-it-back/>

4. Julie Lydon, *Why the general election matters to universities in Wales*, Universities Wales, December 2019. <http://www.uniswales.ac.uk/blog-why-the-general-election-matters-to-universities-in-wales/>

competitiveness within the sector. It also needs to be acknowledged that marketisation caused by removal of student number controls mean that some challenges that can only be effectively addressed by collective action become more difficult.

Key challenges: performance, engagement and governance

The Higher Education sector is grappling with three main challenges:

- managing performance, including delivering financial sustainability
- engaging with key stakeholders and wider public
- ensuring better governance across the sector

The sector in England needs a sensible dialogue with the new UK Government about what can be delivered by the system with the available money. It cannot keep delivering more when the purse strings are continually being tightened. However, according to some chairs and vice-chancellors interviewed for this paper, the sector needs to stop complaining about lack of money and have a meaningful debate about what is expected of the sector within the financial constraints. The funding received by universities for educating each undergraduate (the unit of resource) has fallen in real terms since 2015. The Augar review proposed freezing the current average per student resource until 2022/23. This would mean an 11 per cent drop in real terms from 2018/19. The freezing of the unit of resource already represents a significant continued reduction in real terms.

Higher education institutions will be sensitive to significant shifts in government priorities that could impact on funding. But even if the UK Government does not reduce student fees (for English universities), and therefore removes the risk that funding might not be replaced, many vice-chancellors and finance directors are now distinguishing between the nominal value which could stay constant and the real value, which is declining. Allowing for the increase from £9000 to £9250 and CPI inflation, the 2012 fee per student is now worth £7855 in real terms. The Office for National Statistics says CPI inflation since 2012 has been 15.7% to the end of 2019, and forecasts that it will average 2% a year for the next five years. If the effective fee now is £7855, it will be worth £7100 in 2025 after inflation. Many UK universities will have reported large deficits in their 2018/19 accounts, not least because of the impact of a recovery plan for the Universities Superannuation Scheme (USS).

This has been happening at the same time as there has been a public perception of a decline in quality. Most notable are grade inflation (50% 'good degrees' in 2000 to 80% today) and unconditional offers. The graduate premium - how much more graduates are likely to earn on average, compared to their peers who do not hold a degree- has started to decline, and there are stubbornly high numbers of graduates in non-

graduate jobs.

This paper cannot go into the underlying reasons why the sector has since the 1990s moved from a steady state to a more turbulent one, but it is worth acknowledging that sector leaders are finding it difficult to be more strategic at a very time, it could be argued, they need to be more strategic.

One vice-chancellor who contributed to this paper explained why it is so important now to have a “grown-up” discussion with UK Government on funding:

The sector has been homogenised by the media, and though some ministers know this, it has often suited government not to understand that. This is an incredibly diverse sector with different income streams. It is crucial that ministers understand the complexity of the sector, and we in higher education are patient in helping government to work with us going forward.

The argument made by Burton Clark in his book “Creating Entrepreneurial Universities” published in 1998 is worth recalling. National systems of higher education are in turmoil because of the ‘demand-response imbalance’ (that is, demands on universities outrun their capacity to respond). Most importantly, ‘knowledge outruns resources’. Flowing from the research imperative built into modern disciplines and interdisciplinary fields of study, knowledge expansion and specialisation are self-propelling phenomena. He adds:

It has become a virtual iron law internationally that national and regional governments will not support mass HE at the same unit cost level as they did for prior elite arrangements⁵.

Robin Middlehurst, Emeritus Professor, University of Kingston, specialising in higher education policy, concurs:

Governments cannot by themselves support the exponential growth in demands for education and the endless growth in knowledge – given other equally pressing economic & social priorities. So individual universities and HE systems (and other players) need to think and act differently in relation to resources.

Our research has established that more than 20 individual institutions across the four nations have had serious governance failures with underlying performance issues. In many cases, this has had an effect on how those universities, their communities and the sector as a whole are perceived – fairly or unfairly – by the political class and a much wider group of stakeholders.

Andy Shenstone, a specialist in governance at Advance HE, says:

These cases contribute to a view held by many in the sector, allies and critics, that over the past five years, higher education has struggled to articulate a convincing narrative explaining the added value of the sector.

The Universities UK 2018 survey on public perceptions, prepared by BritainThinks, resonates with all respondents who contributed to this

5. Burton Clark, *Creating Entrepreneurial Universities: organizational pathways to transformation*, IAU & Elsevier Science, 1998, pp129-132.

paper⁶. While public sentiment towards universities cannot be described as hostile, both understanding about what the sector does and contributes, and perceptions of the value of Universities and studying at university, remain too fuzzy for comfort. That lack of clarity, combined with not enough positivity, even from its beneficiaries and advocates, is eroding and will continue to erode the esteem in which the sector is held, making it vulnerable to further criticism and possibly to attack, even if it is not under attack at the moment.

Most respondents agree that the BritainThinks survey carries a timely warning that the sector needs to communicate much more clearly the value that it adds and to give its advocates more evidence that they can use to champion the sector. This suggests that performance should be beyond the balance sheet. The findings of that survey indicated that most people did not realise UK academics were behind some of the world's most important discoveries such as MRIs and ultrasound scans, but for many top research has no relevance to higher education as an educator. The point is that different aspects of higher education have different value placed on it by different parts of the population.

We need to be aware of how large a gap is growing between what the sector sees in itself and what others see – or do not see- in it. Higher education needs to take the initiative in reconnecting or better connecting with wider society, and not presume that its value is self-explanatory or that it can be expressed in financial metrics alone. This sentiment is widely shared amongst our respondents. As one past vice-chancellor, Geoffrey Crossick remarks, when we ask about value, we always need to start with the question, “Who wants to know and why?”:

The concept of value is something that we need to see as constructed for specific purposes rather than the measurement of some external phenomenon. The only way to give some sense to value for our purposes is to see it as a multi-criteria concept that means we must accept a breadth of dimensions of value, and therefore a set of different (quantitative and qualitative) methods to capture and articulate it.

The risk that the sector runs in not confronting the question of how it adds value to society is put starkly by one chair of council:

Monasteries seemed inviolable before Henry VIII abolished them: even though there was some resistance, it was overcome. Universities are well interwoven into the social fabric, and less of a target than monasteries, but they remain dependent on public funding and broad-based political support.

Our reading of the three sets of polling and focus groups - as well as the Onward survey quoted earlier, polling by BritainThinks and for Public First on behalf of Lord Kerslake's Civic Universities Commission- is that there is a growing divide between that part of the population which sees itself as benefiting from higher education and that part who have little or no contact. The Civic Universities Commission's polling and focus group work reveals a split in public perceptions between higher and lower socio-

6. BritainThinks survey for Universities UK, November 2018. https://britainthinks.com/pdfs/Britain-Thinks_Public-perceptions-of-UK-universities_Nov18.pdf

economic groups. Middle-class respondents – socio-economic groups A and B - were much more positive in their sentiment towards their local university than groups C, D and E. For instance, those who have a more affluent background tend to look more positively on house price rises in university towns, compared to the those from poorer backgrounds. As David Goodhart has argued in “The Road to Somewhere”, the UK needs to find a new settlement to bridge the divide between the highly educated, influential and mobile Anywheres and the large, more rooted and less well educated Somewheres⁷. Higher education can help or hinder attempts to bring about greater cohesion.

Charlie Jeffery, vice-chancellor and president, University of York, sums up the main challenge:

How well do we as a sector convey the benefits that universities bring society? At the moment, we don't have a residual stock of goodwill. Our fundamental challenge is persuading wider society that we are a good thing. This is very much the case with those who haven't been to university or don't have a member of the family who has been to university. How do we connect with part of the population? Widening access and participation provides part of the answer. The other part is showing that the great work we do benefits our local communities.

For Charlie Jeffery and other vice-chancellors who are giving civic leadership high priority, the answer lies in working with -and learning from - the local communities that they serve, and re-establishing the connection on which many of our universities were founded. Despite political and management rhetoric is often presented in terms of doing something new and innovative, many of the contributors of this paper cited the original purpose why many of our universities were founded, a combination of providing access to high quality education and serving local communities.

If we look at those universities who have made the greatest strides in demonstrating that they connect with the needs and interests of their communities, we find that the sector is replete with strong examples. Newcastle, Lincoln, University of the West of England and Sheffield Hallam, amongst others, all have good civic university agreements (CUAs). The University of Manchester does not yet have such an agreement but is perceived as an exemplar of effective civic leadership. What I think makes the most significant difference is the extent to which a higher education institution can demonstrate in its strategy appreciation of, and support for, others' interests.

Critical to the case made in this paper is that these examples also send a strong signal that many of our institutions can put wider interests before their own, or show that their interests and the interests of their communities can be aligned. One initiative under way is the joint collaboration between Nottingham Trent University and University of Nottingham to demonstrate how working together they can achieve greater economic, social and cultural impact. The ideas and solutions

7. David Goodhart, *The Road to Somewhere: The New Tribes Shaping British Politics*, Penguin, 2017.

developed from a process of collaboration with other local organisations will produce a civic agreement, a programme of action agreed collectively and shared publicly. It is unique in being a joint partnership between a post-92 university and a Russell Group university to support the city or region. As Edward Peck and Shearer West, the respective vice-chancellors, put it:

We share a common place...we are also your universities.

We can point to the sector's many achievements. The challenge is to make its success more visible, spread the good practice and scale it up.

The sector could also do a better job at communicating how it overcomes setbacks, making its own learning transparent and sharing it. Recovery from setback is an under-reported sector strength. This could build better understanding, trust and credibility. The University of Bath is winning plaudits now for how it is improving its governance after the outcry over the previous vice-chancellor's pay. The issue of vice-chancellors' pay was poorly handled in many cases, either putting vice-chancellors forward in media interviews to justify their own pay, or driving others to keep their heads down, and in so doing missing an opportunity to convey other achievements. The sector has learnt lessons, and its leadership has taken positive, practical steps. On senior pay, for instance, the Committee of University Chairs has produced guidance to ensure that a rationale for pay awards is provided. Some chairs of council acknowledge that on the pensions dispute and vice-chancellors' pay, governing bodies need to be seen to play a leading role and themselves account for decisions. The sector is on a learning journey, and that can be positively communicated.

Crises in governance across all four nations have led to the growing realisation that members of governing bodies need to be better informed and play a more active and visible role as employers. Most interesting is a heightened awareness, particularly among the Committee of University Chairs, that governance cannot just be about compliance, but must be about culture, behaviour and dynamics at board level.

Universities Wales has commissioned and is publishing shortly a governance review which will bring out the importance of culture and behaviours in delivering good governance, and the need for governing bodies to review both culture and compliance. This will cover how receptive or defensive executive teams are to being challenged by members of a governing body, and how seriously student representation is taken.

Higher education has to address the democratic deficit between what it stands for and delivers, and how it is seen and experienced. The sector needs to have on its radar not just financial deficits, looming or current, but democratic deficits – both are addressed by better governance, performance and engagement. This means a more concerted push by governing bodies and executive teams acting together.

Chris Sayers, Chair, Committee of University Chairs, and Chair, Board of Governors, University of Northumbria, compares the sector's leadership challenges to rally driving:

We are moving at pace across difficult terrain, where both the driver and navigator need to excel in their respective roles to take the next corner and look ahead to the one after that. The relationship between vice-chancellor and chair needs to be as trusting, synchronised and dynamic as that. There is even more scope for governing bodies to fulfil their role in leading their institutions, supporting and challenging vice-chancellors and their executive teams.

This means that boards need to avoid being “captured” by executive teams, and vice versa. Both need alternative external and internal perspectives to address their blind spots and encourage different perspectives. The phenomenon of “capture” arose frequently in my interviews. Both chair and vice-chancellor have to ensure that governing bodies and executive teams never lose sight of the board’s role and responsibilities in scrutinising the executive and the vice-chancellor, and holding them to account. Equally, vice-chancellors, especially newly appointed ones, need to be given some discretion to immerse themselves in their institutions and reflect on whether the brief that they were given on appointment needs to be considered in the light of their first-hand experience, and adapted as appropriate. Most respondents agree that governing bodies and executive teams could have a more productive relationship if they were worked more closely. Whatever other pressures fall on governing bodies, it is a good investment of time for boards to assess periodically what provides the right balance between challenge and cohesion, holding vice-chancellors and their executive teams to account, and enabling them to be effective.

One challenge to the Office for Students arising from my interviews is the behaviour that it is modelling as a regulator. Its strategy as a regulator of operating more at arm’s length with higher education institutions could result in its not acting early enough on troubled institutions because there is a lack of trust, and information is being held back. On the plus side, We have found that where an institution pushes back for reasons it can justify on some requirements that the OfS makes, the OfS is listening. UK Government and the OfS are running the risk that they will be reactive on failing institutions because they are not working closely enough with the sector on funding pressures. The Treasury line that the sector has done better than further education and local government (and therefore should be thankful) will not help ministers who might have to respond to a failing institution located in an area where a market response (allow failure) is politically unacceptable. There is not enough thinking on how a troubled or failing institution might find a new model in diversifying into other areas, such as delivering more further education or apprenticeships, possibly in a partnership or merger with FE colleges.

The direction of travel in terms of governance is positive, but change needs to be at a faster pace if institutions are to be fit-for-purpose. This provides an opportunity for leadership across the sector. There are many experienced vice-chancellors and chairs whose expertise can benefit other

parts of the sector.

A good example of effective working between a chair of council and vice-chancellor is provided by Sarah Turvill and Sir Steve Smith, respectively chair and vice-chancellor at University of Exeter. Sarah Turvill says:

Steve and I have open, challenging and constructive discussions. We don't always agree, but we share our thinking and ideas. We work closely, meet often – but we are not personal friends. That's how it should be. It's very important to manage those boundaries.

Most directors of finance have highly strategic roles, and increasing numbers are considering how integrated reporting, and of course integrated thinking, contribute to better governance and more effective management⁸.

Kim Ansell of Advance HE explains how this approach is proving attractive to many higher education institutions:

Integrated thinking and reporting help to articulate and demonstrate value creation over time. This enables institutions to have a holistic approach: deliver strategy, support good governance and manage performance and prospects, in the context of the institution's purpose and the external environment, in the short, medium and long term.

An integrated approach considers value in the widest sense of the word, and rejects the notion that value is purely about financial results. This usefully applies to the educational environment where we need to consider in the round changes in human, social, intellectual, natural and manufactured capital values.

Integrated reporting or a similar “multi capital” approach to thinking and reporting should be more widely implemented across the sector. The University of Newcastle is exemplary in its use of integrated reporting and thinking, as is the University of Edinburgh.

Sector-wide bodies such as the British Universities Finance Directors Group (BUFDG) and Advance HE play a critical role in building the sector's capability to lead in an environment that must consider all capital inputs, outputs and outcomes. There are encouraging signs that more directors of finance and directors of communications are adding significant value to their mission groups and across the sector. Their efforts need to be supported and given more investment for the good of the whole.

8. British Universities Finance Directors Group (BUFDG) website. <https://www.bufdg.ac.uk/understanding-finance/integrated-reporting/> and <https://integratedreporting.org/resource/creating-value-cfo-leadership-in-ir/>

2. Options for action

In the face of the emerging political context and longer term trends, the higher education sector has two options how to position itself, with different scope and emphasis across the four nations:

- **Option 1:** Adopt a wait-and-see approach, preparing for the UK Government's own plans for post-18 education to emerge and consolidate, yet think and plan across the board, organise proactively on specific, emerging, current and anticipated issues, under clear unifying direction and even closer coordination, within and across mission groups. Examples of specific issues include: positioning in relation to the Augar review recommendations on tackling under-funding in further education; how to allocate more funding in research and development to meet the target of 2.4 per cent of GDP, possibly directed to meet political objectives in supporting economic growth and regeneration across the UK, especially in the North of England and the Midlands.
- **Option 2:** Adopt a more proactive, bolder and outward-facing approach. Higher Education has to lead more visibly, at institutional and pan-institutional levels, mobilise broader and deeper engagement, locally, regionally and nationally. This will require a change in actions, not simply message. Above all, it has to frame a national debate on the value of university education, working with key institutions outside the sector who also have a stake in the outcome of that debate.

Option 1 has merit to the extent that the sector, though apprehensive about the short to medium term, will see some stability in fees and funding if the recommendation in the Augar Review to cut fees (in England) is not taken up by the UK Government. Advocates for this option will argue that the sector has its work cut out already, either in struggling institutions to keep the ship afloat, or thriving or more resilient institutions focusing on their current strategic objectives, particularly student recruitment, research activity and fundraising. This 'wait-and-see' option assumes the sector maintains its efforts on the international stage so that it continues to capture a significantly larger share of the international market for high-quality university education, and continues to make common cause with others in the sector on matters of shared interest, for example protecting

research funding from the EU.

Option 1 does not address the fact that the sector's profile is not what it should be. The sector's lack of positive visibility can be compared to the stick insect's strategy for evolutionary survival: blend into the background, and take advantage of not being on others' radar. The stick insect strategy, even when successful over time, has a downside – not being seen, the stick insect is walked on and crushed. For higher education, this approach now carries more risks and fewer opportunities than developing a more visible and distinctive profile, locally, regionally, nationally and globally.

Option 1 will be intuitively attractive to many in the sector, as it acknowledges that the sector needs to evolve at pace to meet the demands of a changing society. It needs to remain competitive against other international higher education institutions, if it wants a growing share of international students, and other learning providers who are supplying learners with education that does not require a commitment to graduate with a degree. It also shows that the sector is politically intelligent and senses that it needs to do more to address rising populism and scepticism, if not hostility, towards elite institutions and experts. By presenting universities as providers of solutions to the wide set of challenges facing the world, where advanced knowledge and education can make a difference, the sector would address misperceptions.

This option allows the sector to hedge its bets if over the next five years the UK Government sets its sights on further changes in post-18 education. The sector should demonstrate that it is being innovative and resourceful in creating and optimising opportunities for those who need to study academic or vocational subjects to enhance their job or career prospects.

Option 2 is our preferred option. It requires a marked shift in using more systematically the convening power of individual higher education institutions to shape or at least influence a collaborative approach by government, business and civil society to tackle 'wicked problems', i.e. the problems that do not lend themselves to easy solutions but can be effectively worked on with enough concerted, collaborative action across sectors and organisations, especially with broad based popular support. Action areas include:

- Champion academic standards whilst widening access through working with and supporting schools well before the point at which pupils consider applying for university;
- Deliver genuine change in reversing recent trends on unconditional offers and grade inflation;
- Make more of the curriculum relevant to employment needs;
- Encourage higher education institutions to be even more engines for local and regional development, including when bidding for and distributing research funding;
- Work with employers to close the skills gaps and knowledge gaps,

enhancing productivity and prosperity through closer engagement with local and regional business and civic bodies – this may include more blended learning options, more use of technology to deliver timely and relevant education, and a move away from three-year full-time bachelor's degrees to a greater mix of part-time, shorter and more vocational courses;

- Reverse the decline in part-time education and deliver more adult education and life-long learning; and
- Enhance community and wider civil society engagement, including volunteering and sponsorship of local causes;
- Tackle the growing political and public concern over 'culture war' issues, including free speech, academic freedom, boycotts, cancel culture and the perceived growing lack of tolerance for diverse views on campus

Dr Diana Beech, former Policy Adviser to the last three Universities Ministers, now Head of Government Affairs at University of Warwick, warns:

The recent government decision to split off the higher education brief from the science and research portfolio, by putting each under the responsibility of a different minister, will make it all the more difficult for universities to convey the clear linkages between teaching and research.

In testing these options with contributors to this paper, I detected strong support for Option 1 and growing support for Option 2. Indeed, some vice-chancellors considered that the sector needed to be even more radical in its thinking and planning. We detected that because of all the funding and competitive pressures on the sector, higher education is a “sitting duck” unless it takes more radical action to be more financially sustainable.

Tim Watkinson, Director of Communications at the University of Nottingham, who plays a leading role working with other colleagues in the Russell Group, says the sector would do well to position itself as a key delivery partner in any post-Brexit settlement. As the Vice-Chancellor and Chief Executive of University of Exeter, Sir Steve Smith, and other vice-chancellors have said, such is the seriousness of the challenges faced by the sector, it cannot be “business-as-usual”.

If we combine the competitive and financial threats to higher education with the impact of a Conservative Party victory, according to some of my senior contacts, universities are likely to be on the frontline of what we might term “culture wars”, in terms of free speech, as well as in terms of showing quality.

The General Election result has probably delivered political stability for the UK Government over the next five years. This should not be interpreted as a signal of stability for the sector. The sector might not be the immediate target for further reform, but when that happens, as surely over the next decade it must, it can now enhance its authority, tackle challenges and be seen to do so, and develop its agility and resilience. As

one vice-chancellor reflected in reading my findings:

If we take into account the full impact of Boris Johnson's victory and what is said in the Conservative Party election manifesto, this massively reinforces the comments made in your research about the differential effects on various parts of the sector. In short, a possible Tory decade ahead could radically transform what universities are required to do.

3. A way forward: a bolder sector, thinking more radically, more open to different perspectives

The leadership of the sector has no option but to work in two time-frames, the short to medium term and medium to longer term, if it is to navigate the next decade successfully and benefit over time from the increased numbers of students as indicated by demographic trends.

However, whatever the sector does this coming year or in the years to come, it must now tackle head on questions about the value of higher education and reaffirm what makes it relevant and distinctive.

Sir Nigel Carrington, Vice-Chancellor, University of the Arts, London, argues for urgency:

We are at a particular point of opportunity now. This new government needs us. Universities have a critical role in delivering wider social and economic objectives, especially outside London. We need to change the narrative, build on our strengths, and stop falling into traps. We need a more grown-up and collaborative conversation with government. We have allowed ourselves to be positioned by government and media, and we need to reset our position.

Viki Cooke, Past Vice-Chair and Pro-Chancellor, University of Warwick, and Founding Partner, BritainThinks, argues:

At a very time that the higher education sector could play more of an integrating role in our society, bringing together different perspectives, it risks being seen as defending itself as a liberal elite. Most people don't think about the sector most of the time, and don't see that the sector is under threat. We have to set the bar higher. The democratising of higher education has been a very good thing, but the sector has to make itself more relevant to the public.

The sector is producing fresh thinking to survive and thrive in a changing world. The University of Lincoln has recently launched its new manifesto - The Permeable University, setting out a series of interrelated grand challenges, illustrating the complex and unpredictable nature of change that we are experiencing. In their article for Wonkhe, Mary Stuart and Liz Shutt, respectively Vice-Chancellor and Director of Policy, University of Lincoln, develop the concept of a more permeable university, which puts students at the centre of a renewed community of scholars and stresses the

lifelong connection between universities and graduates with continuous learning running through the relationship⁹.

The values of higher education - independence, intellect, inquiry, critical thinking, creativity, problem solving- need to be given contemporary force. Universities at their best are places, real and virtual, where we are trained to think, often in ways that hitherto have not been explored or developed, to deliberate, discuss and exercise judgment. As the late Asa Briggs once said, history does not teach us anything: historians do. The sector, rather than just individual institutions, should be more enterprising in developing the profile of academics, provided the choice of academics is inclusive and academics base their profile on the substance of their work. This is not about promoting rent-a-quote academics, but academics such as Sir John Curtice who are trusted sources of expertise, and academics with less of a public profile yet already distinguishing themselves because of the quality of their teaching and research. Higher education institutions need to inspire critical thinking in those they are educating, and teach them the need to engage with - and challenge - ideas that challenge their assumptions.

What is special about humanity will survive the latest advances in technology, whatever their effects on society and the way we interact with one another. Higher education institutions, if supported, will continue to be focused on what it is best in being human. They should find it inspiring that they are crucibles for difference, dispute and dissent. It is of the utmost importance for a liberal and democratic society to hold that space and manage its boundaries. Higher education institutions cannot compromise on this. Corey Stoughton's HEPI paper makes the case very effectively¹⁰. Freedom of thought and expression should be consistently defended, especially when beliefs are contested. Guaranteeing that university environments are conducive to well-being, physical and psychological safety is distinct from ensuring they are places where views can be freely expressed. Debate needs to be conducted in ways that demonstrate that differences are to be valued and respected. A spirit of inquiry needs to trump a spirit of advocacy.

9. Mary Stuart and Liz Shutt, From fixed to porous: the permeability of our institutions, Wonkhe, January 2019. <https://Wonkhe.com/blogs/from-fixed-to-porous-the-permeability-of-our-institutions/>

10. Corey Stoughton, Free Speech and Censorship on Campus, HEPI, June 2019. <https://www.hepi.ac.uk/wp-content/uploads/2019/06/Free-Speech-and-Censorship-on-Campus.pdf>

Short to medium term priorities

Cross-institutional reform is like refitting a fleet at sea. Higher education leaders still need to keep their ships afloat and be heading in the right direction while leading transformation.

Notwithstanding that the sector is a fleet made up of many different ships, the fleet has many challenges in common. The leadership of the sector should this year have four overarching priorities:

1. Resolve the pay, pensions and working conditions disputes, and start to deal with the issues underpinning industrial action. The sector needs to be financially sustainable, and current pension arrangements rely too heavily on increased employer contributions and forecast growth in equities. Equally, leader must acknowledge more fully that concerns over casualisation and short-term contracts are genuine and take action to address this. Institutions should be freed from the statutory obligation to offer pension schemes over which they have no control;
2. Engage with Government and funding bodies to influence the allocation of the promised increase in research funding, and engage with Europe to establish partnerships following Brexit, ensuring higher education is central to trade negotiations;
3. Address the competitive and financial challenges of the next few years (Brexit, bottoming out of the demographics in the next few years, likely reduction of real-terms funding for UK students and likely reduction in the number of EU students); and
4. Move more swiftly on the inappropriate use of unconditional offers, unexplained grade inflation, equal opportunities for all students and more reliable information for prospective students.

Medium to longer term priorities

To support a bolder approach, this paper proposes a three-pronged strategy:

1. Articulate the value and benefits that the sector brings to local communities and the UK as a whole. The sector should champion the impact of research, focus on students by delivering high standards and excellent teaching, reverse the decline in part-time education, increase the commitment to adult education, and ensure higher education is promoted as an engine of prosperity and social mobility;
2. Engage constructively with UK Government, positioning itself as enabling solutions on policy priorities, especially in using some research funding to invest in lagging regions, whilst pursuing a realistic dialogue on what the sector can achieve within funding constraints;
3. Give priority to addressing the sector's challenges on governance,

performance and public engagement, by building on good practice and applying it with more ambition and pace across the sector.

Building the narrative on how the sector adds value

It is one of the sector's biggest strengths that it combines excellence in teaching, research and learning, however much different institutions will focus on each of those elements to different degrees. It should explicitly use its own research firepower to inform and influence government policy by developing a narrative that university research is fundamental to driving the economy, shaping education policy and developing community cohesion. If the new UK government is sincere about wanting to 'bring the country back together', research can play a significant part in how we do this.

By highlighting the universities' top 100 discoveries, the MadeatUni campaign led by Universities UK brought to the public's attention the less celebrated yet critical breakthroughs that change lives. It is, however, important to recognise that strong support for research can co-exist with scepticism about the value or quality of the teaching side of universities in the eyes of the public or politicians.

Anticipating the UK Government's agenda, the sector needs to be thinking and planning for how increased funding for research and development funding to meet the 2.4 per cent target of GDP can be better distributed beyond the Golden Triangle of research intensive universities and make a difference to other parts of the country, particularly the North and the Midlands.

Some of the extra research and development investment should be directed to the regions. The Research Excellence Framework (REF) should remain focused on excellence and maintained at at least a similar size, continuing investment in excellence too, but the UK should create a complementary funding stream of at least £1bn from the scheduled R&D uplift devoted to near-to-market partnerships with industry in the regions..

Providing this funding only to existing universities in the regions will not help heal the current divide. The University of Durham has very strong research yet sits right at the heart of the 'red wall' collapse, indicating how little impact funding top research in academia has in spreading wealth to the wider community. This is not a criticism of either excellence or regeneration. We need both, and they are not the same thing.

Complex systems need to be evaluated by a broader set of metrics that acknowledge interdependencies. A few single measures cannot achieve that. The sector needs to build up and share an asset bank of robustly and rigorously assessed case studies that bring to life what statistics alone cannot do.

We have a considerable evidence base in the examples compiled for the Research Excellence Framework that if communicated with vigour and rigour would contribute significantly to a greater public understanding of the value of higher education. If media coverage just focuses on league

tables rather than on the content of the research and the people behind it, we lose out on a major opportunity to put across the difference that the sector makes. This is not an exercise in marketing but in communications. The two should not be confused. All those involved in planning the next REF round should approach this opportunity as critical for reengaging stakeholders and media in the sector's work. The forthcoming Knowledge Exchange Framework (KEF) will be looking for narratives to support data as part of its evaluation.

The role of researcher is an exciting and important one, and lends itself to greater exposure. The media could usefully focus on the research teams behind discoveries. More can be done with major broadcasters to develop programme strands that showcase the breadth and depth of research and science, and how this benefits the UK internationally and nationally. The BBC's partnership with The Open University in producing *Walking with Dinosaurs* and *Blue Planet*, amongst others, provides a model.

Geoffrey Crossick, past Vice-Chancellor, University of London, argues that senior management and governors need to ask on a regular basis what benefits the institution and its activities bring to a range of stakeholders- students, local communities, civil society, business and the wider economy:

There are two reasons for doing that. The first is to make the case (severally and collectively) to government and others for why higher education matters. Call that value if you wish, and if the discourse of value is the one influential stakeholders choose to use, then we need to do so as well. The second reason is the one that doesn't require the use of the word value, and that is for institutional leaders to want to know whether what the institution is engaged in delivers the benefits that it is seeking to achieve.

Even more focused on students: current and future

Universities need to see students as stakeholders, customers, co-investors and citizens. Whatever the ultimate unit of resource in the future, students will be paying for their education to some extent. One of my respondents who is a communications director said that we need to develop a new psychological or social contract with students:

Even more fundamentally we need to start to recognise the big difference between the way that the secondary school curriculum has been shaped to drive students through endless prescribed hurdles which is very different to a university experience that from the perspective of students turns them loose and lets them get on with it – otherwise known as independent learning.

Students should expect greater transparency in information on how their fees are spent. HEPI's November 2018 report called on universities to provide more such information. Under half of fee income goes on teaching, but most of the rest also benefits students. If universities are to cultivate from day one a lifelong relationship with students rather than just a transactional one, they should view potential students as discerning

agents entitled to good quality information and a high standard of advice and guidance on how to make choices and decisions.

Building on the campaign by the National Union of Students against hidden course costs, Chris Skidmore, until recently Universities Minister responsible for higher education in England, has argued that communicating the true costs of study clearly and upfront helps to ensure that students are not faced with any unexpected payments further down the line, which could affect their outcomes or progression.

Today's students are finely attuned to the global challenges that the world faces. Students will be more successful if they acquire mastery of an academic or vocational subject. Higher education needs to prepare them better for when they graduate, and to do so more methodically and to have their well-being at heart. The undergraduate drop-out rate has been steadily rising for several years. 34% of graduates are not in graduate jobs¹¹, which is consistent with a steady upwards trend of over-employment since 2002. Institutions should also help students to develop their practical, transferrable skills to make connections, both in terms of ideas and people, work as part of a team, to be agile and resilient in a world that is increasingly volatile, uncertain, complex and ambiguous and to assist others in adapting to and mitigating change. The university experience at any point in life gives people an insight into possibilities that would have never have previously imagined. This quality of experience is what the world increasingly needs in its citizens, and employers need in their more skilled workforce.

This suggest that universities can do more to highlight the broader spectrum of subjects it teaches, engaging the media on the content and the quality of the learning: not just in science, technology, engineering and medicine, but social sciences, arts and humanities.

While ensuring quality is upheld, the sector can expand student choice and enhance student experience through multiple learning models, especially demonstrating that universities have responded to the digital proficiency of Generation Z. This generation expects a much higher standard of digital provision. We need to reverse the collapse in part-time learning. The Open University has seized a strategic opportunity to reach new learners and build a commercial asset by working with UK and international partners in providing massive, open, online courses (MOOCs). Many US universities were already ahead in the game, but in establishing FutureLearn, the OU under its past vice-chancellors, Martin Bean and Peter Horrocks, achieved an important breakthrough for UK Higher Education - strategic, commercial and pedagogical. It reflects positively on all its UK university members in making high quality education available to millions of learners, and shows how much the sector can adapt its teaching and learning to meet new needs.

11. Independent Panel Report to the Review of post-18 Education and Funding, Her Majesty's Stationery Office, p27, 2019. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/805127/Review_of_post_18_education_and_funding.pdf

Engine for prosperity and social mobility

Higher education institutions should position themselves as a community's convenor, facilitator and enabler. The University of Oxford has used its reputation for research and innovation to bring on entrepreneurs and set a new record for start-up and spinout companies. The University of Strathclyde was named Times Higher Education University of the Year for the second time for making a major impact on the local and global communities it serves. It has launched Scotland's first innovation district, and is engaging with business, industry and government, investing in students and developing socially progressive policies.

The sector can build on excellent examples provided by University of Salford and University of Liverpool in demonstrating that universities have a linchpin role in an ecosystem, not just addressing skills gaps with employers but knowledge gaps. University of Salford has knowledge exchange partnerships that have changed the fortunes of small and medium sized enterprises by adding innovative value. Researchers at University of Liverpool are working on collaborative research and development challenges to help Unilever, and raise standards of product and services through the supply chain.

The challenge for higher education leaders is to inspire a radical shift in how universities see themselves. Just as Copernicus challenged the geocentric model of the universe and presented a model of the universe in which the Earth and other planets revolved around the Sun, higher education institutions need to see themselves not as at the centre of their universes, but as critical to the universe of a local community or a region, or as hubs of networks to which they contribute.

As well as coming to terms with the political reality of a dominant Conservative Party in Westminster, the sector in England also needs to recognise more power is devolving to directly elected mayors. Andy Street, Mayor of the West Midlands Combined Authority, makes it very clear that his leadership role is to determine how wealth is created and what type of society the West Midlands wants to become. It is already apparent that there will be investment in further education and skills, but investment will be based on his plan.

Higher education institutions also need to engage with the CBI, chambers of commerce and other trade and professional bodies, communicating the benefits of research and innovation across institutions and emphasising how much is achieved through collaboration. The rise in interest in citizen science shows how the gap can be bridged between experts and those with little or no subject knowledge. By gathering information in field research, ordinary citizens can contribute to knowledge creation and take practical action on climate change and erosion in biodiversity.

If higher education wants to keep a step ahead, it should plan for the UK Government's acting on the Augar Review recommendation to rebalance the post-18 education system so that further education colleges and other vocational training providers are better funded. Universities should initiate a discussion on how they can align themselves more

closely with the outcomes that further education colleges and other providers seek to deliver. Universities can work with further education providers, employers and government to support lifelong learning and adult education.

University Alliance is right to challenge the misconception that assumes a divide in post-18 education of two distinct camps, academic (delivered by universities) and vocational (delivered by further education colleges). The UK needs to support both to close the skills gap, particularly in engineering, ICT and the creative industries. The CBI / Pearson 2019 *Education and Skills Survey* finds that most companies expect to maintain or increase investment in training their workforce, with links expanding between business and all parts of the education system. Universities need to decide how they can play an even greater role in a future that depends more on cross-sector collaboration, and if they have not already done so, exploit the potential of the apprenticeship levy funding. This may lead to universities delivering more vocational courses at Level 4 or Level 5, including those regulated by Ofqual or the Institute for Apprenticeships, accepting regulatory oversight in this area without diminishing their overall autonomy.

Joan Concannon, Director of Communications at the University of York, suggests the sector considers regional education service frameworks:

We can bring together each region's education infrastructure – schools, FE, and the full range of HE institutions to develop a better understanding of each other's strengths and weaknesses. We should start to articulate where appropriate common educational fora to influence and shape access, student experience, shared facilities to drive up reputation metrics around people, product, and place.

Reset engagement with UK Government and influencers

The tone and posture that the sector adopts sends important signals. One lesson learnt since the EU referendum is striking the right tone and speaking from a position of authority. The choice is not between being supine and combative. Many leaders in the sector became so closely aligned to the cause of the UK remaining in the European Union, when it would have sufficed that the sector focused on its specific areas of concern: research funding and the status of staff and students who are non-EU nationals. Similarly, what grated most in the sector's response to Theresa May's call for universities to support failing schools was more the tone than substantive objections. As one of my respondents put it:

We in the sector are exceptionally good at telling government and regulators what we don't like, but we're very bad at suggesting alternative and better solutions that are acceptable, understandable or palatable to government.

The sector should use this transition year to focus on opportunities that it needs to secure for UK higher education, especially in relation to research and science. This is not only important for higher education but the UK's

international standing, future prosperity and greater social cohesion.

The UK should seek association with Horizon Europe, the European research programme which is set to run from 2021 and 2027. It should make it easy and attractive for researchers at all career stages to move to (and from) the UK. Whatever issues have divided the UK over the past three years, the sector should now be totally focused on making the most of the changing political and economic reality, and demonstrate the benefits of UK higher education to our current and potential partners, as well as the wider British public.

As Professor Simon Marginson of the University of Oxford and others have argued at a recent HEPI/Advance HE seminar, leading in Europe has sustained our global role. Europe is a very large market that the sector should continue to optimise. Other markets, especially in the Far East, are important, but the UK should not take for granted building on opportunities in its own backyard.

Collaboration with European universities and other institutions is real, need not be diminished if there are resources to match, and could indeed be increased. But however well disposed European universities are disposed to UK colleagues, the UK needs now to be particularly creative and resourceful in making continued collaboration attractive. The professional and social bonds are there: the sector should ensure that it uses them to strengthen economic bonds.

The Foreign Secretary, Dominic Raab, has spoken about a “win-win” for the UK and the EU, and the need for the UK to maintain its leadership in areas such as the environment. Actions should match words. UK foreign policy should be about a win-win-win, ultimately a win for the UK, yet also a win for existing and future partners.

The sector should welcome Boris Johnson’s announcement on new fast-track visas for researchers and engage constructively to ensure it delivers the intended police effect. The impact of Brexit on the research and science sector reaches further than whether or not UK institutions retain access to EU funding. The UK has been successful in attracting high calibre scientists to the UK. These scientists are people who will make decisions on where to settle not solely based on scientific job opportunities. Also critical is how welcome they feel, what access they will have to international funding schemes, how much hassle the immigration process is, what the schools and hospitals are like, what future their children will face, how secure their future is, how stable the economy is, and how easily they can bring over family members. We cannot ignore the human dimension, and government policy and communications must reflect this.

Universities need to guard against being the voice of critics who actively despise those who have traditional values of patriotism, family, faith or local traditions (‘Somewheres’ in David Goodhart’s classification). Universities have to show that they speak for and reflect the whole nation. This does not mean abandoning core values such as tolerance or internationalism – there is strong support in the UK for same sex rights and opposition to racism – but it does mean being willing to represent

and not sneer at those who also, for example, justifiably feel pride in Britain's history, culture and traditions.

The sector can take small, practical steps to show that it is on the same wavelength as its interlocutors. As Dr Diana Beech, former Policy Adviser to the last three Universities Ministers, now Head of Government Affairs at University of Warwick, puts it:

When meeting ministers and civil servants, vice-chancellors and chairs should be armed with ideas, suggestions and 'gives', and not just 'asks'. They need to spend more time trying to understand what ministers need to achieve to build their own credibility and influence, and help them to identify opportunities and solutions.

We have seen across the four nations how individual ministers responsible for higher education policy can grow in authority over time and have significant influence. Kirsty Williams was a trailblazer in asking Welsh universities to do more and embed engagement with their communities as part of their core missions of teaching and research.

Universities UK needs to be supported by its members to give those vice-chancellors who are in the lead on behalf of the sector more time to build their standing and see through specific challenges that are seen to address society's wider concerns.

The sector often wants to assert its independence while continuing to rely on public funding. The truth is that its relationship with society is one of interdependence, but that is more likely to be a strength if it is acknowledged. By stressing its enabling role, this could play to the sector's advantage, provided that it demonstrates collaborative leadership. As one of the main founders of group relations theory, Kurt Lewin, has observed:

It is not similarity or dissimilarity of individuals that constitutes a group, but rather interdependence of fate¹².

The sector needs to bring out more clearly and imaginatively that interdependence so that its work resonates with a wider group of stakeholders and media, and more of British society feels that it has a stake in its success.

Renewing key relationships: win friends and influence people

Many of my respondents thought the sector needs to have more active advocates, particularly in Whitehall and Westminster. Some expressed the view that it sometimes feels that the sector risks being "friendless" unless it works harder at renewing and resetting some relationships. The higher education sector needs decision-makers, opinion-formers and more of the public to appreciate better what it stands for, what it does, how much it has changed and is changing, and what society risks losing if it is not better supported or invested in. All respondents agreed that the sector has much to offer a changing world.

12. Kurt Lewin, *Resolving Social Conflicts*, Harper & Row, p165, 1948.

One way for the sector to use its influence is for it to show how learning can be practically applied, and be a source of authority that others seek out. Often influencing others more effectively involves demonstrating how we ourselves can be influenced, to show that we are listening and acting on what we have heard. The sector also needs to do more to open its gates, and give back to the wider public what indirectly it receives from society through government funding and the charitable status that most institutions enjoy. Through its Festivals of Ideas, the University of York shows what can be achieved in bringing academic work, especially interdisciplinary work, to the general public. Drawing on support from the University of Oxford and many of its colleges, the Oxford Literary Festival is a world-leading cultural event based in a university environment, showcasing the positive contribution that literature and culture make to civilisation, and tackling openly and through reasoned debate difficult issues, such as the rise of antisemitism.

To influence the general public, many of my respondents believe the sector needs to ‘think local’ far more than it does. One suggestion is a national framework of guidance on civic engagement and a greater willingness to commit resources in terms of creatively and compellingly telling higher education’s story. The focus on knowledge exchange by UK Research and Innovation comes into play here. Local radio is the obvious choice, especially as it is cost-effective and achieves high penetration. This has to be coordinated at a sector level so that there is a common set of communication principles underpinning any communications campaign.

Exercising external leadership in leading collaboration and providing adult education and lifelong learning

As well as using universities’ convening and research power to help communities to address local economic and social challenges, higher education can reconnect with local communities in providing more adult education and lifelong learning. Growth for the sector is not going to come from just more 18 year olds. Over a lifetime, people will be changing careers more and need new skills. Universities can support more of their local population with lifelong learning, making it more attractive to study later in life when combining study with work, caring and other lifestyle commitments, as The Open University has successfully shown.

The General Election result creates an opening to bring about a deeper understanding of different worldviews and conflicting ideologies. The sector can show how holding a space for exploring differences is one of the best ways to enable collaborative resolution in addressing widening gaps in our society and tackling society’s wicked problems. Higher education cannot easily shed its image that it is part of a liberal elite, but it can go the extra mile in acting as the meeting point for different perspectives and help society to find solutions.

Exercising leadership in and across the sector: better governance

David Allen, Chair, HEFCW, the body that regulates and funds Welsh universities, believes that the sector can be positive about its future if it is more forward-looking and nimble:

In the next five years, there will be a real premium on governance, leadership and management. This will require very skilled footwork. We need to make our own weather and not be tossed around by the strong headwinds out there.

A bold approach would be to strive for even better governance, and link it with more visible leadership of higher education, locally, regionally and nationally. This would build on good practice in governance in all four nations, and raise the bar for all governing bodies across the UK.

Higher education institutions have multiple roles, and operate in more than one universe: they are businesses, organisations with a social purpose, and primarily academic institutions, with both a teaching and research remit. Understanding this triple requirement is a prerequisite for a sustainable future.

Governance needs to reflect this combination, and the skill in leadership is integrating these often competing and conflicting interests, and turning the tension between them into an opportunity for the whole to be greater than the sum of its parts. Change is more likely to work if its effects have been thought through and those affected involved in ways that properly take into account people's views. In today's fast-moving environment, governing bodies will fail if they exist either to rubber-stamp recommendations or impose decisions that still provoke significant resistance.

Decision-makers and influencers should not be driven by data so much as informed by the numbers. The added value that members of a governing body bring is not only reading the papers prepared for them and asking questions, but probing answers, exploring the assumptions behind them and working on options and possible solutions with the vice-chancellor and their executive team.

Governance 1.0 is the volunteer Trustee model at its most basic. Trustees attend most or all formal meetings, read the papers, offer their perspective, and take part in decisions guided by the chair or vice-chancellor.

Governance 2.0 is current good practice: governing bodies have many of its members working with the chair, vice-chancellors and their executive teams before and after meetings to get to the heart of issues, anticipate as well as mitigate risk, develop and own longer-term strategy, and engage in regular review of performance and dynamics. Decisions and their rationale are more widely communicated and explained, at least internally; and key roles in governance are given to student representatives.

Governance 3.0 is the way forward: it incorporates all the above, but it raises the bar significantly by being even more outcome focused. All governing bodies should review culture, dynamics and behaviour, not

just compliance. This would put emphasis on the quality of engagement between chair and vice-chancellor, governing body and executive team, and governing body and key external stakeholders. High performance should be the norm. This is achieved through a combination of challenge and support, not just at formal meetings but between meetings. Training and development of governing body members needs to be scaled up. All members of a governing body need to demonstrate over a two year period that they have acquired a broader and deeper understanding of the sector, performance and governance of other institutions. Governing bodies should be judged on their success in giving voice to different perspectives and ensuring that there is greater alignment on understanding and using available data. Governing bodies need to assume more visible ownership of strategic decisions on more difficult decisions, and members of governing bodies individually and collectively would more consistently communicate and account for progress to external stakeholders.

The sector has very strong foundations on which to build. For example, the governance model at the University of Northumbria has been transformed over the last 8 years, and is not confined just to the boardroom. At the time of writing, governing body chairs across the UK will be considering this spring what they see as the three key requirements of good governance: processes and structure; the right data; and behaviour and culture.

The role of chair is evolving, and is critical to an institution's success. According to a recent study of chairs' practices across Europe and different sectors, effective chairs do not try to make their boards operate like teams, but enable "teaming", enabling effective collaboration among professionals without forming traditional teams¹³. This means creating the conditions for collaboration to emerge naturally whenever the group convenes. In their study, Stanislav Shekshnia and Veronika Zagieva found that the chair's ability translates into three distinct functions: *engaging*, *enabling* and *encouraging* board members. In relation to the chief executive, the chair can be an informed, experienced and trusted partner, the source of counsel and challenge designed to support the chief executive's performance¹⁴.

The following questions are worth further consideration by the sector:

- i. What changes, if any, need to be made to the current volunteer Trustee model that serves so much of the civil society sector? We need also to consider payment for some members of governing bodies. This will become increasingly a topic in governance reviews.
- ii. Given all the demands placed on the vice-chancellor role, whether the role can and should be split between chief executive and chief academic officer, how that split could work and be fully integrated in terms of speaking to the Board?; and
- iii. Whether governance could be significantly strengthened if higher education institutions were more systematically led by a combination of chair, vice-chancellor and university secretary?

13. Stanislav Shekshnia and Veronika Zagieva (Editors), *Leading a Board: Chair's Practices Across Europe*, Palgrave Macmillan, pp 1-28, 2019.

14. *Ibid*, pp 12-14.

Across the UK, we have more than 3,000 members of governing bodies, of whom 2,400 serve on higher education institutions in England¹⁵. The average membership of an individual council is 18.9, with a majority of external members, and -on average- five academics and two executive members. Typically, councils meet three or four times a year, with some meeting as often as eight or nine times. What makes for higher performance is less the frequency of meetings, more the breadth and depth of perspective reflected at meetings, the quality of engagement and time spent deliberating and deciding matters of strategic importance. As well as regular meetings of chairs, which are organised by the Committee of University Chairs, the representative body for the chairs of UK universities, the sector could consider bringing together once a year more members of governing bodies to consider strategic issues and good practice across the sector.

Training and development of members of governing bodies is in many cases still very much hit and miss. Regulators and chairs of council contributing to this paper were very clear that governance is coming under even greater scrutiny, and this requires much bigger investment in the training and development of members of governing bodies.

Developing better leadership and management

Improving leadership means not over-relying on heroic leaders but developing leadership at every level. Strong and visionary leaders only help to move an academic institution so far: it is a shared responsibility by the collective leadership of an academic institution, which invariably has a democratic mandate and not just a business focus. Governing and management bodies need to demonstrate that rigour and robustness that characterise academic disciplines at their best, test and critique assumptions, but do so from a broader base – or risk reinforcing an echo chamber.

Diversity in the sector should be understood in two senses, which are distinct yet can be viewed as complementary. The first is what is commonly understood as reflecting and representing the broader composition of society, for example in terms of gender, ethnicity and disability. There can be no let-up in driving diversity in this sense. It is one way to close the democratic deficit. But we should equally pay attention to cognitive diversity, giving expression to different perspectives, in our strategic deliberations and decisions, especially when we feel more confident about a particular course of action¹⁶. Genuine information and insight come from insisting on and enabling enough different perspectives to be voiced and properly heard. The more a governing body leads by example, specifically enabling leadership at all levels of an institution, the more it generates trust, and inspires others to lead. This can involve a level of containment of anxiety in the individual leader and by the group as a whole, and a need for specific training¹⁷.

The sector should focus on the standard of leadership and management that it expects to be applied. The sector usefully recruits from inside and

15. This information is drawn from Alison Wheaton who is undertaking PhD research into English university governing bodies at the Institute of Education, University College, London

16. In his case for harnessing cognitive diversity, Matthew Syed argues that success is no longer just about talent, knowledge or skill, but freeing ourselves from the blinkers and blindspots that affect us all. Matthew Syed, *Rebel Ideas: The Power of Diverse Ideas*, John Murray Publishing, 2019.

17. Drawing on the methods and techniques of the Tavistock Institute of Human Relations, in working with the dynamics of groups, collaboration can aim at the highest common denominator. Lucian J. Hudson, *The Enabling State: Collaborating for Success*, Foreign & Commonwealth Office, 2009. <https://www.bl.uk/collection-items/enabling-state-collaborating-for-success>

outside the sector. One recent appointment, that of Wendy Thomson, Vice-Chancellor, University of London, shows that the sector can benefit from taking on leaders with a breadth and depth of experience, including academia, central and local government. Wendy Thomson emphasises the importance of government, regulators and higher education working more closely:

Universities are there for the public good, and that means working with others, including government, to serve the needs of the nation at the present time. What are we here for if we are not doing that? For example, if we want to be internationally competitive in distance learning, we need as a society to invest in our universities. Governments needs to appreciate that higher education is an asset that can contribute to the UK's prosperity, and regulators need to make it easier for universities to function more effectively to achieve agreed outcomes.

The sector needs to give more certainty and support to its staff in managing a more volatile external environment, especially early career researchers. In relation to both staff and students, the sector must establish conditions that are conducive to well-being and personal safety, demonstrating that it will not tolerate bullying, harassment, discrimination and attacks on freedom of speech and academic freedom.

Conclusion

UK higher education has a choice: wait-and-see, and risk being on the back foot, defending its own sectional interests in the face of new developments; or adopt a bolder and more proactive approach, position itself as supporting government, business and civil society to achieve wider social and economic outcomes and reflect the whole of the UK.

This is a great sector, complex and diverse. Its many institutions are producing world-class teaching, research and innovation, and continually bringing on new generations of leaders in different fields. It has significant convening power; vast sources of expertise and experience that can be harnessed by private, public and civil society sectors; and it provides robust critical thinking and independence of perspective, essential for the economy and the future of civilisation. It is replete with strong examples that more people in government, opinion-formers and the wider public need to know about. Universities recognise only too well that different parts of the population want different things from higher education.

The sector is having to manage increasing competition and tightening financial constraints; mounting pressure from government and regulators; and a widening disconnect between what the sector sees in itself and what many in the population see – or do not see – in it. The sector has become more commercial, competitive, complex and fragmented.

Higher education has found itself largely by default in a vulnerable or potentially vulnerable position with UK Government, other stakeholders and the wider public. It has allowed itself all too often to be positioned negatively in public debate and in the media. It risks being seen as protecting and perpetuating the interests of an educated metropolitan elite, when in fact the sector is much more diverse and at its best reflects the whole of the nation and the wider interests of the local communities that it serves. But the value that the sector offers is not cutting through. The overwhelming view of contributors to this paper is that this can, and should be, put right as a matter of priority.

The drivers for continuing to invest in higher education, promote it and work with it have never been stronger. The direction of travel in terms of governance is positive, but institutions need to change at a faster pace. 2020 creates a timely opportunity for chairs and vice-chancellors, governing bodies and executive teams to re-calibrate their efforts and work more closely together to achieve the transformation that the sector needs, and the whole of the UK can benefit from.

This is a very timely and important paper, which focuses on the coming challenges for universities and pinpoints the key opportunities, particularly in coming to terms with a changing political and social landscape. It strikes the right balance between challenge and support for the sector. Lucian Hudson's paper perceptively anticipates the need for the sector to engage more actively with the UK Government's agenda to level up the UK. It should be read by senior managers and governing body members, because the challenges it identifies mean that it cannot be business-as-usual for UK higher education.

Sir Steve Smith, Vice-Chancellor and Chief Executive, University of Exeter

Lucian Hudson's thorough research brings to the surface what many of us in higher education at all levels are saying and feeling. He has done a brilliant job capturing the complexity of the sector yet cutting through it. His warning that the sector is not yet in crisis but could be we should all heed, and use to stimulate a wider debate on leadership priorities.

Sir Anthony Seldon, Vice-Chancellor, University of Buckingham

This paper is very thought-provoking. It would be a positive step to see chairs and vice-chancellors working together on a proactive approach to tackling the challenges raised.

David Allen, Chair, Higher Education Funding Council for Wales (HEFCW)

Lucian Hudson's paper insightfully pinpoints a growing demographic and attitudinal divide that universities need to pay closer attention to. This is important if they are to have credibility in their role in bringing different perspectives and backgrounds together - and address the changing political, cultural and social landscape of the UK.

Ben Page, Chief Executive, Ipsos MORI