

HE Bulletin - 21 October 2025

Post-16 Education and Skills white paper

The 'Post-16 Education and Skills' white paper was published by the DfE yesterday, 20 October 2025. This Bulletin considers the impact from a university's perspective with attention focused on the financial impacts.

This has been drafted for our clients and is simply our take on the white paper. All quotes are directly from the White Paper.

The Ministerial foreword sets out:

"This white paper sets out our plan to educate and train the workforce of the future and give people the skills and knowledge they need to succeed. Working with businesses, colleges, universities and the wider skills sector - and guided by our industrial strategy - we'll deliver the step change our system needs...

...delivering the Prime Minister's commitment to two-thirds of young people entering higher level education and training. We will also ensure we have a highly competitive higher education sector which is driving research and innovation...

...We will make lifelong learning a reality with more modular study options, enabled by a new, flexible student loan model. And we will introduce targeted maintenance grants to support disadvantaged students studying courses that support our missions and Industrial Strategy"

There is a huge amount of repetition across the 76-page paper and the main focus is on transforming training through further education, though with some critical attention to higher education and HEIs.

There is a reshaping of the Apprenticeship Levy (now the 'Growth and Skills Levy') and, while the paper is silent, as Skills England removes a number of the current Level 7 apprenticeships (including accountancy and some Masters) and those delivered to learners aged 22 and older, the available levy pot will certainly increase dramatically. Whether the new apprenticeships are taken up is another matter entirely. The paper sets out support for new short courses accessible through the Growth and Skills Levy funding and the modularising of degrees. Provision is likely from predominantly HE to predominantly FE.

The paper states "We will strengthen our world-leading higher education sector to align with the needs of the economy, become more specialised and sustainable", there will be "domestic tuition fee and research funding reform. We will make future fee uplifts conditional on the quality of higher education." The Lifelong Learning Entitlement ('LLE', which was earlier called the Lifelong Learning Loan, but no one likes loans) is flagged as a game changer while this is simply agreed policy coming into play from September 2026.

There is a lot of time spent developing themes around level 4 and 5 courses (post A level, NVQ and Diplomas / Foundation degrees (more qualifications exist but for the lay reader this is likely to be a useful signpost). "Further education colleges will be more easily able to offer higher education at level 4 and 5 as part of this [short modular] approach." The use of LLE for levels 4, 5 and 6 will be a definite pull increasing provision in FE colleges.

Government is proposing to "replace the range of vocational technical qualification at level 3 with 'V Levels' which will sit alongside A levels and T levels, and will become the only pathway of vocational qualifications at level 3 for 16-19 year olds". Government will introduce new 'Technical Excellence Colleges (10 have already been announced) and will invest in specialisms. Those of us who have been in the sector long enough have seen similar colleges built, opened (and failed) before.

The objectives for the higher education are that it:

- ▶ Drives economic growth by protecting curiosity-driven research and applied research and development, supporting priority sectors, driving knowledge exchange, start-ups, spinouts and research-intensive industries, and creating a highly skilled workforce
- ▶ Maintains a world-leading, high-quality experience for all, underpinned by excellent teaching and research that is internationally competitive across disciplines, attracts top research talent and teaches the most advanced knowledge
- ▶ Provides national capability through specific research expertise (e.g. nuclear, artificial intelligence and across the Industrial Strategy) and supplying the talent pipeline of critical skills in these areas
- ▶ Delivers regional impact for citizens by driving local economic growth, creating social value and inspiring people to succeed in life and work, and breaking down barriers to opportunity for students from all backgrounds
- ▶ Increases the UK's international standing through facilitating science diplomacy, international collaboration and teaching the world leaders of tomorrow

Chapter 3 “sets out a series of reforms to funding, incentives and regulation of higher education, alongside a set of clear asks of the sector to achieve our vision... We will focus on sharper regulation where it is most needed... We want a system wide view of the resilience of the sector... Students and student choice will remain at the heart”.

The ‘ask’ includes greater collaboration such as “providers based in the same city sharing back-office functions and estates”. This is one of many potential issues and brings to mind some of the gaps as this has failed in the past: the structuring to avoid the additional cost is complex; there is no thinking on cyber-risks or data sharing; staff pay scales (FE and HE) and benefits differ as do working practices.

The paper recognises the autonomy of higher education providers and notes that “Too many providers with similar offerings are chasing the same students and there has been insufficient focus on each institution’s core purpose. We have also seen many providers using franchise arrangements as a way of bringing in income without assuring quality, damaging the reputation of the sector through poor-quality provision to students who may not meet basic entry requirements”.

Unpacking this, there is a lot of attention on HEIs specialising and narrowing activities (including research) and attention on franchising (though this is better covered in other consultations and OfS actions). The “call to specialise” is going to be challenging outside of the large research intensive HEIs and is likely to be more ‘give’ than they wish to deliver on with not enough incentive to do so.

The rhetoric for universities throughout is that “We will improve the financial stability of the sector”. This will be done “through increasing the maximum tuition fee cap in line with forecast inflation and protecting the right balance across our three research funding priorities, while driving out poor quality and providing greater flexibility for individuals to study on terms that suit their needs through the Lifelong Learning Entitlement.” The future UK undergraduate fee increases are based on the current level rather than any index linking of the £9,000 fee (as was) back to 2012 or increasing direct funding - the starting point is challenging for anything resembling a sustainable base line for the sector. While the index linking from the 2026 fee will be helpful for universities (students may not feel the same) this is not going to fix the sector’s finances or alleviate the financial viability risk in a number of current providers.

“Government has a responsibility to ensure the higher education sector is sustainably funded and the sector has a responsibility to ensure it delivers the best value for students, operating as efficiently as possible, supported by strong governance and realistic financial planning .”

Governance comes under the spotlight (and the OfS will be supported in enhancing the registration threshold for governance - which helps at the gatekeeper level but not 'and followed in practice after registration'). The lessons learnt from BDO's investigation into the University of Dundee (resulting in the 'Gillies Report') are a salutary warning for governing bodies across the UK.

The paper considers cross-subsidies for research and international student fees filling a gap:

- ▶ There are plans to fund research at a higher rate (increased cost recovery), but within a limited envelope so effectively the same money spread across fewer projects. This is likely to benefit research intensive HEIs at a direct cost to others (who will lose their current research money completely - back to specialisation, though tagged to predictable collateral damage).
- ▶ With regards to international fees, there is nothing in here other than the 6% levy being confirmed as the source of funding for new (directed) maintenance grants. There is no reversal of the policy on dependents and no upside in attracting international students to English HEIs.

There is a short-term promise on fees, though at this stage simply an intention as this is a white paper and not an Act of Parliament:

"We will increase undergraduate tuition fee caps for all higher education providers in line with forecast inflation in academic years 2026/27 and 2027/28. Tuition fees caps for foundation years in classroom-based subjects will be frozen for academic years 2026/27 and 2027/28.

To provide long-term certainty over future funding for the sector, we will then legislate when parliamentary time allows to increase tuition fee caps automatically for future academic years.

Annual increases in fees linked to inflation will balance the need to give the sector stability with fairness to students and taxpayers (subject to periodic review). We will make future fee uplifts conditional on higher education providers achieving a higher quality threshold through the Office for Students' quality regime."

As above, allowing inflation of fees based on a flawed starting point will not bring financial stability to those that are looking for it. There is no 'catch up' for the missed inflation over the last decade. There is no appetite for a reset however either by further increasing UG fees (and loan finance for students) or through an uplift in direct funding).

There is an interesting sentence on pensions: "We will seek to better understand concerns within the post-1992 higher education sector about pension provision, noting that defined benefit pensions are an important and valued part of staff remuneration". The current employer rates for both the TPS and LGPS' were never imagined in 1992, any changes are likely to have ramifications across FE colleges, academies and maintained schools so this is very difficult ground.

Moving to the OfS, the intention is to bring FE colleges delivering HE (i.e. registered with the OfS) into the OfS' oversight: "We will simplify the regulatory system for higher level study. The Office for Students will act as a primary regulator for all higher education providers, including Further Education Colleges delivering higher education, and will develop new Higher Technical Qualification awarding powers, as part of their review of degree awarding powers". There is a lack of clarity here on breadth: this will clearly cover the quality of provision but it is questionable as to whether it also includes finances and governance.

There are a number of further changes proposed to the powers of the OfS including the “capacity and power to swiftly identify low quality teaching provision and intervene to tackle it”.

What is missing, and was anticipated, is any reference to higher education insolvency provisions (akin to the Technical and Further Education Act 2017) or a sinking fund (levy) on HEIs to ‘self-insure’ for teach out or a distressed market exit. What is missing, though was not anticipated, is a fundamental change to the funding model of higher education.

This white paper is not about fundamental change to the university sector, nor supports a new financially sustainable model (there are small wins only). It is about a change in post-16 education that could well draw students away from universities. Whether the envisaged collaborations will work is highly questionable and other changes will be needed to bring the vision to a reality.

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