

Size is Everything: What small, specialist and practice-based providers tell us about the higher education sector

Edward Venning

With a Foreword by Professor Simon Ofield-Kerr

**LIKE THERE IS HOPE
AND I CAN DREAM
OF ANOTHER WORLD**



Higher Education Policy Institute



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UNIVERSITY
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Photo credit: 'Like there is hope and I can dream of another world', Mark Titchner. Image courtesy of the artist and Hospital Rooms. Hospital Rooms is a charity that commissions extraordinary artworks for NHS mental health inpatient units across the UK. Norwich University of the Arts works with the charity to deliver workshops with artists and service users and expand their impact evaluation. This 15-metre painting by Mark Titchner is on display at the University's Bank Plain building, pending installation at the Hellesdon Rivers Centre in Norwich.

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Foreword

Professor Simon Ofield-Kerr, Vice-Chancellor of Norwich University of the Arts

We do not only need new arguments in support of small, specialist and practice-based institutions, we need a new playing field. It is time to change the rules of the game. In our five-year *Strategy* published last year, Norwich University of the Arts committed itself to being 'the place where the debate about the future of creativity and creative arts education is most passionately engaged'. I am therefore delighted to welcome this new and thoughtful analysis of the higher education sector in which I have spent my whole career, from Fine Art student to Vice-Chancellor.

Over the past 30 years, I have had a career of two halves, with the first 14 in two multi-disciplinary universities with significant reputations for Art and Design. Both Middlesex University and Kingston University, originally polytechnics, had brilliant Art and Design schools among their formative institutions. Since being Dean of Art, Design and Architecture at Kingston University, I have worked at three – to follow the terminological recommendation in what follows – 'special focus' and practice-based institutions, each of which sought in different ways to address the history, challenges and opportunities outlined in this paper.

Despite differences of scale, operation and strategy, University for the Creative Arts (UCA) and University of the Arts London (UAL), where I was Vice-Chancellor and Deputy Vice-Chancellor respectively, are both mergers of 'local' Art and Design schools or colleges, which sought financial resilience by avoiding alignment with multi-disciplinary institutions. In my current role as Vice-Chancellor of Norwich University of the Arts, I have

returned to one of the most 'pure form' Art and Design schools, which has existed as one institution for the past 178 years, despite many changes of name.

Over the course of its history, Norwich University of the Arts has been both enabled and constrained by the history, policy frameworks and definitional opacities that Edward Venning explores in this paper. To my mind, what is most important is his call for greater definitional clarity and policies that recognise the importance of both the size and specialist focus of institutions. This, perhaps surprisingly, offers the potential to move beyond our own specialism and build common cause across the sector with institutions that may look very different but share core concerns. This important shift moves us from the common 'defensive crouch' of justifying our future based on simply conserving our past. It enables us to explore new ways of imagining our strategic development that are less determined by financial survival and more about responding to challenges and opportunities at this moment in our history. If this is to be the case, I believe we must not only clarify but amplify what is special in 'special focus', which needs to be about celebrating the focused ecologies we create and the different pedagogies underpinning our practice, rather than recognition of a limited range of subjects.

From the perspective of this practice-based institution, our philosophy of student learning is at the core of our vision for the future. We are not simply focused on a predetermined collection of creative courses. Whatever our future portfolio looks like, which will certainly embrace new technologies, economies and global challenges, we will maintain what we believe is vital in our approach to creative education. That is, our enquiry-based, experimental, and industry-engaged

pedagogy, in which a community of students, academics, practitioners and researchers work together to create new ways of understanding, representing and producing the world in which we live. In short, we will continue to teach 'creativity', and all that this entails in terms of developing the technical, material and critical skills to identify the problems and the solutions we need, today and in the future.

Consequently, the future 'special focus' of Norwich University of the Arts could and should look quite different. If the environment is informed by the recommendations in this paper, we will be able to pursue an increasingly innovative strategy that recognises the ways in which global challenges are made manifest in our region, our economy and in the day-to-day experiences of the communities we serve. This commitment to responsiveness, growth and innovation is a return to our core and founding principles. Our purpose is focused on today and tomorrow, not the uncritical maintenance of past practice.

We need to prepare our students and ourselves for the challenges and opportunities we are facing and become adaptable enough to meet those we cannot yet imagine. The vibrancy of our engagement with industry should make this possible, including the creative industries and sector, but also the wide-ranging businesses, organisations, public sector bodies and NGOs that benefit from our research and knowledge exchange, creativity and from employing our graduates.

In this context, I see no essential limits to an institution that has a 'special focus', if we can collectively remove the hard-wired policies and approaches that undermine innovation, development and growth. This paper is an important contribution to an essential resetting of the terms that guide this debate.

Executive summary

Small and specialist providers are the fundamental building blocks of higher education. This is the scale at which almost every great institution originally got its start. As in most sectors, small providers should be the key to dynamism – the ability to absorb, grow and challenge ideas. In most sectors, small businesses are more agile than large businesses, able to innovate and make major changes to their operations with minimal investment. Likewise, competitive focus (aka specialism) usually confers significant business advantage, including in innovation. Big institutions should be acquisitively interested in these providers ... and sometimes threatened by them.

Specialist and small providers in higher education demonstrate many of these attributes. At their best, they provide knowledge and approaches that complement the norms of higher education and may be too speculative for industry. Norwich University of the Arts applies its research insights to human and industrial interaction with massive phenomena such as coastal erosion and overconsumption. Harper Adams University has proved that fully autonomous vehicles are the future of farming. University of the Arts London (UAL) is a global tech-industry partner in practice-based computation.

But the odds are stacked against them. Specialist institutions start and (usually) stay small, kept in their place by resource scarcity, a hostile operating environment with diseconomies of scale, and barriers to stability and growth. While facing their own challenges, larger institutions benefit from massive competitive advantage over smaller players. The system as a whole includes significant barriers to entry, high levels

of interdependence and non-price competition among providers, alongside evidence of regulatory capture. These are the hallmarks of an oligopolistic sector and compound the predicament of practice-based education, which is generally regarded as a niche pursuit in the UK but is seen as part of a mainstream whole-of-education approach in countries such as Germany.

To change this, academic strategists need to understand the dynamics and system-level challenges of small providers and specialist providers and learn to distinguish between the two. This would improve life for individual providers. In England, it would also reflect the imperatives of the newly unified landscape of provision under the Office for Students (OfS).

The problem starts with definitions, or rather the lack of them. We literally do not know what we are talking about as far as small and specialist institutions are concerned. National policy does not define specialism or size, while regulatory and funding definitions are partial and subject to change at short notice. Our current typology has distorted our language and way of thinking about practice-based education and the players in it, and must change.

It is worth emphasising that small is not – should not be – the same as specialist.

Throughout this report, we treat size in line with the standard international thresholds, whereby a teaching institution is considered small at under 3,000 students, medium with 3,000 to 10,000 students and large above that number. Thresholds for research institutions are instead measured on income and staff numbers.

Specialism is a very imprecise word in tertiary education policy. In official usage, its meanings include subject or research focus, practice-based education as a whole, or education for people with learning difficulties. This is unhelpful. Subject-focused providers and practice-based education are the material (and separate) concepts in this report. Policymakers need a firmer grasp of both concepts, especially as the balance of the sector broadens with market entrants, access to degree-awarding powers and university title.

Weak definitions lead to bad measurement and management, with far-reaching operational impact. It is crucial that the regulator adapts to the needs of small providers to avoid institutional sclerosis. While superficially equitable, the regulatory baseline cements the advantage of large incumbents. As with banking, communications and airlines, we may need to de-regulate elements of higher education in order to expand services and establish a level playing field for small providers and overlooked disciplines.

The biggest imperative is to re-set the financial basis on which small providers operate. The National Audit Office may have found no link between financial resilience and size, but small providers face undeniable challenges in economies of scale, capital investment and research requirements. These matters require a rethink by government, a different relationship between regulators and providers, and an upgrade in governance and oversight. Providers should work more closely together through partnerships and mergers, safeguarding their autonomy and identity, but improving their resilience and their ability to participate in sector initiatives.

As things stand, size is everything in UK higher education, at the cost of innovation, efficiency and diversity. Small, specialist and practice-based providers present a reservoir of alternatives; if only we release our chokehold on their ambitions and ability to operate.

1. Broken typologies

The term 'small and specialist' has been in frequent use in British higher education for at least 20 years, and yet no part of this term is properly defined for policy, regulatory and sector purposes. The words are therefore used almost interchangeably in national policymaking, according to expedience. To add to the fun, 'small' sometimes includes medium-sized institutions, and 'specialist' covers completely different activities, depending where you stand in tertiary education. As a consequence, enumerating such providers is difficult. Nevertheless, small and specialist providers are commonly understood to make up a considerable proportion of the sector in England – anywhere up to 23 per cent of registered OfS providers (2022).¹ Scotland has three small institutions (out of 19 universities), each representing a different specialism. Wales has no small institutions. This report therefore draws most heavily on English and Scottish institutions, with lessons for education strategy elsewhere.

By international standards, it should be difficult to yoke size and subject focus. In the USA, Germany and Scandinavia, for example, general institutions range in size from a minority of large institutions to a majority of small institutions. But in the UK, general institutions are almost all medium to large. And there is no obvious practical difference between small institutions and specialist institutions by most higher education measures. To be specialist is to be small, and vice versa. There are just three medium-sized specialist institutions, each with fewer than 6,000 undergraduates. The outlier is UAL, the only large specialist institution at nearly 17,000 undergraduate students.

It is therefore worth separating our definitions of size and focus, for further investigation.

There is no national policy definition of specialism in England. When approached for this report, the Department for Education stated, 'We as Government do not define the criteria or the definition of "specialist providers", it is the Office for Students who set this'. This policy silence is instructive – where it matters, government policy dictates regulatory definitions, not vice versa. The absence of a definition makes policy interventions rather haphazard, as we shall see.

In fact, it is quite hard to rely on the definition from the Office for Students (OfS), because it has no standing in the regulatory baseline. The concept of specialism was first deployed in the mid-1990s by the Higher Education Funding Council for England (HEFCE), with its final incarnation based on academic cost centres in 2015.² OfS moved to a subject-based definition, which is broadly in line with international norms:

*to be considered specialist, a provider must have at least 75 per cent of its total full-time equivalent (FTE) higher education and further education student population in one broad subject area or at least 90 per cent in no more than two.*³

But it is used in only one scenario: as pre-qualification to protect high-quality (aka world-leading) provision, from financial precarity. The full government term for this target group is 'small and specialist institutions with world-leading teaching'. This is set out by the Department for Education in its strategic guidance letter to the OfS. In turn, the OfS does not formally recognise the term 'small and specialist', whereas UK Research and Innovation (UKRI) does.⁴

This emphasis on quality is a recurrent theme in national policymaking. The Augar Report repeatedly discusses the need to protect high-quality specialists, without defining either specialism or quality. In this logic, specialist provision only matters materially once every funding cycle, and then only if it is of global quality. This is invidious for all other such providers which, as we shall see, differ significantly from the mainstream in ways that would benefit from intelligent, targeted regulation and funding.

The other important typology is the Transparent Approach to Costing (TRAC). It defines specialist institutions as teaching only Music and Arts (Peer Group F: 22 of the 161 institutions covered by TRAC in 2020/21⁵). This is inconsistent with the OfS's input definition of specialism, which is problematic, as the OfS and the National Audit Office use TRAC to understand provider costs. And it runs against the sector's own understanding of specialist institutions: St George's and the London School of Hygiene and Tropical Medicine end up in the company of very large multi-faculty universities in Peer Group A, and Harper Adams in Peer Group E.

Definitions matter, and we have overworked and under-determined the term 'specialist' in policy. In tertiary education, this deeply ambiguous classification covers all of the following categories:

1. an institution which focuses on a limited number of subjects;
2. an institution which focuses on an educational level (postgraduate);
3. a type of further education (for people with learning

difficulties and / or disabilities) – NB many specialist providers work across further and higher education; and

4. an approach to learning (practice-based education) which we discuss below.

The term also functions as shorthand for a size classification (small enrolment) and for elite provision. Some of these categories draw on official metrics, which have yet to be found for others, such as practice-based education and elite provision. This definitional fog hinders understanding of our sector, which in turn affects sector strategy and effective policymaking. This problem is not found to the same degree in countries with a clearer typology of diversity, such as the States, where the Carnegie Classification of Institutions of Higher Education has been used since 1970 as the standard grouping of comparable institutions for educational and research purposes. Rather than the multiple meanings of 'specialist' in the UK, the Carnegie Classification uses the term 'special focus' simply to denote a type of institution which focuses on a limited number of subjects or educational level.

There is no consistent national policy, regulatory or sector definition of institutional size.

This is largely because higher education size metrics vary across different types of institution. Teaching institutions are sized purely according to the number of students, even when they are research intensive. By contrast, research-focused institutions are sized according to turnover and number of academic staff ... which are standard metrics in other business sectors. The absence of a common yardstick prevents a structured understanding of the sector, to the detriment of much smaller institutions. It also prevents the

sector's performance from being easily benchmarked against any other business sector. We will explore the implications of this in Section 2.

This could be partly overcome if size thresholds were accurately and consistently defined, as they are in the Carnegie Classification.⁶ Once again, though, policy, regulation and funding decisions are not based on common thresholds in England. The Department for Education does not publish the thresholds it uses to determine scale in the sector for policy or regulatory purposes. When approached for this report, OfS stated, 'we do not have a general policy to use size thresholds for registered providers for regulatory purposes.' This is a striking departure from previous norms of oversight in higher education in the UK. Until very recently, size was a key determinant of access to university title in England, and it remains a significant consideration in Welsh higher education policy. The OfS registration fee bands are the regulator's only official set of thresholds, with nine bands for small providers and a per-student cost up to 30 times higher than large providers.⁷ These fees and the band thresholds are set by government via statutory instrument. For research funding, UKRI are clearer on size, defining a small and specialist provider as having fewer than 1,000 academic staff. UKRI still sets store by subject-focus, requiring 'at least 75% of their staff FTE [full-time equivalent] in one HESA cost centre; or at least 90% of their staff FTE in two HESA cost centres'. More broadly, it expects institutions 'to self-classify, but in doing so, demonstrate that this classification has the endorsement of their peers'.

There is individual good reason for each of these approaches but, taken altogether, they prove slippery and unworkable in policy, regulatory and funding contexts. As the OfS itself noted

in *Provider typologies 2022*, existing approaches (including TRAC groups, OfS registration categories and tariff groups) 'are now either outdated and in need of review, or too broad to be useful'.⁸ It therefore proposes two new provider typologies, and specifically a financial approach using 'three income-based groupings that will loosely relate to the size of a provider'. The groupings are up to £100 million, between £100 million and £200 million, and over £200 million, based on qualifying income. Specialist institutions are explicitly excluded from these groupings.

The OfS proposes the new typology for data analysis only, as 'we would not support the use of these typologies to make decisions about providers for any purpose'. Eight days after publication, however, the OfS published a competing financial typology in the outcome to its consultation on specialist funding. This typology had not featured in the consultation. It introduced groupings up to £70 million, and up to £140 million 'or more', this time based on average income, not qualifying income. It would have been even better if the two typologies had informed each other, and been informed by international business standard financial typologies.

Financial typologies provide useful insights into the sector. According to the *Provider typologies*, smaller providers (income under £100 million, including specialist providers) make up around 40 per cent of the institutions in the sector and teach around 15 per cent of students. According to the detailed impact assessments for the Higher Education and Research Act (2017), 12 per cent of higher education students are taught in small and micro-businesses, that is, under £50 million turnover.⁹

The typologies suggest a sector with declining competition and growing market power for the largest institutions. The OfS typology shows that the 35 largest providers by turnover (9 per cent of the total) now control 50 per cent of the sector's students. At least one of these, UCL, has achieved this scale partly by acquiring specialist institutions, as we shall highlight later. This pattern indicates a lack of business dynamism and institutional sclerosis in favour of the largest institutions. This is in keeping with the barriers to entry which hinder growth by smaller players almost as much as they prevent the emergence of new players. In a decade of high growth since the Willetts reforms, student numbers at small institutions have not grown at the rate of multi-faculty institutions. Only the largest specialist providers buck the trend, illustrating the advantages of scale. UAL's undergraduate enrolment grew by 16 per cent between 2012/13 and 2018/19; its Postgraduate Taught enrolment grew 80 per cent in the same period.

There is considerable variation in approach across the sector bodies too. Universities UK's Small and Specialist Institution Forum members include very large universities, such as UAL. GuildHE represents 'smaller' institutions, some of which would be counted as large by the number of students or turnover, such as the University of Worcester. This variation is in line with GuildHE's strategic interest in practice-based providers of any size. It also reflects the fact that larger institutions can afford higher subscriptions. In 2022, Advance HE established a clear threshold for small institutions (<2,000 FTE undergraduates). Independent HE focuses on very small providers, stating that 80 per cent of its members would qualify as small and medium-size enterprises (SMEs), based on the international business standard (officially defined as less than €50 million in turnover

and fewer than 250 employees).¹⁰ This makes the point that many 'smaller' universities are large businesses in the overall scheme of things.

Regional distribution

Specialist providers are very unevenly distributed across the UK, with the overwhelming majority based in the South-East of England. There are no standalone specialist providers in Wales. There are three standalone specialists in Scotland, following the merger of Edinburgh College of Art with the University of Edinburgh. In England, 40 of the 64 OfS registered specialist providers in the Approved (fee cap) category are based in London, according to OfS data in 2021. This includes the majority of creative providers. There are nine specialist providers in the North of England, five in the South East, three in the South West, four in the Midlands and two in the East of England.

Except for the longstanding strategic commitment in Wales to institutional consolidation, the reasons for this distribution across the UK are not entirely clear. The most obvious explanation is that a larger market can support greater diversity of institutions, which may be one reason why almost all very small higher education institutions (<999 undergraduates) are in London and the South-East. This demand is significantly enlarged by international students, who tend to be particularly attracted to London. Furthermore, there is an obvious correlation between the distribution of creative providers and the concentration of the creative industries in the South East.

But the presence of an institution may in itself cause demand to develop, rather than simply be a response to it. In October 2022, Independent HE and IDP Connect shared research into

HESA data. They found that students for this type of provision stay close to home, which suggests demand is driven by the presence of providers, and not vice versa.

Providers therefore have two possible regional effects on engagement. First, they attract a type of student that would not otherwise go into higher education. Secondly, they teach the skills needed for industries to grow (or indeed to start) in a way larger institutions cannot afford. This is partly because small providers are able to provide courses in response to industrial need for relatively small numbers of students, a scale that would not be financially worthwhile for larger institutions. Both effects should be of interest for levelling-up policy within higher education, and the second effect is a good reason in itself to ensure that small institutions remain viable.

Practice-based education

‘Specialist’ educators do not generally describe themselves in terms of institutional size or business model. They assert their approach to education first, and industry orientation second.

Their approach to education is usually practice-based, founded in applied research and informed by industrial application, with students developing practical skills as well as knowledge. Their students have access to the latest industry-standard equipment and technology used by specific industries. Their academics are often practitioner-teachers, with industry and teaching expertise.¹¹ Taken as a whole, these subjects should be considered lab-based, even if the lab takes different forms: a field, studio, clinic or user group. Practice-based education demands that, even as undergraduates, students should think for themselves and generate applied and practice-based approaches to real world problems (very often in a team),

rather than simply acquire existing knowledge and develop theory-based approaches. Skills are taught as vehicles for creation and to explore ideas, not as a vocational end in a world where competence is the attribute of machines. In this way, we educate for the complexity of global challenges, which cross beyond the boundaries of individual subjects.

Practice research differs from 'traditional' research fields in that the practice itself is the significant method of a research output. Transdisciplinary in nature, practice research is deployed in fields as diverse as Medicine, Engineering, Sports Sciences and Social Work, as well as the Arts and Humanities. According to James Bulley and Özden Şahin in *Practice Research*, 'knowing "what" is important, knowing "how" is crucial. Practice ... reveals insights and understandings that expand our capacities for knowing.'¹²

Britain has a global reputation in practice-based fields, even if our tertiary education system prioritises theoretical and classroom-based approaches. Practice research and education is officially correlated with a narrow range of subjects in small, focused institutions. At the national level, this misses large providers, such as Solent University, which focus on professional, vocational, and technical education for specific sectors across multiple subject areas. At the international level, the difference is even more stark. Other countries treat practice education as a mainstream, whole-of-education approach and deploy it across a wider range of subjects and institutions. This puts our students and our sectors at a competitive disadvantage. The recent explosion in the number of UK Creative Computing degrees, which are practice-based and occupy a similar space to Computer Science, shows how this approach can transform understanding in newer subjects.

Case studies in practice-based education

Autonomous farming

Harper Adams University started its hands-free farm initiative in 2016, aiming to be the first in the world to grow, tend and harvest a crop without operators in the driving seats or agronomists on the ground. By 2022, the initiative had grown into a 35-hectare robotic farm, contributing significantly to commercial research and policy development. Its new phase will include strip cropping, integration with satellite technology and new sensor capability. It is run in partnership with Precision Decisions and the UK division of Australian precision agriculture specialist, Farmscan AG.

Professor Ken Sloan, Vice-Chancellor of Harper Adams, ascribes the project's success to 'the clarity of purpose but also a relentless focus on collaboration' that is found in smaller specialist institutions, which 'not only broadens the talent and capabilities involved in innovation, it accelerates the realisation of real world benefits and translation'.

Design for existential threats

Massive phenomena, such as environmental collapse, test the limits of human understanding and academic typologies. In partnership with industry and traditional universities, Norwich University of the Arts is developing complementary approaches and tools to engage with future landscapes, food innovation and community cohesion. Their latest research interrogates the impact of coastal erosion through 3D modelling using a specialised visualisation system. This can be exploited by the scientific, creative and cultural industries to engage in global challenges in innovative ways.

Practice-based computation

UAL's Creative Computing Institute works in an interdisciplinary way across teaching, research and knowledge exchange in machine learning and artificial intelligence. It explores how the contemporary world is defined through human / computer interaction and social platforms, and how these inform creative practice. Students develop skills and knowledge in: big data, social platforms and digital citizenship; computational environments, visualisation and sensing; and software development for the digital creative industries.

Health-driven decisions at community level

Agility is increasingly vital in modern health sciences, enhanced by integrating higher education services with delivery. To achieve this, AECC University College is fully embedded in NHS quality-of-life services in Dorset. They have on-site clinical services, with 120 students on placement at any time, and are one of Dorset's community spoke sites for diagnostic imaging capacity.

Professor Lesley Haig, Vice-Chancellor, emphasises that the deep, focused understanding of health sciences possible at a specialist institution makes them more effective and responsive partners within Integrated Care Systems, with a bigger risk appetite than would sit comfortably in a more complex university risk register.

Practice-based education is usually understood as vocational preparation for industry. This concept remains highly relevant for sectors with a symbiotic relationship with tertiary providers, as with Agriculture, Medicine and the creative industries. Many

of these are changing rapidly under the pressure of technology. They are therefore hard to prepare for directly in vocational terms, and hard to keep up with in policy terms. Standard Occupational Classification (SOC) codes, for example, are based on the previous 10 years of jobs, not on opportunities now emerging. SOC codes inform OfS definitions of successful career outcomes, thereby penalising institutions at the cutting edge of practice-based education.

Even for established industries, the basic premise of vocational education only holds if the target industry has capacity to absorb new graduates without diluting salaries too much. This is a notable challenge in the creative industries, which have reached saturation point as the vocational target of Art and Design graduates. Creative tertiary provision has grown as the creative industries have grown, but creative graduates have tended to concentrate in certain professions, flooding that part of the market and willing to work for lower pay to secure their preferred job. This generates powerful centripetal pressure. As Nesta's Policy and Evidence Centre has established, creative workers compete with each other on price as micro-enterprises with limited opportunity for progression. Even though a few people get very rich, the majority of Creative Arts graduates therefore respectively enjoy negative (men) or below average (women) earnings premiums throughout their careers.

The Institute for Fiscal Studies reports this same vocational trap (higher education followed by lower earnings) in other practice-based subjects, including Agriculture.¹³ Successive governments have therefore sought to rebalance vocational preparation towards further education and technical training such as the T-level. But central planning for labour-market

needs is famously a fool's errand, and the vocational trap is not destiny. If these skilled graduates could be distributed across the wider economy, it would benefit them individually and build wider economic productivity. In the case of Creative Arts graduates, this would also help meet the well-attested demand for creativity in the wider economy, now considered by the Organisation for Economic Co-operation and Development (OECD) and other bodies to be a key aptitude for the 21st century workforce.

Other practice-based subjects can make a similar case for the broad applicability of their graduate attributes for enterprise and employability, even if – as with any degree – some of their graduate skills may be sector-specific. Practice-based education is changing to reflect this, while still anchored in industrial innovation.

2. A hostile operating environment

UK higher education has high barriers to entry through substantial fixed costs, high variable costs and regulatory burden. This exerts a strong normative force on the sector, as Natalie Day, Johnny Rich and Chris Husbands point out for HEPI:

*since higher education institutions operate under the same funding arrangements, evaluation measures for teaching and research and consequent key performance indicators, it's no real surprise that they end up looking more similar to each other than different.*¹⁴

Small and specialist institutions (which include most practice-based providers) evade this norm simply because it is enormously difficult for them to meet it. Small institutions must reach the same standards as large institutions, but with much less money to do so. Practice-based providers are faced with indicators that just do not describe their activities. The regulatory burden has a disproportionate impact on providers of both types. They are simultaneously super-sensitive to policy, and not resourced to respond to it well. They cannot afford to bid for research that would inform their teaching, and their governance is much less diverse than the rest of the sector.

This cannot be addressed under the 'one size fits all' higher education funding model except via cross-subsidy from lower-cost subjects, which is impossible in specialist institutions. The principal alternative is government subsidy, but it is unevenly distributed.¹⁵ This creates a hierarchy of institutions under the guise of protecting (existing) excellence. The other option is cross-subsidy from international student fees, which favours London institutions.

2.1 Disproportionate regulation

Small institutions in any sector benefit from targeted policy, effective regulation and access to good practice. In higher education, the regulatory approach makes few overall concessions to size, in large part because it lacks a consistent measure of size. Its main concession to subject-focus, as we have seen, is for a single funding scenario.

The Government's *Regulators' Code* (2014) aims to improve regulatory outcomes without imposing unnecessary burdens on business. It states, 'Regulators should choose proportionate approaches to those they regulate, based on relevant factors including, for example, business size and capacity.'¹⁶ This includes a requirement that their staff have sufficient understanding of those they regulate to be able to select a 'proportionate' approach. This is necessary to ensure that regulation does not inadvertently support oligopolistic outcomes. Writing for *Times Higher Education*, Professor Tim Devinney of Manchester Business School compares UK higher education with oligopolistic conglomerates such as the Organization of the Petroleum Exporting Countries (OPEC) and the Premier League, in which:

the elite capture most of the rents [and] the non-elite players are significantly disadvantaged because the normal levers of competition are not available to them.

What we know from decades of research is that these types of industries are less innovative, less efficient, create less value and can be replaced if there is a willingness to allow others to compete to replace them.¹⁷

Although the OfS was established in 2018, four years after the publication of the *Regulators' Code*, it has not yet assessed the impact of its approach with relation to size and capacity. In 2021, it announced it would assess, 'how regulatory burden is experienced by different types of providers, including small providers'.¹⁸ In 2022, it published its 'increasingly risk-based' strategy without covering size and capacity. When approached for this report, it confirmed that this element of the assessment was not taken forward and that:

We have not completed any specific assessment of regulatory burden for smaller providers. Our approach is to consider these issues as appropriate when we consider any changes to the regulatory framework.

Likewise, it had no analysis of the burden on specialist providers. This is casual to the point of detriment, and demonstrates limited understanding of the overarching (as opposed to individual) impact of regulation.

The onus is therefore on providers to make the case for adjustment on a contextual basis for individual regulatory measures. This is the logic of the regulatory baseline, but small providers will often lack capacity and experience to do so in ways the OfS will accept. This comes up in the *Report for the Office for Students: provider engagement*, which was commissioned by the OfS to understand how they communicate with the sector. It notes:

*Providers wanted more recognition of the different circumstances in which they were working: from small and further education providers, with individuals or teams struggling to cope with the volume, speed, and nature of OfS requirements.*¹⁹

In other words, providers feel the regulatory regime demands too much, too soon, and without understanding the direct and opportunity costs imposed. Direct costs start with subscription costs to designated bodies, particularly the OfS. Its subscription fees already fall more heavily on small institutions and are due to rise by 13 per cent in 2023 to cover free speech activity.

Merely servicing the OfS regulatory data requirements is onerous. For example, the B3 data burden includes thousands of data points in various split-metrics, any of which might trigger an investigation that the institution must pay for. For B4 compliance, all institutions must retain all assessments for all students for five years. This falls more heavily on practice-based subjects which, in the case of Art and Design, must work out how to store large artefacts and record performances.

The average university planning department solves the data problems through increased staffing. When approached for this report, several small institutions estimated that three to four additional staff would have been needed to manage the increase in OfS demands compared to the HEFCE regime. As this is unaffordable within their budgets, they have prioritised baseline compliance and data extraction, to the detriment of the data modelling and presentation that would help them secure funding and league table performance improvements.

Unrealistic turnaround times are another complaint, especially when compared to other regulators (specialist providers often work with several regulators, in various jurisdictions). Institutions are commonly given under two months by the OfS to respond to regulatory requests, well below the 12-week minimum response period stipulated by government. Large institutions can throw resource at these problems. This is not

an option for small providers. In its 2022 *Regulation Briefing 1: Introduction, burden, cost and overlap*, GuildHE identifies four key challenges for smaller providers under the current regime, including lack of resources, small datasets, regulatory overlap and changing expectations.²⁰

A focus on regulation at the level of individual providers has one further effect. It may obscure the big picture. For example, most specialist institutions are in London and the South East. They were therefore disproportionately affected by the cuts in London weighting in 2021. This meant up to a 10 per cent loss of income for some institutions. This general loss was not offset, as was officially implied, by the £10 million uplift that the OfS subsequently distributed across the usual few 'world-leading' providers.

Even the building blocks of regulation, such as subject categories, need to be rethought with innovation in mind. It is common for new vocational provision to be interdisciplinary, which cuts across subject headings. For example, students at University Campus of Football Business (UCFB) are prepared for business, journalism and sports science aspects of the sector in their degree. This means they do not fit in the OfS's specialist category, even though they are clearly specialist in the usual meaning of the term. The same range of subjects / HESA cost centres is necessary for agricultural specialists, with the same definitional problems. Likewise, SOAS is clearly specialist in terms of its purpose (and is treated as such by Universities UK), but falls outside the definition by virtue of the wide range of subjects it teaches to deliver that purpose.

Case study: Professor Liz Kenny, Dean of Students, Royal Academy of Music

The regulatory burden of individual changes is disproportionate for an organisation with 800 students. Whereas bigger universities will have a dedicated team, we handle OfS requirements within a very small Registry department, which has to manage all of student lifecycle data, admissions and an immensely complex schedule of performance and academic classes and assessments. We are particularly vulnerable to sudden changes, which we would define as one-month lead time or less. Every time the OfS email comes round, it means at least a day's work for two staff, which means they have to stop their regular business. I respond to other forms of regulation such as widening participation by myself as Dean of Students, which would not be the case in a larger institution. Not surprisingly, we have high staff turnover due to the pressure.

To give an associated example, we have about 35 young people participating in the Government's Music and Dance Scheme for under-18 provision. We want to extend the scheme, but it barely covers the cost of staff who administer it. The complexity of the questionnaire takes one administrator an entire term to help parents navigate it.

Various sector bodies offer good practice frameworks that complement regulatory standards, such as Civic University Agreements, the Public & Community Engagement Framework, Athena Swan and the Race Equality Charter. These are widely seen as indispensable by the sector, despite Michelle Donelan's doubts as Universities Minister about scope creep.²¹ They could be valuable to smaller institutions, supplying expertise

they cannot afford in-house. However, the schemes come with significant administrative overheads and their methodologies do not always cope well with small data sample sizes. This makes them less useable for small institutions, which may reduce participation levels. For example, there are no small or specialist institutions among the 40 signatories (as at the end of 2022) to the Civic University Agreement, even though such institutions drive local and regional impact and prosperity in the regions, as noted in *Building the Jigsaw*.²²

Advance HE has taken a responsive approach, as it counts 86 'small and specialist' institutions in its membership. It sharply reduced the administrative burden of its Athena SWAN Charter framework, partly based on feedback that its administration and data requirements could be difficult for small and specialist institutions. It is now developing a Race Equality Charter application route which takes into account the distinct contexts and challenges faced by institutions, appropriate to specific structural, regional and academic contexts.

Small institutions have a much quieter voice in the sector. Individual institutions cannot afford dedicated public affairs staff or agencies, and their leadership teams are often too small to allow much time for public affairs. Meanwhile, their dedicated sector bodies are less wealthy and have more ground to cover than the well-known mission groups, which typically represent up to 24 institutions who have much in common. By contrast, GuildHE represents 60 'smaller and specialist' higher education institutions, which includes private providers, further education colleges and at least one medium and one large university. Independent HE represents 64 small independent tertiary institutions.

2.2 Limited oversight

At every level of governance, small institutions need to work harder than larger institutions to attract trustees of the calibre, diversity and experience to hold the executive fully to account. According to HESA data, smaller governing bodies are highly unlikely to include governors aged 25 or younger, implying a lack of formal student representation. *The Diversity of governors in higher education* states:

*Smaller governing bodies [<14 governors], typically of small and specialist institutions, were significantly less diverse with regard to sex, with women poorly represented on governing bodies despite making up the majority of academic staff. ... Whilst there should be challenge to all institutions with regard to their representation of women, the difference was most marked for smaller and specialist institutions.*²³

Furthermore, small institutions have correspondingly small students' unions, with far fewer sabbatical officers and staff but identical oversight requirements as their larger cousins. In *Governance in Small and Specialist HE Students' Unions*, 2022, the NUS Charity and GuildHE found that student representatives are much less diverse than in larger unions, especially 'where they are vocational [i.e. practice-based] and their industry has challenges' with diversity, such as agriculture and the performing arts.²⁴ Within a generally positive picture, the report identifies concerns with amplification of the student voice, and the level of individual and institutional independence from the university itself. While activism often presents management challenges at larger institutions, it also raises the level of debate and problem-solving among the leadership team.

2.3 Financial disincentives

With prudent management, small institutions are not necessarily more financially vulnerable than larger providers. The National Audit Office found in 2022 that, 'The size of a provider, its entry requirements or whether it is a specialist institution, for example, are not predictors of financial strength.'²⁵ But there is every difference between surviving and thriving. Benchmark analysis, conducted in 2023 by PwC for Universities UK, demonstrates that small institutions feel the financial challenges more acutely as they have fewer levers to address them. Small providers start with a higher unit cost than multi-faculty institutions, especially in London where most are based. According to government analysis of TRAC data in 2019, financial scale is partly a function of the numbers of HESA cost centres per provider:

*The key factors helping to explain higher unit costs included being located in London, being smaller in size, having a more limited range of provision and a lower number of students in the staff to student ratio.'*²⁶

The report goes on to say that, 'All these factors could apply to a single institution'. This is certainly true of providers of practice-based education, which is expensive to deliver in itself. Students must acquire practical skills as well as knowledge, which means small class sizes and lots of specialist space, equipment and materials. Practice research and education requires highly-trained technicians, alongside the basics of education in any subject: academics, lecture theatres, libraries and computers. As HEPI confirmed in a 2022 blog on the sector's financial disincentives to specialisation, 'This often results in the need for internal cross-subsidies and can provide

real disincentives for expanding STEM provision.²⁷ Even the standard Government top-up for high-cost STEM subjects leaves providers of lab-based subjects with average deficits worth 20 per cent above the tuition fee in 2019/20.²⁸ There is no such top-up for the majority of subjects.

Across all practice-based subjects, costs continue to rise without an accompanying increase in the overall funding envelope, which is being eroded by inflation. A more sustainable funding approach is needed for practice-based education in general, and for small and specialist providers in particular. These simply have fewer financial options than the rest of the sector. Specialist providers cannot change direction through dropping whole subject areas. Smaller class sizes, specialist equipment and teaching spaces cannot be cross-subsidised by other disciplines as would happen in larger multi-faculty institutions. International student fees can cross-subsidise Home fees to a limited extent, but only for some institutions and not as a structural solution to the funding problem. These factors were examined in detail by Sir Nigel Carrington in *What do I get?*²⁹

At the operational level, small providers face commercial or financial diseconomies of scale, as in any sector. Capital demands are less easy to service and manage, which has an impact on the quality of infrastructure and physical estate at small providers, and their ability to undertake new strategic opportunities. The restoration of the fire-damaged Mackintosh Building at Glasgow School of Art, for example, makes enormous strategic, financial and operational demands that this 2,500-student provider must balance with its academic and civic purpose. The Mackintosh Building is arguably the sector's biggest-ever heritage project, but major strategic demands

are routine for small providers. Agricultural higher education institutions – all small – play a significant role in helping rural communities to adjust to the fast and slow crises of extreme weather. They have to do so in the face of rapid increases in the cost of agricultural operations, including machinery, livestock (for an equine degree, as at Writtle University College, you need horses, which are expensive and break a lot) and compliance requirements (for example, health and safety, and the farming regulatory regime).

The capital assets in specialist institutions are proportionately much larger than in multi-faculty universities (the Royal College of Art's net assets are around three times annual income, versus 1.25 times at Imperial College London) so small institutions find it more difficult to raise sufficient capital to renew their assets. Nor are they normally able to access bond markets, where the entry level is at least £50 million. Finally, smaller institutions may lack the critical mass of student numbers required to attract private investors for projects such as student accommodation.

The combination of strategic attention, capital limitations and operational capacity will prove a major challenge for small institutions as they move into online teaching. This will be comparatively more expensive than for large institutions, as their technology requirements sit between the standard service they can afford and the custom solutions available to their larger competitors.

As with teaching, small institutions experience financial, process-design and resource barriers in accessing research funding.

Resource constraints at small institutions reduce their options in three ways.

- i. They often lack basic research grant management infrastructure and have very few research administrators (or indeed researchers). This diminishes their sense of what they can apply for.
- ii. Secondly, resource competition within a small staff body means that teaching usually trumps research for staff on dual contracts, especially given the existential need to keep pace with regulatory changes.
- iii. Small institutions have smaller pockets than the major players in research. This is a fundamental problem, given that many funders not only set minimum bid and income thresholds, but also minimum ongoing financial commitment to projects. For example, the UK Research Partnership Investment Fund sets a minimum grant level of £10 million and requires double funding from co-investment sources. Each project must therefore be at least £30 million, significantly more than the turnover of most small institutions, which makes it very hard to leverage such funding. The Fund has therefore made no award to any small institution, and only two awards to a specialist institution, both to Cranfield University (a £175 million a year research-intensive postgraduate institution).

In 2019, the House of Commons Science and Technology Committee Inquiry on Balanced Funding judged the seven-year Research Excellence Framework (REF) cycle too long a timeframe for small institutions, creating ‘barriers for smaller but potentially fast-growing institutions or areas of excellence who receive lower QR [Quality-Related Research] allocations.’³⁰

It recommended that UK Research and Innovation (UKRI) should support small institutions through specific gearing of investment across the REF period, through additional review periods for smaller bodies or through separate QR streams for smaller and specialist institutions.

Arts and Humanities Research Council (AHRC) is the part of UKRI that serves the majority of practice-based institutions. Professor Christopher Smith, Executive Chair of AHRC, believes funders should make it easier for small partners to be part of the grant call by ensuring they are aware of opportunities and feel empowered to apply. He is determined to address concerns for their long-term sustainability within the UK's research ecosystem, and improve their ability to take up UKRI funding. This may require capital investment. In 2022, the AHRC launched Creative Research Capability awards (CResCa), offering three streams of funding (£1 million, £3 million and £10 million) to upgrade or refurbish core facilities such as labs, studios, and accessible storage.

To achieve this, researchers and funding bodies need to align their ambition. As Professor Smith says:

An AHRC grant is typically a minimum of £100k, yet we often receive much smaller bids of £20k. Is this driven by lack of need on the part of small and specialist institutions? Or is it that they have preconceptions or assumptions of the sort of project that UKRI will or will not fund?

Small institutions in turn can increase their individual bids or overcome their challenges of scale by putting together research consortia. The AHRC is especially interested in universities doing double duty as business innovation hubs, with the potential for small and medium-size enterprise

creation, spinout and commercialisation. The Business of Fashion, Textiles and Technology Creative R&D Partnership is an example of a consortium of different-sized universities that span design, STEM and humanities. Originally based on the Fashion District in London, an existing industrial cluster co-founded by the Greater London Authority and UAL, it aims to deliver sustainable innovation across the entire fashion and textiles value chain.

Small institutions can also take a shared approach to gain access to standard research systems from which they are individually precluded. GuildHE Research (which started as a shared service hub) offers different solutions including a range of doctoral support for a small sum on top of its membership fee. Its research repository is shared across 16 providers, putting them on level terms with mainstream institutions.

2.4 Structural resilience

In its 2022 consultation on specialist provider funding, the OfS argued that, ‘the identity, excellence, and reputation – the world-leading nature – of specialist providers are closely linked to their independence, outside of a larger, multi-faculty provider.’

There is nothing wrong with being a lone wolf. The sector would be all the better if independent specialists had a level playing field with multi-faculty providers. But in fact, this ‘lone wolf’ thesis does not bear scrutiny, and it would be surprising if it did. As the OfS also acknowledges, excellence in practice-based education is found in both general and specialist providers. It is well established that successful business models throughout higher education tend towards scale at the cost of independence. Specialist institutions are not exempt from

this – quite the contrary. Almost all UK universities are born small and focused. To insulate themselves from financial and operational risks, they tend to generalise in order to become resilient and grow. This was the path taken by Oxford School of Art, the precursor institution to Oxford Brookes.

Specialist institutions also need resilience and growth, as long as there is appetite to do so. This is more straightforward for some, such as research specialists with access to major research funding or institutions with a major endowment or dependable government sponsorship. Teaching specialists in England are vulnerable, due to the well-recognised structural deficit between the tuition fee and cost of provision, compounded by recent inflation pressure on the cost base. International student recruitment is a popular way to cross-subsidise the deficit but only where providers have space to accommodate growth in student numbers. Conservatoires find this more difficult, given their teaching- and resource-intensive model.

This leaves collaboration, alliance and merger.

In an ideal world, smaller providers would collaborate extensively to gain strategic advantage and support growth. This would enable providers to overcome the inherent lumpiness in scaling fixed costs (such as HR support) alongside business growth.

In a Leadership Foundation paper, Professor Ewan Ferlie and Dr Susan Trenholm established a persuasive typology of formal ways for institutions to work together.³¹ They note that the obvious course for vulnerable institutions is a simple merger and acquisition strategy, which poses substantial risks

to the acquired organisation. Senior decision-makers remain much less familiar with intermediate forms of collaboration and alliance. These range from the relatively modest category of shared services to managed networks, consortia, strategic alliances and joint ventures.

There is a strong case for a leaner model of collaboration and alliance, tailored to small clusters of specialist institutions. For example, providers that cannot afford enhanced data reporting might combine to outsource this to a specialist private company, task a sector body or consolidate clerking services across a provider collaborative.

However, this sort of initiative requires significant, ongoing management attention, which small providers may struggle to release. In the absence of mature governance, the best is the enemy of a good shared service. For every Jisc or GuildHE Research, there is a Conservatoire for Dance and Drama, eventually unable to bridge the expectations of its members.

Case study: Merging practice and theory-based education

Edinburgh College of Art became part of the University of Edinburgh in 2011, after running into severe financial difficulties. It soon doubled in size to 3,500 students, as it absorbed the University's Schools of Architecture, Music and History of Art, which had been part of the then Faculty of Art, Culture and the Environment.

The College was guaranteed 'its name, brand identity, pedagogical methods and other distinctive strengths' under the merger.³² Even so, it continues to make structural and cultural adjustments.

These include managing the tension between the University requirement of a broad curriculum for undergraduates and the intense engagement traditionally associated with Art and Design subjects. There remain significant differences in the career paths for researchers and practice-based academics.

According to its Principal, Professor Juan Cruz, the combination of practice and theory has opened big strategic opportunities:

Research-intensive universities rarely host such a close combination of subjects at scale. Meanwhile, independent art schools struggle to get access to cognate research disciplines. By contrast, the College has landed significant grants in areas such as Artificial Intelligence, thanks to our inherent interdisciplinarity and access to the University research framework.

This is illustrated by the Institute of Design Informatics, which sits between the College and the University's School of Informatics. It aims to make a difference to society through computational and design thinking, creating systems for better human / data interaction, in health, culture, mobility and finance.

This management overhead is one reason why mergers and acquisitions appear to occur more frequently than shared services amongst small providers. About 40 per cent of the members of Universities UK's Specialist Institution Forum are the product of mergers, with others having dabbled. Equally, generalist institutions routinely acquire specialists.

Despite the risks, mergers and acquisitions is a legitimate stratagem for ambitious institutions. Smaller institutions

need partners to achieve the step change that wealthier institutions fund through capital and borrowing. For example, Regent's University London agreed to be acquired by Galileo Global Education in 2020, thereby transforming their cost base, digital and back-office capabilities in the teeth of the pandemic. Meanwhile, medical and agricultural specialists are attractive elements of a multi-faculty institution. St George's, University of London, remains among the few remaining independent medical specialists, despite merger discussions in 2008 and 2021 with Royal Holloway, University of London. Royal Holloway felt the merger would have 'accelerated our ambitions in health'.³³ St George's needs a second site if it is to grow, as its Tooting campus is entirely hemmed in by terraced housing. Understandably, the University is understood to remain open to merger.

Merger decisions are more usually driven by financial distress than by strategy. As we have seen, small institutions operate on lean budgets, particularly when focused on the domestic market. Without enough income to cover their cost base, they cannot invest in measures to improve their position, such as new courses, new sites, digital capabilities or redundancies. Where financial reserves have been eroded, the institution poses a bigger risk to the acquiring partner and will have limited ability to negotiate objectives or protections for their teaching ethos, staff and brand.

Partnerships and mergers involving specialisms

Specialist-to-generalist

- UCL: After recent mergers, the School of Slavonic & East European Studies and the School of Pharmacy retain

their identities but not their independence. UCL has taken a different path with the Institute of Education, gradually tapering down the Institute's brand identity (now IoE – Faculty of Education & Society) in favour of the parent brand.

- Partnerships short of full merger safeguard independence and identity, as when the Royal Veterinary College, SOAS and St George's joined the University of London and as in the 10-year alliance between the Courtauld Institute and King's College London.³⁴

Generalist-to-specialist

- In recent years, the identities of Manchester School of Art and Nottingham School of Art and Design have been resurrected by Manchester Met and Nottingham Trent.

Specialist-to-specialist

- Cranfield University, the University for the Creative Arts, Falmouth University and Trinity Laban all suppressed the identity and independence of constituent institutions during mergers.
- BIMM University achieved university status in 2022 after 40 years, its seven constituent colleges retaining their identities but not their independence.³⁵
- UAL has taken a hybrid approach, slimming 11 different colleges down to six over 30 years: Central Saint Martins alone is made up of four colleges. Where UAL retained identities, it granted a measure of autonomy without independence to its constituent colleges (contrary to popular belief, UAL is not a federation).

- The Conservatoire for Dance and Drama was a near miss. Between 2001 and 2022, it formed and failed to sustain a collegiate structure for eight conservatoires. It foundered partly on the question of independence.
- For obvious reasons, identity also disappears at market exit, as when Academy of Live and Recorded Arts students were absorbed into Rose Bruford in April 2022.

Joint ventures

- Manchester School of Architecture was established in 1996 between Manchester Metropolitan University and the University of Manchester. This united two schools with more than 100 years' experience, but did not cut them loose: students still have access to the facilities and resources of both parent institutions.
- Brighton and Sussex Medical School was formed in 2003 as a new institution by the University of Brighton and the University of Sussex. Again, students have access to both parent institutions.

While independence is not essential, some autonomy is important to maintain identity, pedagogy and reputation. Those benefits are created by organisational strategy, including academic initiatives, brand strategy, attention to institutional culture and league table criteria, whether the institution stands alone or as part of a larger provider. For example, alumni loyalty tracks with identity, as UAL realised when, following merger in 2003, it dispensed with the identity of Byam Shaw School of Art, James Dyson's *alma mater*.³⁶ Dyson went on to make the largest single private donation in

the history of the Royal College of Art, where Dyson had also studied, and which is UAL's principal competitor at the top of the global league tables.

What factors decide whether an institution loses or retains its identity following a merger? The key consideration, once again, appears to be scale. It is complex and expensive to maintain two brand identities, and very hard indeed to accommodate two cultures and pedagogical methods inside a small organisation. In broad terms, mergers between smaller institutions in higher education seem to result in change or loss of identity, whereas larger institutions can afford a hybrid strategy if they choose to take it.

Institutions should not be afraid to aim for significant scale through partnerships and mergers. Specialist or, more properly practice-based education, does well in both small, agile providers and at larger scale, whether in specialist institutions (as at UAL) or in multi-faculty contexts (as at RMIT, the well-known Australian technology, design and enterprise university). It is not necessarily restricted to certain types of provider or subject area, even if it originated in disciplines where substantial experience in practice is required for registration to practise. It is deployed in world-class interdisciplinary institutions and across STEM subjects. Parsons School of Design in New York is ranked third in the QS World Rankings in its field while being part of a multi-college university, the New School. In Finland, Aalto University – sixth in the same table in 2022 – was established in 2010, from the merger of universities of Technology, Economics and Art and Design. Very large institutions such as MIT in the USA and Politecnico Milano in Italy are practice-intensive or practice-active. These institutions are produced by a policy environment

that is sympathetic to practice-based education at any scale, small or large. UK institutions deserve the same attention.

Conclusion

UK higher education is often said to be very diverse, but that is not true. As things stand, all the most important rewards accrue to big institutions with similar characteristics.

Being small is punitively hard due to one-size regulation, lack of economies of scale, and challenges in maintaining skills and knowledge. Being specialist is equally thankless, undermined by a misunderstanding of the pedagogy as purely vocational, and by the sector's preoccupation with subject rather than pedagogy. These are not the hallmarks of a healthy sector.

Diversity is the key to innovation, dynamism and renewal in higher education. To achieve it, we need to find ways to ensure that all providers can respond flexibly at their current scale or grow rapidly, depending on the nature of the opportunity. We need to recognise and value the qualitatively different and globally relevant benefits of practice-based education.

We need new typologies and evidence-based definitions, especially in England now that all providers are gathered for regulatory purposes for the first time under one roof at the OfS. Institutions should be defined in terms of their approach and outputs, not their business model.

Setting aside all other arguments, these are often wonderful providers. They deserve to be understood on their own terms and for their potential, not as the etcetera category in sector strategy. We need to release them from the chokehold and recognise a major new category in our sector: the practice-based provider.

Recommendation 1: Sector and funding bodies should adopt the OfS's *Provider typologies 2022* as the basis for a common typology to create diversity and increase business dynamism.

Recommendation 2: The OfS should change its regulatory approach to ensure regulation does not reinforce advantage for larger and more general providers. As part of this, it should adopt an additional measure (under Key Performance Measure 11) on the proportional impact of the regulatory burden by size of institution on small and medium size providers.

Recommendation 3: Sector bodies should review and consolidate good practice schemes, ensuring that – taken together – they do not act as a barrier to good practice by small providers.

Recommendation 4: Government policy should change to include a consistent, adequate, enduring and straightforward premium to recognise the full cost of teaching practice-based subjects, in order to provide sustainable paths to growth. The Government should also consider measures to provide capital funding or access to bond markets where credit constraints and market failure exist.

Recommendation 5: Small providers and specialist providers should work together in more structured ways, to improve their resilience and participation in sector initiatives.

Recommendation 6: Practice-based education should be formally recognised as a whole-of-education approach to teaching and research founded in applied research and informed by industrial application. Institutions might be described as practice-intensive or practice-active, depending on their level of engagement with practice.

Recommendation 7: Policymakers and the sector should standardise definitions in line with international norms:

- measures of size (small, medium and large) should be based on common numerical thresholds of enrolment and / or turnover; and
- use of the term 'specialist' in official communications and policy should be discontinued - it should be replaced with (a) 'special focus' to describe institutions which focus on a limited number of subjects and (b) practice-based, as above.

Recommendation 8: The sector should commission a review of how identity, excellence and organisational culture are secured during partnerships and mergers. This might be led by Universities UK and the Committee of University Chairs with support from GuildHE and Conservatoires UK, as vice-chancellors and governors represent the key decision-makers on mergers and acquisition.

Afterword

Carol Rudge, Partner and Head of Not for Profit and Education at HW Fisher LLP

I am really delighted to be involved in this report, as the small and specialist market (however that may be defined) within the higher education sector is where we are focusing our knowledge and expertise, recognising the importance of this group of institutions.

The report makes for bleak reading for this population in terms of where they sit in the higher education sector. It highlights the difficulty that the sector has in identifying them as a collective, and as a result, they often need to deliver in similar ways to large institutions with greater resources at their fingertips. This feels unfair. David and Goliath spring to mind, but of course David won. In particular, with an ever-increasing regulatory burden it is a real worry that smaller institutions have to spend a greater proportion of their time meeting requests, whereas larger bodies have teams of people to carry out the same requirements.

That said, the innovative nature of a specialist institution can be a tremendous advantage which perhaps comes from a culture where great emphasis is placed on the nurture of the individual, and thus innovation is easier to tease out. Research shows us that across all types of business, where cultures of inclusion are well established, innovation comes more naturally as individuals are given the opportunity to speak up and share ideas and given the environment to feel comfortable in making mistakes. Learning from what went wrong creates better innovation and decision making. Thus this feeling of belonging is immensely important and must be cherished.

It is interesting though that the innovative culture is against a backdrop of having less diverse governing bodies, particularly across gender and younger representation. With diversity, inclusion and belonging being increasingly on everyone's mind, displaying diversity at the highest governance level must be a priority – although, of course, recruiting for diversity is only the first step as without inclusion (with everyone being visible and heard) and belonging (with everyone being treated and feeling like a full team member), it will not be possible for everyone to contribute to their fullest potential.

Thus how can this diversity imbalance be addressed? The report states that small institutions need to work harder to attract trustees of the calibre, diversity and experience to hold the executive fully to account. The thorny issue of paying governing body members may raise its head again but this, should it become the norm, may disadvantage smaller organisations as clearly their pockets are much less deep. For instance, in the housing sector, payment is widespread but less so in smaller organisations. It is also hard to say that payment will improve governance but non-empirical evidence often states that it might improve diversity, which in turn may then improve governance. However, many are firmly against payment voicing the voluntary lay member ethos as being important.

In my view, it is an area which is worth careful consideration at least in part to ensure the sector is not disadvantaged by changing practices elsewhere; clearly though it will be vital that this is not to the detriment of the smaller organisations which would be my fear.

I hope that the issues raised in this report will continue to be debated and we can fast forward to a more inclusive landscape where these excellent institutions are given the recognition they deserve.

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