National Centre for Universities and Business

Skills and talent 2025

KEY POLICY SHIFTS IN 2025

JANUARY 2026

2025 was an important year for skills and talent policy in the UK. In England, skills reforms were introduced through Skills England and the publication of the Post-16 Education and Skills White Paper, while in Wales, Scotland and Northern Ireland, devolved policymaking led to distinct approaches being taken.

The briefing compliments a separate document on policy changes to research and innovation, which you can find here.

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Introduction

Throughout 2025, the UK Government's focus on economic growth framed many of its interventions in skills and talent policy.

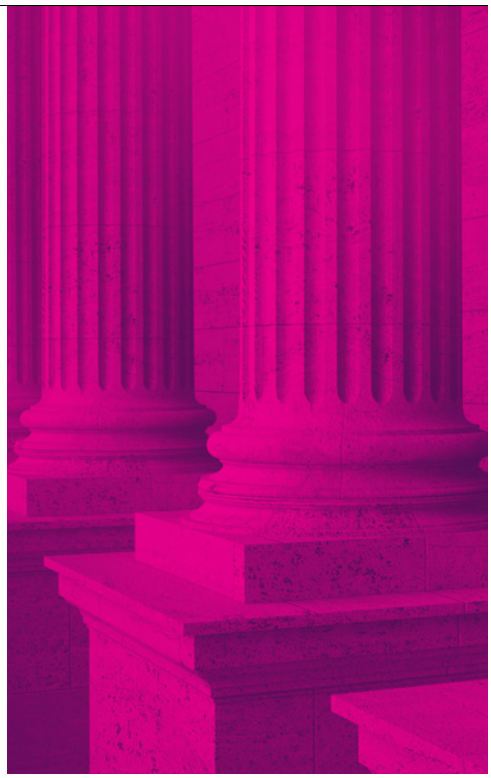
The UK Government concentrated on addressing the skills gap, to better connect education to economic growth and job creation. Across each of the UK's nations, the narrative around skills and education changed, signalling a shift towards education systems that are more joined up, which balances technical and academic routes, and which creates pathways for lifelong learning providers to engage employers. In England, the Government proposed that the education system also be responsive to place, with greater emphasis on English devolution suggesting greater differentiation within the system, as combined and strategic authorities consider how skills align with their individual Local Growth plans.

These concepts were cemented in a number of strategic documents. The Industrial Strategy and its associated Sector Plans for the eight priority sectors (IS-8) over summer, and the Post-16 Education and Skills White Paper in autumn established a common narrative. They pointed to changes needed across the education system to enable access to talent and deliver the Government's Growth mission. Notably, while the Industrial Strategy and Sector Plans were UK-wide strategies, the Post-16 Education and Skills White Paper proposed reforms to the English education system only. This left devolved governments with the question of whether they wanted to adopt similar reforms, and if so, the challenge of resourcing and delivering them in their own nations.

Looking forward to 2026, the UK Government will move from strategy and proposed reform, to delivery and actual change. This briefing considers three main drivers of reform in 2025 – Government priorities, the supporting ecosystem and policy levers – before reflecting on the strength of the proposed reforms, including how well-equipped universities and business are to support in delivery.

Government priorities

A pro-growth mindset



Growth was at the heart of UK Government policy in 2025 and shaped the skills agenda, from decisions about how to identify and provide the skills needed to deliver the Industrial Strategy, to how to upskill the existing workforce to boost productivity and grow the economy.

Growth also shaped the UK Government's decisions about where to invest, against a backdrop of financial and operational pressures and constraints for both businesses and universities. With many navigating big changes and financial sustainability challenges, regardless of size and specialism, business and university leaders looked to the Government for solutions. However, inherited financial challenges meant the Government had to make difficult choices and prioritise its investment into skills.

While announcements to establish new Technical Excellence Colleges in the Industrial Strategy were welcomed by the Further Education (FE) sector, the Higher Education (HE) sector faced a more mixed set of policy announcements throughout the successive Spending Review and Autumn Budget allocations. These prevented any single university from a market exit but did little to alleviate the financial sustainability challenges the HE sector is facing, and little to encourage greater university-business collaboration to develop talent.

The Post-16 Education and Skills White Paper made it clear that with little financial headroom, Government sees universities in England being jointly responsible for their financial security, asking them to focus on their strengths, to specialise and collaborate, and align what they do closely with the needs of the country. Specialisation and alignment are themes that cross over into R&D policy and are explored in a complementary briefing.

Building a domestic talent pipeline

Skills policy was also influenced by long-term priorities, including reducing net migration and developing resilience in the face of global challenges. What emerged throughout the year was a clear focus on developing domestic talent. This could be read implicitly in the Immigration White Paper, published in May, which announced Government's intention to revise visa routes to attract highly skilled workers while making it more challenging for lower-skilled workers to enter the UK. To provide the access to talent that employers across the UK rely on, Government's Post-16 Education and Skills White Paper made it a priority to address the challenge of 16 to 24-year-olds currently not in education, employment or training (NEETs). It introduced a target of two-thirds of young people participating in higher-level learning – academic, technical or apprenticeships – by age 25. Meanwhile, the Industrial Strategy further linked interventions to expand opportunity and support NEETs to delivery of the strategy. Acknowledging that two-thirds of the additional jobs in the priority occupations needed to deliver the Industrial Strategy will require qualifications at level 4 and above,[1] the Government made tangible links between its Opportunity and Growth missions.

1 *Assessment of priority skills to 2030 - GOV.UK*

Future-proofing the workforce

The Industrial Strategy and the Post-16 Education and Skills White Paper both made the case for futureproofing the workforce, as an additional way of ensuring the UK labour market's resilience to anticipated, as well as unforeseen, shifts and disruptions. In practical terms, this included upskilling the existing workforce as well as focussing on new entrants. Specific non-fiscal levers included skills portability – for instance supporting career transitions to Clean Energy with skills passports – and greater employer buy-in for small, modular courses, enabled by changes to the Growth and Skills Levy.

Devolution

Place was a cross-cutting theme that intersected much of Government policy in 2025. In the last month of 2024, Government published the English Devolution White Paper. This advanced a framework for transferring powers over skills to local authorities in England, giving combined authorities and mayors greater control over post-16 education and training, and involving some devolution of post-16 education and skills funding.

Details of how this could work appeared in the Post-16 Education and Skills White Paper. Local Skills Improvement Plans (LSIPs) underwent major updates, with clearer guidance from Skills England for the 2026-2029 cycle, focussing on stronger collaboration between stakeholders, including universities and local employers, and providing more detail on implementation plans and priorities.

Meanwhile, across Wales, Scotland and Northern Ireland, the devolved governments grappled with how to interpret policies and strategies designed by the UK Government and apply them to their contexts, across landscapes with different delivery agents and budgets. Under these constraints, devolved governments also had their eyes on upcoming elections in 2026, understanding the need to demonstrate a strong vision for skills and growth to the electorate.

Supporting ecosystem

The labour market

UK Government policy in 2025 rightly identified that in order to connect education to economic growth and job creation, it would need to be equipped with robust evidence about the labour market. Throughout the year there were significant data releases from Government, as well as other stakeholders, to support policymaking.

One priority was to conduct benchmarking exercises, in order to understand where policies could be most effective. Evidence from the UK-wide 2024 Employer Skills Survey (DfE) showed that while headline measures of skills shortages have eased overall, smaller employers continue to face disproportionately high recruitment difficulties. In 2024, 27 % of all UK vacancies were classified as skills-shortage vacancies, down from 36 % in 2022, but still above the 22 % recorded in 2017, pointing to persistent structural mismatches in the labour market.[2]

Disaggregating by firm size revealed a clear two-tier pattern. Larger employers (100+ employees) saw the share of skills-shortage vacancies fall from around 34 % in 2022 to 19 % in 2024, while the smallest firms (2–4 employees) continued to report the highest concentration of skills-shortage vacancies at 42 %, unchanged from the previous survey. This suggests that micro and small firms are least able to compete for skilled talent, lacking the recruitment resources, training capacity, and networks that larger firms typically have.

These patterns underlined the need for targeted skills interventions for SMEs, including improved labour market intelligence to better signal employer demand, expanded work-based learning pathways, and stronger employer–university collaboration to help smaller firms access skills pipelines and co-create relevant provision. Without such targeted support, skills shortages among SMEs may continue to constrain productivity, innovation and growth across key sectors.

Complementing this employer-reported evidence, Skills England's Occupations in Demand 2025 analysis highlighted where labour-market pressures are most acute.[3] It identified 62 occupations in critical demand, showing consistently strong signals across indicators such as job adverts, wages and working hours. Together, these roles account for over five million workers, around one in six people in employment. Demand is concentrated in health and social care, digital and ICT, and business and professional services, reflecting both long-standing workforce challenges and structural economic change. Crucially, many occupations in critical demand do not require a traditional university degree: over half typically need post-compulsory or technical education. While not a direct measure of shortages, this analysis provides a valuable indicator of sustained recruitment pressure and reinforces the case for apprenticeships, further education and flexible skills pathways aligned to labour-market need.

Taken together, the evidence pointed to a labour market that is easing overall but becoming more uneven. While headline skills shortages have fallen from their post-pandemic peak, micro and small firms continue to face acute challenges in recruiting and retaining staff, reflecting weaker bargaining power, limited training capacity and thinner connections to skills pipelines. At the same time, NCUB's Collaboration Progress Monitor[4] shows encouraging growth in work-based learning, particularly higher and degree apprenticeships, suggesting that universities are increasingly acting as anchors within local and sectoral skills ecosystems. This points to a system that is adapting, but not evenly.

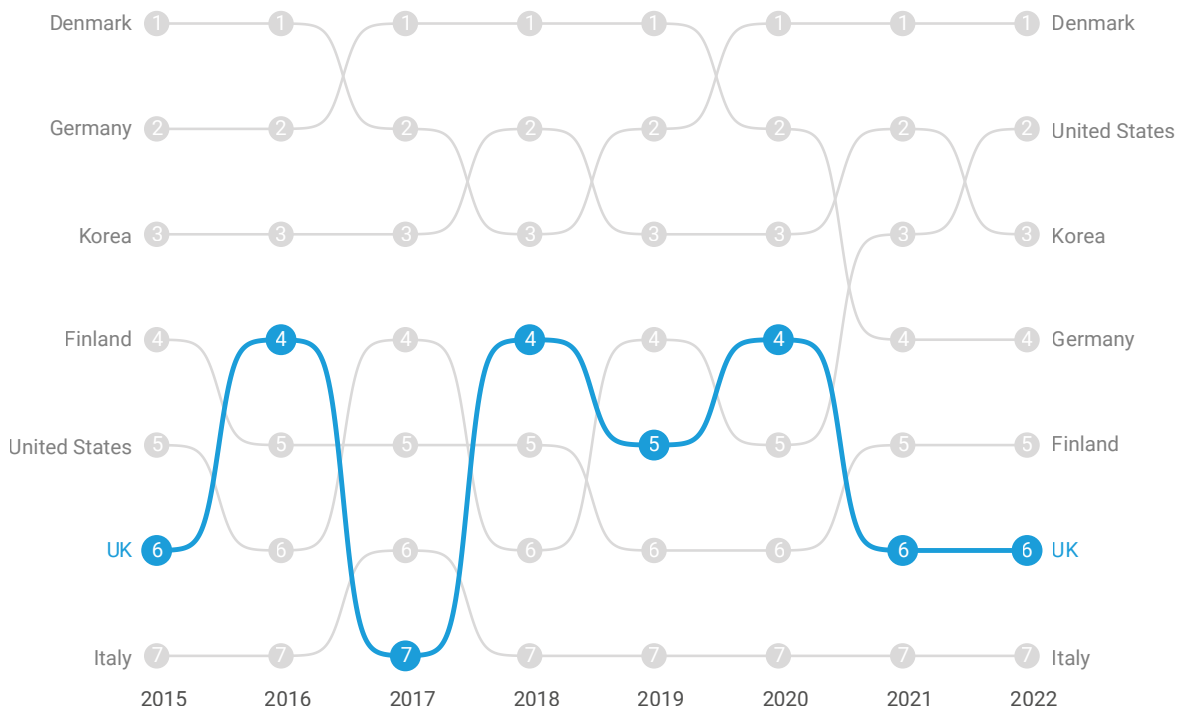
2 Employer Skills Survey: Department for Education (DfE), July 2025: https://explore-education-statistics.service.gov.uk/find-statistics/employer-skills-survey/2024
3 Skills England analysis of Occupations in Demand 2025: https://explore-education-statistics.service.gov.uk/find-statistics/occupations-in-demand/2025
4 See NCUB (2025) State of the Relationship report: https://www.ncub.co.uk/wp-content/uploads/2022/10/6574_NCUB_State_of_the_Relationship_2025_ff.pdf

Against this backdrop, 2025 saw significant change in approaches to institutional support for skills, with reforms increasingly reflecting a whole-ecosystem perspective. This marked a shift towards more integrated tertiary education models, in which universities, further education providers, employers and local actors are expected to play more coordinated roles in skills planning and delivery.

Placed in international context, these domestic trends point to a more nuanced picture of UK performance. NCUB's international benchmarking analysis showed that across a focussed set of advanced-skills indicators, the UK typically ranks fifth or sixth out of seven comparator economies (See **Figure 1**).[5] While the UK performs strongly in attracting international postgraduate talent, it shows weaker outcomes on domestic STEM intensity, private-sector absorption of advanced graduates, and wage and employment returns to higher qualifications.

These results should be interpreted with caution: the UK has one of the highest shares of tertiary-educated adults in the OECD, which can dilute average wage and employment premiums and reflects breadth of participation rather than poor skills quality. Domestic evidence reinforces this interpretation. Labour-market pressures have eased from post-pandemic peaks, proficiency gaps are at their lowest level since 2017, and graduate employment and satisfaction remain high. At the same time, the rapid growth of degree apprenticeships and other work-integrated pathways points to a structural shift towards skills development models more closely aligned with employer demand. Taken together, the evidence suggests a system that is strong in participation and resilience, but is still facing challenges in translating advanced skills into private-sector utilisation and productivity gains, underscoring the importance of policies that strengthen employer engagement, skills absorption and sustained university–business collaboration.

Figure 1. Skills outcomes rank over time, based on average across metrics



Source: NCUB (2025).
Note: Data which is missing for a year are imputed using the average value of a given country in all other available years. The ranking comprises 8 components and 40 indicators. See online appendix for more details.

5 *Based on NCUB (2025) State of the Relationship report. Further details in Global benchmarking framework: methodological note: https://www.ncub.co.uk/insight/companion_note/*

Changes to departmental remit

Despite extensive ministerial changes associated with the Cabinet reshuffle, Jacqui Smith maintained her position as skills minister, most likely due to her strong reputation in the field. Her portfolio, however, was split between the Department for Education (DfE) and Department for Work and Pensions (DWP) with key elements of skills strategy (and funding) moving to DWP. This change is linked to the Government's focus on workforce productivity and growth and was cautiously welcomed by the FE sector as a way of better foregrounding skills demand rather than supply.

By bringing skills policy closer to labour market reform and welfare, the Government is seeking to improve employment outcomes. However, there is a risk that these benefits will be short term and detract attention and resources from interventions designed to deliver higher skills. The changes ultimately further distance the skills portfolio from higher education.

There are also likely to be some interesting questions arising from the fact that, in contrast to DfE, DWP currently has a UK-wide remit. This could add further layers of confusion – or it may in fact provide an opportunity for better coordination across devolved nations.

Skills England

Given the need for robust data, Skills England was a crucial actor in the skills ecosystem in 2025. Skills England was formally established by DfE in 2024 as a new national body to oversee and simplify England's skills system, bringing together government, employers, training providers, and unions to address skills gaps and drive economic growth. Initially introduced in shadow form alongside its predecessor, the Institute for Apprenticeships and Technical Education (IfATE), it took over responsibility gradually, with full establishment completed by summer. Skills England's remit is intentionally significantly wider than that of IfATE, covering wider skills planning and demand analysis.

Its strategic goals include:

- Addressing skills shortages to support productivity and regional economies.
- Reducing duplication and complexity in training pathways.
- Anticipating emerging needs, such as AI and digital skills, ensuring the workforce is prepared for long-term challenges.

Skills England now provides national leadership on post-16 education and training in England, aligning skills provision with the Government's industrial strategy. In 2025 it conducted national assessments of skills needs, so that qualifications and training are designed to meet labour market demand.

Skills England also coordinates Local Skills Improvement Plans (LSIPs), creating a coherent national network that reflects regional priorities, and manages access to training funded by the Growth and Skills Levy (formerly the Apprenticeships Levy), ensuring resources are directed to areas of greatest need.

Skills England was initially led by Richard Pennycook as interim chair, with oversight from the Department for Education. By June 2025, Skills England became an executive agency of the Department for Education, with Phil Smith CBE appointed Chair. In early September responsibility for Skills England was moved into the Department for Work and Pensions following changes associated with a Cabinet reshuffle which had broader implications for skills policy.

Wales

While the Welsh Government was concerned with the same broad priorities as the UK Government in 2025 – addressing the skills gap and supporting workforce development – its interventions addressed participation challenges acute to Wales. The percentage of Welsh domiciled 18-year olds entering higher education in 2023/24 was 29.9%, compared to 49.5% in London, 40.2% in Northern Ireland and 38.5% in South East England. Increasing numbers of students from England choosing to study in Wales masked participation challenges among Welsh domiciled young people.

The Welsh Government also grappled with significant regional disparity within Wales, especially amongst the most deprived (IMD category Quintile 1). Quintile 1 young people in South Wales were more likely to access higher education than quintile 1 young people in North Wales. Patchy participation rates have a negative impact on businesses' ability to hire, exacerbating regional skills gaps.

These challenges were a significant driver for the 2025 Senedd Children, Young People and Education Committee inquiry into routes into post-16 education and training. The committee's findings will be discussed as part of a plenary debate, scheduled for February 2026, before recommendations for Government and Medr are proposed, and Welsh-specific reform is taken forward.

2025 was a transitional year for Medr in Wales. It moved from being a new regulator to a body actively designing a comprehensive regulatory and funding system. In February the body set out its strategic plan to 2030. Through consultations and principle-based reforms, Medr has set the stage for a fully operational framework in 2026 that will govern registration, funding, and quality assurance across Wales's tertiary education sector.

Scotland

While early 2025 did not involve significant changes to the skills supporting ecosystem in Scotland, later in the year progress was made towards passing The Scottish Tertiary Education and Training (Funding and Governance) bill into law. This bill redesigns the skills landscape, simplifying the funding system for post-16 education and skills in Scotland, so that funding for colleges, universities, national training programmes and apprenticeships sits with the Scottish Funding Council (SFC), enabling Ministers to make holistic decisions about where funding is allocated. The bill aims to make the system more coherent and transparent for employers, allowing them to feed into funding priorities via a proposed apprenticeship committee and SFC consultations.

The Scottish Government also advanced reforms on regional skills planning. A new model was set out in 2025 that assigns the Scottish Government with oversight and policy leadership, Skills Development Scotland with responsibility for skills needs assessments, and the Scottish Funding Council with provision planning and reporting. All processes will be co-designed with stakeholders, and a mechanism for independent review will be established.

Continued policy churn?

Many of the changes to the skills ecosystem in 2025 have been welcomed, but there are concerns that they represent yet more policy churn, after years of major changes to the skills system that have been difficult for stakeholders to keep up to date with.

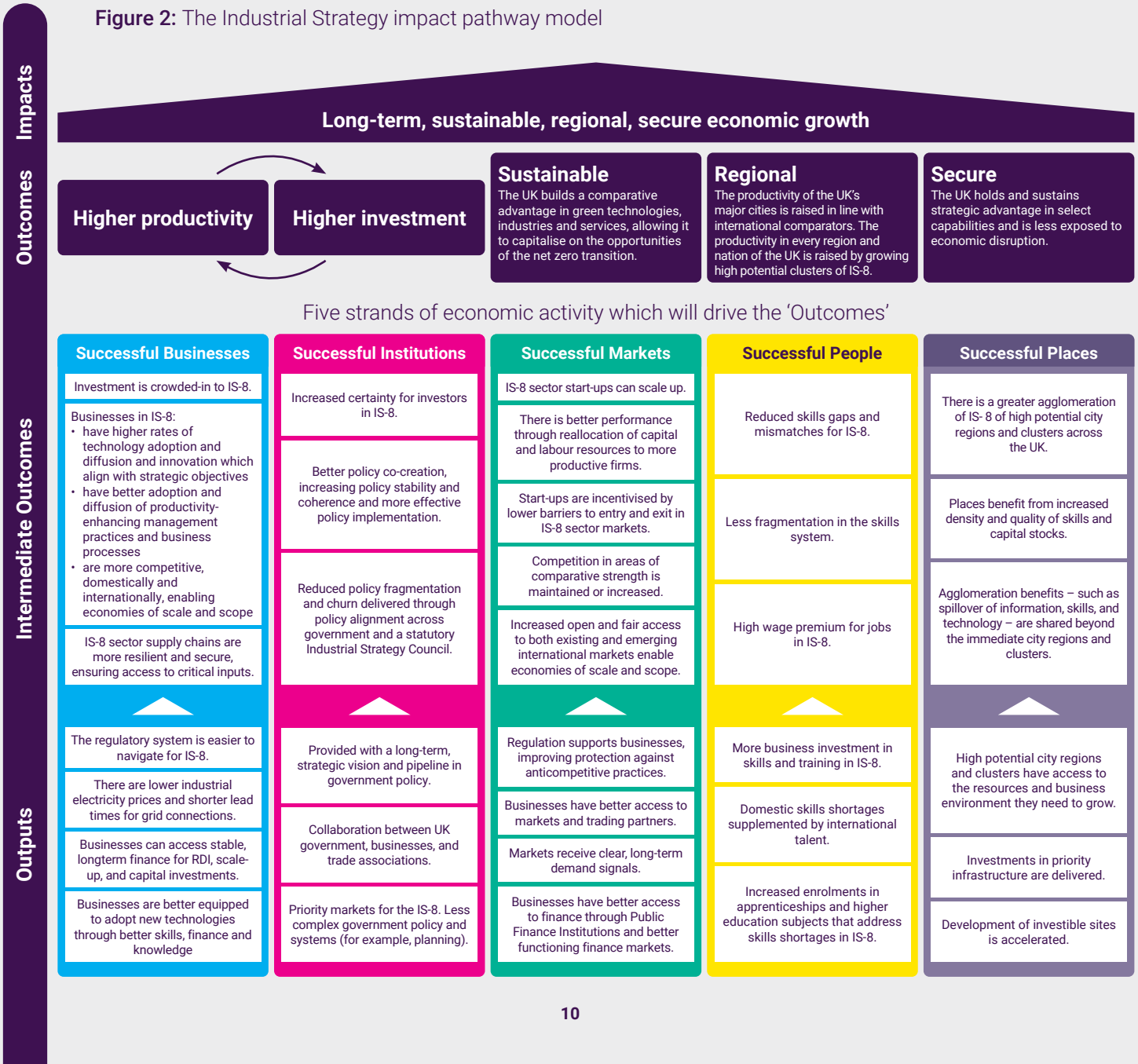
There is a risk that this will continue to confuse business stakeholders, many of whom do not have the dedicated resources required to continually engage with all the changes. This is particularly the case for small businesses. This is challenging at a time when private sector investment in skills continues to fall.

Policy levers

Industrial Strategy

The UK Government's ambition for long-term, sustainable economic growth, as defined in the Industrial Strategy, relies on higher productivity and higher investment, which in turn relies on "successful people". Access to talent was a pillar of the Industrial Strategy's impact pathway model, with greater business investment in skills and training and increased enrolments in apprenticeships and HE expected to reduce skills gaps or mismatches, and drive a higher wage premium for jobs in the IS-8 (**Figure 2**). The Industrial Strategy advocated for an alignment and simplification of the skills ecosystem to achieve this, expanding the role of Skills England to provide the data needed to restructure a fragmented system. Other policy interventions included enhancing business mobility routes and improving workforce diversity, again thematically connecting Opportunity to Growth.

Figure 2: The Industrial Strategy impact pathway model



While simplification and alignment were buzzwords within the strategy, it was noticeable that the overall package of incentives to boost skills across the IS-8 was wide and will require a considerable number of delivery partners. Each sector plan has its own interventions and accountable government departments. For example, the flagship Digital and Technologies skills programme, TechFirst, sits with the Department for Skills, Innovation and Technology (DSIT) and contains multiple programme streams, designed to target learners throughout all stages of the skills system: TechYouth for young people in schools and FE colleges; TechGrad and Semiconductors scholarships at the Undergraduate level; Spärck AI scholarships at the Postgraduate level; TechExpert and Turing AI fellowships for doctoral students; Turing AI Global Fellowships to attract international research talent; and TechLocal grants for local businesses and innovators. There is a question whether this broad range of incentives impacts the ability to evaluate how talent is attracted and retained, which may impact Government's ability to scale successful interventions.

Perhaps aware of this, the Government did identify foundational skills that will be needed across multiple priority sectors, such as AI and digital skills. Analysis suggests 7.3 million people lack the essential digital skills required for the workplace.[6] The Industrial Strategy, therefore, introduced policy levers at both the national and local level to upskill workforces in AI and digital, with a focus on SMEs and mid-career professionals.

Changes to technical education

Where the Industrial strategy introduced the mechanisms to deliver technical education expansion, the Post-16 Education and Skills White Paper explored demand for it in England, and the levers available to encourage individuals to choose to study qualifications at a higher technical level (levels 4 and 5). Government identified barriers to, and within, technical education pathways and resolved to make pathways clearer and, "underpinned by qualifications that are easier to study close to home, which are both modular and flexible." Flexibility was a key area of reform for Government, and this direction of travel will continue to shape skills provision in the next year.

The Lifelong Learning Entitlement (LLE)

In the Post-16 Education and Skills White Paper, Government committed to replacing the HE student finance system in England with the Lifelong Learning Entitlement (LLE) from academic year 2026/27 for subject groups that align to the IS-8 or address priority skills gaps. The LLE will give new learners access to tuition fee loans for 4 years' worth of education and training and returning learners a reduced residual entitlement to use across their working life. It can be allocated to modules rather than full qualifications, to allow for the delivery of more flexible courses in a wide range of qualifications which meet the needs of the economy. Learners will be able to move between universities, colleges and training providers, building up qualifications over time.

The LLE demands interoperability of credits across HE and FE providers, and it remains to be seen whether either sector is sufficiently resourced to handle the potential burden of delivery. A consultation will begin in 2026 to explore introducing new "break points" within degrees, which will provide an opportunity to explore the preparedness of universities. What is also undetermined is the extent to which Government sees the LLE as an important piece of the puzzle for futureproofing the workforce. Despite commitments made,

6 lb-consumer-digital-index-2024-report.pdf

Government's investment decisions in 2025 typically directed funding towards younger people to improve early career prospects and reduce youth unemployment. The decision to defund Level 7 apprenticeships for most learners aged 22 and above is an example of this. Where upskilling and retraining is concerned, Government expects business to invest in their workforce. Therefore, while skills providers are expected to work out the mechanisms for delivering flexible and modular education, if Government are only willing to pull non-fiscal levers for returning learners who are already in the workforce, there will need to be sufficient incentives for industry to invest.

The Growth and Skills Levy

The Growth and Skills Levy, which was introduced in April 2025 to replace the Apprenticeships Levy, is Government's answer to this incentivisation issue. Wider in remit than the previous levy, the Growth and Skills Levy can be used to provide funding for short courses so that employers can upskill their staff in a more agile and rapid way than enrolling them in a full apprenticeship. This may make investing in training more favourable for employers.

Reforms to the apprenticeship system, outlined in detail post-Autumn Budget, also looked at demand from the perspective of industry. Of the £725 million package, which is focussed on encouraging 50,000 more young people through the system, a fair amount is allocated to industry-side levers, to ensure the right conditions are in place for businesses to take on young apprentices. For instance, the reform package will support small and medium-sized businesses to access apprenticeship schemes by removing the 5% co-investment rate.

Attracting international talent

Despite a focus on domestic talent and a target to reduce net migration figures, UK Government policy throughout the past year has acknowledged that it takes time to build, and guide people through, a talent pipeline, and in some cases international talent is needed to fill immediate industrial needs. To this end, the Industrial Strategy committed to add occupations crucial to the delivery of the Industrial Strategy to the Temporary Shortage List, to avoid visa restrictions for specific roles and skillsets. The Temporary Shortage List will be reviewed in Spring 2026 where the need for welders; laboratory, computer-aided design, IT, and engineering technicians; and data analysts will be assessed against progress in developing the skills base in the domestic workforce.

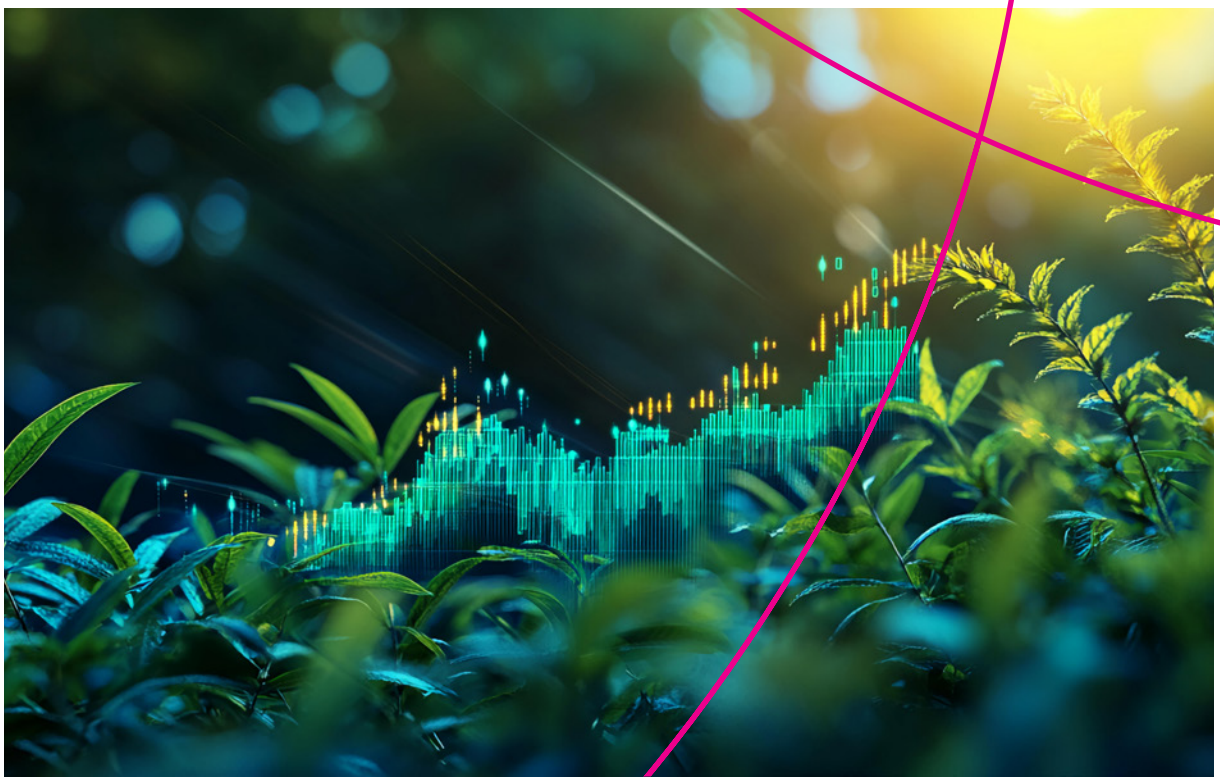
The Industrial Strategy also made some provisions for attracting research talent, with a £54 million Global Talent Fund introduced to encourage 10 world-class researchers and their teams to the UK, and Turing AI 'Global Fellowships' for overseas researchers, providing £25 million of multi-year funding for academics to build teams and conduct groundbreaking AI research at UK universities. Outside of these specific schemes, widespread changes to the visa system (including removal of dependents for students at Master's level on a Student Visa; duration reduction of the Graduate Visa; and rising salary thresholds impacting eligibility for the Skilled Worker Visa) have otherwise damaged access to international talent.

Initially put forward in the Immigration White Paper in May, Government spent the rest of 2025 exploring the mechanisms for an international student levy (ISL), with the aim of reinvesting money into the domestic skills pipeline. While the ISL will not be applied to universities in the devolved nations, the policy is likely to further impact the flow of international talent to the UK. Announced during the Labour conference and detailed in the Autumn budget, the levy will consist of a flat fee of £925 per student per year of study to be implemented from 2028/29, with the fee waived for the first 220 international students English universities recruit, to allow for administrative burden and student attrition. Government's modelling suggests universities will be able to pass this cost onto international students by increasing tuition fees, but this assumes stable demand. Universities that are unable to increase fees or sustain recruitment, particularly those in the 'squeezed middle' i.e. universities who are neither small specialist providers, nor research intensive institutions, may be worst affected by falling demand, financial pressures, or both.

In an astute move, Government conceptually linked the ISL to greater support for wider access – which is politically popular with MPs – and funding to support enhanced student experience – which the HE sector has been lobbying for. The levy will fund means-tested maintenance grants for domestic students studying priority subjects linked to the IS-8, alongside supporting progression through the post-16 system, and wider skills. As a result, it is increasingly difficult to argue against the introduction of the ISL, and instead discourse is shifting to how funds raised by the levy can have the greatest impact. According to some, Government's current plans, including quantity of maintenance grant support available and restrictions on eligibility, will result in limited impact.

The levy will need to be legislated before it can formally be introduced. Draft legislation will be published during 2026, allowing for technical consultation ahead of the levy's inclusion in a Finance Bill. A consultation focussed on the design of the levy closes in February 2026 and offers an opportunity to raise concerns about unintended consequences the levy may have on the behaviour of students and providers. NCUB will be responding to this consultation and encourages its members to respond in parallel.

NCUB reflections



Financial sustainability challenges in the HE sector

As we move from strategy to implementation in 2026, there are risks associated with the reforms proposed across the various strategic documents published in 2025. Most notably, the resources available to support the delivery of Government's vision of a coherent skills-driven education system. For businesses, continued financial pressures may disincentivise investment into training and into collaboration to nurture talent. Meanwhile, the challenges for the university sector are particularly acute. For universities in England, it is not clear that index-linked tuition fee increases will sufficiently address the HE sector's financial pressures when all other policy choices, such as the ISL are taken into account. For universities in the devolved nations, the increasing alignment of funding to UK government priorities is a concern. For example, in Wales where many universities specialise in the social sciences, which are not explicitly linked to the IS-8.

45% of English universities are expected to report a deficit by July 2026,[7] and there are no indications that the financial sustainability of the sector will improve. Indeed, surveys by the Innovation and Research Caucus reflect that 72 of 74 university respondents believe that financial sustainability challenges are systemic and the business model of the sector is unsustainable.[8] While financial sustainability challenges have not yet resulted in widespread cuts to HE provision of skills, redundancies, recruitment freezes and retrenchment across research activities have had a marked impact on the university workforce, including early career researchers. The scale of this impact is yet to be explored. The mobility of researchers from industry to academia may also have been limited by financial constraints, challenging the cohesion of a skills system which engages business and universities equally.

7 Significant challenges continue to face higher education finances – with nearly half facing deficits in 2025-26 - Office for Students
8 IRC-Report-University-Financial-Health-and-Implications-in-England-Wave-1-FINAL-Nov-2025.pdf

Where universities did report actual or planned departmental closures in 2025 to the Innovation and Research Caucus, this was most common among medium and low research intensity universities. This is the same section of the sector which are modelled to be hardest hit by the proposed ISL, suggesting further cuts on the horizon. Notably, many universities did not reduce investment into the student experience or access and participation in 2025. With the reintroduction of maintenance grants on the table, albeit in a limited way, and further constraints to HE finances, there is a risk that the HE sector places the onus back on Government to realise its Opportunity mission and takes a step back, which will have significant impact on the Government's ambitious participation targets.

NCUB will explore whether risks to the financial sustainability of universities will lead to behaviours that limit the intended impact of the ISL within our response to the upcoming consultation on the levy. NCUB will also underscore the importance of international talent to UK businesses and to R&D, exploring whether increased tuition fees for international students, or the very discourse of a levy, could further harm international recruitment. We will also be closely reviewing the International Education Strategy, published in January 2026, which outlines how universities will be supported to recruit international students moving forwards.

Specialisation

Government's expectation that the HE sector focus on specialisation – with individual institutions carving out their niches rather than being broad generalists – is significant and raises many questions for skills policy in 2026. This will be a key area for NCUB over the coming year as we grapple with the opportunities and risks associated with specialisation, and ask whether specialisation should be left to emerge organically or needs to be intentionally shaped. If specialisation involves strategic decisions, university-business collaboration and strategic partnerships may be one of the ways that universities choose to distinguish themselves from other education providers. Given universities' roles as anchor institutions and local economic actors, it is critical that businesses understand and help shape this trajectory.

Cohesion

Government's ambition for a cohesive tertiary system has been well supported by Skills England as the authoritative voice on skills in England. However, a concern remains about whether the work of Skills England aligns with the work of devolved equivalents, to ensure that employers across the UK can access the talent they need to drive growth. Further, there are questions at a UK level about whether government departments themselves are joined up enough in policymaking. Despite the machinery of government changes earlier in the year linking the DfE to the DWP, and therefore better connecting education to the workforce skills agenda, there are clearly gaps in engagement between the different parts of Government which look at the skills system from different perspectives.

The Industrial Strategy looks at the skills system specifically from a growth perspective. However, there has been a proliferation of skills initiatives emerging from the strategy and the challenge is how to make the system cohesive and easy for employers to engage with.[9] Cohesion between departments needs to be strong to ensure that incentives for business investment into skills development are effective. The Growth and Skills Levy promises greater SME engagement in apprenticeships, but more may need to be done to move the dial on investment across larger organisations.

Impact

Monitoring and evaluation will become increasingly important as we move to the delivery stage of reform. As noted, the number of programmes, funds and incentives proposed across the various strategic documents in 2025 will result in a lot to monitor and evaluate. NCUB's State of the Relationship report, a longitudinal piece of work measuring university-business collaboration, will provide us with the ability to benchmark and monitor progress. From 2026 onwards we aim to work closely with Industrial Strategy Council secretariat to support the monitoring and evaluation of Industrial Strategy related programmes, including by providing qualitative data to complement the quantitative data that they have access to. It will be equally important that we can work with Skills England and devolved equivalents to provide nuance to their quantitative data.

9 https://www.ncub.co.uk/insight/collaboration-for-future-skills/

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For further information

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