# English universities face financial crisis amid calls for collaboration and accountability



The financial landscape for English universities is facing a significant upheaval, a situation described as stemming from a "failed free market experiment." This crisis has seen forecasts that three-quarters of universities could be operating at a loss by the academic year 2025-2026, with around 10,000 jobs reported to be at risk. In an environment where a select few institutions receive undisclosed bailouts, the need for a collaborative response from the government, universities, and regulatory bodies has become increasingly urgent.

The origins of this market predicament can be traced back to 1998 when undergraduate tuition fees and student loans were introduced, intended to support the then Labour government's goal of increasing participation in higher education (HE) to 50% of young people. A pivotal moment occurred in 2012 when tuition fees were tripled to £9,000, coupled with the removal of the cap on student numbers the following year. While these policies were not inherently problematic, their unchecked implementation has led to considerable financial challenges.

Universities responded to these changes by aggressively expanding, leading to a significant increase in undergraduate enrolments that met the government’s target by 2020. However, many institutions, buoyed by the prospect of continued growth and relatively stable economic conditions, began to incur debts by leveraging their assets instead of building financial reserves against future economic fluctuations. Oversight from governing bodies proved insufficient, with little pushback against ambitious vice-chancellors.

On the regulatory front, universities, while autonomous, received substantial financial support from the government—amounting to £1.5 billion in grants and over £20 billion in annual student loans. This financing placed a duty on the government to ensure prudent financial management, a role initially performed by the Higher Education Funding Council for England. In 2018, this role transitioned to the Office for Students (OfS), which carries the mandate to monitor financial sustainability in universities. However, the OfS took time to establish its functions and remained in a preparatory phase for two years, limiting its capacity to intervene effectively.

As data emerged indicating that a degree was not a guaranteed pathway to employment for every graduate, the sector had opportunities to recalibrate. Instead, a 2019 joint paper from the Department for Education and the Department for International Trade encouraged institutions to increase the number of international students by a third over a decade, highlighting this as a lucrative opportunity due to the significantly higher fees paid by international students. This push led universities to quickly meet and even exceed the targets set.

However, subsequent government actions in response to rising net migration statistics linked to incoming international students have added further strain. In 2023, the government imposed restrictions on international students bringing family members into the UK, and a rapid review of graduate visas was initiated, creating an uncertain environment for prospective students and impacting enrolment figures.

The immediate financial crisis can largely be attributed to soaring inflation rates, increased interest rates, and a prolonged freeze on tuition fees. Recommendations from a review panel, which suggest replacing tuition fees with increased grant funding, have been put forth. Yet, the underlying structural issues also demand attention.

To create a more sustainable financial environment, proposals include implementing inflation-linked fee increases alongside grant adjustments, ensuring transparency from universities regarding employment outcomes for graduates. A call for a departure from a one-size-fits-all model towards greater collaboration and differentiation among institutions is also emphasised. Furthermore, a renewed emphasis on lifelong learning could help address declines in adult education participation.

Additionally, the OfS requires both enhanced capabilities to identify financial mismanagement and stronger powers to intervene. Suggested measures include mechanisms to recoup vice-chancellor salaries in the event of financial crises, a concept which has found success in the financial services sector. In this evolving landscape, senior management in universities may need to be held accountable for both their successes and failures in governance and financial management.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.ft.com/content/7514ea72-70f8-469c-ac06-dbc82c993b39> - This article discusses the financial crisis in English higher education, highlighting that three-quarters of universities are projected to be loss-making by 2025-26, with thousands of jobs at risk. It attributes this downturn to a failed free market approach initiated in 1998 with the introduction of student tuition fees and intensified by the 2012 fee hike to £9,000 and removal of student number caps. Universities, encouraged to expand with little oversight, over-leveraged themselves and failed to build financial reserves. Weak governance and inadequate regulation by the Office for Students, which lacked the capacity to act early on financial warnings, exacerbated the situation.
2. <https://www.ft.com/content/b51294e2-bcc3-4ec7-b9f5-3c82ca76b3df> - This article reports that the UK's higher education sector is facing a deteriorating financial outlook, increasing the risk of large providers declaring bankruptcy. Since the beginning of the year, universities have announced layoffs to counteract declining international enrollments and rising labor costs, with more than 10,000 jobs at risk. The Office for Students (OfS) is intensifying efforts to address these risks by increasing engagement with university financial directors and lenders and improving data sharing on student enrollments. The government has provided an additional £1.5 million to support the sector's financial sustainability. Nearly three-quarters of institutions are expected to be in deficit by the academic year starting in September 2025, with 150 providers failing to meet international recruitment targets last year. The article calls for emergency funding from the government to prevent a catastrophe in the UK's education sector.
3. <https://www.ft.com/content/0ec7120a-5b78-43da-8016-0415dca99073> - This article describes the severe crisis facing UK's universities, likened to a tsunami, with significant redundancies being announced across numerous institutions. Financial issues have plagued the system, with the value of tuition fees declining substantially and increased national insurance contributions adding strain. Additionally, changes to visa rules have reduced the influx of foreign students who previously subsidized the system. The aggressive recruitment strategies of some prestigious universities have further strained the system, while centralized cuts and the elimination of non-lucrative subjects have exacerbated the situation. The result is a thinning of money-making departments and an increased financial burden on the remaining core functions. Emergency funding from Scottish and Welsh governments may only be a temporary solution, with potential institutional failures looming. The lack of strategic control has led to a disorderly retreat, hollowing out the country's academic base. The situation is likened to a failed laboratory experiment, with an urgent need for intervention and restructuring to avoid further collapse.
4. <https://www.ft.com/content/77f7f221-3c3b-4e02-b6fd-d4f764698e30> - This article reports that in 2024, more than a third of elite UK universities, part of the Russell Group, were compelled to enforce staff cuts, with severance spending rising by more than 20%. Around 10 of the 24 universities in the group initiated voluntary severance schemes, resulting in a collective payout of £70 million, a 29% increase from the previous year. The decline in international student enrollment significantly impacted the financial stability of these institutions. Course closures, travel bans, and staff redundancies were among the austerity measures implemented. Tim Bradshaw, CEO of the Russell Group, emphasized the need for government support to ensure financial sustainability. Meanwhile, sector experts expressed concerns about system-wide repercussions, with reduced staff morale being a notable issue. The drop in international student applications, exacerbated by policy changes and global competition, worsened financial strains, leading to an estimated £3.4 billion decline in net income across the sector by 2025-26. Institutions like Nottingham and Newcastle saw substantial rises in redundancy payouts due to measures aimed at maintaining financial stability.
5. <https://www.ft.com/content/b095805d-a069-432e-bf31-e4513fb2d2f2> - This article discusses Dundee University's severe financial crisis, risking insolvency by June 2025 without a £22 million bailout from the Scottish government. The university plans to cut 632 jobs, nearly a fifth of its workforce, and reduce academic offerings and research activities to address a projected £63 million budget deficit. The crisis stems from chronic underfunding of UK higher education, exacerbated by dwindling international student numbers, high operational costs, and poor financial decisions. An independent inquiry is investigating potential governance failures, including whether management concealed the severity of the crisis. Interim leadership highlighted poor oversight and mismanagement, while the University and College Union blames excessive spending and flawed projects, like a new admissions system, for the deficit. Staff morale is low, and students face uncertainty about program continuity. Critics are calling for a longer-term, less drastic recovery approach backed by additional government loans. The situation reflects broader challenges in Scotland’s tuition-free higher education model, which relies heavily on international fees and now faces added pressure from stricter immigration laws and currency issues, particularly affecting Nigerian student enrollment.
6. <https://www.ft.com/content/7514ea72-70f8-469c-ac06-dbc82c993b39> - Please view link - unable to able to access data