# UK universities face rising deficits as international student enrolment slumps



## UK Universities Face Deepening Financial Crisis

Universities in England are grappling with a significant decline in income for the third consecutive year, according to a recent report by the Office for Students (OfS). This trend raises concerns about the sustainability of many institutions as a reduction in international student enrolment is projected, forcing universities to implement drastic measures to counterbalance their budget deficits.

The OfS's annual financial health assessment has highlighted that nearly half of English universities are expected to report financial deficits in the coming academic year. This marks a stark increase from previous years; in the current year, 45.2% of institutions forecast losses, up from 29.6%. These financial struggles can be largely attributed to a failure in recruiting the anticipated number of non-UK students, with enrolment levels forecasted to be around 21% lower than initial projections for the 2024-25 academic year. Philippa Pickford, director of regulation at OfS, elucidated that "the financial challenges in the sector remain stark," with many institutions facing declining surpluses and increasing debt.

The shift in international student recruitment follows a series of legislative changes affecting immigration and visa policies, which have made UK universities less attractive to prospective overseas students. The government’s anticipated tightening of restrictions is expected to exacerbate these challenges further. This is critical given the reliance of many universities on the substantial tuition fees paid by international students to offset the financial shortfall stemming from domestic enrolment, which has remained static since tuition fees were frozen in 2017.

The University and College Union's general secretary, Jo Grady, has pointed out that the OfS report illustrates the intense financial pressure universities face, noting that approximately 10,000 jobs have been lost across the sector. Grady has called on the government to reconsider planned immigration policies that could deter international students. A recent poll indicated that 51% of British voters believe it is beneficial for international students to remain in the UK for work after completing their studies, signalling potential public backing for a more supportive stance from the government.

Given the grim outlook, the OfS forecasts that two-thirds of universities could be operating at a financial deficit by the 2027-28 academic year if no significant changes are made. The projected increase in domestic students does little to mitigate the risk, as it is largely overshadowed by declining international recruitment.

Financial pressures are compounded by a market system that many experts argue has led to unsustainable practices, including excessive borrowing and speculative investments in infrastructure. Introduced over 25 years ago, these market-driven reforms facilitated a reliance on rising international student numbers, which, having temporarily masked deeper financial problems, are now threatening institutional stability. A stark warning from the OfS suggests that without structural reforms and increased government support, the sustainability of the higher education sector is at significant risk.

Calls for reform are intensifying, with education expert Neil Smyth stressing the urgent need for government intervention to ensure financial stability across the sector. Following the financial troubles outlined in OfS reports, the government has pledged additional funding aimed at enhancing the sustainability of universities, yet this may be insufficient given the substantial constraints already faced.

The implications of a potential crisis within the university sector could extend beyond academia, threatening local economies that rely on their nearby institutions. With closures on the horizon, many community stakeholders remain anxious about the fallout, reinforcing the concept that the stability of universities is integral to broader economic health.

As universities navigate these turbulent times, accountability and governance must take centre stage. The OfS has hinted at potential regulatory changes designed to enhance oversight amid growing concerns over financial viability. This situation poses a critical juncture for the future of higher education in the UK, underlining a need for innovative funding models and strategies that can adapt to evolving global educational landscapes.

## Reference Map:

* Paragraph 1 – [[1]](https://www.theguardian.com/education/2025/may/08/uk-universities-income-falls-for-third-consecutive-year), [[2]](https://www.ft.com/content/6dbdfc60-9d83-48ff-9b34-db3ddd08d5b1)
* Paragraph 2 – [[1]](https://www.theguardian.com/education/2025/may/08/uk-universities-income-falls-for-third-consecutive-year), [[3]](https://www.ft.com/content/7514ea72-70f8-469c-ac06-dbc82c993b39)
* Paragraph 3 – [[2]](https://www.ft.com/content/6dbdfc60-9d83-48ff-9b34-db3ddd08d5b1), [[4]](https://www.ft.com/content/b51294e2-bcc3-4ec7-b9f5-3c82ca76b3df)
* Paragraph 4 – [[3]](https://www.ft.com/content/7514ea72-70f8-469c-ac06-dbc82c993b39), [[5]](https://theweek.com/education/uk-universities-why-higher-education-is-in-crisis)
* Paragraph 5 – [[4]](https://www.ft.com/content/b51294e2-bcc3-4ec7-b9f5-3c82ca76b3df), [[6]](https://www.lemonde.fr/economie/article/2024/09/29/au-royaume-uni-certaines-universites-risquent-de-ne-pas-passer-l-hiver_6338294_3234.html)
* Paragraph 6 – [[1]](https://www.theguardian.com/education/2025/may/08/uk-universities-income-falls-for-third-consecutive-year), [[2]](https://www.ft.com/content/6dbdfc60-9d83-48ff-9b34-db3ddd08d5b1)

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## Bibliography

1. <https://www.theguardian.com/education/2025/may/08/uk-universities-income-falls-for-third-consecutive-year> - Please view link - unable to able to access data
2. <https://www.ft.com/content/6dbdfc60-9d83-48ff-9b34-db3ddd08d5b1> - Nearly half of England’s higher education providers anticipate reporting a financial deficit in 2024-25 due to lower-than-expected international student recruitment, according to the Office for Students (OfS). This marks a continued decline in financial health, with 45.2% of institutions forecasting losses, up from 29.6%. The OfS calls for significant structural reforms to restore sector sustainability. The government’s potential overhaul of the graduate visa route could further destabilize the sector by weakening its global appeal. Universities UK International urged the government to uphold support for international students. The 2023-24 academic year saw a 15.5% drop in overseas student numbers, with a further decline predicted. Despite financial strain, some institutions remain optimistic, projecting a 20% increase in international students by 2027-28. The OfS warns, however, that such projections may be overly ambitious, posing risks to institutional stability. Financial pressures are exacerbated by static tuition fees, inflation, and higher costs, prompting closures, redundancies, and expense reductions. Experts like Neil Smyth emphasize the urgent need for government intervention to provide financial stability. Education Secretary Bridget Phillipson acknowledged the troubling figures, reinforcing the need for further reforms and institutional financial accountability.
3. <https://www.ft.com/content/7514ea72-70f8-469c-ac06-dbc82c993b39> - The English higher education system is facing a financial crisis due to flawed market-driven reforms initiated over 25 years ago. The introduction of tuition fees in 1998 and their tripling in 2012, coupled with the removal of the student cap, encouraged universities to expand unsustainably. Many institutions over-leveraged through debt and asset sales without building reserves, and governance failed to provide sufficient oversight. A shift toward recruiting international students—driven by government incentives and the promise of higher fees—temporarily masked underlying problems. However, recent curbs on international student migration and economic downturns in key markets have significantly reduced this revenue stream, exacerbating financial instability. Currently, three-quarters of English universities are expected to be loss-making by 2025-26, with secret bailouts and 10,000 jobs at risk. The lack of robust regulation and accountability, particularly from the Office for Students, further contributed to this collapse. To address the crisis, the government must provide inflation-linked funding increases, while universities must adopt more transparent and adaptive operational models, improve governance, and prioritize lifelong learning. Accountability measures, such as pay clawbacks for failing vice-chancellors, are also recommended to align leadership responsibility with institutional performance.
4. <https://www.ft.com/content/b51294e2-bcc3-4ec7-b9f5-3c82ca76b3df> - La perspectiva financiera para las universidades del Reino Unido se ha deteriorado, aumentando el riesgo de que un proveedor grande se declare en bancarrota, según el regulador universitario. Desde principios de año, las universidades han anunciado despidos para contrarrestar la disminución de inscripciones internacionales y los crecientes costos laborales, con más de 10,000 empleos en riesgo. La Oficina para Estudiantes (OfS) está intensificando sus esfuerzos para enfrentar estos riesgos, aumentando su interacción con los directores financieros universitarios y los prestamistas y mejorando la compartición de datos sobre las inscripciones estudiantiles. El gobierno ha proporcionado 1.5 millones de libras adicionales para apoyar la sostenibilidad financiera del sector. Se espera que casi tres cuartas partes de las instituciones estén en déficit a partir del año académico que comenzará en septiembre de 2025, con 150 proveedores que no cumplieron con los objetivos de reclutamiento internacional el año pasado. Finalmente, se insta al gobierno a proporcionar fondos de emergencia para evitar una catástrofe en el sector educativo del Reino Unido.
5. <https://theweek.com/education/uk-universities-why-higher-education-is-in-crisis> - UK universities are facing a financial crisis due to freezes in tuition fee levels, declining international student numbers, and rising costs. Nearly 40% of England's universities are expected to run budget deficits this year, with some potentially closing if they do not drastically cut costs or merge. The current funding models, implemented in 2012, have caused a real-terms drop in income, particularly as tuition fees have been frozen since 2017. The reliance on international student fees has also become problematic, as visa restrictions have led to fewer enrollments. Many universities have announced staff redundancies and course closures to cope with the financial strain. The recent tuition fee hike is expected to provide negligible net gain. Potential government actions include further tuition fee increases, more grants, increasing overseas students, or a combination of these measures. However, any closures could significantly impact local economies, making it likely that the government will prevent institutions from failing altogether.
6. <https://www.lemonde.fr/economie/article/2024/09/29/au-royaume-uni-certaines-universites-risquent-de-ne-pas-passer-l-hiver_6338294_3234.html> - En 2024, environ 40 % des universités britanniques sont en déficit, et trois à quatre institutions risquent la faillite, selon l'Office for Students et l'University and College Union. Les universités britanniques, ayant emprunté massivement à taux bas pour des investissements passés, peinent désormais à rembourser leurs dettes. En conséquence, le secteur engage des réductions de coûts, avec environ 70 universités ayant déjà procédé à des licenciements et des suppressions de cours. L'université Kingston de Londres a notamment supprimé 70 programmes. La baisse des revenus résulte principalement des frais universitaires figés à 9 250 livres par an depuis 2017 malgré une inflation élevée. Les universités ont tenté de compenser en attirant des étudiants étrangers, mais cette tendance a été freinée en 2024 par des restrictions gouvernementales et la dégradation de la conjoncture économique mondiale. Avec une aide publique représentant seulement 25 % de leur financement, les universités britanniques dépendent principalement des frais de scolarité des étudiants. Le gouvernement travailliste actuel, cherchant à combler son déficit budgétaire, a déclaré ne pas vouloir secourir les institutions en faillite.