# Universities face rising deficits amid sharp fall in international students



Universities in England face an escalating financial crisis, prompting calls for greater transparency regarding their use of public funds. Skills Minister Baroness Jacqui Smith recently articulated the government’s concerns, suggesting that many institutions have “lost sight” of their responsibilities to both students and taxpayers. The remarks follow alarming statistics indicating that nearly half of universities are expected to operate at a deficit in the coming year, driven primarily by a significant drop in international student recruitment.

In her piece for The Sunday Telegraph, Baroness Smith remarked on the considerable investment students make in their education and urged universities to clarify how their considerable revenues are allocated. She noted, “Universities have huge revenues and must be more transparent about where this money is going.” This sentiment is timely, as institutional financial health continues to deteriorate, with the Office for Students (OfS) highlighting that 43% of higher education providers are headed for deficits in 2024/25, a rise from 40% the previous year.

The root causes of this financial strain are multifaceted. A significant factor is the unexpected decline in international student numbers, which universities have relied upon to balance budgets in recent years. This decline was exacerbated by previous government policy shifts and changes in visa regulations that have deterred potential overseas applicants. With nearly a quarter fewer visa applications for study compared to the prior year, and a dramatic 83% drop in applications that include dependants, institutions are facing an immediate financial threat.

Baroness Smith's statements reflect a broader trend within the sector. Education Secretary Bridget Phillipson previously announced an increase in undergraduate tuition fees—set to rise from £9,250 to £9,535 from the 2025/26 academic year—in an effort to secure higher education’s future. In her comments, Phillipson expressed the expectation that universities demonstrate tangible benefits to students as they navigate this increase. “We will expect the higher education sector to demonstrate that, in return for the increased investment that we are asking students to make, they deliver the very best outcomes,” she said.

In response to financial pressures, many institutions have begun implementing drastic measures, such as staff layoffs and the closure of underperforming courses. Notably, significant cutbacks in nursing programmes threaten to undermine the pipeline of registered nurses critical to both the NHS and social care sectors, as emphasised by the Royal College of Nursing. The OfS is preparing for the possibility of larger institutional failures and is working closely with select universities whose financial viability is in doubt. “If it was a large institution that fails, our ability to secure good outcomes for students is quite low,” said Philippa Pickford, who underlined the importance of having measures in place to protect vulnerable students.

As the OfS calls for urgent structural reforms to ensure long-term sustainability, university leaders are cautiously optimistic about recovery. However, forecasts suggesting a rebound appear overly ambitious, with the OfS expressing concerns about projected growth figures for both domestic and international student entrants.

These challenges coalesce into a pressing need for universities to reassess their funding strategies and align them with their core missions as education providers. Given the weight of responsibility they hold in shaping both the economy and society, the government’s insistence on accountability and performance will likely shape the future landscape of higher education in England. The situation necessitates a dialogue between universities and policymakers to restore trust and secure the future of the educational landscape.

### Reference Map

1. Paragraph 1: 1, 2
2. Paragraph 2: 1, 4
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5. Paragraph 5: 1, 4, 2
6. Paragraph 6: 1, 3, 5
7. Paragraph 7: 1, 2, 4

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## Bibliography

* <https://www.irishnews.com/news/uk/universities-must-be-more-transparent-with-public-money-skills-minister-says-K4BFPNYT2FPTFELV2B7QF7GH5A/> - Please view link - unable to able to access data
* <https://www.theguardian.com/education/article/2024/may/16/universities-in-england-risk-closure-with-40-per-cent-facing-budget-deficits-report-office-for-students> - A report by the Office for Students (OfS) reveals that 40% of universities in England are expected to run budget deficits, with some institutions facing potential closure. The OfS highlights the sector's overreliance on international students to compensate for declining domestic student fees, urging universities to diversify their funding models to ensure long-term sustainability.
* <https://www.theguardian.com/education/2025/feb/01/quarter-of-leading-uk-universities-cutting-staff-due-to-budget-shortfalls> - A significant number of leading UK universities are implementing staff cuts due to budget shortfalls. The Royal College of Nursing expresses concern over the impact on nursing courses, emphasizing the potential threat to the pipeline of registered nurses into the NHS and social care sectors.
* <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, primarily due to lower-than-expected international student recruitment. The Office for Students (OfS) calls for significant structural reforms to restore sector sustainability and warns that the government's potential overhaul of the graduate visa route could further destabilize the sector.
* <https://www.ft.com/content/7514ea72-70f8-469c-ac06-dbc82c993b39> - The English higher education sector is facing a severe financial crisis, with projections indicating that three-quarters of universities will be operating at a loss by 2025-26. This situation stems from a flawed implementation of a market-driven model in education, initiated with the introduction of tuition fees and student loans in 1998, and aggravated by the 2012 fee hike to £9,000 and deregulation of student numbers.
* <https://www.ft.com/content/0ec7120a-5b78-43da-8016-0415dca99073> - The UK's universities are undergoing a severe crisis, 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.
* <https://www.ft.com/content/b095805d-a069-432e-bf31-e4513fb2d2f2> - Dundee University is grappling with a 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.