University Financial Health and Implications in England: Wave 1

June 2025: Report for Research England and DSIT

Professor Tim Vorley and Professor Stephen Roper

Oxford Brookes University and Warwick University

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Executive Summary

It has been widely reported that a significant proportion of UK universities face serious financial challenges. However, we possess little robust information on how this affects investment decisions, the maintenance and development of university services, and future planning.

Therefore, the central focus of this project is to provide consistent, timely, and representative information on the impact of financial stringency on universities' investment and planning decisions. How is financial stringency within the institution affecting activities in the current financial year? Where are these current spending cuts being felt – in specific faculties, services, or staffing? If there are capital impacts, how does this influence investment activity? Is this affecting institutions' support for research, commercialisation, and innovation activities?

Data were collected through interviews with Chief Financial Officers (CFOs) or the financial leads of HEIs in England. Structured telephone interviews were subsequently conducted with interviewees between March and May 2025. Further surveys are planned for the summer and late autumn of 2025.

Of the 133 HEIs in England included in the survey, 74 were interviewed, resulting in an overall response rate of 56.1 per cent. Among the respondents, 63 (85.1 per cent) held positions as either CFOs or Directors of Finance. Response rates varied by the type of institution, as illustrated below, which employs TRAC Peer Groups to classify different types of institutions.

Survey coverage by TRAC Peer Groups

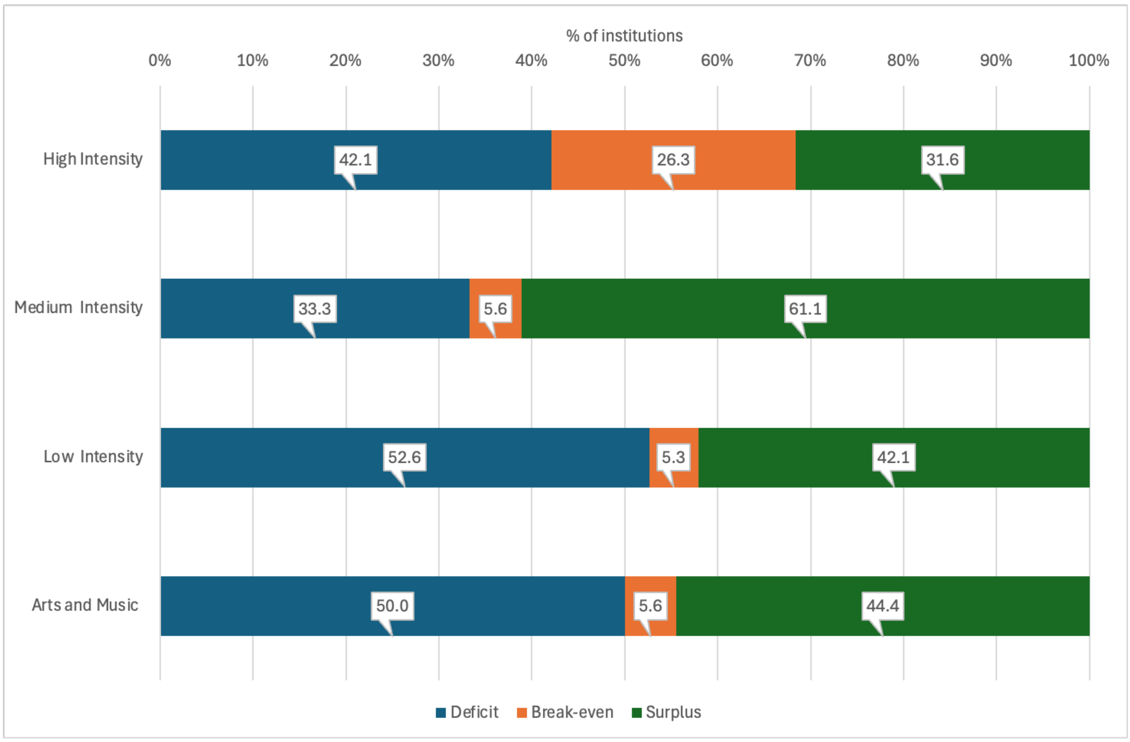
Type of institutions	Responses	Target Group	Response Rate
High Research Intensity (Group A)	19	25	76.0%
Medium Research Intensity (Groups B and C)	18	34	52.9%
Low Research Intensity (Groups D and E)	19	54	35.2%
Arts and Music (Group F)	18	19	94.7%
Total	74	132	56.1%

The main text's results focus on the summary groups listed in the table above. Detailed responses for individual TRAC groups can be found in Annex 2 of the main report.

Financial challenges and their causes

Overall, we observe significant differences in the financial positions of UK HEIs, both between and within TRAC groups. Similar factors are contributing to deficits and diminished operating surpluses. See below:

Current operating position of respondents by TRAC group



Where deficits occur, there is a commonality in the factors driving these within TRAC groups; however, the origins of financial weakness differ markedly between the groups. In particular, the decline in foreign tuition fees, which dominates discussions in High Research Intensity Universities. This issue is less significant elsewhere, where estate and staff costs are more critical exacerbated by the lack of international students. UK tuition fees decline is widely cited among specialist Arts and Music institutions as a major financial challenge.

All institutions identifying a decline in foreign tuition fees as an issue reported reduced student numbers as a concern, alongside other domestic factors such as costs and visas. Interestingly, 81.5 per cent of respondents also noted increased international competition, indicating that the drop in international tuition fees is not solely a domestic issue. Similar issues have been reported in US, Canada and Australia universities.

Managing deficits or declining operating surplus

Sixty-three institutions (85.1 per cent) reported an operating deficit, broke even, or had a reduced operating surplus in the year of the survey. This represented the majority of institutions in each TRAC group. This section focuses on the financial and operational strategies that these institutions have adopted.

Only a very small proportion of institutions in a deficit or reduced surplus position (4.9 per cent) increased borrowing over the past year. Approximately a quarter of institutions sought to sell assets or land, a proportion similar across TRAC groups. More than three-quarters of institutions aimed to develop additional revenue streams.

The survey asked about the impact of the financial situation on several areas of current activity:

- ***Courses offered*** - only a small number of institutions reported actual or planned departmental closures, which was most common among Medium and Low Research Intensity Universities. More institutions of each type reported that financial stringency was encouraging new course offerings rather than reducing the range of courses they offered. This was evident in both undergraduate and postgraduate courses offered.
- ***Staff recruitment and retention*** - almost half of those institutions with deficits or reduced operating surpluses have implemented voluntary redundancy programmes for academic and other staff. These programmes are more common among Medium- and Low-Research-Intensity institutions and less common among specialist Arts and Music colleges. Compulsory redundancy programmes, implemented by around a fifth of all institutions, were also most common in Medium and Low Research Intensity institutions. Around three-quarters of institutions with deficits or reduced operating surpluses have implemented restrictions on recruitment, with these being most common among High- and Medium-Research-Intensity institutions.
- ***Student services, student experience and support*** – most institutions had maintained spending on all aspects of student experience. More institutions were raising their support for diversity, inclusion, mental health, and wellbeing rather than reducing expenditure. Around a quarter of institutions reported reductions in career support and development, and academic development.
- ***Support for research*** – more deficit and reduced operating surplus institutions are reducing all categories of research support than increasing it. Support is being cut more widely in two specific areas: 35.6 per cent of institutions are reducing support for research facilities and equipment, and 36.8 per cent are reducing support for internal research consortia or research institutes. Interestingly, 18.0 per cent of institutions are increasing their funding of libraries and data services for research and teaching.
- ***Commercialisation and innovation activities***—where changes have been made, these are more likely to be increases in investment rather than decreases. 19.3 per cent of institutions increased their support for industrial collaborations and partnerships. The most common reductions in commercialisation spending were 18.6 per cent of institutions reducing their investments in early-stage businesses.
- ***Estates and physical assets*** - the proportion of institutions reporting reductions and increases in spending is significantly larger than in other expenditure categories. More than two-fifths of institutions reported reductions in maintenance of buildings and spending on new

buildings, with 37.9 per cent also reporting cutbacks in spending on research facilities and equipment. However, this is balanced by 52.6 per cent of institutions reporting increased spending on digital transformation and 31.7 per cent reporting increased spending on teaching and learning resources.

- ***Civic and regional roles*** **-** here, the most common changes were a reduction in support and sponsorship for non-university activities reported by 32.1 per cent of institutions and an increase in regional engagement by the university leadership reported by 29.5 per cent.

Of the institutions facing a deficit or reduced operating surplus, 58 indicated that the current financial situation had affected their financial and operational plans for the next three years. Among High Research Intensity Institutions, this financial situation is prompting a re-evaluation of both operational and structural plans.

Medium research intensity universities appear less focused on structural changes and more oriented towards organisational reorganisation, operational changes, and efficiencies. Low Research Intensity Institutions prioritise both cost efficiencies and a review of institutional structures and sustainability. Finally, Arts and Music colleges seem to concentrate on managing expenditure to align with income by reducing staffing and capital costs, as well as seeking economies wherever possible.

Managing a stable or increasing operating surplus

Eleven institutions reported a stable or increasing operating surplus. These eleven institutions (14.9 per cent of respondents) included four High and Medium Research Intensity institutions, one Low Research Intensity institution, and two Arts and Music colleges.

Even where institutions reported a stable or increased operating surplus, there is evidence of significant financial pressure reflected in staffing reductions and cost-cutting measures. Indeed, this group of institutions was planning very similar staff management strategies to those of institutions in a weaker financial position. However, for this group of universities, the scope for increased investment in supporting research and commercialisation was more apparent.

Implications for university leadership and the wider workforce

There was a widespread perception among all TRAC groups that university leadership teams have come under increased pressure and scrutiny, leading them to make some difficult decisions. A consensus emerged on the need for leadership teams to adopt a more short-term focus. These perceptions of how the financial situation impacts institutions' leadership teams were commonly shared across TRAC groups.

There was a strong perception that the financial situation – and presumably related staffing issues – were creating an increased workload, heightening job insecurity and contributing to poor mental health and well-being. Between 40 and 50 per cent of respondents reported diminished staff motivation, job satisfaction, and trust in university leadership.

An on-going crisis?

As part of the survey, respondents were asked whether they viewed the current financial situation as a ‘short-term challenge’ or a ‘systematic and longer-term issue’. Seventy-two of the seventy-four respondents indicated the latter. Explanations for this response shared a view that the current business model of the sector is unsustainable, with many respondents recognising the need for organisational and policy changes.

Ultimately, respondents were asked how effectively they believed governmental and regional stakeholders had supported the university. Sixty-two point two per cent of respondents regarded the support they had received as ‘not at all effective’ or ‘not effective’.

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Thank you

The Innovation & Research Caucus

Authors

- Professor Tim Vorley – Oxford Brookes University
- Professor Stephen Roper – Warwick University

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The IRC supports the use of robust evidence and insights in UKRI's strategies and investments, as well as undertaking a co-produced programme of research. Our members are leading academics from across the social sciences, other disciplines and sectors, who are engaged in different aspects of innovation and research system. We connect academic experts, UKRI, IUK and the ESRC, by providing research insights to inform policy and practice. Professor Tim Vorley and Professor Stephen Roper are Co-Directors. The IRC is funded by UKRI via the ESRC and IUK, grant number ES/X010759/1. The support of the funders is acknowledged. The views expressed in this piece are those of the authors and do not necessarily represent those of the funders.

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Contact: info@ircaucus.ac.uk

Website: https://ircaucus.ac.uk/