

INNOVATION & RESEARCH CAUCUS

UNIVERSITY FINANCIAL HEALTH AND IMPLICATIONS IN ENGLAND: WAVE 2

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The Innovation and Research Caucus 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 systems. 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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You are also welcome to email us if you have any questions about this report or the work of the IRC generally: info@ircaucus.ac.uk

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EXECUTIVE SUMMARY

Research aims and coverage

It has been widely reported that a significant proportion of UK universities are facing serious financial challenges. However, we have limited reliable information on how this affects investment decisions, the maintenance and development of university services, and future planning.

The primary aim of this project is to deliver consistent, timely, and representative information on how financial constraints affect universities' investment and planning choices. The project is founded on structured conversations with university leaders. This report compares responses to Wave 1 of the survey, conducted between March and May 2025, and Wave 2, conducted between January and March 2026. The timing of each survey falls in the middle of the financial year for most universities, by which time financial projections for the current period are likely to be most robust. The results provide an indication of the changing – and in some cases continuing – impacts of universities' financial challenges.

Data collection was conducted through interviews with Chief Finance Officers (CFOs) or financial leaders of HEIs. In Wave 1, out of the 132 HEIs in England included in the survey, 74 were surveyed, resulting in an overall response rate of 55.6 per cent. In Wave 2 (2026), 78 respondents participated, yielding an overall response rate of 59.1 per cent (see Table below).

Survey coverage by TRAC Peer Groups

Type of institutions	Target Group	2025		2026	
		Responses	Response Rate	Responses	Response Rate
High-research-intensity (Group A)	25	19	76.0%	19	76.0%
Medium-research-intensity (Groups B and C)	34	18	52.9%	19	55.9%
Low-research-intensity (Groups D and E)	54	19	35.2%	26	48.1%
Arts and Music (Group F)	19	18	94.7%	14	73.7%
Total	132	74	56.1%	78	59.1%

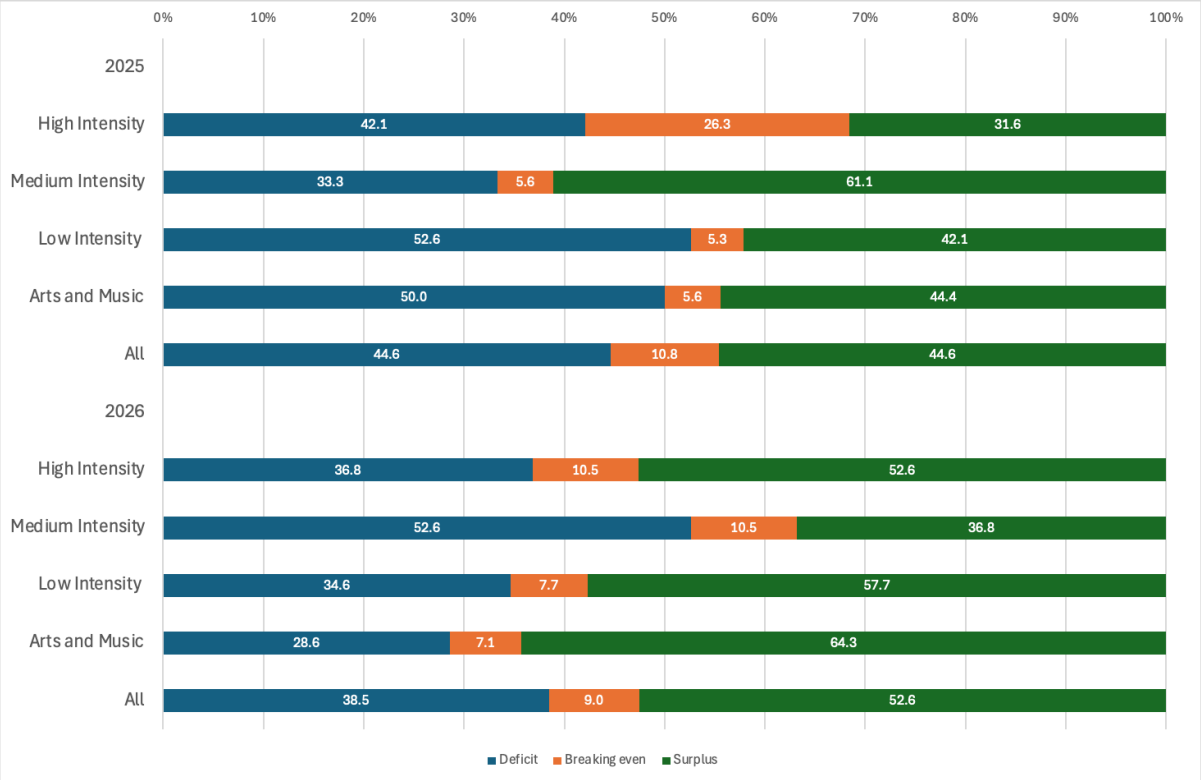
Financial challenges and their causes

Recognising that the group of respondents in 2025 and 2026 may include different institutions, in 2026, just over half of all respondents (52.6 per cent) reported having an operating surplus in the current operating year, compared to 44.6 per cent in 2025. The proportion of institutions reporting an operating deficit in the current year, decreased from 44.6 per cent in 2025 to 38.5 per cent in 2026.

High-research-intensity, low-research-intensity institutions, and arts and music colleges all improved their positions significantly (groups are defined in table above). However, the position of medium-research-intensity institutions deteriorated between 2025 and 2026, with 33.3 per cent reporting a deficit in operating year 2025 compared to 52.6 per cent in 2026 (see Figure below).

Although derived from different data sources these findings on the financial health of the sector are broadly consistent with those of the Office for Students.

Current operating position of respondents by TRAC group



Where deficits are occurring, there is a commonality in the factors driving these within TRAC groups (see Annex 1); however, the origins of financial weakness differ markedly across the groups. Among High-research-intensity universities in 2026, increases in staff costs (100 per cent) and lower income from international tuition fees (66.7 per cent) were the most commonly cited reasons for their financial positions, followed by under-recovery of research costs (55.6 per cent). Pension cost increases were not regarded as particularly significant here. Medium

and Low-research-intensity institutions considered pension costs an important factor. Specialist Arts and Music institutions viewed rising costs and pension expenses as significant, along with declines in UK fee income.

All institutions that identified a decrease in income from international tuition fees as a concern also reported reduced student numbers as an issue, along with other domestic factors such as costs and visas. Interestingly, 92.9 per cent of respondents also noted increased international competition, suggesting that the decline in international fee income is not solely related to domestic policy changes.

Changing spending priorities – deficit and declining surplus institutions

In this section, we focus on the financial and operational strategies adopted by institutions that had an operating deficit, were breaking even, or had a reduced operating surplus. These 53 institutions comprise the majority of respondents (67.9 per cent) to the survey and to each TRAC group. In 2026, the group of institutions with an operating deficit, breaking even, or experiencing a reduced operating surplus comprised 15 high research intensity institutions, 13 medium research intensity institutions, 15 low research intensity institutions, and 10 specialist arts and music colleges.

Only a very small proportion of institutions (3.8 per cent) in a deficit or reduced surplus position in 2026 had increased their borrowing over the past year (4.9 per cent in 2025). Around a third of institutions had sought to sell assets or land, a proportion that was higher in medium and low intensity universities. Notably, these proportions were higher than in 2025. As in 2025, more than three-quarters of institutions were seeking to develop additional revenue streams.

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

- ***Courses offered*** - About a fifth of institutions (18.9 per cent) reported the closure of specific departments in 2026, a slight increase from 13.1 per cent in 2025. Closure was more frequently reported in medium- and low-intensity universities, as in 2025. In 2026, more institutions of each type indicated that financial constraints were encouraging the development of new courses rather than reducing the range of available courses. This trend was seen in both undergraduate and postgraduate offerings. In 2026, 51.1% of universities were discontinuing some undergraduate programmes, and 74.5% were introducing new ones (2025: 28.8% and 60.0%). Similar proportions were observed in postgraduate programmes (57.7% and 74.5%) (2025: 34.4% and 65.6%). Both changes involved a greater number of institutions than in 2025 and suggest a restructuring of course offerings in a number of institutions.

- ***Staff recruitment and retention*** - Nearly two-thirds of those institutions facing deficits or reduced operating surpluses implemented voluntary redundancy programmes for academic (2025,47.5%, 2026, 62.3%) and other staff (2025, 45.9%, 2026, 56.6%). These programmes are more common among Medium and Low-research-intensity institutions. Compulsory redundancy programmes, implemented by approximately a

quarter of all institutions, were also most common in Medium and Low-research-intensity institutions. About three-quarters of institutions facing deficits or reduced operating surpluses have implemented recruitment restrictions, which are most frequently observed among High and Medium-research-intensity institutions.

- ***Student services, student experience and support*** – in 2026, as in 2025, most institutions had maintained spending on all aspects of the student experience. Scholarships and bursaries were one area of spending marked by considerable restructuring in both 2025 and 2026, with around half of institutions maintaining their investment, a quarter increasing investment and a quarter of institutions cutting back. Reductions in spending on career support and development in 2025 were largely halted in 2026. The most common spending reductions in 2026 were around extracurricular learning (27.9 per cent).

- ***Support for research*** – in 2026, more of these institutions were cutting support rather than increasing support across almost all research funding categories. The notable exceptions are support for developing research bids and support for developing corporate sponsorship. About one-fifth of institutions are reducing spending in nearly all research support categories, reflecting a similar trend to 2025.

- ***Commercialisation and innovation activities*** - most institutions with deficits and reduced operating surpluses continued their support for commercialisation and innovation activities in 2026. This reflected a mostly similar pattern in 2025. When changes occurred, they were more often increases in investment rather than decreases as universities seek to diversify and increase income. Notably, in 2026, 20.4 per cent of institutions were boosting their support for spinouts, while 18.8 per cent were increasing support for industrial collaborations and partnerships. The most common cuts in commercialisation spending in 2026 related to entrepreneurship centres and incubators (11.9 per cent).

- ***Estates and physical assets*** - In 2026, as in 2025, a much higher proportion of institutions report both spending increases and decreases in this area than in other expenditure categories. Around a third of institutions reported cuts in building maintenance, new construction, and research facilities and equipment. However, this is balanced by 53.8 per cent of institutions reporting increased spending on digital transformation in either programme delivery, student support or administration, a trend that continued from 2025.

- ***Civic and regional roles*** - In 2026, notable changes included a decrease in support or sponsorship for non-university activities reported by 19.1 per cent of institutions and an increase in regional engagement by university leadership reported by 18.1 per cent of institutions. Both of these shifts were similar to those observed in 2025.

Of the 53 institutions encountering a deficit or reduced operating surplus, 41 indicated that the current financial situation had affected their financial and operational plans for the next three years. Plans varied among institutions but commonly involved both changes to operational plans and organisational restructuring.

Changing spending priorities – institutions with stable or increasing surplus

Twenty-five institutions reported a similar or higher operating surplus than the year prior to the survey. This group comprises four high research-intensity institutions, six medium research-intensity institutions, eleven low research-intensity institutions, and four specialist arts and music colleges. To maintain the anonymity of these institutions, we only report aggregated results for the entire group of institutions in this section.

- ***Courses*** - Among surplus institutions, 18.9 per cent planned to close specific departments in 2026, showing a similar profile to the financially weaker institutions discussed earlier. Some organisations considered discontinuing and introducing new undergraduate and postgraduate programmes.
- ***Staffing*** - comparing staffing changes between institutions with stable or increasing surpluses and those with deficits or declining surpluses indicates some differences in their approach in 2026. Surplus institutions were more likely to have implemented voluntary redundancy schemes and placed restrictions on recruiting academic staff.
- ***Other spending changes*** - here, the profile is largely similar to that of deficit or break-even institutions. For example, for both groups, increasing spending on digital transformation was most common. Some differences are also evident, with surplus institutions being less likely to increase spending on supporting research bids (12.0 v 15.9 per cent).
- Despite their relatively positive operating position, many of the institutions with either stable or increased surplus indicated that the current financial situation was having significant effects on the organisation. This was common across all TRAC groups.

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. This was noted more frequently in high and medium research-intensity institutions.

There was some agreement on the need for a more short-term focus and that attitudes have become more risk averse. Nonetheless, there is no sense that university leadership teams have lost confidence in their ability to manage the situation. These perceptions of how the financial situation impacts institutions' leadership teams were largely consistent across TRAC groups.

There is a strong perception that the financial situation was creating an increased workload, heightening job insecurity, and contributing to poor mental health and wellbeing. 30-45 per cent

of respondents reported reduced staff motivation, job satisfaction, and trust in university leadership.

Comparing responses year-on-year

Fifty-four institutions responded to both the 2025 and 2026 surveys. 17 of these institutions reported a continued surplus, 17 reported a deficit in operating surplus in both years, and the remaining 20 had varied experiences. Within the group of institutions with a continued surplus 5 were high research intensity institutions, 3 medium, 4 low and 5 institutions were specialist colleges. The consistent deficit group comprised 5 high research intensity institutions, 4 medium, 5 low and 3 specialist colleges.

Comparing support for commercialisation across the continual deficit and continual surplus groups suggests little clear difference in spending profiles. The comparison also provides little evidence that commercialisation support in either group has declined consistently. Similar conclusions apply to support for research bids. In terms of support for industrial collaboration and partnerships, a different pattern emerges, with consistent surplus institutions more likely to be increasing spending in 2026.

Looking to the future

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’. In 2025, seventy-two of the seventy-four respondents indicated the latter. In 2026, responses were similar, with 72 of the 78 respondents seeing the financial pressures on universities as ‘a systemic and longer-term issue’. Explanations for this response reflected a consensus that the sector's current business model is unsustainable, with many respondents recognising the need for organisational and policy changes.

Respondents were asked for their views on what actions of the government are most strongly influencing the financial operations and operating environment for the sector. Responses were diverse but often focused on uncertainty, regulatory issues, visa and immigration policies, policy changes and the overall financial framework within which the sector is operating.

Finally, respondents were asked to reflect on what additional support the government could offer that would make a material difference to financial sustainability. Comments were again diverse, but consistent themes were the need for a more positive and consistent rhetoric about the sector from government, consistency of policy approach and a need to reduce regulation.

1. RESEARCH AIMS, APPROACH AND COVERAGE

1.1 Research aims and objectives

It has been widely reported that a significant proportion of UK universities are facing serious financial challenges. However, we have limited reliable information on how this affects investment decisions, the maintenance and development of university services, and future planning.

The primary aim of this project is to deliver consistent, timely, and representative information on how financial constraints affect universities' current investment and future planning choices. Understanding the subsequent effects of financial difficulties faced by some institutions is crucial for assessing their potential impact on university services to students, both educational and support services, as well as on universities' capacity to sustain research and innovation, enterprise, commercialisation, and their role as anchor institutions within regional economies.

The project is founded on structured conversations with university leaders. This report compares responses to Wave 1 of the survey, conducted between March and May 2025, and Wave 2, conducted between January and March 2026. The timing of each survey falls in the middle of the financial year for most universities, by which time financial projections for the current period are likely to be most robust. The results provide an indication of the changing – and in some cases continuing – impacts of universities' financial challenges.

We address the following research questions:

(1) How stable are the finances of each university? Is there a projected deficit this year? In future years? How manageable is this in the context of the university's broader financial situation – reserves, liabilities etc? Has this led to a restructuring of university financing?

(2) What is the institution's view of this situation. Is this seen as a short-term challenge or a more systemic and longer-term issue? How is this influencing strategic thinking and objectives within the institution?

(3) How adaptive has the university been in the context of any financial stringency? How effectively has this been 'managed'? Has this raised internal tensions? How effectively has the university been supported by external, governmental and regional stakeholders?

(4) How is any financial stringency within the institution impacting activities in the current financial year? Has this involved cutbacks or retrenchment in terms of areas of revenue or capital spend? Where are these current spending cuts being felt – specific faculties, services or staffing? If there are capital impacts how is this shaping investment activity?

(5) How is financial stringency impacting the university's ability (or willingness) to support externally funded research activity? Does this differ in terms of UKRI research funding which does provide overheads and other grant funding which provides no overhead? How

is this impacting doctoral research training? Has there been an impact on research partnering or collaboration?

(6) How is financial stringency impacting the university's ability (or willingness) to support (current and future) commercialisation and innovation activities? Has there been an impact on research partnering or collaboration?

(7) How is any financial stringency impacting the university's wider regional role and knowledge exchange activity? How has this impacted on other local policy initiatives or development activities?

In addressing these questions, we recognise the diversity within the UK University sector, both in the character of institutions and their financial circumstances. The project design aims to capture this diversity and provide a representative picture of the challenges and opportunities faced by universities within specific TRAC Peer groups.

1.2 Survey conduct and coverage

Data collection was conducted through interviews with Chief Finance Officers (CFOs) or financial leaders of HEIs. Before each survey wave, Research England sent an invitation to all HEI Vice-Chancellors and leaders to participate in the study. This was followed by email and telephone contact to identify potential interviewees. Where possible, structured telephone interviews were held with participants from March to May 2025 for Wave 1 and January to March 2026 for Wave 2. The survey adhered to the guidelines of the Market Research Society, and only anonymised data was provided to the research team.

In Wave 1, out of the 132 HEIs in England included in the survey, 74 were surveyed, resulting in an overall response rate of 55.6 per cent. Among the 2025 respondents, 63 (85.1 per cent) were either CFOs or Directors of Finance. Six respondents (8.1 per cent) held the position of Chief Operating Officer, while the remaining five respondents were either Pro-Vice Chancellor, VP Research, or Vice Principal. In Wave 2 (2026), there were 78 respondents, with an overall response rate of 59.1 per cent. Of these, 66 (84.6 per cent) were either CFOs or Directors of Finance.

Response rates varied by institution type, as shown in Table 1.1, which uses TRAC Peer Groups to classify different types of institution (see Box 1 and Annex 1 for a full list).

Box 1: TRAC Peer Groups in England

Classifications are based on peer groups for annual TRAC benchmarking for 2022-23. Groups A to E are defined by research intensity (research income as a proportion of total income). Group F are specialist music/arts teaching institutions. The five groups of institutions are (See Annex 1 for full list):

- Group A: 'High-research-intensity' - Institutions with a medical school and research income* of 20% or more of total income
- Group B: All other institutions with research income* of 15% or more of total income
- Group C: Institutions with a research income* of between 5% and 15% of total income
- Group D: Institutions with a research income* less than 5% of total income and total income greater than £150M
- Group E: Institutions with a research income* less than 5% of total income and total income less than or equal to £150M
- Group F: Specialist music/arts teaching institutions

Group A are 'High-research-intensity' institutions. Groups B and C have fewer members, and so we amalgamate these groups ('Medium-research-intensity') in the analysis to preserve the anonymity of respondents. Although larger, we obtained fewer respondents in Groups D and E ('Low-research-intensity'), so again amalgamate these groups in the reporting.

Table 1.1: Survey coverage by TRAC Peer Groups

Type of institutions	Target Group	2025		2026	
		Responses	Response Rate	Responses	Response Rate
High-research-intensity (Group A)	25	19	76.0%	19	76.0%
Medium-research-intensity (Groups B and C)	34	18	52.9%	19	55.9%
Low-research-intensity (Groups D and E)	54	19	35.2%	26	48.1%
Arts and Music (Group F)	19	18	94.7%	14	73.7%
Total	132	74	56.1%	78	59.1%

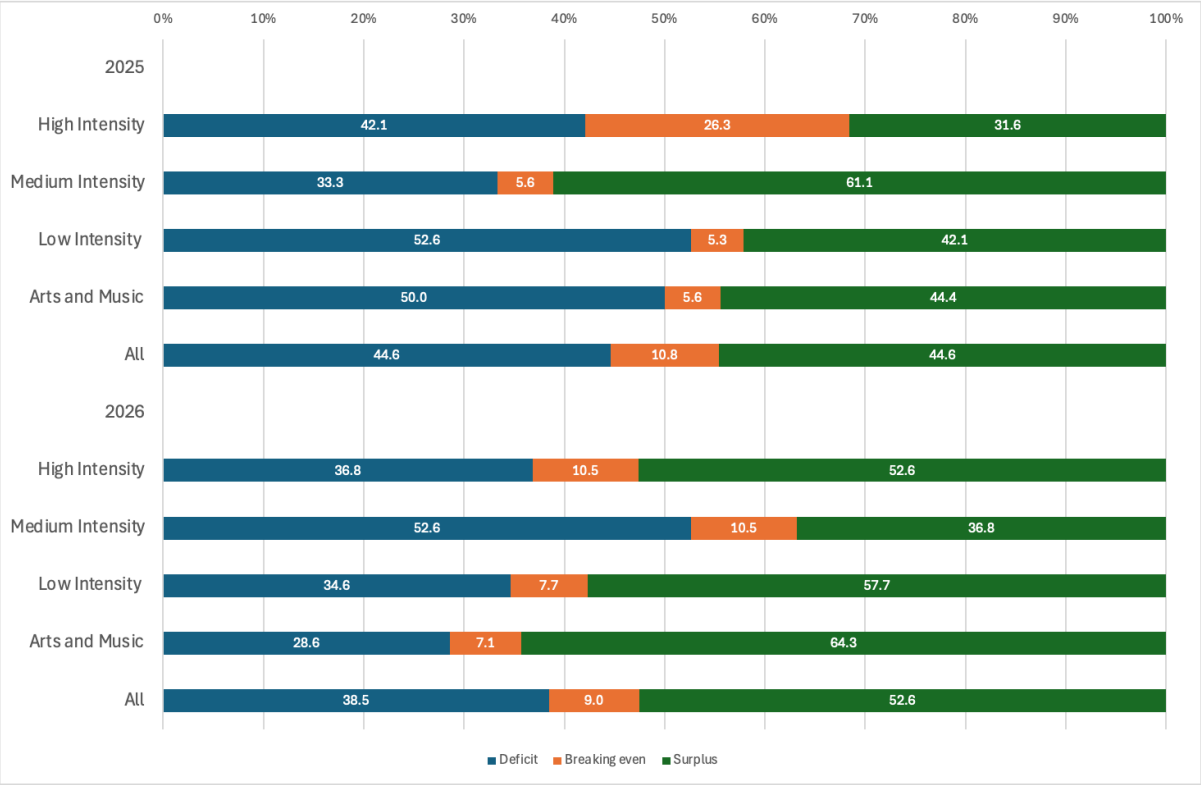
2: FINANCIAL CHALLENGES AND THEIR CAUSES

2.1 Financial status

As part of the survey, respondents were asked about their institution's position in the current year and the balance between current income and expenses. In 2026, just over half of all respondents (52.6 per cent) reported being in surplus, compared to 44.6 per cent in 2025 (Figure 2.1). The proportion of institutions reporting an operating deficit in the current year fell from 44.6 per cent in 2025 to 38.5 per cent in 2026.

As might have been expected, responses differed notably among TRAC groups. High-research-intensity, low-research-intensity institutions, and arts and music colleges all improved their positions. However, the position of medium-research-intensity institutions deteriorated between 2025 and 2026, with 33.3 per cent reporting a deficit in operating year 2025 compared to 52.6 per cent in operating year 2026 (Figure 2.1). Note, however, that these figures compare the position of respondents to the 2025 and 2026 surveys, groups which may not be the same institutions.

Figure 2.1: Financial position by TRAC group

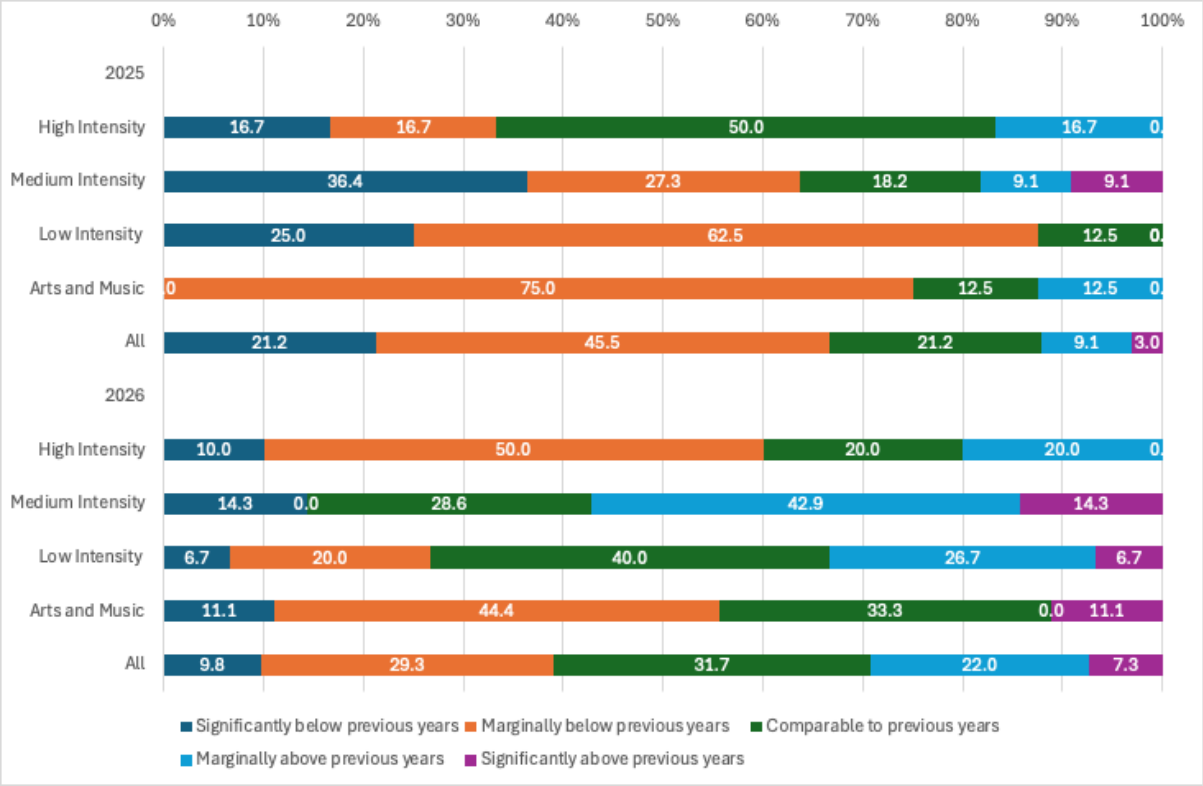


Institutions that reported a surplus in the survey (11 in 2025, 25 in 2026) were also asked how their operating margin (i.e., revenue minus operating expenses) compared with the previous year. This aimed to identify situations where institutions remained in surplus but faced more

difficult financial conditions than before. In 2025, 66.7 per cent of surplus institutions had either a surplus that was 'significantly' or 'marginally' lower than the previous year (Figure 2.2). In 2026, this proportion was 39.1 per cent. Over the same period, the share of institutions achieving an increased surplus grew from 12.1 per cent to 29.3 per cent.

Although derived from different data sources these findings on the financial health of the sector are broadly consistent with those of the Office for Students.[1]

Figure 2.2: Scale of surplus relative to previous years: Surplus-making institutions

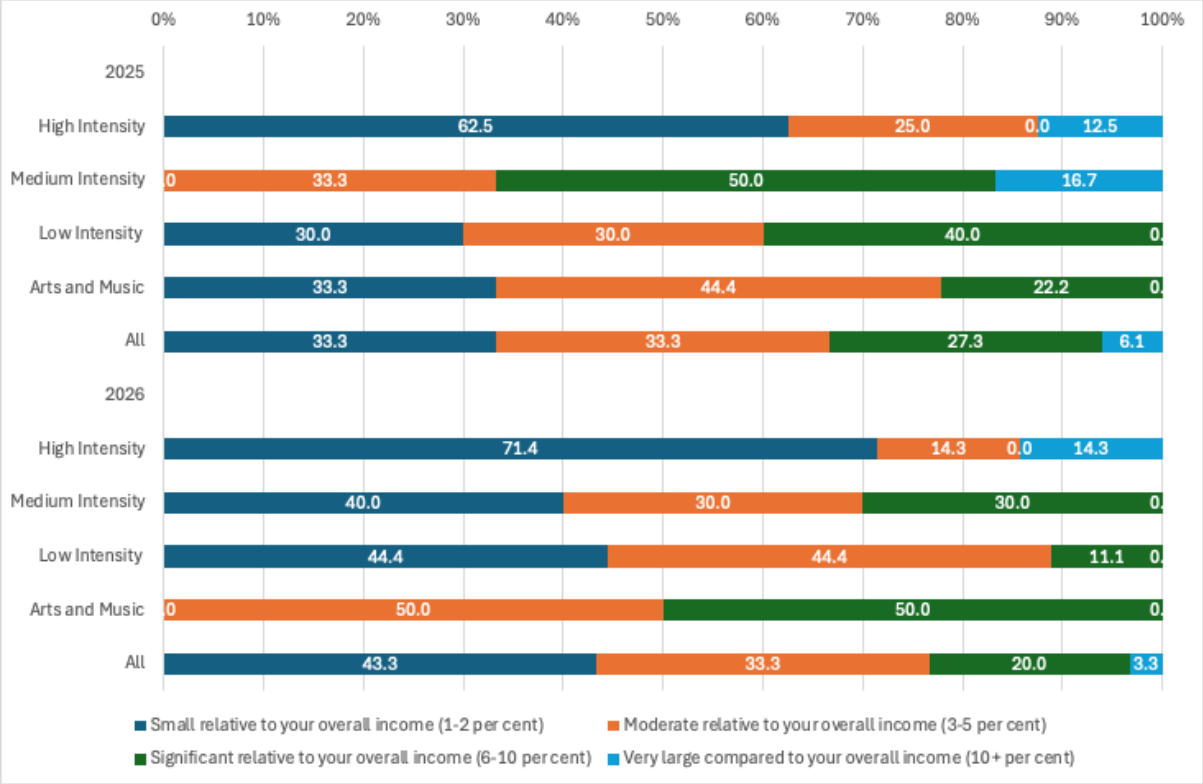


2.2 Drivers of financial status

Where institutions reported a deficit in the current year, they were asked about its scale relative to their income (Figure 2.3). Although the overall profile remains quite similar between 2025 and 2026, the position of different TRAC groups varies significantly again (Figure 2.3). The size of deficits in arts and music colleges has increased since 2025, while a small number of high-research-intensity institutions continue to have deficits exceeding 10 per cent of revenue (Figure 2.3).

[1] See https://www.officeforstudents.org.uk/media/u3eaccls/ofs-2026_21-updated.pdf.

Figure 2.3: Scale of deficit relative to income: Deficit-making institutions



As part of the survey, institutions that were in a break-even or deficit position were asked to explain why this was the case. Table 2.1 shows the proportions of institutions that identified various factors as either ‘important’ or ‘very important’. In each case, the total does not reach 100 per cent, as institutions could specify more than one factor. Among High-research-intensity universities in 2026, increases in staff costs (100 per cent) and international tuition fees (66.7 per cent) were the most commonly cited reasons for their financial positions, followed by under-recovery of research costs (55.6 per cent). Pension cost increases were not regarded as particularly significant here. Medium (41.7 per cent) and Low-research-intensity institutions (72.7 per cent) considered pension costs an important factor alongside others. Specialist Arts and Music institutions viewed rising costs (100 per cent) and pension expenses (80 per cent) as significant, along with declines in UK fee income (100 per cent).

Table 2.1: Factors which were 'important' or 'very important' in shaping financial outcomes: institutions in deficit and breaking even (N=39)

	High Intensity	Medium Intensity	Low Intensity	Arts and Music	Total
2025					
Decline in UK tuition fee income	8.3	33.3	18.2	90.0	35.9
Decline in international tuition fee income	66.7	50.0	54.5	10.0	46.2
A fall in research income	0.0	0.0	0.0	11.1	2.6
Under-recovery on research costs	25.0	16.7	0.0	33.3	18.4
Falls in income from sources other than research and teaching (e.g. commercialisation, facilities hire)	8.3	16.7	9.1	30.0	15.4
Rises in estate and facilities costs	50.0	16.7	36.4	60.0	43.6
Increases in debt levels	0.0	0.0	0.0	16.7	3.2
Increases in debt costs due to interest rate rises	0.0	0.0	0.0	16.7	3.2
Increases in staff costs (pay, NI etc).	58.3	33.3	72.7	90.0	66.7
Pension costs	0.0	33.3	90.0	50.0	42.1
2026					
Decline in UK tuition fee income	0.0	58.3	63.6	100.0	51.4
Decline in international tuition fee income	66.7	58.3	54.5	20.0	54.1
A fall in research income	11.1	8.3	0.0	0.0	5.4
Under-recovery on research costs	55.6	50.0	36.4	40.0	45.9
Falls in income from sources other than research and teaching (e.g. commercialisation, facilities hire)	11.1	8.3	27.3	40.0	18.9
Rises in estate and facilities costs	33.3	50.0	54.5	100.0	54.1
Increases in debt levels	0.0	9.1	9.1	33.3	9.1
Increases in debt costs due to interest rate rises	0.0	0.0	0.0	0.0	0.0
Increases in staff costs (pay, NI etc).	100.0	66.7	63.6	100.0	78.4
Pension costs	11.1	41.7	72.7	80.0	48.6

Table 2.2 compares the 'important' and 'very important' factors influencing whether institutions are breaking even or operating at a deficit, as well as those applicable to institutions with a reduced surplus. Here, the sample size is small (2025 N=22, 2026 N=16), so we report only aggregated results. Generally, the factors influencing each type of financial position are quite similar; however, there is likely to be diversity between TRAC groups.

Table 2.2: Factors which were 'important' or 'very important' in shaping financial outcomes: deficit and breaking even and reduced surplus

	2025		2026	
	Breaking even or deficit (N=39)	Reduced surplus (N=22)	Breaking even or deficit (N=37)	Reduced surplus (N=16)
Decline in UK tuition fee income	35.9	31.8	51.4	31.3
Decline in international tuition fee income	46.2	52.4	54.1	62.5
A fall in research income	2.6	0.0	5.4	12.5
Under-recovery on research costs	18.4	31.6	45.9	43.8
Falls in income from sources other than research and teaching	15.4	4.5	18.9	25.0
Rises in estate and facilities costs	43.6	59.1	54.1	68.8
Increases in debt levels	3.2	0.0	9.1	0.0
Increases in debt costs due to interest rate rises	3.2	0.0	0.0	6.3
Increases in staff costs (pay, NI etc).	66.7	86.4	78.4	81.3
Pension costs	42.1	50.0	48.6	56.3

Where institutions identified a decline in foreign tuition fees as an issue related to either a reduced surplus or a deficit position, they were asked about various dimensions of this problem. A summary of their responses is provided in Table 2.3. Here, the percentages represent the proportion of institutions stating that each dimension of the problem was a key issue. All institutions responding to this question cited reduced student numbers, along with other domestic factors such as costs and visas. Interestingly, 92.9 per cent of respondents (81.5 per cent in 2025) also noted increased international competition, suggesting that the decline in international tuition fees is not entirely a domestic issue.

Table 2.3: Key issues relating to international student fee income

	2025 (N=28)	2026 (N=29)
Reduced or limited student numbers	100.0	100.0
Inadequate fees per student	10.7	22.2
Increased costs per student	51.9	42.9
Intensified international competition	81.5	92.9
Visa or other travel restrictions	71.4	85.2

2.3 Summary

In 2026, just over half of all respondents (52.6 per cent) reported having an operating surplus, compared to 44.6 per cent in 2025. The proportion of institutions reporting an operating deficit decreased from 44.6 per cent in 2025 to 38.5 per cent in 2026.

As might have been expected, responses differed notably among TRAC groups. High-research-intensity, low-research-intensity institutions, and arts and music colleges all improved their positions significantly. However, the position of medium-research-intensity institutions deteriorated between 2025 and 2026, with 33.3 per cent reporting a deficit in 2025 compared to 52.6 per cent in 2026.

Where deficits are occurring, there is a commonality in the factors driving these within TRAC groups; however, the origins of financial weakness differ markedly across the groups. Among High-research-intensity universities in 2026, increases in staff costs (100 per cent) and international tuition fees (66.7 per cent) were the most commonly cited reasons for their financial positions, followed by under-recovery of research costs (55.6 per cent). Pension cost increases were not regarded as particularly significant here. Medium (41.7 per cent) and Low-research-intensity institutions (72.7 per cent) considered pension costs an important factor alongside others. Specialist Arts and Music institutions viewed rising costs (100 per cent) and pension expenses (80 per cent) as significant, along with declines in UK fee income (100 per cent).

All institutions identifying a decrease in international tuition fees as a concern reported reduced student numbers as an issue, along with other domestic factors such as costs and visas. Interestingly, 92.9 per cent of respondents also noted increased international competition, suggesting that the decline in international fee income is not solely related to domestic policy changes.

SECTION 3: MANAGING FINANCIAL CONSTRAINTS

3.1 Introduction

This section examines the financial and operational strategies adopted by institutions that had an operating deficit, broke even, or experienced a reduced operating surplus. These 53 institutions (63 in 2025) make up most survey respondents (67.9 per cent). In 2026, the group of institutions with an operating deficit, breaking even, or experiencing a reduced operating surplus comprised 15 high research intensity institutions, 13 medium research intensity institutions, 15 low research intensity institutions, and 10 specialist arts and music colleges. Table 3.1 provides a breakdown of respondents by TRAC group. Section 4 discusses the activities of the 25 institutions (32.1 per cent) that were generating a stable or increased operating surplus at the time of the survey.

Table 3.1: Distribution of financial position across TRAC groups:

	Number of institutions				Percentage of TRAC group		
	Deficit or reduced surplus	Stable or increased surplus	All		Deficit or reduced surplus	Stable or increased surplus	All
2025							
High Intensity	15	4	19		78.9	21.1	100.0
Medium Intensity	14	4	18		77.8	22.2	100.0
Low Intensity	18	1	19		94.7	5.3	100.0
Arts and Music	16	2	18		88.9	11.1	100.0
All	63	11	74		85.1	14.9	100.0
2026							
High Intensity	15	4	19		78.9	21.1	100.0
Medium Intensity	13	6	19		68.4	31.6	100.0
Low Intensity	15	11	26		57.7	42.3	100.0
Arts and Music	10	4	14		71.4	28.6	100.0
All	53	25	78		67.9	32.1	100.0

3.2 Financial strategy

Only a very small proportion of institutions (3.8 per cent) in a deficit or reduced surplus position in 2026 had increased their borrowing over the past year (4.9 per cent in 2025). Around a third of institutions had sought to sell assets or land, a proportion that was higher in medium and low intensity universities. Notably, these proportions were higher than in 2025. As in 2025,

more than three-quarters of institutions were seeking to develop additional revenue streams (Table 3.2).

Table 3.2: Additional financial strategies: Deficit and reduced surplus institutions

	High Intensity	Medium Intensity	Low Intensity	Arts and Music	Total
2025					
Engaging with different lenders	0.0	15.4	16.7	18.8	13.1
Selling assets or land	28.6	30.8	27.8	25.0	27.9
Using subsidiary companies to employ staff	0.0	15.4	11.1	18.8	11.5
Seeking additional revenue streams	71.4	61.5	72.2	93.8	75.4
2026					
Engaging with different lenders	14.3	0.0	13.3	22.2	14.3
Selling assets or land	33.3	46.2	53.3	10.0	33.3
Using subsidiary companies to employ staff	0.0	23.1	53.3	20.0	0.0
Seeking additional revenue streams	80.0	61.5	71.4	90.0	80.0

3.3 Impacts on specific areas of expenditure

3.3.1 Courses offered

Institutions experiencing a deficit, break-even, or reduced surplus were asked how this affected course offerings and whether it led to departmental closures (Table 3.3). About a fifth of institutions (18.9 per cent) reported the closure of specific departments in 2026, a slight increase from 13.1 per cent in 2025. Closure was more frequently reported in medium- and low-intensity universities as in 2025 (Table 3.3).

More institutions of each type indicated that financial constraints were encouraging the development of new courses rather than reducing the range of available courses. This trend was seen in both undergraduate and postgraduate offerings. In 2026, more than half of universities were discontinuing some undergraduate programmes, and three-quarters were introducing new ones. Similar proportions were observed in postgraduate programmes. Both changes involved a greater number of institutions than in 2025.

Table 3.3: Has financial stringency impacted courses offered? (% institutions)

	High Intensity	Medium Intensity	Low Intensity	Arts and Music	Total
2025 (N=61)					
Closure (or planned closure) of specific departments	0.0	23.1	22.2	6.3	13.1
Dropping any undergraduate programmes	8.3	38.5	38.9	25.0	28.8
Dropping any postgraduate programmes	21.4	30.8	38.9	43.8	34.4
New undergraduate programmes	46.2	61.5	61.1	68.8	60.0
New postgraduate programmes	57.1	76.9	66.7	62.5	65.6
2026 (N=53)					
Closure (or planned closure) of specific departments	6.7	23.1	26.7	20.0	18.9
Dropping any undergraduate programmes	50.0	54.5	60.0	33.3	51.1
Dropping any postgraduate programmes	53.3	83.3	53.3	40.0	57.7
New undergraduate programmes	72.7	76.9	78.6	66.7	74.5
New postgraduate programmes	78.6	61.5	71.4	90.0	74.5

3.3.2 Staff recruitment and retention

As has been widely reported in various press outlets, financial stress has also led to system-wide restrictions on staff recruitment and, in some institutions, voluntary and mandatory redundancy programmes for academic and other staff (Table 3.4). Nearly two-thirds of those institutions facing deficits or reduced operating surpluses have implemented voluntary redundancy programmes for academic and other staff, an increase since 2025. These programmes are more common among Medium and Low-research-intensity institutions.

Compulsory redundancy programmes, implemented by approximately a quarter of all institutions, were also most common in Medium- and Low-Research-Intensity institutions (Table 3.4). No high-research-intensity institutions reported compulsory redundancy programmes for either academic or professional service staff. As in 2025, about three-quarters of institutions facing deficits or reduced operating surpluses have implemented recruitment restrictions, with these restrictions most frequently observed among High- and Medium-Research-Intensity institutions.

Table 3.4: Has financial stringency impacted on staff retention and recruitment? (% institutions)

	High Intensity	Medium Intensity	Low Intensity	Arts and Music	Total
2025 (N=61)					
Voluntary redundancy programmes for academic staff	42.9	53.8	61.1	31.3	47.5
Voluntary redundancy programmes for other staff	42.9	53.8	50.0	37.5	45.9
Compulsory redundancy programmes for academic staff	0.0	38.5	22.2	18.8	19.7
Compulsory redundancy programmes for other staff	7.1	46.2	16.7	18.8	21.3
Restrictions on hiring of academic staff	78.6	84.6	52.9	62.5	68.3
Restrictions on hiring of other staff	78.6	100.0	64.7	68.8	76.7
2026 (N=53)					
Voluntary redundancy programmes for academic staff	53.3	84.6	60.0	50.0	62.3
Voluntary redundancy programmes for other staff	53.3	76.9	46.7	50.0	56.6
Compulsory redundancy programmes for academic staff	0.0	38.5	40.0	20.0	25.0
Compulsory redundancy programmes for other staff	0.0	38.5	40.0	10.0	23.1
Restrictions on hiring of academic staff	73.3	84.6	73.3	55.6	73.1
Restrictions on hiring of other staff	73.3	84.6	73.3	77.8	76.9

3.3.3 Student services, student experience and support

Respondents reporting a deficit, breakeven, or reduced financial surplus were also asked whether they had increased, maintained, or decreased their spending on student experience and support (Table 3.5). In 2026, as in 2025, most institutions had maintained spending on all aspects of the student experience. Scholarships and bursaries were one area of spending marked by considerable restructuring in both 2025 and 2026, with around half of institutions maintaining their investment, a quarter increasing it, and a quarter cutting back. Reductions in spending on career support and development in 2025 were largely halted in 2026. The most common spending reductions in 2026 were around extracurricular learning (27.9 per cent).

Table 3.5: Has financial stringency impacted student experience and support? (% institutions)

	Reduced	Same	Increased
2025			
Social opportunities	6.8	81.4	11.9
Support for Mental Health and Wellbeing	11.7	51.7	36.7
Support for academic development	25.4	62.7	11.9
Student Accommodation	12.8	76.6	10.6
Supporting access from under-represented	5.0	76.7	18.3
Supporting diversity and inclusion	10.0	68.3	21.7
Career support and development	28.3	60.0	11.7
Scholarships and Bursaries	23.0	49.2	27.9
Extracurricular Learning	16.7	79.6	3.7
Work Experience and Internships	7.6	84.9	7.6
2026			
Social opportunities	5.8	86.5	7.7
Support for Mental Health and Wellbeing	0.0	73.6	26.4
Support for academic development	5.7	86.8	7.5
Student Accommodation	15.8	68.4	15.8
Supporting access from under-represented	6.0	80.0	14.0
Supporting diversity and inclusion	3.8	84.6	11.5
Career support and development	2.0	89.8	8.2
Scholarships and Bursaries	20.8	52.8	26.4
Extracurricular Learning	27.9	65.1	7.0
Work Experience and Internships	4.0	78.0	18.0

3.3.4 Support for research

Financial stringency has inevitably impacted the support that institutions provide for their research activities. In 2026, the proportion of institutions with deficits and reduced operating surpluses that are cutting support is higher than those increasing support across almost all research funding categories (Table 3.6). The notable exceptions are support for developing research bids and support for developing corporate sponsorship of university research (Table 3.6).

About one-fifth of institutions are reducing spending in nearly all research support categories, reflecting a similar trend to 2025. In that year, cuts were more widespread in spending on research facilities, equipment, and internal research consortia or research institutes (Table 3.6). The proportion of institutions making such spending reductions diminished in 2026.

Table 3.6: Has financial stringency impacted institutions' support for research activities? (% institutions)

	Reduced	Same	Increased
2025			
Funding for domestic collaborations	19.0	70.7	10.3
Funding for international collaborations	20.3	69.5	10.2
Support for developing research bids	18.3	70.0	11.7
Support for developing corporate sponsorship	15.7	72.6	11.8
Funding for community outreach and engagement	27.9	68.9	3.3
Provision of research facilities and equipment	35.6	49.2	15.3
Support for maximising policy impact and advocacy	13.8	74.1	12.1
Support for internal research consortia or institutes	36.8	52.6	10.5
Funding of library and data services	27.9	54.1	18.0
Researcher training and development	21.7	68.3	10.0
2026			
Funding for domestic collaborations	22.0	72.0	6.4
Funding for international collaborations	18.4	67.3	16.7
Support for developing research bids	13.7	72.5	15.9
Support for developing corporate sponsorship	7.0	86.0	7.5
Funding for community outreach and engagement	17.0	78.7	4.4
Provision of research facilities and equipment	25.5	60.8	15.9
Support for maximising policy impact and advocacy	12.0	82.0	6.4
Support for internal research consortia or institutes	24.0	62.0	16.3
Funding of library and data services	21.6	72.5	6.3
Researcher training and development	18.8	77.1	4.3

3.3.5 Support commercialisation and innovation activities

Most institutions with deficits and reduced operating surpluses continued their support for commercialisation and innovation activities in 2026 (Table 3.7). This reflected a mostly similar pattern in 2025. When changes occurred, they were more often increases in investment rather than decreases. Notably, in 2026, 20.4 per cent of institutions were boosting their support for spinouts, while 18.8 per cent were increasing support for industrial collaborations and partnerships (Table 3.7). The most common cuts in commercialisation spending in 2026 related to entrepreneurship centres and incubators (11.9 per cent).

Table 3.7: Has financial stringency impacted institutions' support for commercialisation and innovation? (% institutions)

	Reduced	Same	Increase
2025			
Your Technology Transfer Office (TTO)	6.8	81.8	11.4
Support for IP development and licensing	13.0	74.1	13.0
Support for spin-out or start-up companies	8.0	78.0	14.0
Business development training	12.7	72.7	14.6
Industrial collaborations or partnerships	5.3	75.4	19.3
Investing in early-stage businesses	18.6	72.1	9.3
International market access or partnerships	11.3	71.7	17.0
Entrepreneurship Centres and Incubators	13.7	70.6	15.7
2026			
Your Technology Transfer Office (TTO)	2.4	78.9	15.8
Support for IP development and licensing	5.7	79.5	9.1
Support for spin-out or start-up companies	4.4	70.5	20.5
Business development training	3.2	89.1	4.3
Industrial collaborations or partnerships	2.4	77.1	18.8
Investing in early-stage businesses	6.5	75.7	10.8
International market access or partnerships	4.9	80.0	10.0
Entrepreneurship Centres and Incubators	11.9	76.2	11.9

3.3.6 Estates and physical assets

Financial challenges have altered how many institutions allocate funds for estates and physical assets (Table 3.8). In 2026, as in 2025, the proportion of institutions reporting both decreases and increases in spending is significantly higher than in other expenditure categories (Table 3.8). Around a third of institutions reported cuts in building maintenance, new construction, and research facilities and equipment. However, this is balanced by 53.8 per cent of institutions reporting increased spending on digital transformation, a trend that continued from 2025.

Table 3.8: Has financial stringency impacted institutions' investment in estates and physical assets? (% institutions)

	Reduced	Same	Increase
2025			
Research Facilities and Equipment	37.9	53.5	8.6
Teaching and Learning Resources	23.3	45.0	31.7
Digital Transformation	15.8	31.6	52.6
Building Alumni Networks	15.3	66.1	18.6
New campus buildings or facilities	43.9	28.1	28.1
Maintenance or renewal of buildings or facilities	42.6	45.9	11.5
2026			
Research Facilities and Equipment	32.7	51.0	16.3
Teaching and Learning Resources	13.7	64.7	21.6
Digital Transformation	15.4	30.8	53.8
Building Alumni Networks	21.6	68.6	9.8
New campus buildings or facilities	38.8	40.8	20.4
Maintenance or renewal of buildings or facilities	35.8	50.9	13.2

3.3.7 Civic and regional roles

Finally, the survey examined institutions' involvement in civic and regional roles and how these have been affected by the financial situation. In 2026, notable changes included a decrease in support or sponsorship for non-university activities reported by 19.1 per cent of institutions and an increase in regional engagement by university leadership reported by 18.1 per cent of institutions (Table 3.9). Both of these shifts were similar to those observed in 2025.

Table 3.9: Has financial stringency impacted institutions' civic and regional roles? (% institutions)

	Reduced	Same	Increased
2025			
Regional engagement of the leadership team	4.9	65.6	29.5
Support of local non-university activities	32.1	64.3	3.6
Staff volunteering or local engagement	10.7	78.6	10.7
Access programmes or outreach	11.7	80.0	8.3
Community access to university facilities	4.9	82.0	13.1
2026			
Regional engagement of the leadership team	10.0	72.0	18.0
Support of local non-university activities	19.1	78.7	2.1
Staff volunteering or local engagement	9.3	88.4	2.3
Access programmes or outreach	8.0	86.0	6.0
Community access to university facilities	2.0	94.0	4.0

3.4 Financial and operating plans for the next three years

Of the 53 institutions experiencing a deficit or reduced operating surplus in 2026, 41 suggested that the current financial situation had impacted their financial and operating plans for the next three years. Across many institutions, the financial situation is prompting a re-evaluation of both operational plans and organisational structures. The following quotes reflect the changes being made across the system in terms of changes in operations:

- 'More critical appraisal of those things that we invest in. Greater challenge of those activities that might have been subsidised previously. We need to make less loss on research, so we have got a higher bar in terms of what research terms we are looking for. There is a greater challenge of commercial activities and a greater challenge of undergraduate programmes and postgraduate programmes with not enough members' (Medium-research-intensity)

- 'We are more focused on driving back-office efficiencies and looking for teaching efficiencies in delivery models and methods, reviewing our estate for usage and whether or not we can use less space and therefore look to either diversify ourselves or lease the space to a third party' (Medium-research-intensity).

- 'Applying efficiency and using efficiency savings to fund our teaching and research. It is slowing down the capital investment, and we don't have any borrowings at the moment, but may look to take on borrowings over the next 3 to 5 years' (Low-research-intensity).

- 'We have asked departments to find spending cuts for next year, so targeted with 5% reduction in funds for spending' (Arts and music)

- ‘It has led to reconsideration of courses going forward and there will be more co-delivery and shared teaching of units just to deliver the margin effectively. There will be a contraction of spaces based on lack of infrastructure investments. We will need to manage our site more effectively in the following years. The important point is, every year the staff costs go up through things like pensions, NI and that is not matched by student fees. It is almost entirely funded by the student fees. We need to either increase the student numbers or decrease the number of staff’ (Arts and music).

As suggested earlier, many institutions were continuing to manage their staffing costs in light of the financial situation. The following quotes are typical:

- ‘The main impacts we would expect are staff head counts to fall further. We will be reducing discretionary budgets and will be lowering levels of capital investment. We will likely move into redundancy for academic and non-academic after this year’ (High-research-intensity).

- ‘There would be substantial cuts in staff and non-staff in future years. There is going to be a substantial cut to capital programme, and all areas will be affected’ (High-research-intensity).

- ‘We will end up as a smaller university. We will end up with a smaller student base and because of the smaller student base we will have less staff, both academic and non-academic and we are looking to consolidate our estate into smaller footprints’ (Low-research-intensity).

- ‘We are revisiting our size of our workforce. We are reviewing our operating costs, and we are looking to reprioritise elements of our capital expenditure’ (Arts and music).

Capital spending plans were also being reviewed by many institutions:

- ‘We have had to plan for reducing our spending. The impact of that, we reduced the level of spending on capital, equipment, land and buildings, spending less on digital infrastructure and not recruiting additional staff. Also, continuing to deliver business as usual, but can't put the same funding into the new initiative, for example, in the past we might have invested to bring in two new academics to develop new programmes, now we are looking to work with what we have’ (High-research-intensity).

- ‘Over the next 3 years, we have sporadically reduced all capital investment in future facilities and improvements across the university and have reduced staffing levels. We are basically no longer planning on having any capacity to invest further or borrow further for the next 3 years’(High-research-intensity).

- ‘The main impact is the inability to invest in the estate and the inability to invest in future business activity, new courses or commercial activities. We can't provide start-up

funding for those. Also, reducing the size of our estate and staff members' (Low-research-intensity).

- 'It would be reduced spending on the campus, maintenance and employment. All costs will be reduced. We would be increasing our commercialisation of the campus and student numbers to compensate' (Arts and music).

3.5 Summary

In this section, we focus on the financial and operational strategies adopted by institutions that had an operating deficit, were breaking even, or had a reduced operating surplus. These 53 institutions comprise the majority of respondents (67.9 per cent) to the survey and to each TRAC group.

Only a very small proportion of institutions (3.8 per cent) in a deficit or reduced surplus position in 2026 had increased their borrowing over the past year (4.9 per cent in 2025). Around a third of institutions had sought to sell assets or land, a proportion that was higher in medium and low intensity universities. Notably, these proportions were higher than in 2025. As in 2025, more than three-quarters of institutions were seeking to develop additional revenue streams.

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

- ***Courses offered*** - About a fifth of institutions (18.9 per cent) reported the closure of specific departments in 2026, a slight increase from 13.1 per cent in 2025. Closure was more frequently reported in medium- and low-intensity universities as in 2025. More institutions of each type indicated that financial constraints were encouraging the development of new courses rather than reducing the range of available courses. This trend was seen in both undergraduate and postgraduate offerings. In 2026, more than half of universities were discontinuing some undergraduate programmes, and three-quarters were introducing new ones. Similar proportions were observed in postgraduate programmes. Both changes involved a greater number of institutions than in 2025 and suggest a restructuring of course offerings in a number of institutions.

- ***Staff recruitment and retention*** - Nearly two-thirds of those institutions facing deficits or reduced operating surpluses have implemented voluntary redundancy programmes for academic and other staff, an increase since 2025 (2025, 46-48 per cent, 2026, 57-62 per cent). These programmes are more common among Medium and Low-research-intensity institutions. Compulsory redundancy programmes, implemented by approximately a quarter of all institutions, were also most common in Medium and Low-research-intensity institutions. About three-quarters of institutions facing deficits or reduced operating surpluses have implemented recruitment restrictions, which are most frequently observed among High and Medium-research-intensity institutions.
- ***Student services, student experience and support*** – in 2026, as in 2025, most institutions had maintained spending on all aspects of the student experience. Scholarships and bursaries were one area of spending marked by considerable

restructuring in both 2025 and 2026, with around half of institutions maintaining their investment, a quarter increasing investment and a quarter of institutions cutting back. Reductions in spending on career support and development in 2025 were largely halted in 2026. The most common spending reductions in 2026 were around extracurricular learning (27.9 per cent).

- ***Support for research*** – in 2026, more of these institutions were cutting support rather than increasing support across almost all research funding categories. The notable exceptions are support for developing research bids and support for developing corporate sponsorship. About one-fifth of institutions are reducing spending in nearly all research support categories, reflecting a similar trend to 2025.

- ***Commercialisation and innovation activities*** - most institutions with deficits and reduced operating surpluses continued their support for commercialisation and innovation activities in 2026. This reflected a mostly similar pattern in 2025. When changes occurred, they were more often increases in investment rather than decreases as universities seek to diversify and increase income. Notably, in 2026, 20.4 per cent of institutions were boosting their support for spinouts, while 18.8 per cent were increasing support for industrial collaborations and partnerships. The most common cuts in commercialisation spending in 2026 related to entrepreneurship centres and incubators (11.9 per cent).

- ***Estates and physical assets*** - In 2026, as in 2025, a much higher proportion of institutions report both spending increases and decreases in this area than in other expenditure categories. Around a third of institutions reported cuts in building maintenance, new construction, and research facilities and equipment. However, this is balanced by 53.8 per cent of institutions reporting increased spending on digital transformation, a trend that continued from 2025.

- ***Civic and regional roles*** - In 2026, notable changes included a decrease in support or sponsorship for non-university activities reported by 19.1 per cent of institutions and an increase in regional engagement by university leadership reported by 18.1 per cent of institutions. Both of these shifts were similar to those observed in 2025.

Of the 53 institutions encountering a deficit or reduced operating surplus, 41 indicated that the current financial situation had affected their financial and operational plans for the next three years. Among high-research-intensity institutions, the financial situation is prompting a reassessment of both operational and structural plans. Medium-research-intensity universities appear less focused on structural changes and more oriented towards organisational restructuring, operational changes, and efficiencies. Low-research-intensity Institutions concentrate on cost efficiencies while also reviewing institutional structures and sustainability. Finally, Arts and Music colleges appear focused on managing expenditure to align with income by reducing staffing and capital costs and seeking economies where possible.

4. FINANCIAL MANAGEMENT WITH STABLE OR INCREASED OPERATING SURPLUS

4.1 Introduction

This section focuses on the institutions that reported a similar or increased operating surplus compared to the year prior to the survey. These 25 institutions (11 in 2025) comprise four high-research-intensity, six medium-research-intensity institutions, eleven low-research-intensity institutions, and four arts and music colleges. To maintain the anonymity of these institutions, we only report aggregated results for the entire group of institutions in this section.

4.2 Courses and staffing changes

Among surplus institutions, 18.9 per cent planned to close specific departments in 2026, showing a similar profile to the financially weaker institutions discussed earlier. Some organisations considered discontinuing and introducing new undergraduate and postgraduate programmes (Figure 4.1). Overall, the pattern of programme innovation was quite similar between institutions with stable or increasing surpluses and those with a deficit or declining surplus. Nevertheless, institutions facing a deficit or declining surplus were more likely to introduce new undergraduate and postgraduate programmes (Figure 4.1).

Comparing staffing changes between institutions with stable or increasing surpluses and those with deficits or declining surpluses indicates some differences in their approach in 2026 (Figure 4.2). Surplus institutions were more likely to have implemented voluntary redundancy schemes and placed restrictions on recruiting academic staff.

Figure 4.1: Changes to programme offerings by financial status

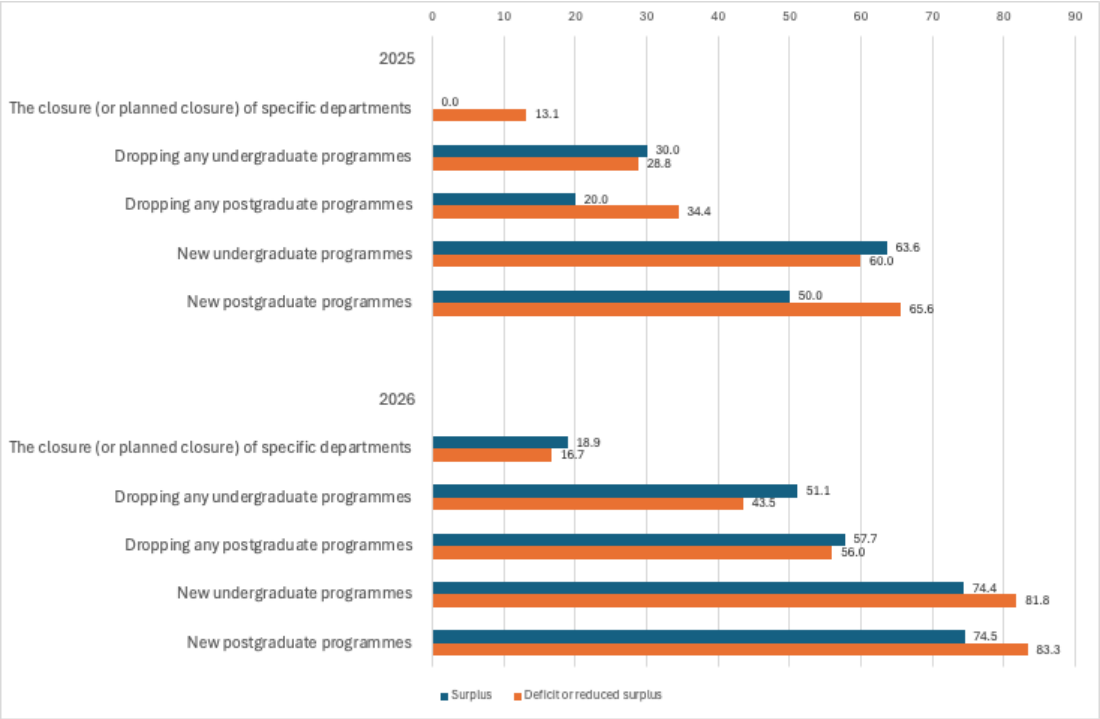
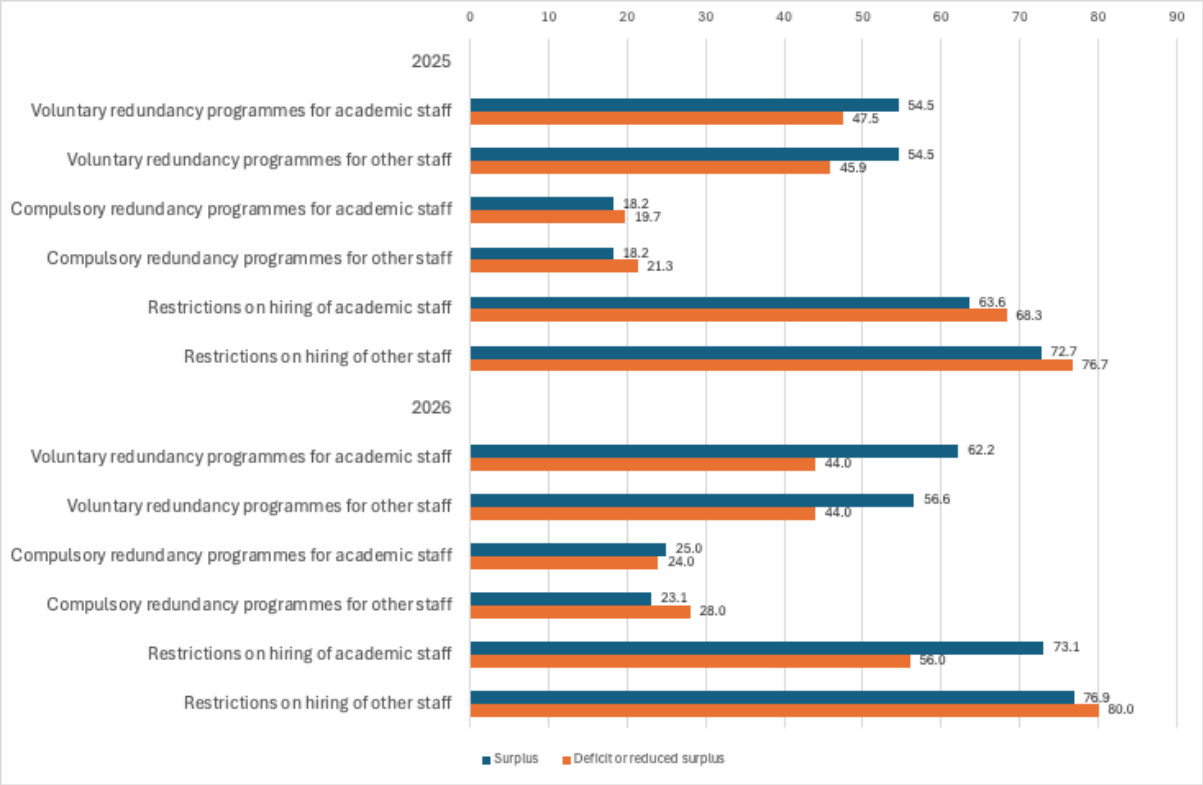


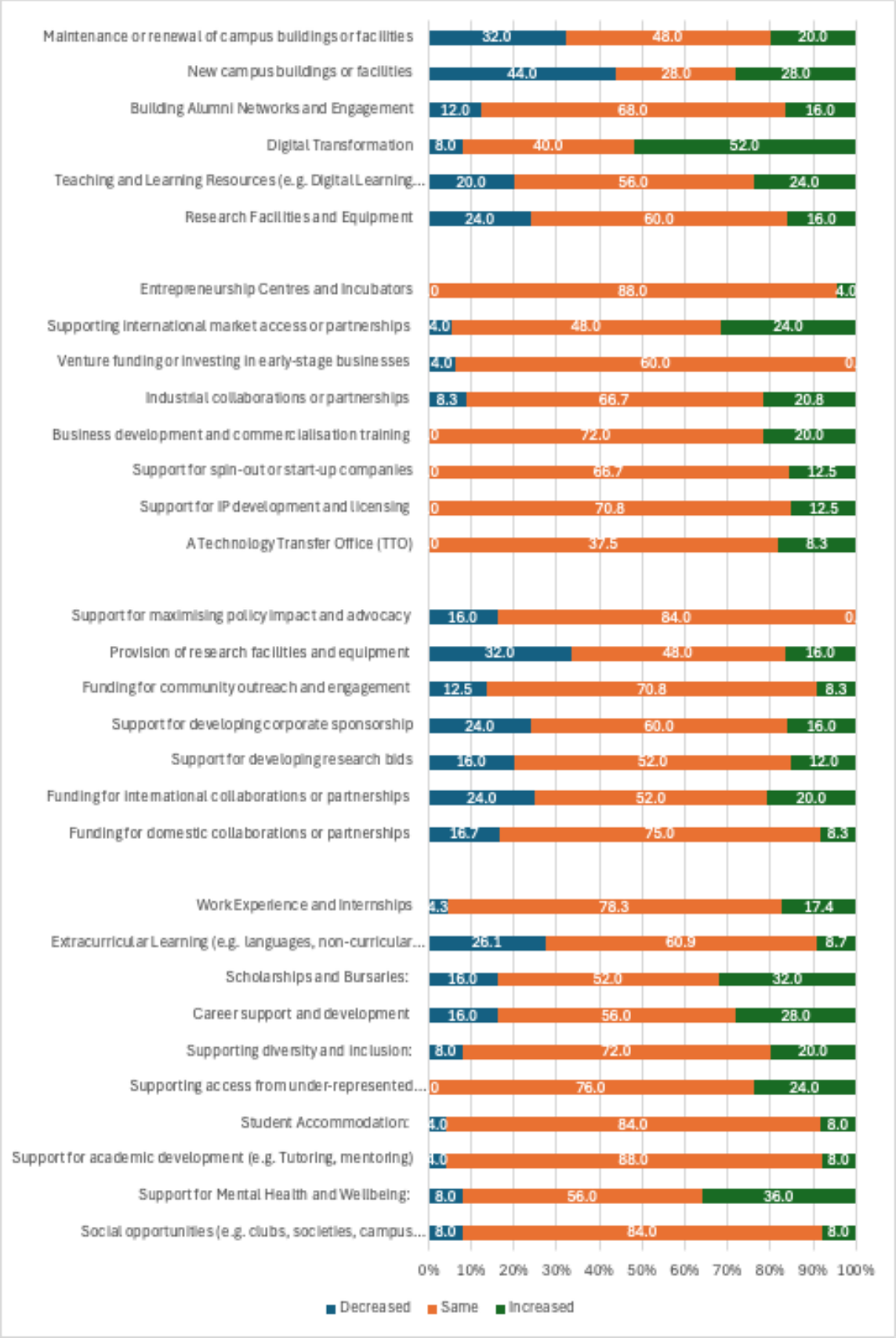
Figure 4.2: Staffing changes by financial status



4.3 Expenditure changes

The institutions with a stable or increasing financial surplus were also asked how this had influenced their current expenditure on various items (Figure 4.3). Here, the profile is largely similar to that of deficit or break-even institutions. For example, for both groups, increasing spending on digital transformation was most common (Figure 4.3). Some differences are also evident, with surplus institutions being less likely to increase spending on supporting research bids and industrial collaborations or partnerships.

Figure 4.3: Expenditure changes because of the financial situation: surplus institutions



4.4 Future planning

Despite their relatively positive operating position, many of the institutions with either stable or increased surplus indicated that the current financial situation was having significant effects on the organisation. Among the High-research-intensity group this was described as:

- ‘Tighter control on costs and prioritisation of strategic investment’.
- ‘We have had to cut discretionary spend, slow down capital and maintenance and in some reduce the levels of support. Expectations of staff have increased, and high levels of savings are required to achieve our planned improved surplus position’.
- ‘Greater focus on "bottom line" across all activities, with potential distraction from core mission’.
- ‘We have set more formal growth targets and performance expectations. We expect professional services spend to be a lower % of overall spend by 2027/28’.

Similar internal and organisational adjustments were noted among the Medium-research-intensity and Low-research-intensity groups:

- ‘Move to more commercialisation of our asset base. Review of cost base has been undertaken, therefore any new resource ask is scrutinised in depth’.
- ‘Looking to have a more efficient operating mode l and also reducing the size of the estate’.
- ‘Focus on consolidation of spend, better procurement’.
- ‘Focus on adequacy of gross contribution in all operational decisions‘.
- ‘Continued the need to transform - this is not new’.
- ‘It is a positive- we are more focused on innovation, digitisation and embracing new ways of working across the institution and agility to ensure we remain fit for the future general spending constraints, need to be highly selective/ prioritise expenditure, more commercial approach’.
- ‘Diversification of income. Ensuring teaching and student support services are in place. Digital transformation’.
- ‘Reduction in staffing, leading to reduced ability to do more outside of core teaching activity. Reduction of funds to invest in initiatives that are beneficial or could raise funding in the longer term’.

4.5 Summary

Twenty-five institutions reported a similar or higher operating surplus than the year prior to the survey. This group comprises four high research-intensity institutions, six medium research-intensity institutions, eleven low research-intensity institutions, and four arts and music colleges. To maintain the anonymity of these institutions, we only report aggregated results for the entire group of institutions in this section.

- **Courses** - Among surplus institutions, 18.9 per cent planned to close specific departments in 2026, showing a similar profile to the financially weaker institutions discussed earlier. Some organisations considered discontinuing and introducing new undergraduate and postgraduate programmes.

- **Staffing** - comparing staffing changes between institutions with stable or increasing surpluses and those with deficits or declining surpluses indicates some differences in their approach in 2026. Surplus institutions were more likely to have implemented voluntary redundancy schemes and placed restrictions on recruiting academic staff.

- **Other spending changes** - here, the profile is largely similar to that of deficit or break-even institutions. For example, for both groups, increasing spending on digital transformation was most common. Some differences are also evident, with surplus institutions being less likely to increase spending on supporting research bids (12.0 v 15.9 per cent).

Despite their relatively positive operating position, many of the institutions with either stable or increased surplus indicated that the current financial situation was having significant effects on the organisation. This was common across all TRAC groups.

5. LEADERSHIP AND WORKFORCE IMPACTS

5.1 Introduction

The final section of the survey asked some brief questions about how the financial situation has impacted on the leadership team and the university's employees.

5.2 Leadership impacts

Respondents were asked to what extent they agreed with several statements about the university leadership team amidst the current financial position. Table 5.1 summarises the proportion of institutions in each TRAC group that 'agree' or 'strongly agree' with each statement. In 2026, as in 2025, there was a widespread perception across all TRAC groups that university leadership teams face increased pressure and scrutiny. This was noted more frequently in high and medium research-intensity institutions. There was some agreement on the need for a more short-term focus and that attitudes have become more risk averse. Nonetheless, there is no sense that university leadership teams have lost confidence in their ability to manage the situation. These perceptions of how the financial situation impacts institutions' leadership teams were largely consistent across TRAC groups.

Table 5.1: Leadership and management: % agreeing with statements. (N=74)

	High Intensity	Medium Intensity	Low Intensity	Arts and Music	Total
2025					
The leadership team have come under increased pressure	94.7	88.9	83.3	88.9	89.0
The leadership team has had to make difficult decisions	84.2	88.9	100.0	88.9	90.5
The leadership team has lost confidence (in their own ability)	5.3	0.0	0.0	0.0	1.4
The financial situation has required a more short-term focus	47.4	55.6	68.4	72.2	60.8
The leadership team has come under increased scrutiny	78.9	77.8	83.3	72.2	78.1
Attitudes have become more risk-averse	15.8	16.7	36.8	38.9	27.0
The financial situation has created tension within the leadership team due to different views	31.6	27.8	21.1	50.0	32.4
2026					
The leadership team have come under increased pressure	89.5	84.2	88.0	85.7	87.0
The leadership team has had to make difficult decisions	89.5	94.7	92.3	92.9	92.3

	High Intensity	Medium Intensity	Low Intensity	Arts and Music	Total
The leadership team has lost confidence (in their own ability)	0.0	5.3	0.0	0.0	1.3
The financial situation has required a more short-term focus	57.9	42.1	50.0	71.4	53.8
The leadership team has come under increased scrutiny	84.2	78.9	68.0	57.1	72.7
Attitudes have become more risk-averse	36.8	26.3	15.4	35.7	26.9
The financial situation has created tension within the leadership team due to different views	26.3	26.3	25.0	35.7	27.6

5.3 Workforce Impacts

Respondents – part of university leadership teams – were also asked about their views on how the financial situation was impacting the university workforce. Responses in 2026 closely reflect those in 2025, and there is a strong perception that the financial situation was creating an increased workload, heightening job insecurity, and contributing to poor mental health and wellbeing (Table 5.2). 30-45 per cent of respondents reported reduced staff motivation, job satisfaction, and trust in university leadership.

Table 5.2: Workforce impacts: % of respondents agreeing

	High Intensity	Medium Intensity	Low Intensity	Arts and Music	Total
2025					
Led to an increased sense of job insecurity	78.9	66.7	83.3	50.0	69.9
Reduced staff motivation and engagement	42.1	38.9	38.9	27.8	37.0
Reduced job satisfaction	47.4	44.4	55.6	44.4	47.9
Increased staff workloads	73.7	88.9	66.7	77.8	76.7
Reduced levels of trust in university leaders	47.4	58.8	50.0	27.8	45.8
Reduced levels of innovation and creativity	10.5	27.8	33.3	22.2	23.3
Negatively impacted on wellbeing or mental health	68.4	56.3	77.8	61.1	66.2
2026					
Led to an increased sense of job insecurity	72.2	83.3	72.0	57.1	72.0
Reduced staff motivation and engagement	38.9	42.1	36.0	28.6	36.8
Reduced job satisfaction	38.9	36.8	40.0	42.9	39.5
Increased staff workloads	84.2	68.4	88.5	92.9	83.3

	High Intensity	Medium Intensity	Low Intensity	Arts and Music	Total
Reduced levels of trust in university leaders	57.9	44.4	33.3	28.6	41.3
Reduced levels of innovation and creativity	23.5	26.3	37.5	35.7	31.1
Negatively impacted on wellbeing or mental health	77.7	55.5	48.0	57.0	58.6

5.4 Summary

There was a widespread perception among all TRAC groups that university leadership teams have come under increased pressure and scrutiny. This was noted more frequently in high and medium-research-intensity institutions. There was some agreement on the need for a more short-term focus and that attitudes have become more risk averse. Nonetheless, there is no sense that university leadership teams have lost confidence in their ability to manage the situation. These perceptions of how the financial situation impacts institutions' leadership teams were largely consistent across TRAC groups.

There is a strong perception that the financial situation was creating an increased workload, heightening job insecurity, and contributing to poor mental health and wellbeing. 30-45 per cent of respondents reported reduced staff motivation, job satisfaction, and trust in university leadership.

6: COMPARING RESPONSES YEAR-ON-YEAR

6.1 Introduction

The second wave of this survey offers the opportunity to compare changes in the financial sustainability of the 54 institutions that responded to both survey waves. However, inclusion in this comparison may be strongly affected by institutions' willingness to participate in the survey and may therefore not be representative of the broader sector.

In both the 2025 and 2026 surveys, institutions were asked about their current operating surplus. Responses are summarised in Table 6.1, which breaks the group of two-time respondents into those institutions anticipating a surplus, breaking even, or expecting a deficit. Overall, the pattern of surplus/break-even/deficit in this group of institutions remains broadly similar between 2025 and 2026. Two groups of institutions here seem an obvious comparison: those with a repeated surplus and those with a consistent deficit. How do spending responses among these two groups of institutions differ? In particular, how have the support these institutions offer for research and commercialisation changed over the two years?

Table 6.1: Operating position of repeat respondents (Number of institutions)

		2025			
		Surplus	Braking Even	Deficit	Total
2026	Surplus	17	3	2	22
	Breaking even	3	1	3	7
	Deficit	6	2	17	25
	Total	26	6	22	54

Before looking at support specifically, it is important to understand the coverage of the consistent surplus and consistent deficit groups by TRAC group (Table 6.2). Both groups are represented across high-, medium-, and low-research-intensity groups, as well as specialist colleges. Within the group of institutions with a continued surplus 5 were high research intensity institutions, 3 medium, 4 low and 5 institutions were specialist colleges. The consistent deficit group comprised 5 high research intensity institutions, 4 medium, 5 low and 3 specialist colleges.

Table 6.2: Composition of consistent surplus/consistent deficit groups

	Consistent surplus group		Consistent deficit group	
	Number	%	Number	%
High Research Intensity (Group A)	5	29.4	5	29.4
Medium Research Intensity (Groups B and C)	3	17.7	4	23.5
Low Research Intensity (Groups D and E)	4	23.5	5	29.4
Arts and Music (Group F)	5	29.4	3	17.7
Total	17	100.0	17	100.0

6.2 Support for research among the persistent surplus/deficit institutions

We focus here on two indicators of research support: whether institutions-maintained support for research bids and whether they maintained support for commercial partnerships. Table 6.3 compares changes in support for research bids between consistent deficit and surplus institutions. For example, of the 17 consistent deficit institutions, 3 reported a constant level of support for research bids in 2025 but a reduction in 2026. However, in both years and across both groups of institutions, the primary trend was to maintain levels of support for research bids. In this respect, there is no obvious difference between the patterns in surplus and deficit institutions.

Table 6.3: Support for research bids in 2025 and 2026

		2025 Increased	2025 Stayed the same	2025 Decreased	Total
A. Consistent surplus institutions					
2026	Increased	0	4	0	4
	Stayed the same	2	9	1	12
	Decreased	0	0	0	0
	Total	2	13	1	16
B. Consistent deficit institutions					
2026	Increased	0	2	0	2
	Stayed the same	3	6	3	12
	Decreased	0	3	0	3
	Total	3	11	3	17

Patterns of spending on industrial collaboration and partnerships show a clearer distinction between surplus and deficit institutions (Table 6.4). In particular, while the majority of institutions held spending constant in both years, a larger number of surplus institutions increased spending in 2026 than those reporting a deficit.

Table 6.4: Support for industrial collaboration and partnerships in 2025 and 2026

		2025			
		Increased	Stayed the same	Decreased	Total
A. Consistent surplus institutions					
2026	Increased	0	6	0	6
	Stayed the same	2	5	1	8
	Decreased	0	0	0	0
	Total	2	11	1	14
B. Consistent deficit institutions					
2026	Increased	0	1	0	1
	Stayed the same	2	6	3	11
	Decreased	0	2	0	2
	Total	2	9	3	14

6.3 Support for commercialisation among the persistent surplus/deficit institutions

In this section, we consider two indicators of institutional support for commercialisation – support for technology transfer offices and support for spinouts. For technology transfer offices, the predominant pattern among both consistently surplus and deficit institutions is that budgets were maintained between 2025 and 2026 (Table 6.5). However, for this survey question, a number of respondents were uncertain about any changes in spending, so this result needs to be treated with some caution.

Table 6.5: Support for technology transfer offices in 2025 and 2026

		2025			
		Increased	Stayed the same	Decreased	Total
A. Consistent surplus institutions					
2026	Increased	0	2	0	2
	Stayed the same	2	3	0	5
	Decreased	0	0	0	0
	Total	2	5	0	7

		2025			
		Increased	Stayed the same	Decreased	Total
B. Consistent deficit institutions					
2026	Increased	0	1	0	1
	Stayed the same	1	9	0	10
	Decreased	0	2	0	2
	Total	1	12	0	13

In terms of support for spin-out companies, we see a broadly similar picture, with budgets maintained across most institutions, whether in surplus or deficit (Table 6.6). Notably, a number of deficit institutions that increased budgets in 2025 maintained them through 2026.

Table 6.6: Support for spinouts in 2025 and 2026

		2025			
		Increased	Stayed the same	Decreased	Total
A. Consistent surplus institutions					
2026	Increased	1	2	1	4
	Stayed the same	2	8	0	10
	Decreased	0	0	1	1
	Total	3	10	2	15
B. Consistent deficit institutions					
2026	Increased	0	2	0	2
	Stayed the same	4	6	0	10
	Decreased	0	0	0	0
	Total	4	8	0	12

6.4 Summary

Fifty-four institutions responded to both the 2025 and 2026 surveys. 17 of these institutions reported a continued surplus, 17 reported a deficit in operating surplus in both years, and the remaining 20 had varied experiences. Comparing support for commercialisation across the continual deficit and continual surplus groups suggests little clear difference in spending profiles. The comparison also provides little evidence that commercialisation support in either group has declined consistently. Similar conclusions apply to support for research bids. In terms of support for industrial collaboration and partnerships, a different pattern emerges, with consistent surplus institutions more likely to be increasing spending in 2026.

7: LOOKING TO THE FUTURE

7.1 An ongoing 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'. In 2025, seventy-two of the seventy-four respondents indicated the latter. In 2026 responses were similar with 72 of the 78 respondents seeing the financial pressures on universities as 'a systemic and longer-term issue'.

Explanations for this response reflected a consensus that the current business model of the sector is unsustainable, with many respondents recognising the need for system-wide organisational and policy changes. Individual comments varied in theme and emphasis, but three themes were dominant. First, respondents recognised the wider international context in which the sector was operating:

- 'Given visa regulations and government focus on reducing immigration, the UK is a less attractive destination than some other competitor countries. Due to increased competition is it likely that overseas PGT demand to come to the UK will remain low unless visa rules change. Even then, given other universities are rising up the rankings (Asia) it is unlikely that demand will return to previous levels'.

- The market for HE teaching is declining, in the UK and internationally and this will impact all other aspects of our delivery'.

- 'UK gov has no more money, funding options decrease. Geopolitics and UK politics reduce international student demand which is the core financial lever. Meanwhile wage s rise with cost-of-living pressure. Everything just gets tighter'.

- The model of inherent cross-subsidy is no longer fit for purpose. Volatility is only likely to increase within the UK and against a more complex geo-political backdrop'.

The dependency of some institutions – particularly in the high-research-intensity group – was also seen as a key challenge by some respondents:

- 'The financial problems are driven by a reliance on international fee income, and low-cost recovery on home student teaching and research activity. The International recruitment market is highly competitive and volatile, which is likely to continue. Increases to the home fee help but do not address years of real income decline, and research cost recovery is an ongoing challenge'.

- 'The dependence on international students' tuition fees is now the predominant business model of the Russell Group, and clear that one bad year has a very significant impact. 2 or more bad years would require drastic cost reduction. And there is no apparent way of substituting the income at scale'.

There was a recognition that resolving these challenges was likely to require both governmental and organisational responses. On the organisational responses required, respondents commented:

- ‘There are some fundamental funding challenges, the sector needs to move into a business/private sector mind set which will take time’.

- ‘Since 2012 more of our activities have operated in a market and whilst the sector was growing the consequences of this have been masked. We are starting to see the consequences of the market with an increased variation in performance. For those HEI's with a large research activity the systemic funding issue is not improving. If an HEI fails to recruit student numbers, then over time it is likely that it will reduce its loss-making research activity so that it remains financially viable. However, this is likely to impact reputation and longer-term ability to recruit students’.

7.2 Government support for the sector

Respondents were also asked some final questions about the role of government in supporting the HE sector. First, respondents were asked for their views on what actions of government are most strongly influencing the financial operations and operating environment for the sector. Responses were diverse but often focused on uncertainty, regulatory issues, visa and immigration policies and the overall financial framework within which the sector is operating. A number of respondents emphasised uncertainty in the policy climate and the difficulties this created for future planning:

- ‘The government needs to have a strategic plan for HE, including funding and policies that have a short, medium and long term’.

- ‘A lack of long-term certainty has been an issue over the last few years. The white paper has assisted’.

- ‘Avoiding sudden changes in policy, this makes it difficult to plan. Almost whatever government policy stance is on a particular issue, it can be planned around if there is a good level of certainty’.

Others – particularly in the high-research-intensity group - focused more specifically on issues related to visas and international students:

- ‘Attractiveness of UK to overseas students both directly (e.g. visa conditions and availability) and indirectly (messaging that the UK welcoming)’

- ‘Reducing the term of the post -study work visa harms recruitment of international students as does the unwelcoming rhetoric’.

- ‘Many examples but to highlight one - Review of the recent UKVI visa changes, which significantly impact international recruitment and the need to be proportionately supportive to all in sector, not just Russell Group universities’.

For other respondents broader financial issues were more critical including pension costs, VAT etc.:

- ‘Pension restrictions for post-92 universities cause financial distress and competitive disadvantage. Visa restrictions for students hamper international student recruitment. Continual funding of research at significantly below FEC drains resource’.

- ‘The government policy has also meant additional cost- NI increase, cost of the Teachers Pension Scheme and the international student levy. All increasing (materially) the running costs of all universities’.

- ‘Remove VAT on HE-HE transactions, stop negative rhetoric on international students (and remove them from migration stats)’.

Finally, respondents were asked to reflect on what additional support could be offered which would make a material difference to financial sustainability. Comments were again diverse but consistent themes were the need for a more positive and consistent rhetoric about the sector from government, consistency of policy approach and a need to reduce regulation. Some respondents emphasised the need for a new funding settlement as indicated in earlier sections. The following comments were typical of those asking for positive and consistent government support for the sector:

- ‘Policies and narratives to improve attractiveness to overseas students including immigration related narratives and visa policy for post-study work, and reduction in cost of visas which is currently high’.

- ‘Clarity and consistency of government intent and policy. Positive narrative about the UK HEI sector, especially internationally Support with the planning system (to make it easier and quicker to navigate)’.

- ‘‘More positive rhetoric from Government about universities’.

Concerns about visa restrictions and international student recruitment were priority for some respondents:

- ‘Reduction of regulation. Relaxing visa regime for non-UK students, particularly the position on post-study visas’.

- ‘Immigration policy that is fair for foreign students, removal of proposed levy for foreign students and facilitate joint industry and HE collaboration’.

Other respondents emphasised the need to reduce reporting and compliance costs for HEIs:

- ‘Less invasive reporting (which has added considerably to costs over the recent years and is not clear if it has added any value)’.

- ‘Reduction in regulation and compliance. This was promised a few years' ago but has not happened. Sticking with a long-term strategy for the HE sector, rather than it changing every few years’.

7.3 Summary

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’. In 2025, seventy-two of the seventy-four respondents indicated the latter. In 2026 responses were similar with 72 of the 78 respondents seeing the financial pressures on universities as ‘a systemic and longer-term issue’. Explanations for this response reflected a consensus that the current business model of the sector is unsustainable, with many respondents recognising the need for organisational and policy changes.

Respondents were asked for their views on what actions of government are most strongly influencing the financial operations and operating environment for the sector. Responses were diverse but often focussed on uncertainty, regulatory issues, visa and immigration policies and policy changes and the overall financial framework within which the sector is operating.

Finally, respondents were asked to reflect on what additional support could be offered which would make a material difference to financial sustainability. Comments were again diverse but consistent themes were the need for a more positive and consistent rhetoric about the sector from government, consistency of policy approach and a need to reduce regulation. Some respondents emphasised the need for a new funding settlement as indicated in earlier sections.

ANNEX 1: TRAC PEER GROUPS OF ENGLISH INSTITUTIONS

Peer Group A: Institutions with a medical school and research income* of 20% or more of total income

10006840 The University of Birmingham
10007786 University of Bristol
10007788 University of Cambridge
10007792 University of Exeter
10003270 Imperial College of Science, Technology and Medicine
10003324 Institute of Cancer Research: Royal Cancer Hospital (The)
10003645 King's College London
10007768 The University of Lancaster
10007795 The University of Leeds
10007796 The University of Leicester
10006842 The University of Liverpool
10003958 Liverpool School of Tropical Medicine
10007784 University College London
10007771 London School of Hygiene and Tropical Medicine
10007798 The University of Manchester
10007799 University of Newcastle upon Tyne
10007154 University of Nottingham, The
10007774 University of Oxford
10007775 Queen Mary University of London
10007157 The University of Sheffield
10007158 University of Southampton
10007782 St. George's Hospital Medical School
10007806 University of Sussex
10007163 The University of Warwick
10007167 University of York

Peer Group B: All other institutions with research income* of 15% or more of total income

10007759 Aston University
10007850 The University of Bath
10007760 Birkbeck College
10000961 Brunel University London
10007822 Cranfield University
10007143 University of Durham
10007789 The University of East Anglia
10007791 The University of Essex
10007767 University of Keele
10007150 The University of Kent
10004063 The London School of Economics and Political Science
10004113 Loughborough University
10007802 The University of Reading
10005553 Royal Holloway and Bedford New College
10007779 The Royal Veterinary College
10007160 The University of Surrey

Peer Group C: Institutions with a research income* of between 5% and 15% of total income

10007785 The University of Bradford
10000886 University of Brighton
10001478 City St Georges, University of London
10001883 De Montfort University
10002718 Goldsmiths' College
10007146 University of Greenwich
10007147 University of Hertfordshire

10007148 The University of Huddersfield
10007149 The University of Hull
10007151 University of Lincoln
10003957 Liverpool John Moores University
10007773 The Open University
10007780 The School of Oriental and African Studies
10007801 University of Plymouth
10007155 University of Portsmouth
10007156 University of Salford, The
10007164 University of the West of England, Bristol
10007165 The University of Westminster

Peer Group D: Institutions with a research income* less than 5% of total income and total income greater than £150M

10000291 Anglia Ruskin University
10007140 Birmingham City University
10007141 University of Central Lancashire
10001726 Coventry University
10007144 University of East London
10003678 Kingston University
10003861 Leeds Beckett University
10004180 Manchester Metropolitan University
10004351 Middlesex University
10001282 University of Northumbria at Newcastle
10004797 Nottingham Trent University
10004930 Oxford Brookes University
10005790 Sheffield Hallam University
10007166 University of Wolverhampton

Peer Group E: Institutions with a research income* less than 5% of total income and total income less than or equal to £150M

10000163 AECC University College
10000571 Bath Spa University
10007152 University of Bedfordshire
10000712 University College Birmingham
10007811 Bishop Grosseteste University
10006841 The University of Bolton
10000824 Bournemouth University
10000975 Buckinghamshire New University
10001143 Canterbury Christ Church University
10007848 University of Chester
10007137 The University of Chichester
10007842 The University of Cumbria
10007851 University of Derby
10007823 Edge Hill University
10007145 University of Gloucestershire
10040812 Harper Adams University
10080811 Hartpury University
10003863 Leeds Trinity University
10003956 Liverpool Hope University
10007797 University of London
10007769 London Business School
10004048 London Metropolitan University
10004078 London South Bank University
10007832 Newman University
10007138 University of Northampton, The
10000936 University College of Osteopathy (The)

10007776 Roehampton University
10005545 The Royal Agricultural University
10006022 Solent University
10037449 University of St Mark & St John
10007843 St Mary's University, Twickenham
10006299 Staffordshire University
10014001 University of Suffolk
10007159 University of Sunderland
10007161 Teesside University
10006566 The University of West London
10003614 University of Winchester
10007139 University of Worcester
10007657 Writtle University College
10007713 York St John University

Peer Group F: Specialist music/arts teaching institutions

10000385 Arts University Bournemouth, the
10007162 University of the Arts, London
10007761 Courtauld Institute of Art
10006427 University for the Creative Arts
10008640 Falmouth University
10007825 Guildhall School of Music & Drama
10003854 Leeds Arts University
10003945 The Liverpool Institute for Performing Arts
10004511 National Film and Television School (The)
10004775 Norwich University of the Arts
10005127 Plymouth College of Art
10005389 Ravensbourne University London
10005523 Rose Bruford College of Theatre and Performance
10007835 The Royal Academy of Music
10007816 The Royal Central School of Speech and Drama
10007777 Royal College of Art (The)
10007778 Royal College of Music
10007837 Royal Northern College of Music
10008017 Trinity Laban Conservatoire of Music and Dance

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