

# How many universities will make it to 2021? The answer ...

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A commentator simply using the name Robin [posted the comment I reproduce below on the blog yesterday.](#)

I am sharing the post because I agree with its sentiments, but I feel that the scale of the risk that he (I assume it is a man, but I cannot be sure) states exists is too limited. Feedback I am now getting from many universities is that a massive funding crisis is developing.

Some is simple to explain. Students not at universities are not paying hall fees and so cash flow to service debt is not being received.

First-year students, who most universities have now stopped teaching and who are simply being given free passes to their second years, are asking why they should pay tuition fees of more than £3,000 for the coming term that they will sit out and which add to their student debt when they are getting nothing at all in return. I completely sympathise with them. Why should they pay for this?

But the big crisis is the September intake. In many universities Masters courses are highly profitable, and are made up very largely of overseas students paying very high fees. 70% plus overseas students is not uncommon. There are also undergraduate courses where more than 50% of students are from overseas. These courses are at massive risk. Even if the students want to come, their parents, who very often pay for these courses, won't want to send their children to the country with the worst Covid-19 track record in Europe. They would simply be safer at home.

And I suspect some UK based undergraduates may defer too. After all, University is all about social mixing. Why go in that case if lockdown is continuing?

These points being made, this is the comment I wish to share, then I will consider the consequences.

*There is a further crisis due to explode onto the scene in a few months time. It is/will be the culmination of the Tory/NL folly of marketising our higher education sector. To*

explain, one must go back to 2012 and the tuition fee increase.

When the Tories/LibDems, following on from NL initial moves towards a market for education, increased tuition fees by nearly 300%, this was done in conjunction with a removal of state support previously given directly to higher education providers (HEPs).

The reasons for this move were likely many, but one of the main ones, from the point of view of then chancellor Osborne was simple, by removing a stipend and replacing it with loans, he was able to write down (on paper) billions of £ of state spending. This simple accounting trick, turning costs into liabilities, allowed him claim a reduction in overall spending, thereby justifying a massive tax reduction/give away to the wealthy and corporations.

At the time of the change, the legislation which allowed fees to rise from an annual £3465 to £9000 at the stroke of a pen, also did a number of other things. Firstly it lifted the cap on the overall number of HE students, providing an opportunity for HEPs to increase their income(needed to by consent/remove opposition from HEPs to the change), and secondly, it came with built in annual increases. This last detail is key to understand the situation HEPs find themselves in now.

Following on from 2012, several things happened within HEPs. As they were now funded entirely by student loans, for the most part, and given that the cap on student numbers had been lifted, most HEPs across the country raced to massively increase pay rates for their CEO equivalents, and went on debt fueled construction sprees to modernise/beautify their campuses, adding thousands of student residences (those ugly flat-pack high rises that have spouted like mushrooms anywhere there is a university). The funding for this construction boom was in the main debt, and it was predicated on the annual tuition fee increase to make it affordable.

Unfortunately for the HEPs (fortunately for students) the annual increase died somewhere along the way in the following years. There has been one increase since, from £9K p/a to £9250, which happened in 2016, but it has not been enough to keep up with the costs of the debt taken out to fund the spending, which has left many HEPs already teetering on the edge financially. Thankfully, however, given the removal of the cap on overall numbers, and given the increased capacity, HEPs were for the most part able to substitute the expected increase in income from another avenue: overseas students. These pay typically 2-4 times as much per annum as UK/EU students, so increasing their numbers has filled a gaping hole in many HEPs budgets. These students come from all over the world, the UKs ranks highly in HE standards internationally, but easily the biggest single cohort come from China.

This is where the current situation matters. Given the UKs haphazard handling of the COVID crisis, particularly when compared to their native China, and seeing as a vaccine is still anywhere from 6-18 months away, meaning a second or third COVID wave may be likely, how many prospective Chinese students will be preparing to pack their bags and move to the far side of the planet in the current climate? Most, I imagine will be

*heeding their parents concerns, particularly in view of how transport and movement can be so easily disrupted, and choosing to remain closer to home.*

*If this alone were not bad enough, the fact that this crisis is occurring in the same year as a likely hard Brexit (seeing as BoJo insists there will not be any extension to the negotiations) means the impact on HEPs finances will be felt like a heavyweight one-two punch. This is because, while they don't account for the same percentage of income per head, EU students make up a large and significant amount of the overall student numbers necessary to fill the HEPs coffers. There will by all accounts be a massive reduction in new EU student numbers this 2020/21 cohort given the uncertainties remaining around Brexit.*

*I fully expect to see a number of HEPs enter administration before the end of 2020. More still will be effectively bankrupt before the 2020/21 academic year is finished. This is entirely predictable and should be clearly visible to government, but I doubt any action will be taken until it is effectively too late. Most likely when the eventual crisis explodes fully onto the scene we will see additional government bail outs of the sector, coupled with market consolidations, mergers and take overs, etc, further entrenching the current market-based education system.*

My difference from Robin is that I think there will be many more failures than he implies. Of course the old colleges can make it. But they are few in number in the sector as a whole, and I do not think it just the old polytechnics who will be in trouble here: I think the problems will be right up to the Russell Group. Mass failures are likely. Universities are simply geared up for a scale of operation that they cannot now enjoy and putting that into reverse will be very hard, and in some cases likely to be impossible without insolvency.

Their reaction will include redundancies: I know of whole departments who have been told that they are at risk.

Universities are already stopping capital spending, completely: expect to see mothballed buildings on campuses for years to come.

And universities will also start cutting, very reluctantly, the vast number of staff whose role I have never got near understanding. When 50% of staff are not academic in many universities and absolutely no admin support is provided to almost any academic, ever, what the rest are doing has always been baffling, to say the least. The empire building that Robin describes has been rampant.

But most of all, they simply won't be able to pay their bills without government support.

Will that be forthcoming? I simply do not know.

But this I do know: because of the failure of the government's Covid-19 strategy a

massive foreign exchange earning industry is going to be virtually wiped out in the UK, and will probably never recover in the way it has existed. If this government thought its policy was all about putting the economy first it got that very, very badly wrong.