

Funding the Future

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Forty per cent of the UK's universities are now running deficits. Next year, it is expected that 75% will. How long is it before some begin to go bust as a result of UK government policy?

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This is the transcript:

Are the UK's universities financially failing?

Are some going to go bust?

Do we face the risk that there will literally be people thrown out of work in these places and students who will be left without courses that they can complete?

Will towns suffer the economic hardship of seeing somewhere that employs so many people and drives so much of the local economy fail, and have to face the consequences?

These are all very real economic questions at this moment because what we know is

that according to the Office for Students, who are responsible for regulating the university sector in the UK, universities are going to face a drop in their income in the next year of £3.4 billion. .

Now, spread across the 108 institutions involved, that may not sound too much, but the spread is not even, and some universities are already facing financial problems. In fact, 40% of all the UK's universities are at present running deficits, and within a year that Office for Students thinks that 75% of all UK universities will be running deficits, and as a consequence, many of them will not be able to continue to operate in the way that they are.

And let's stand back for a moment and ask, why has this situation arisen? Then I'll look at what the consequences are, and then we'll discuss what can be done about it.

Why has this situation arisen? Most of all, this situation has arisen because in 2012, the UK government decided that students should pay a very large, in real terms, student contribution towards the cost of their tuition each year, and that was basically not increased over the following 12 years and stuck at around £9,300 a year. Now it's £9,535 a year, but compared to the cost of providing undergraduate education, that is a loss per UK student of approximately £2,500 for every student who enrolls in every UK university every year.

Now the money is made up. It's made up by attracting overseas students where the base level of fee is around £11,400 a year, but the actual fees can go up to £30,000 a year for an undergraduate course and maybe more for a postgraduate course, many of which are put on largely for the benefit of international students.

So, what we are seeing is that international students have been massively subsidising the losses that have accumulated over recent years as a consequence of the government not allowing student tuition fees to go up.

But now we have moves to try to limit the number of international students in the UK. There are very proactive measures to try to tackle the number of students who come and who they might bring with them when they arrive here, so that their families can't come with them, and we are also trying to restrict the numbers to control migration because students coming into and leaving the UK are all included in the migration figures, which makes us an outlier in terms of appraising the levels of migration to and from the country in comparison with almost every other country in Europe and other places as well.

So, put that together and the whole antagonistic approach of the government towards foreign students has made life exceptionally difficult for our UK universities because we do not allow as many visas as we did. We apply onerous conditions to them, and therefore students don't want to come here. Plus the fact that, post Brexit, this is quite simply not as attractive a place to study because there isn't the integration with Europe

that there once was.

As a result, universities are in trouble. In the last year, to give an example, the increase in tuition fees probably added £370 million to their income. But at the same time, the extra national insurance charges imposed by the government on the cost of employing staff at universities increased their cost base by £430 million a year. In other words, they were worse off before they even got to the first day of the year.

UK universities are in deep trouble as a consequence of government taxation policy, the failure to fund university courses properly and the attitude of the government towards foreign students, and the consequences are very clear.

For example, the University of Edinburgh is facing a deficit of £140 million.

Cardiff University is facing a deficit of over £30 million.

The University of East Anglia in Norwich has a deficit of over £74 million, and the University of Dundee in Scotland has a deficit of £35 million, and all of these places are in deep trouble.

There has been a consistent reaction amongst the universities in question. Many of them are looking to sack significant numbers of staff, including my own old university of which I'm still an emeritus professor, the University of Sheffield. They are looking for 400 staff redundancies at present.

That is one of the larger numbers, but there are some who are looking for more. For example, the University of Dundee is looking for maybe 600 and plenty more are looking for figures of around 300 plus, including the University of Edinburgh, that I have already mentioned.

The list is long. These universities are not looking for redundancies because they want to sack people. They know they will face significant staff reaction as a consequence of doing so. The stress levels amongst university staff are very high, and the stress levels amongst students are very high because they know they're not going to get the support and teaching that they need.

And the reason for all of that is quite simply that these universities know they face the risk of financial bankruptcy, but, and I make the point very clearly, there is no formal arrangement in place inside the UK for the bankruptcy of a university because we've never thought about the possibility that it might happen.

So in all the statutes that have created all the UK's universities and set up the Office for Students and everything else, nobody thought about what happens if any of these universities goes bust?

And you might notice that the universities that I've mentioned are not the peripheral

universities, the ones that have arrived on the scene relatively late. The ones that are mainly of a teaching orientation and who used to be polytechnics or teacher training colleges. Most of these universities that are in real trouble are those who have a very strong research base, which has been hit hard by the exit from the European Union, or who have a very strong postgraduate offering of courses, which have been hit very hard by the decline in the numbers of overseas students. So, don't presume that just because a university has a very high ranking, it is necessarily safe, unless we're talking about Oxford and Cambridge, who are in a totally different league.

Are we therefore in a situation which is totally unprecedented with regard to university education in the UK as a whole? Yes, we are. And don't, by the way, think we're just talking about England because Aberystwyth University and Cardiff University in Wales are in trouble and, as I've mentioned, Edinburgh and Dundee are in Scotland, so we are talking about a nationwide problem where universities are at risk of failing.

What is the solution?

Well, in many cases, it is suggested to close courses. The Office for Students is saying that universities in close proximity with each other, that offer similar courses should shut one of those courses down and ask their students to go to the other university.

They're also suggesting that universities should begin to share costs, as if we should consolidate these into large groups of universities.

The idea of the large corporate entity is going to creep into the university sector, I suspect, very soon, with the real chance that some of these places will be taken over by those large corporations. Neoliberalism always wants its opportunity to make profit after all, and we will see people suffer.

Let me go back to what I said at the start of this video. Not only will people be losing their jobs and people are losing their jobs, including former colleagues of mine, but students are definitely suffering because they're going to have less choice, and they're going to suffer worse staff teaching ratios as a consequence of this, with no reduction of fees as a consequence.

But perhaps the thing that worries me almost above all else is the risk that a student will be halfway through their course and then be told, I'm sorry, but your institution, whichever it is, cannot now fulfil its promise to you to complete that course. You're going to have to shift to another university, if you can find one, who will accept the credits that you've got on your existing course towards a degree that you might be able to finish there, and who knows whether that would be possible or not.

That would be a complete betrayal of the young people - because most people at university tend to be younger - involved in that process.

It would also be a complete betrayal of the towns that have gone out of their way to host these university communities and who have been encouraged to do so. They have been told, host a university, make money, attract students in, boost your local economy, and to date, it has done all of that. But the likelihood is that that will not happen in the future. This could be devastating for towns and cities across the UK who face a future without students.

What can be done about this?

First of all, student fees need to be reconsidered. The degree of government support for higher education needs to be reconsidered because it is absurd that we have a student fee system in this country anyway. This is something that is quite crazy. We should be actually looking at direct government subsidy again.

And we should be considering how to change the rules on foreign students coming to the UK so that they are not included in migration figures and therefore become the target for abuse from Reform and other far-right politicians who want to say that any migrant coming to this country does not add value when the university sector is one of our biggest exporters within the UK as a whole, because it does do that. It exports from the UK by charging these students who come here. That's exactly the same as if we were shipping goods to their countries.

This is an economic crisis in the making.

It is an economic crisis that I expect to explode sometime soon, and I expect its consequences to be massive.

If the government doesn't get its head around this very quickly, before 2029, we are going to see one or more universities go bust. And I hear rumours about which ones are top of the list, and I haven't named any of them. Which one will go, I don't know. But one will. And the moment that starts, the dominoes could start falling. And in that case, we are going to face a massive domestic economic crisis as a consequence of the government not properly funding our university sector in the UK.