Financial sustainability of higher education providers in England: November 2024 update

In May 2024, the Office for Students (OfS) published its annual report on the financial sustainability of higher education providers in England. This report set out our analysis of the higher education sector's financial condition and its resilience to financial challenge.[1] The report drew on financial data returned to the OfS by universities and colleges as well as other information. It found that, overall, providers were forecasting deterioration in the short- to medium-term financial outlook. 40 per cent of providers were expecting to be in deficit and an increasing number anticipated low net cashflow. The sector predicted an improved outlook from 2026-27 onwards.

Our analysis of recruitment trends suggested that providers' financial forecasts were based on predictions of student recruitment that were too optimistic. The report set out the impact of modelled scenarios of alternative, less positive, recruitment outcomes. These suggested that the actual outturn position in the short and medium term was likely to be even more challenging than that implied by the sector's forecasts for 2024-25. The scenarios also suggested that the recovery providers were anticipating thereafter could be reversed with a continuing weakening of the sector's financial position until 2026-27.

This new report provides an update on the analysis we published in May, based on the latest available data trends for the recruitment of UK and international students for entry in autumn 2024. The latest information indicates that, overall, UK and non-UK student recruitment are significantly below the sector's previous expectations and, for some providers, in line with the more pessimistic scenarios modelled in our May report. Autumn 2024 recruitment outcomes have varied significantly for different types of higher education provider, and for providers within similar groups. Based on our latest modelling we estimate UK undergraduate entrants to be, in aggregate, 10 per cent lower than the sector's forecasts for 2024-25, and non-UK entrants to be 23 per cent lower than those forecasts. It is clear that the financial context for the sector is becoming even more challenging.

It is important to emphasise that this updated picture is underpinned by the financial data compiled by most providers in 2023 and returned to the OfS in early 2024. Many providers will already have adjusted their expectations and taken action to address changes in student recruitment, and other risks, since submitting their forecasts. We are preparing to collect more real-time financial data from providers to increase our ability to understand changes in financial position throughout the year. We consider this development essential in the current financial climate.

In the meantime, we have modelled the impact of the changed recruitment picture on the financial data submitted in the most recent annual financial return (AFR). Our analysis suggests that the outturn recruitment picture (having accounted for key factors that have changed the financial

[1] See OfS, 'Financial sustainability of higher education providers in England: 2024'. This report did not include an analysis of financial sustainability of further education colleges that provide higher education courses because the Education and Skills Funding Agency oversees the financial sustainability of these institutions.

context for providers) could result in an aggregate net reduction in annual income for the sector of £3.4 billion against the forecast position, and could, without mitigating action, result in up to 72 per cent of providers facing a deficit in 2025-26. We therefore expect the number of providers facing financial challenges to have increased. We know that this picture will be of significant concern to universities and colleges, as well as to their students.

This report is intended to provide information about the sector-wide position, to support leaders and governors as they ensure their financial planning and forecasts are prudent and appropriately stress-tested. Many providers are actively managing their financial risks and putting in place measures to respond to increased pressures. It is important that all providers continue to plan proactively for an uncertain recruitment picture and do not rely on improved recruitment in future years.

Many providers will need to take increasingly bold action to address the impact of these challenges on their financial position in the short, medium and long terms. Where necessary, providers will need to prepare for, and deliver in practice, the transformation needed to address the challenges they face. In some cases, this is likely to include looking externally for solutions to secure their financial future, including working with other organisations to reduce costs or identifying potential merger partners or other structural changes. We recognise that cultural and other barriers in the sector may deter institutions from considering some of these options, and so it is important that options are identified and evaluated with sufficient time for action to be taken.

We recognise that transformation – for the sector and individual providers – is not easy. We see this essential work as a shared priority to ensure a financially resilient sector, for students and in the national interest. There will be benefits for universities and colleges in talking to each other, working collaboratively, and sharing experiences of how they have responded to financial risk. We will continue to look for opportunities to facilitate these discussions, drawing in experts from beyond the sector where this can add value.

In this challenging landscape, the OfS will continue to focus on the interests of students. We will continue to highlight and champion the needs of students from all backgrounds – for high quality courses amid the changes brought by institutional transformation and, where risks are greatest, for options to continue their studies if their provider can no longer operate.

We ask that any provider facing financial difficulties engages with the OfS as early as possible, particularly where there may be concerns about ongoing viability or cashflow, in the short, medium or long terms. We also encourage early engagement with other key stakeholders, such as lenders and other funders.

This report finds that:

- Acceptances of UK undergraduate students through UCAS appear to have increased slightly, by 1.3 per cent in 2024 compared with the same point in 2023. However, this is significantly below the sector's forecast of a 5.8 per cent increase.

- Recruitment of UK undergraduate students has mainly increased in larger, higher-tariff providers. It appears to have decreased across medium, smaller and specialist institutions, and has decreased by nearly a quarter in providers predominantly offering Level 4 and 5 qualifications.

- Indicators suggest that recruitment of international students has decreased significantly overall, with 16 per cent fewer applications for visas in 2024 than in 2023.
- The number of international students from certain countries that send significant numbers to study in the UK has decreased significantly. The number of students from some of these countries has decreased by more than 40 per cent.[2]
- Our modelling indicates that many more providers than forecast must overcome financial challenges in the coming years. By 2025-26, based on current trends and not taking into account significant mitigating action, we estimate a net income reduction for the sector of £3,445 million, and, without significant mitigating actions, a sector-level deficit of -£1,636 million, with up to 72 per cent of providers being in deficit, and 40 per cent having low liquidity.
- While these results are spread across all types of providers, the forecasts of larger, especially teaching-intensive, providers appear to be particularly at odds with the optimism in their previous forecasts.

Summary of providers’ forecasts for 2024-25 and 2025-26

Our May 2024 report identified that the sector’s financial forecasts were predicated on strong recruitment in 2024-25 and beyond. Using the latest set of forecast data, the sector anticipated a 5.8 per cent increase in UK undergraduate student entrants, and a 6.6 per cent increase in non-UK entrants, between 2023-24 and 2024-25.

At an aggregate level, the forecasts predicted that the number of providers expecting to return a deficit would reduce from 112 to 61 between 2023-24 and 2025-26. The number of providers forecasting low liquidity levels (defined as liquidity of below 30 days) increased from 28 to 30 between 2023-24 and 2024-25 and then decreased to 27 in 2025-26.

Further details of these forecasts can be found in ‘Financial sustainability of higher education providers in England: 2024’.[3]

Latest student recruitment trends for 2024-25

Since our May 2024 report we have continued to monitor levels of student recruitment, through our engagement with individual providers and analysis of UCAS and published Home Office data.

While acknowledging that the recruitment information available at this time is not complete, we estimate that around 100 providers failed to achieve their UK undergraduate recruitment forecasts for 2024-25. We estimate that around 150 providers may have failed to achieve forecast levels of international recruitment, with those providers that focus on postgraduate taught courses relying on international student growth being of particular concern. There is, however, significant variation between individual providers and groups of providers.

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[2] Measured in terms of the number of applicants granted Confirmation of Acceptance for Studies in the UK, in data published by the Home Office.

[3] See OfS, ‘Financial sustainability of higher education providers in England: 2024’.

UK undergraduate students

UCAS acceptance data from 28 days after A-level results day provides a strong indication of recruitment of UK undergraduate students for many providers. This data shows an overall 1.3 per cent increase in the number of UK acceptances between 2023 and 2024. This is in contrast to the sector's forecasts of an overall 5.8 per cent increase in UK undergraduate student entrants in 2024-25.

There is, however, considerable variation between different peer groups. Providers in the 'Larger research-intensive' group significantly exceeded their recruitment forecasts for UK undergraduate students. The 'Larger teaching-intensive' group achieved a small year-on-year increase in UCAS acceptances, but like all other peer groups saw a decline in UCAS acceptances between 2023 and 2024 compared with increases, or lesser declines, anticipated in their forecasts.

Table 1 shows this UCAS data and forecast trend data at a peer group level.

Table 1: UK UCAS acceptance data at 28 days after A-level results day, 2023 and 2024, and change in forecast UK undergraduate entrants 2023-24 to 2024-25 from AFR data

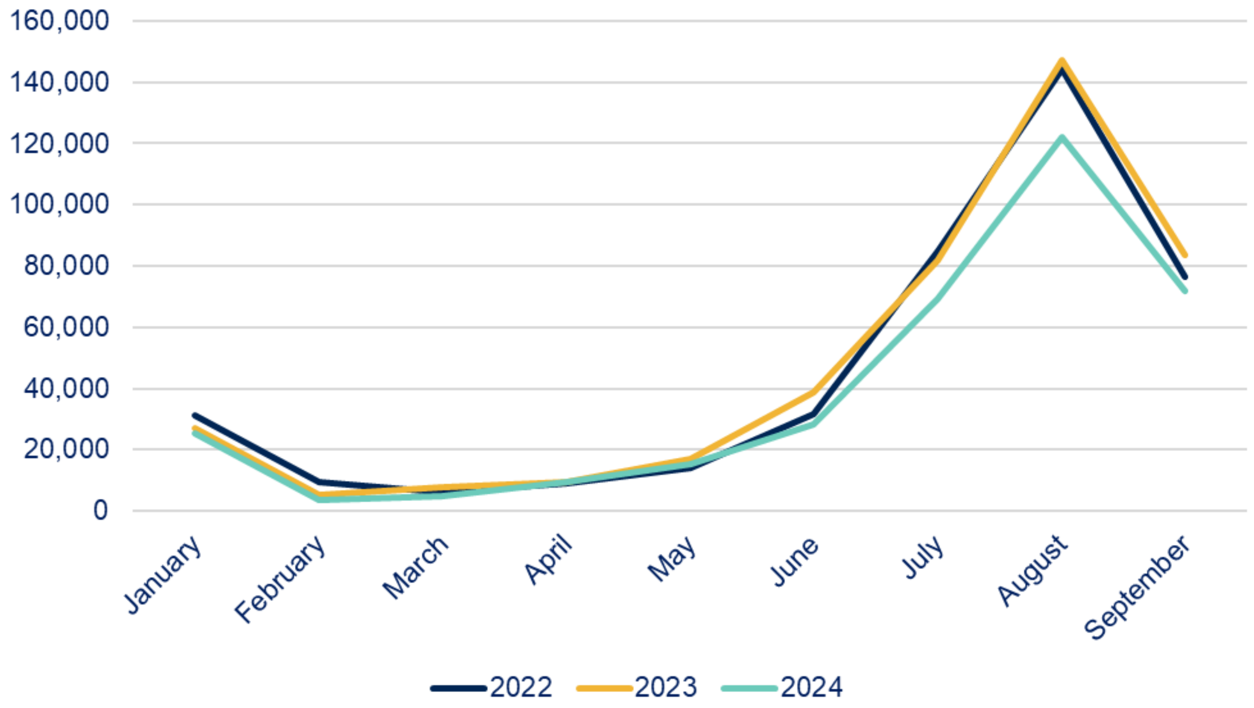
Peer group	UCAS acceptances 2023	UCAS acceptances 2024	Change in UK acceptances 2023 to 2024	%	Provider forecast change in UK undergraduate entrants, 2023-24 to 2024-25
Larger teaching-intensive	67,765	68,700	935	1%	5.4%
Larger research-intensive	84,995	93,165	8,170	10%	0.6%
Medium	131,430	128,815	-2,615	-2%	4.6%
Smaller	31,025	29,610	-1,415	-5%	11.7%
Specialist creative	11,820	11,420	-400	-3%	27.1%
Specialist	3,260	3,085	-175	-5%	17.8%
Level 4 and 5	225	170	-55	-24%	-4.9%
Total	**330,520**	**334,965**	**4,445**	**1.3%**	**5.8%**

Source: UCAS and OfS AFR.

International students

Visa application data published by the Home Office provides an indication of the trend in non-UK students intending to study in the UK. Data published in October 2024 shows that the number of applications for main applicant sponsored study visas for the period between January 2024 and September 2024 had declined by -16.0 per cent relative to the equivalent period in 2023. This contrasts with the sector's aggregate forecast of a 6.6 per cent increase in total non-UK entrants between 2023-24 and 2024-25.

Figure 1: Main applicant sponsored study visa applications for January to September, in 2022, 2023 and 2024



Source: Home Office monthly entry clearance visa applications: Data tables, September 2024.[4]

This reduction in international entrants is likely to be unevenly distributed between providers and peer groups, being less marked for those that have greater competitive strength in the international student recruitment market and where recruitment is focused on countries where there is less volatility.

There has been a considerable decline in student visa applications from prospective non-UK students in some major source countries. This pattern can be seen in the study sponsorship data, published by the Home Office in June 2024, which shows the nationality of applicants granted Confirmation of Acceptance for Studies (CAS) by UK providers from 2022-23 to 2023-24. This data shows an 11.8 per cent decline in the total number of sponsor acceptances issued to international students, as well as considerable variation for students with different nationalities, with the largest declines reported in the number of CAS issued to Indian and Nigerian students, down 28,585 (20.4 per cent) and 25,897 (44.6 per cent) respectively. Providers' financial exposure to overreliance on recruitment of students from particular countries continues to be a concern.

Table 2 shows the ten countries with the largest number of CAS issued in 2022-23, together with the change to these numbers in 2023-24. Providers often have a strong recruitment relationship with one or more specific countries, and so decreasing recruitment can affect different providers to different extents.

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[4] See Gov.UK, 'Monthly entry clearance visa applications'.

Table 2: Ten countries with the largest number of CAS issued, 2022-23 to 2023-24

Domicile of applicant	Number of CAS issued 2022-23	Number of CAS issued 2023-24	Change in number	Percentage change
India	139,914	111,329	-28,585	-20.4%
China	99,753	99,124	-629	-0.6%
Nigeria	58,089	32,192	-25,897	-44.6%
Pakistan	26,971	33,922	6,951	25.8%
Bangladesh	12,627	7,425	-5,202	-41.2%
United States	11,023	10,743	-280	-2.5%
Malaysia	6,449	5,633	-816	-12.7%
Sri Lanka	6,196	4,727	-1,469	-23.7%
Nepal	5,713	9,233	3,520	61.6%
Ghana	4,824	4,887	63	1.3%

Source: Home Office sponsored study entry clearance visas by course level, year ending June 2024.[5]

Modelled outcomes: Update

To assess the impact on the sector of these changes in recruitment, we have modelled a new scenario based on the updated recruitment information. We do not yet have updated AFR data, and this model therefore relies on a number of key assumptions. In particular, it applies variations to UK and non-UK forecast entrant numbers for different provider types, to assess how different providers could be affected. These assumptions are set out in Table 3.

Table 3: Scenario assumptions and parameters

Student group	2024-25	2025-26
UK undergraduate entrants	Based on provider level UCAS trends (or a finance typology average if UCAS data not available)	+1.0%[6]
UK postgraduate entrants	No growth from 2023-24	No growth from 2023-24
Non-UK undergraduate and postgraduate entrants	Variable undergraduate and postgraduate trends based on published visa and CAS data. Total reduction in entrants -16% with net reductions at a tariff group level: High tariff -5% Medium tariff -25% Low tariff -25% Specialist -15%	No growth from 2024-25

[5] See Gov.UK, 'Sponsored study visas by course level'.

[6] See Office for Budget Responsibility, Student entrants forecasts October_2024.

The model also includes the following:

- An increase to UK undergraduate tuition fees at the Retail Price Index, excluding mortgage interest payments (RPIX) inflation rate for 2025-26, as announced by the Secretary of State for Education in the House of Commons on Monday 4 November 2024. We estimate this to represent up to an additional £371 million of annual fee income for the sector, if it is applied to entrants and continuing UK undergraduate students by providers subject to the higher fee limit for relevant students.[7]

- An increase to employer National Insurance contributions for providers, based on the lower salary threshold of £5,000 at which employers must pay National Insurance and the 1.2 percentage point increase to the contribution rate from April 2025. We estimate that this will result in additional costs for the sector of £133 million in 2024-25 and c£430 million each year from 2025-26.

Our modelling suggests that there will be a total net reduction in annual income across the sector of -£3,445 million by 2025-26 compared with the sector's forecast position. This represents approximately 7.7 per cent of the audited income achieved by the sector in 2022-23.[8]

The sector had forecast an aggregate surplus of £339 million in 2023-24, increasing by 4.3 per cent to £1,809 million by 2025-26.[9] Based on our current analysis and modelling it seems unlikely that this will be achieved.

We have not modelled beyond 2025-26 because of the high levels of uncertainty surrounding student recruitment and other factors in later years, and because much of the base data for the model is now outdated and will soon be updated. We will continue to model financial variables for updated forecast data as it is submitted and we will report on this in our comprehensive annual report on financial sustainability in 2025.

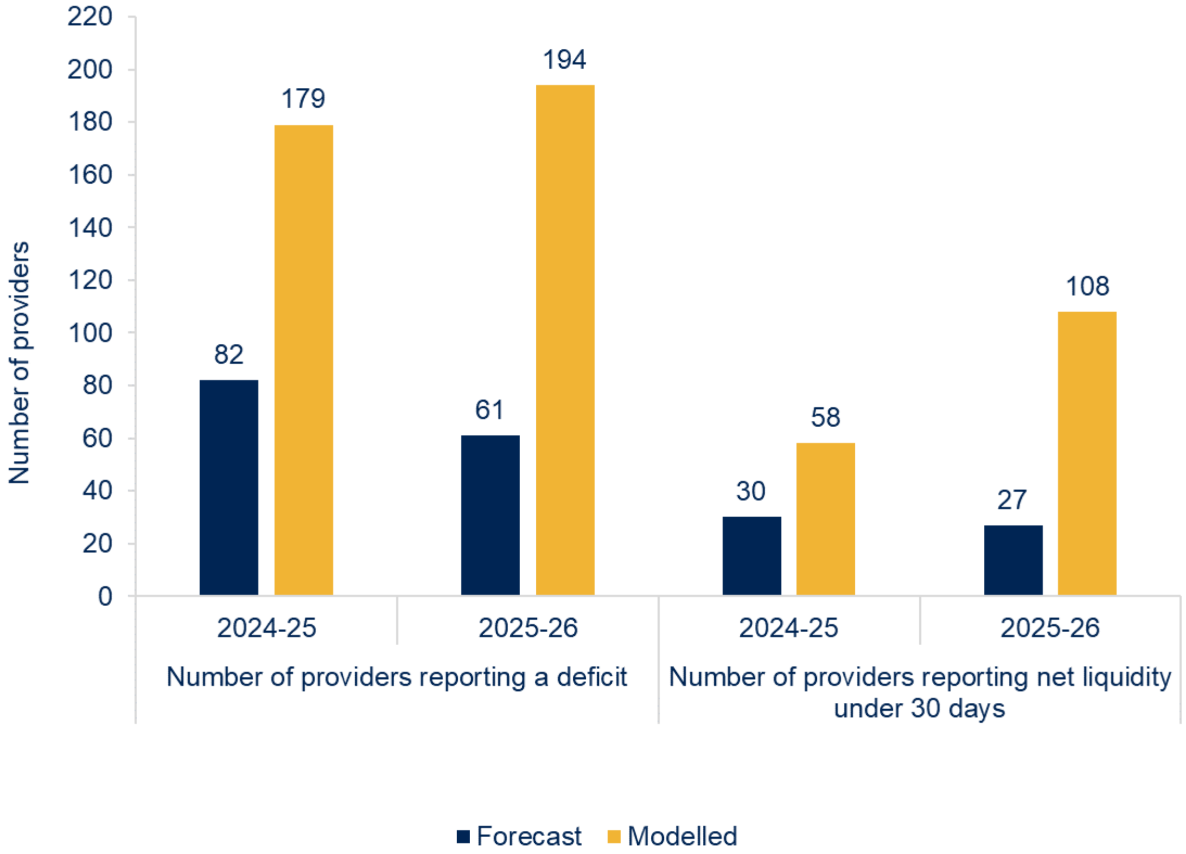
Figure 2 shows how many providers would incur deficits and low liquidity under this model, compared with the forecast data.

[7] It is not clear how providers will apply the new fee cap and to which cohort years, as this will be a matter for each provider to consider. The impact described may therefore be overstated.

[8] At the time of this report, the latest audited data was for 2022-23 year.

[9] Adjusted surplus or deficit before tax, excluding pension provision changes.

Figure 2: Number of providers reporting a deficit and low liquidity levels, comparison of forecast and modelled data, 2024-25 to 2025-26



Our modelling suggests that the number of providers in deficit could be three times the number shown in providers' 2025-26 forecasts, if they do not take mitigating action or such action is ineffective. This means that, if the modelling holds, the average provider could face more significant financial challenges than anticipated. Again, we understand that many providers will have revised their plans since the most recent data return, and so in many cases mitigating action will have been taken or is planned.

Table 4 shows the breakdown by peer group of providers reporting a deficit, as modelled and as forecast.

Table 4: Number of providers with a deficit by peer group, forecast and modelled results, 2024-25 and 2025-26

	Forecast 2024-25	Modelled 2024-25	Forecast 2025-26	Modelled 2025-26
Larger teaching-intensive	5	**13**	3	**14**
Larger research-intensive	4	**12**	2	**17**
Medium	14	**38**	11	**38**
Smaller	22	**47**	16	**49**
Specialist creative	9	**25**	11	**30**
Specialist	24	**35**	12	**33**
Level 4 and 5	4	**9**	6	**13**
Total	**82**	**179**	**61**	**194**
% of sector	**30%**	**66%**	**23%**	**72%**

Table 5 displays the number of providers reporting low liquidity by peer group, as modelled and as forecast.

Table 5: Number of providers with low liquidity by peer group, forecast and modelled results 2024-25 and 2025-26

	Forecast 2024-25	Modelled 2024-25	Forecast 2025-26	Modelled 2025-26
Larger teaching-intensive	1	**2**	1	**6**
Larger research-intensive	1	**1**	4	**6**
Medium	4	**7**	3	**20**
Smaller	10	**20**	9	**33**
Specialist creative	5	**9**	3	**17**
Specialist	5	**10**	3	**15**
Level 4 and 5	4	**9**	4	**11**
Total	**30**	**58**	**27**	**108**
% of sector	**11%**	**21%**	**10%**	**40%**

Increasing variation across the sector

Our analysis shows increasing variation between different types of providers, in terms of student recruitment levels. While some larger providers, especially research-intensive institutions, appear, in aggregate, to have succeeded in growing their UK undergraduate entrants from 2023 to 2024, the equivalent figures are significantly below forecast levels for larger teaching-intensive, medium, smaller and specialist institutions, and especially for those offering only Level 4 and 5 qualifications. While it is evident that some providers are achieving increases in UK undergraduate recruitment, expectations across the sector remain too optimistic.

We know from our detailed work that there is significant variation for different providers within the same typology group, so we are aware that providers in all parts of the sector are facing challenges.

Meanwhile, international student recruitment has dropped in many major international markets, and individual providers with financial models that depend heavily on students from, for instance, India, Nigeria or Bangladesh are likely to be significantly affected.

For all peer groups, our modelling suggests that, without significant mitigating action, many more providers could experience deficits and low liquidity than predicted in the most recent forecasts.

What the OfS is doing

The financial viability and sustainability of registered providers continues to be a high priority for the OfS. Our work in this area continues to increase and we are seeking to extend our organisational capacity and capabilities to monitor how individual providers are identifying, managing and addressing financial challenges. This includes the following:

- We are engaging with providers that are particularly exposed to financial risk, to discuss their understanding of the risks they face and the plans they are deploying to address them.
- If a provider is planning to deliver complex or extensive changes, we may take additional, more direct steps to ensure we understand its plans, how well action is tailored to the issues the provider is facing, and whether its governance and leadership capacity is sufficient for successful implementation.
- Where we have concerns about a provider's financial plans, we will work with its leaders to understand how they are addressing these concerns and to safeguard the interests of students.
- We are working closely with other organisations, as and when needed, to ensure that students' interests are paramount in the event of a course or provider closure.

We have significantly increased our direct monitoring and engagement with individual providers to improve our understanding of the financial challenges they are facing and how these are being addressed. To improve the agility of our approach to financial monitoring, we will need to collect core financial information from providers on more of a real-time basis throughout the year. We will shortly be engaging with the sector on this, to ensure we strike an appropriate balance between the benefit of improved access to important data and regulatory burden.

We continue to engage with sector representative bodies, financial experts, lenders and audit firms to discuss the wider risks facing the sector and the important role that effective governance and leadership play in addressing these challenges.

We encourage providers to engage with us as soon as they identify financial challenges, so that we can work together to ensure that the interests of students continue to be protected.

Please contact Will Dent, Head of Financial Sustainability, email will.dent@officeforstudents.org.uk, with any questions about our work on financial sustainability.