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Financial sustainability in UK universities: Building a resilient future

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Introduction: Pressure from all sides

The university sector is one of the country's most important assets, supporting more than 800,000 jobs and contributing over £256bn to the UK economy each year.

Yet the sector now stands at a critical juncture, with universities facing mounting financial pressures from multiple directions. Recent [data from the Office for Students](#) (OfS) shows that over one-third of UK universities reported operating deficits in the 2023-2024 academic year, with projections suggesting this proportion could rise to 43% by 2025-2026 without significant intervention.

The causes of this financial strain are multifaceted, and include unsustainable tuition fees, global competition, political change, rising energy costs, increased staffing costs, and a shift in student course preferences. This all gathers to create a 'perfect storm' for UK universities, necessitating a measured, strategic approach to ensure long-term viability.

In this whitepaper, we suggest an approach that focuses on two core pillars: strategic change/policy reform, and technological innovation. We take an in-depth look at the most pressing challenges facing universities today, and provide a recent case study of University of Exeter – an institution with a track record of achieving cost savings through innovative digital solutions.

By adjusting how they operate, universities can build a more resilient future, creating stable, reliable institutions that are able to weather change and disruption. By harnessing the power of AI, automation, and centralised systems, institutions will be taking a vital step towards ongoing financial sustainability.

The financial challenges in detail

Domestic tuition fees

In November 2024, the Labour government announced a cap on tuition fees for domestic students at £9353 for academic year 2025-2026 (a 1.1% rise from the previous £9250 cap). While on the surface, this is welcome news for universities, the new fee structure nonetheless represents a significant decline in revenue streams in real terms – according to Universities UK, the real value of this fee has declined by 27% since 2017 due to inflation.

The Institute for Fiscal Studies (IFS) estimates that if fees had risen with inflation since 2017, they would now stand at approximately £11,80 – a difference of over £2,500 per student per year. For a mid-sized university with 15,000 undergraduate students, this represents a potential annual revenue loss of £37.5 million.

Along with this financial gap, the rise in tuition fees may exacerbate a further problem – a decline in enrolment. Academic year 2023-2024 saw a 1% decline in domestic enrolment compared to the previous year, and studies suggest that a rise in tuition fees correlates with falling enrolment in the short term.
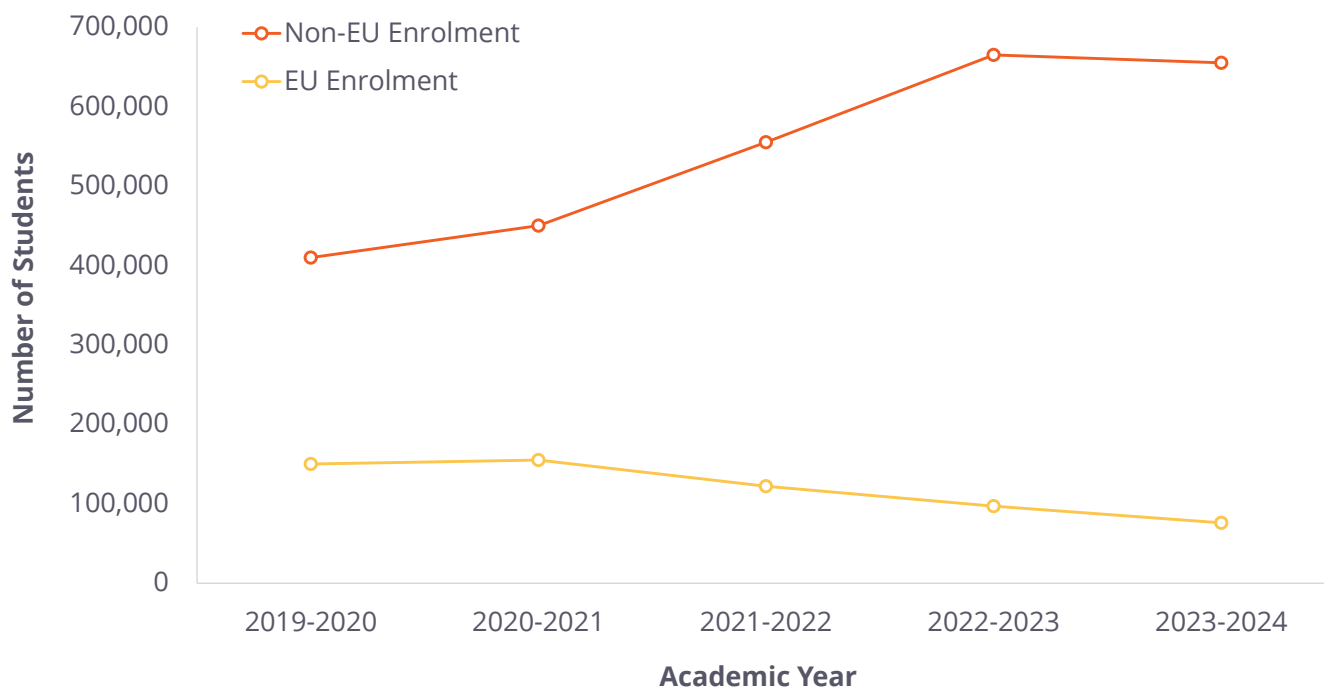
International student numbers

International student recruitment has become a financial lifeline for many institutions, with non-EU students typically paying fees of £20,000-£30,000 per year. However, this revenue stream comes with significant risks and should not be seen as stable or reliable.

In fact, the latest data makes for unhappy reading – in year 2023-2024, the number of international student enrolments fell for the first time in 10 years. This 3.5% decline in enrolment (see figure 1.) can be attributed to a number of specific causes; student numbers from the EU have plummeted post-Brexit, and the dependent ban for international students (active since January 2024) has resulted in a decline in non-EU students. Further considerations include:

- Increased competition from Australia, Canada, and the United States

- A small number of source countries (particularly China, India, and Nigeria) creating concentration risk

- An uneven distribution of international students across the sector, with the most prestigious institutions capturing the largest market share

Despite these challenges, it is worth noting that early signs for year 2025-2026 are encouraging. A report by Times Higher Education finds that firm acceptances have increased by 31% compared to the previous year, with significant numbers coming from India (an 11% increase) and Pakistan (a 91% increase).

Fig 1 - Student Enrolment in UK Universities (2019-2024)

Number of Students

- Non-EU Enrolment
- EU Enrolment

Academic Year: 2019-2020, 2020-2021, 2021-2022, 2022-2023, 2023-2024

Changes in student demographics and preferences

Demographic trends present a unique challenge. The number of 18-year-olds in the UK declined between 2017 and 2020, although this trend is now reversing. However, student preferences have shifted significantly, with increasing demand for subjects like computer science, engineering, and healthcare, and declining interest in some humanities and social science disciplines.

These course shifts are unsurprising given the unforgiving financial landscape for students post-graduation. The cost-of-living crisis and high levels of student debt (averaging £45,600 for 2023-2024 cohorts) are pushing students into careers that yield the highest financial return.

This requires universities to reallocate resources and expertise, often at significant cost. Infrastructure for STEM subjects, for example, typically demands higher investment than for humanities disciplines, creating additional financial pressure during this transition period.

Student preferences are shifting, with increasing demand for computer science, engineering, and healthcare.

Energy and sustainability costs

Energy costs represent a growing proportion of university expenditure, particularly given the sector's commitment to achieving net-zero carbon emissions. The sharp rise in energy prices during 2022-23 had a profound impact on university finances, with many institutions reporting increases of over 150% in their energy bills. Additional rises in subsequent years have compounded the problem further.

Transitioning to sustainable operations requires significant upfront investment in energy-efficient buildings, renewable energy sources, and sustainable transportation options. While these investments typically generate long-term savings, they represent a substantial short-term financial burden.

A 2023 report, [The Cost of Net Zero](#), has put the cost of reaching carbon neutrality at £37bn for the sector as a whole. The majority of this amount comes from decarbonising the supply chain (£24.4bn) with other substantial costs including changes to the built environment (£6.5bn) and the decarbonisation of travel and transport (£5.1bn).

The rise in energy prices has profoundly impacted university finances.

Staff costs and redundancies

Staff costs typically represent 55-60% of a university's expenditure – the single largest expense category. Academic salaries have faced upward pressure due to industrial action and the need to remain competitive in a global market for talent. The Universities and Colleges Employers Association (UCEA) reports that staff costs increased by an average of 5.2% in 2022-23, significantly outpacing growth in tuition fee income.

Pension liabilities present another financial challenge. The Universities Superannuation Scheme (USS), which covers academic and senior administrative staff at pre-1992 universities, reported a deficit of £14.1 billion in its 2020 valuation. While market movements have since improved this position, higher employer contribution rates continue to place significant strain on university budgets, with institutions now contributing 21.6% of salary to the scheme.

These financial challenges have resulted in the announcement of widespread redundancies as of early 2025. New [data from the University and College Union](#) (UCU) shows over 5,000 jobs set for redundancy, with up to 10,000 positions at threat in 2025/2026. As well as the effect on those made redundant, the cuts are expected to have a negative impact on student learning and the workload of remaining staff.

Financial sustainability in practice

Pillar one: Strategic change and policy reform

Tuition fee reform and flexible pricing

Current evidence suggests the fixed tuition fee cap is unsustainable. And while there may a short-term correlation between increased tuition fees and a drop in enrolment, universities can collectively advocate for a system that better reflects the true cost of education delivery while maintaining accessibility.

Options include raising the cap in line with inflation to restore the real value of fees; implementing differential fees based on subject costs; and creating a more flexible pricing framework that allows institutions to set fees within specified bands based on graduate outcomes.

The Russell Group has proposed a model in which the government would subsidise strategic subjects (such as STEM and healthcare) while allowing market forces to operate more freely in other disciplines. Such an approach could help address both financial sustainability and skills shortages.

International education policy and growth

Given the importance of international students to university finances, a supportive policy environment is essential. Universities can begin by engaging with the government on visa policies that encourage the recruitment and retention of international talent. This can then be augmented with robust recruitment initiatives that tap into undervalued markets.

Transnational partnerships are another area for growth. Delivered online, through local delivery partnerships, or through a physical presence in another country, nearly 600,000 students are currently enrolled in degree programmes overseas, according to a 2024 survey by the Higher Education Statistics Agency (HESA).

UK Universities looking to branch out transnationally, or expand their scope overseas, have the option to work with Universities UK, a popular advocacy and development platform. A report by the International Higher Education Commission contains a wealth of information on defining and delivering a financially sustainable transnational strategy.

More than 600,000 students are enrolled in degree programmes overseas.

Strategic partnerships and collaboration

Partnerships and shared resources are becoming increasingly important to university finances. Collaborative projects typically attract more funding from government grants and private sector investment – joint research initiatives, for example, are more likely to receive substantial financial backing.

Depending on the area of research, equipment sharing may be a consideration. Science and technology-based research often comes at substantial cost, and sharing initiatives can significantly reduce these expenses.

The N8 Research Partnership (comprising eight research-intensive universities in northern England) is a good example of this approach. Its equipment sharing initiative has saved participating institutions more than £18 million in capital expenditure while improving research capabilities.

Programme specialisation

Not all universities can excel in all areas. Financial sustainability often requires:

- Critical evaluation of programme portfolios to identify areas of strength and weakness

- Strategic decisions to expand successful programmes and phase out those that are underperforming

- Development of distinctive specialisations that attract students and research funding

This approach is being undertaken by universities on a significant scale. According to a 2025 study by Universities UK, 49% of universities have recently closed courses, 55% have consolidated courses, and 46% have removed module options in order to deal with growing financial pressures.

However, it should be noted that while course reduction may save money in the short term, the impact on student choice has the potential to reduce the attractiveness of the institution, hinder innovation and research, and create staff redundancies.

Degree apprenticeships

Increasingly popular, degree apprenticeships offer a stable income stream through government funding and employer contributions. They offer a diversified revenue stream that can prevent overreliance on international student fees in an unstable market.

Universities that offer degree apprenticeships can forge close relationships with business and industry, with the potential for ongoing partnerships in areas including funding, and research and development. Over the past five years, degree apprenticeship starts have increased steadily. (see figure 2.).

With new starts projected to reach 85,000 by academic year 2028-2029, universities not currently offering degree apprenticeships may want to consider developing their provision, capitalising on this growing demand.

Estate utilisation and commercial development

University estates represent both a major cost centre and a potential source of revenue. Underutilised buildings can be repurposed to generate capital, and underused land can be commercially developed to create steady income streams.

The University of Manchester's Innovation District exemplifies this approach, generating substantial rental income while creating a vibrant ecosystem that supports the university's research and teaching missions.

Partnering with Bruntwood SciTech, the Manchester project is an example of an effective Public-Private Partnership (PPP); the project significantly reduced up-front costs for the university. Design, Build, Finance and Operate (DBFO) is another model increasingly utilised, with minimal financial outlay.

Fig 2 – Degree-level Apprenticeship Starts in England (2017/18 to 2023/24)
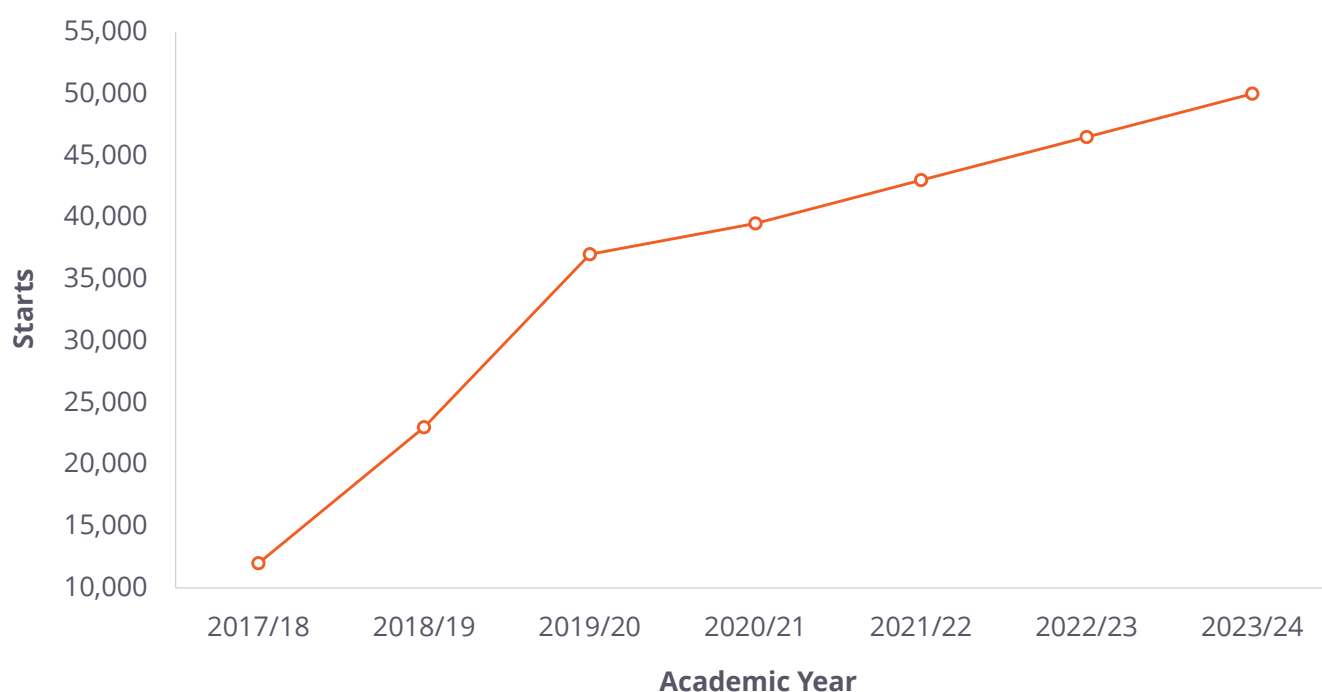
The growth in online degrees

Expanding online degree offerings presents a valuable financial opportunity for UK universities, reducing the need for physical infrastructure. Online courses often attract a broader pool of students – including international learners – bringing in new revenue streams.

Staffing costs can also be optimised through online education. With recorded lectures and digital materials, universities can maximise the efficiency of teaching resources, reducing the need for repeated in-person sessions. Investments in e-learning platforms and automated assessment tools further streamline faculty workload, allowing institutions to allocate budgets more effectively while maintaining quality education.

University of London Worldwide offers a successful model of this approach. By leveraging digital learning technologies, it has extended its reach across more than 190 countries, significantly increasing student enrolment while reducing overheads associated with campus operations.

Expanding online courses is an effective way of bringing in new revenue streams.

Pillar two: Technological innovation for efficiency and growth

The benefits of private Large Language Models (LLMs)

Large Language Models have a myriad of use cases for universities across disparate functions and departments. However, given the exceptionally high rate of attempted and successful cyber attacks on UK universities (97% of universities experienced some form of attack in 2024, according to the government's Cyber Security Breaches Survey), institutions will need to turn towards private LLMs, rather than rely on those that are freely and openly available.

By using a private, rather than publicly available LLM (such as ChatGPT), universities will be safeguarding against 'shadow AI' – the unauthorised use of AI by staff members to carry out research.

This unauthorised usage leads to security and compliance issues, putting sensitive student, financial, and research data in harm's way. A best-in-class private LLM should:

- Maintain true UK data sovereignty (data is processed and stored in the UK)

- Feature custom privacy controls for added security

- Incorporate Retrieval-augmented generation for added reliability and accuracy

- Solve complex workflows through agentic AI

- Sit within a fully encrypted environment

Private LLMs have a large number of potential use cases leading to increased efficiency, improved output and productivity, and, ultimately, cost-savings for the institution. These use cases include:

Administrative efficiency:

Private LLMs have the ability to sift through large amounts of student data, providing grade comparisons, historical performance and attendance records, and predictive analysis. Other uses include automated enrolment, and virtual assistance for student enquiries in multiple languages.

Research assistance:

Private LLMs can quickly summarise vast amounts of academic literature, highlight key findings, methodologies, and gaps, assist in grant writing, and suggest potential research directions.

Space optimisation and estate management:

When connected to IoT (Internet of Things) sensors, private LLMs can give instant feedback on which learning areas are underutilised on certain days, analyse space usage across campus, and identify underused land for commercial development.

LLM potential in universities has recently been explored by the Alan Turing Institute in collaboration with the University of Warwick. LLMs were used to complete administrative tasks, summarise academic content, and assist in grant writing. Participants reported improved productivity and reduced time spent on repetitive tasks, suggesting significant cost savings when used at scale.

The use of shadow AI puts data in harm's way.

Digital solutions for disparate functions

From automating reports and spotting financial irregularities to tackling student engagement and streamlining procurement, the latest digital solutions have the power to transform university work flows and processes. Applications include:

The procurement lifecycle

Excessive procurement costs remain a significant drag on UK university finances, with a 2025 Amazon Business State of Procurement Report pointing to widespread inefficiencies. The report highlights complexities of internal systems and processes as a major issue for around half (49%) of procurement professionals.

This means that digital solutions must be uncomplicated. Purchasing systems must make it easy for buyers to purchase from suppliers in one place, offering an intuitive experience without the need for training. Additionally, sourcing, supplier, and contract management solutions must be user-friendly, with simplified onboarding and performance tracking.

The ability to view historical supplier data should be a requirement, giving the user visibility on sustainable and ethical practice. The solution should also allow for the creation of KPIs, ensuring the institution gets maximum value from its supply base.

The ideal solution puts all source-to-contract functionality into a single, centralised system. For any procurement professional dealing with the Procurement Act, the optimal digital solution will include inbuilt contract and pipeline notices for each stage of the buying process.

Purchasing systems should be intuitive, without the need for training.

Finance

Many universities still rely on outdated finance software systems that are difficult to integrate with modern tools. This leads to data siloes, inaccurate data, and inefficient reporting. According to a [2025 Universities UK survey](#), 46% of universities have cut IT spending, including finance system upgrades.

A further issue is the underutilisation of software capabilities – especially when it comes to automation and analytics – leading to increased manual input. This is usually due to complicated dashboards and incomplete staff training.

This points to a need for a cost-effective, cloud-based solution that is user-friendly, with minimal training required. The solution should be Software as a Service (SaaS)-based, allowing the institution to keep an eye on cost, with the ability to scale provision as needed.

The solution should automate repetitive tasks, helping reduce errors and increase data accuracy. It should give the user real-time insights on spend and costings, allow senior leaders to easily compile reports for board members, and offer straightforward integration with existing systems.

Governance and risk

The ability to identify risk can make a meaningful difference to the future financial health of the organisation. And while universities usually maintain their own risk registers, implementing the right digital risk management software can save significant amounts time by streamlining workflows and improving decision making.

The key to effective risk management is clarity, and optimised digital solutions will give the user a clear understanding of risk, with clearly defined visual identifiers highlighting priority actions. They should also allow for the creation of multiple risk registers, whether operational, strategic, or project based.

For fully integrated governance, any risk solution should sit alongside board management software that enhances the delivery of stakeholder meetings through automated meetings templates and reports, greatly reducing the need for manual input.

Optimised digital solutions give the user a clear understanding of risk.

Degree apprenticeship management

Successful degree apprenticeship management relies on digital tools that are designed for purpose. Generic tools are unlikely to address the multifaced needs of apprenticeship provision, and typically offer limited functionality.

Any software provision for degree apprenticeship management should include a Learner Management System (LMS) that can:

- Automate enrolment, with self-serve capabilities to speed up onboarding

- Integrate with the Recognition of Prior Learning (RPL) database

- Help build strong employer relationships through opportunity tracking and placement matching

- Synchronise existing data from 3rd party applications

- Offer insightful analysis, giving the user clarity on decision making and planning

The LMS should be complemented by an E-portfolio system that can accurately record learner data. The E-portfolio should:

- Make it easy to track learner performance and engagement, including gateway readiness, Off-the-Job hours, and achievement tracking

- Offer user-friendly learner communication tools, giving the learner a clear view on progress and outstanding actions

- Streamline the creation of digital Individual Learning Plans (ILPs), capturing distance travelled, and providing clear evidence of development

- Allow learner data to be easily shared with the employer, promoting transparency and partnership

A third piece of the puzzle is the implementation of an accurate assessment solution, designed to both screen learners and assess ability in Functional Skills, Digital Skills, and GCSE English and Maths. Modern assessment tools should:

- Give a highly accurate learner level, based on large data sets

- Focus the learner on areas of need, while stretching and consolidating in key areas

- Be highly engaging and suitable for different learning styles

- Be accessible from any device, giving students the chance to practice in their free time

- Accommodate learners with a range of SEND requirements through customisable colours, fonts and buttons, and screen reader compatibility

The above solutions should allow for seamless data integration, providing a single source of data truth across the organisation. With highly accurate data to work with, team leaders can ensure their institution remains fully compliant for funding and inspection bodies, while maintaining a precise record of learner engagement and achievement for quality improvement.

People management:
Retention and progression

As with many industry sectors across the UK, higher education is facing serious issues with employee retention. Amid a backdrop of heavy redundancies, university staff are expressing their desire to leave the profession – a 2022 UCU survey warned that two-thirds of staff were considering leaving their job within five years.

The same survey highlighted the main causes of the widespread dissatisfaction: heavy workload, unclear organisational strategy, and lack of visible opportunity for progression.

Here, technology has an important role to play. Using digital Continuous Performance Management (CPM) software, senior leaders can provide (and receive) ongoing feedback, and set achievable objectives that can be aligned to the goals of the organisation. The optimal digital CPM solution will:

• Allow for 360 feedback from any member of the organisation, providing actionable insights

• Allow for feedback in real time, ensuring accuracy and engagement

• Make it easy to receive praise for good work, evidencing ongoing performance

• Make it easy for senior leaders to pinpoint opportunities for progression

• Give a clear view on goals and objectives that can be aligned to the individual, group, or organisation

By utilising continuous feedback software, senior leaders will be promoting a robust organisational culture that values achievement, praise, and accountability. With clear goals to work towards, staff will remain motivated, with defined pathways for career development and progression.

The best CPM software helps keep staff motivated, with clear pathways for progression.

Case study

University of Exeter:
Sustainability through procurement

Exeter enjoys a reputation as one the world's most environmentally focused institutions, both in terms of research and internal practice. The university recently achieved a top ten ranking in the 2024/2025 People and Planet University League, and its Strategy 2030 puts the climate crisis at the heart of its mission.

The university reports annually on its sustainability performance, which includes monitoring and reducing carbon footprint, and promoting biodiversity and ethical practice across its operations. It follows that Exeter looks to reinforce its environment-first ethos where possible, including in its procurement practices.

The university maintains three core principles for successful procurement:

- **Responsible procurement:** The university looks to buy goods and services that offer value for money, ensure legislative compliance, benefit society, and minimise environmental harm.

- **Sustainability:** Exeter examines the entire procurement lifestyle, including supplier practice and performance, and the social, environmental and economic impact of their procurement processes.

- **Social value:** The university prioritises local businesses, promoting economic growth for the surrounding region, and positioning the university as part of the local community.

Partnering with OneAdvanced, the university implemented Purchasing, a buying platform that allowed them to keep a tighter control on spend, while adhering to procurement best practices.

Using Purchasing, Exeter were able to easily review and approve all price changes, while the Impact Analysis feature allowed them to understand how these changes would affect finances based on past spend, avoiding unexpected costs. The intuitive, user-friendly dashboard meant that no training was required from the outset.

Purchasing also fulfilled the university's environmental obligations. Through the sustainability module, the team at Exeter were able to choose suppliers based on sustainability and locality, and track supplier progress.

By implementing Purchasing, Exeter achieved significant financial savings, reducing costs by over £400,000 in the second quarter post-launch. This early success suggests they are well on track to exceed their projected savings target of £650,000 in year one.

With Purchasing from OneAdvanced, University of Exeter achieved over £400,000 of savings in the second quarter post-launch.

Conclusion: The need for action

The financial challenges facing UK universities are substantial. Global competition, policy shifts, and economic constraints will continue to shape the landscape; in this context, financial sustainability becomes a fundamental requirement for institutional success.

The experiences of universities that have successfully navigated these challenges demonstrate that sustainability is achievable through strategic partnership and innovation. The need for collaboration has never been greater.

Universities that implement comprehensive approaches across the two pillars outlined in this whitepaper will be best positioned not just to survive but to thrive in the challenging landscape ahead.

Alongside expansion into new education markets and the strategic use of commercially viable estate, universities will need to embrace AI and intelligent automation, and cloud-bases SaaS solutions in the pursuit of financial sustainability, efficiency, and staff retention.

By building financially sustainable models today, UK universities can ensure they remain resilient against change, and continue to fulfil their vital educational, research, and societal missions far into the future.

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OneAdvanced is a leading provider of sector-focused software, headquartered in Birmingham, UK. Our mission is to power the world of work through software that effortlessly gets the job done for our customers, giving them the freedom to focus on thriving for their customers and people.

Our years of sector knowledge in education means we are a strategic partner to our customers, who use technology that touches the lives of millions of people every day.

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