Financial sustainability of higher education providers in England 2026

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Executive summary

1. The Office for Students (OfS) is the independent regulator of higher education in England. This report sets out our independent, impartial assessment of the financial position of the higher education sector and its resilience to financial challenge. It is based on our analysis of the financial data returned to the OfS by universities, colleges and other higher education providers in England (excluding further education colleges). The report covers audited data showing actual performance for the years from 2023-24 to 2024-25, and providers' own forecast data for the years from 2025-26 to 2028-29. It looks at patterns across the sector and groups of providers with similar typologies, rather than drawing conclusions about any individual provider's financial position.[1]

2. Our analysis shows that, in aggregate, the English higher education sector reported a small improvement in financial performance in 2024-25, driven by higher income from tuition fees and education contracts, despite UK and non-UK student recruitment remaining significantly below previous forecasts. Providers' forecasts then predict a slight deterioration in financial performance in 2025-26, followed by an expected return to stronger surpluses from 2026-27 onwards. This anticipated recovery is heavily dependent on a significant expected increase in student recruitment.

3. We have seen an increasing number of providers take action to address their financial position, with much of that focused on income diversification and cost reductions. Across that activity, some providers are adopting a more realistic view of future financial conditions when determining the action required, leading to more substantial transformation. However, most financial risk management remains predominantly short-term in nature.

4. Our view is that forecasts that repeatedly assume strong future growth are potentially masking the need for more fundamental structural changes for some providers, and the need in some cases for new business models, including mergers and other forms of consolidation. There is a risk that providers focus on managing short-term pressures while deferring the more fundamental structural changes needed to ensure long-term financial sustainability or do not go far enough when undertaking longer-term transformation. This is not simply a matter of forecasting uncertainty. Governing bodies are responsible for ensuring that forecasts are realistic, that assumptions are appropriately challenged and that they are implementing structural changes to proactively safeguard performance if or when anticipated growth does not materialise.

5. There is a consistency and complexity to the financial challenges facing the sector that is now evident: these are not discrete, transitory challenges with easy solutions. In this context, providers may need to consider adopting fundamentally different approaches to business models, financial planning and operational decision-making. Our work with providers shows that early, decisive action is also important: those that act before problems are entrenched are better positioned to make the changes required for long-term sustainability.

[1] For typologies, see Annex C of this document and OfS,

Key findings

6. The nature of the financial challenges facing the sector remain similar to those we have discussed in our previous analysis reports.[2] This includes continued uncertainty about student recruitment, compounded by inflation and rising costs, with providers needing to continuously plan for future cost increases, including the predicted £570 million cost to the sector from the international student levy from 2028. The crisis in the Middle East is likely to have a further impact on costs, student recruitment and students' cost of living. In response, we are seeing sustained pressure on operating cashflow and diminishing liquidity levels, along with an increasing reliance on credit banking facilities to support operating cashflow, accommodating peaks and troughs of cash inflows and outflows. In some providers, and particularly at some points in the year, there is minimal liquidity contingency to manage unforeseen costs.

7. Against this backdrop, the sector reported an improvement in aggregate financial performance in 2024-25. This represents a modest uplift compared with the previous year's forecasts, which had expected a further deterioration. Total sector income grew by 2.7 per cent in 2024-25, following stronger growth of 4.7 per cent in 2023-24. Nearly half of the 2024-25 increase was driven by higher tuition fees and education contracts.

8. 35.8 per cent of providers reported a deficit in 2024-25. This was a notable improvement on expectations in the previous return, when 44.2 per cent of the sector had forecast a deficit for the same period.

9. However, improvements at the aggregate level mask substantial variation in financial performance across the sector, and so should be interpreted with caution. Gains are not evenly distributed, with significant differences both between and within provider typologies. Overall, adjusted surpluses increased by 14.7 per cent, but this improvement was driven primarily by providers in the medium, smaller, specialist creative and specialist typology groups.[3] The aggregate gains for these cohorts more than offset a deterioration in performance among larger research-intensive, larger teaching-intensive and Level 4 and 5 providers.

10. There is also significant variation between typology groups. While in aggregate medium and smaller providers reported an improvement in surplus/deficit levels compared with 2023-24, nearly half of providers in both groups saw a decline at an individual level. Conversely, despite an overall reduction in aggregate surplus among larger research-intensive and Level 4 and 5 providers, nearly half of these providers experienced a surplus increase.

11. Looking ahead, operating cash flow as a percentage of total income is forecast to decline by 0.3 percentage points to 5.1 per cent in 2025-26, before recovering to 6.8 per cent in 2026-27. Our assessment is that this projected recovery remains based on overly optimistic assumptions, particularly in the context of continued volatility in student recruitment.

[2] See previous reports at OfS, Financial pressures and financial sustainability.

[3] 'Adjusted surplus' refers to Surplus/deficit before other gains/losses and share of surplus/deficit in joint ventures and associates excluding pension adjustments.

12. In 2024-25, overall student recruitment declined. UK student recruitment increased by 3.5 per cent, but this was 8.6 per cent below the sector's previous forecast. Non-UK entrants fell by 7.7 per cent, which was 9.0 per cent below forecast. Despite those shortfalls between expected and actual recruitment growth, providers continue to predict strong student growth in future years, forecasting a 19.9 per cent increase in UK students and a 22.5 per cent increase in international students between 2024-25 and 2028-29.

13. To test the resilience of providers' assumptions, particularly those premised on future student recruitment, we have used the most recent forecast data to model three scenarios to assess the potential impact of sustained under-recruitment over the forecast period.

14. The modelling indicates that all three plausible scenarios would present significant challenges for the sector. Without mitigating action, the number of providers reporting deficits, weak operating cash flow and low liquidity would increase substantially, signalling increasing financial pressures across the sector. Under the 'no growth' scenario, which assumes flat student recruitment from 2025-26 onwards, cumulative net income losses relative to forecast could reach £2.7 billion by 2028-29. Under this scenario 163 providers, representing 58.4 per cent of the sector, would report a deficit. In the most severe scenario modelled, cumulative income losses increase to £4.2 billion, with deficits reported by up to 196 providers (70.3 per cent of the sector as a whole).

15. While these scenarios are illustrative, they highlight the scale of potential risk should forecast growth fail to materialise. These risks are likely to be compounded by wider geopolitical uncertainty, including the ongoing crisis in the Middle East, with potential implications for international recruitment and provider cost pressures.

16. Overall uncertainty facing the sector remains elevated and is expected to persist over the medium term. This reinforces the need for more realistic and robust forecasting assumptions. Although there are some positive indications of cost control activity – evident primarily through an increase in restructuring expenditure as a percentage of total costs in this year's analysis – there is a risk that some action to date has been short-term in nature or has fallen short of what is required to secure longer-term financial sustainability for many providers.

Introduction

17. The OfS has a statutory duty to monitor the financial sustainability of registered higher education providers in England and to report on its findings.

18. As autonomous institutions, universities and colleges are responsible for their own financial sustainability, and for maintaining effective governance. Registered providers must demonstrate that they are financially viable in the short term (up to three years in the future) and sustainable into the longer term (up to five years).

19. Universities and colleges (other than further education colleges) submit annual financial returns, which include financial and student recruitment forecasts, audited financial statements and a commentary to explain financial performance and resilience matters. Providers are also required to notify the OfS of any significant issues or events that may negatively affect financial performance on a rolling basis.

20. The detailed annual financial data returns are supplemented by interim financial returns, which help us to monitor in-year changes to income and expenditure and the action providers are taking in response to changing circumstances. Where we identify specific financial challenges, we may require a provider to submit more frequent financial information. We analyse this information through a programme of work that includes both sector-wide analysis, as set out in this report, and assessment of risk at individual providers.

21. This latest report sets out an overall view of the financial health of the sector and the future outlook, underpinned by analysis of key historical and forecast trends. It then explores some of the main challenges facing the sector.

22. A significant focus of the report is on student recruitment trends, which are a key driver of income for most providers. Variations in student recruitment in 2024-25 and 2025-26 are prominent in the financial challenges facing the sector. Further volatility in recruitment, in 2026-27 and beyond, could present further significant challenges.

23. As in previous reports, we also present some of our financial modelling, which illustrates the scale of the challenge that could arise from variations in predicted student recruitment.

Note on the data

24. This report summarises our analysis of financial data, including forecast data, submitted by 279 higher education providers in their most recent, detailed, annual financial return (AFR). Providers are required to submit these returns five months after the end of their financial year, which means that a majority of providers submitted their data on or before 5 January 2026. The returns are required to be approved by a provider's governing body prior to submission. Returns may not therefore account for developments or changes to sector circumstances since then.

25. Because of the timing of the UK undergraduate fee cap announcement in 2025, and the variation in AFR submission deadline (driven by individual financial year ends), we understand that providers have adopted differing assumptions on UK undergraduate fee levels in the forecasts. Providers were asked, through the assumptions table in the AFR25

workbook, to report the value they assumed for the UK domiciled full-time undergraduate fee per student.

26. Among those eligible to charge the maximum approved undergraduate fee cap, 38 per cent of providers assumed fee levels consistent with the November 2025 fee cap increase announcement. A further 27 per cent assumed that fees would remain at the 2025-26 cap set in October 2024. The remaining providers applied a range of alternative assumptions.

27. The Universities Superannuation Scheme was revalued in the 2023-24 accounting period, leading to a positive movement to member providers' pension provisions. To analyse the underlying sector performance, independent of swings in pension provisions, this report will use an 'adjusted surplus/deficit' metric, calculated as total income less total expenditure, excluding other gains or losses (from investments and fixed asset disposals), the share of surplus or deficit in joint ventures and associates, and changes to pension provisions.

28. We refer to other financial performance metrics throughout this publication. Surplus alone is not a sufficiently nuanced tool to accurately measure performance, because of the distortion by non-cash accounting items. Therefore, operating cashflow and net liquidity as a percentage of total expenditure provide additional insight into sector performance and operational resilience.

29. We set out our analysis for different groups of providers to explore the context for different parts of the sector, and provide tables of provider typology data, which we hope will be useful to providers in benchmarking against peers.

30. A new Further and Higher Education Statement of Recommended Practice (SORP) was published in November 2025 to adopt major updates to Financial Reporting Standard 102. The new SORP is required for financial periods beginning on or after 1 January 2026, so has no impact on the current presentation of data. It is likely that, for the majority of providers that report under the SORP, the first reporting period will be 2026-27. AFR27 will be the first annual return where providers will be reporting under the new SORP and will probably change the presentation of some of the financial data.

Headline data

31. This section sets out in more detail findings from this year's analysis across a range of provider performance areas, starting with an assessment of student numbers, which also considers wider relevant trends over time and broader contextual factors, such as demographic shifts.

Student numbers

32. AFR data submitted to the OfS shows that in the 2024-25 academic year, nearly 2.1 million full-time equivalent (FTE) students were studying at the 279 providers included in this analysis. This total includes 818,695 FTE 'entrants', defined as students in the first year of their course.[4]

33. The AFR requires every provider to submit data on both entrants and continuing students. Table 1 presents total FTE student numbers and tuition fee income for 2023-24 and 2024-25, broken down by student domicile and level of study.

Table 1: Total student numbers and total tuition fees, 2023-24 and 2024-25

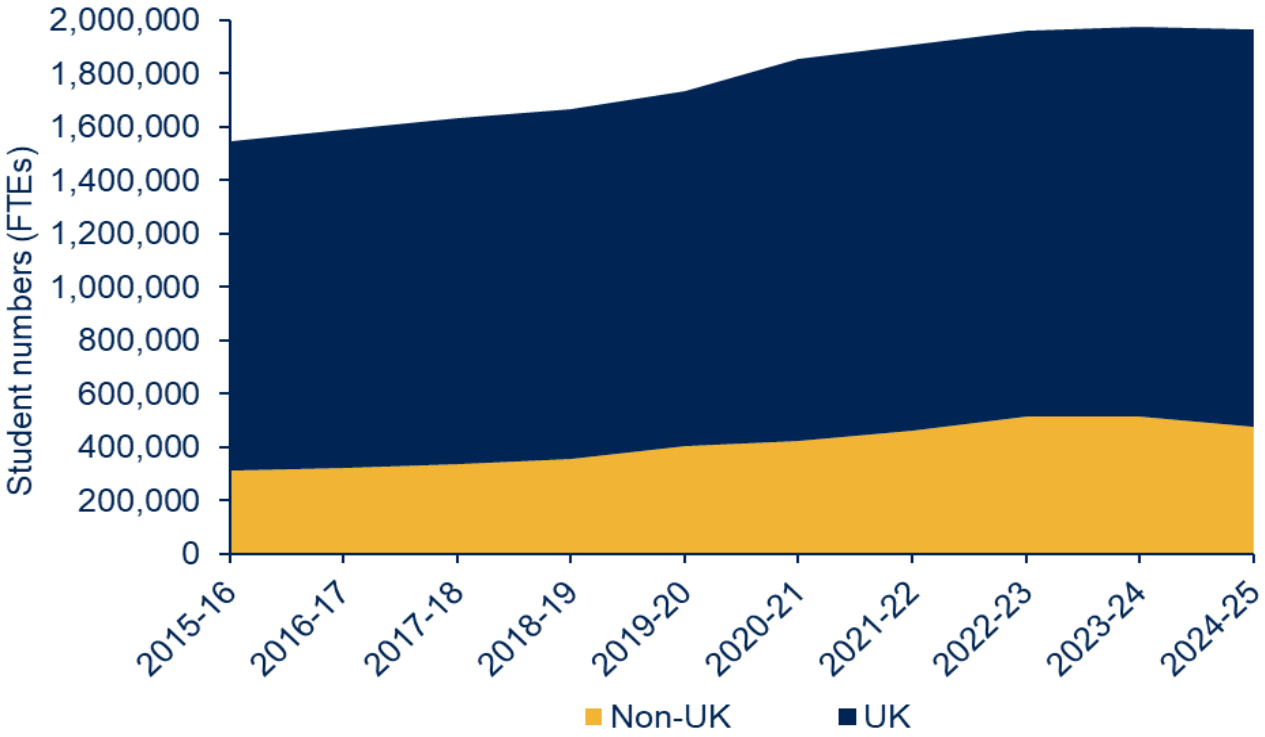
Level	Total students (FTE) 2023-24	Total students (FTE) 2024-25	% change	Tuition fees (£bn) 2023-24	Tuition fees (£bn) 2024-25	% change
UK undergraduate	1,306,970	1,338,380	+2.4%	£11.3	£11.7	+3.2%
UK postgraduate taught	150,360	152,205	+1.2%	£1.5	£1.6	+7.1%
UK postgraduate research	47,690	46,200	-3.1%	£0.2	£0.2	+2.1%
Non-UK undergraduate	242,135	244,470	+1.0%	£4.9	£5.3	+8.9%
Non-UK postgraduate taught	278,235	234,800	-15.6%	£5.5	£5.0	-8.1%
Non-UK postgraduate research	36,805	37,765	+2.6%	£0.6	£0.6	+13.0%

Data source: OfS AFR.

[4] When reporting data to the AFR, a student is an 'entrant' if it is their first time being counted in the population for a higher education course and they have not been active at the same level (undergraduate, postgraduate taught or postgraduate research) as a student of the same registering provider in either of the previous two financial years. Students repeating the first year of a course would not therefore be included as new entrants, whereas those entering directly into the second or later year of a course could be.

34. Higher Education Statistics Agency (HESA) student data submitted by providers between 2015-16 and 2024-25 shows that student numbers have increased significantly over the past decade. Figure 1 illustrates this historical trend in UK and non-UK student numbers and highlights sustained growth over time, including an increase of more than 50 per cent in non-UK students between 2015-16 and 2024-25.

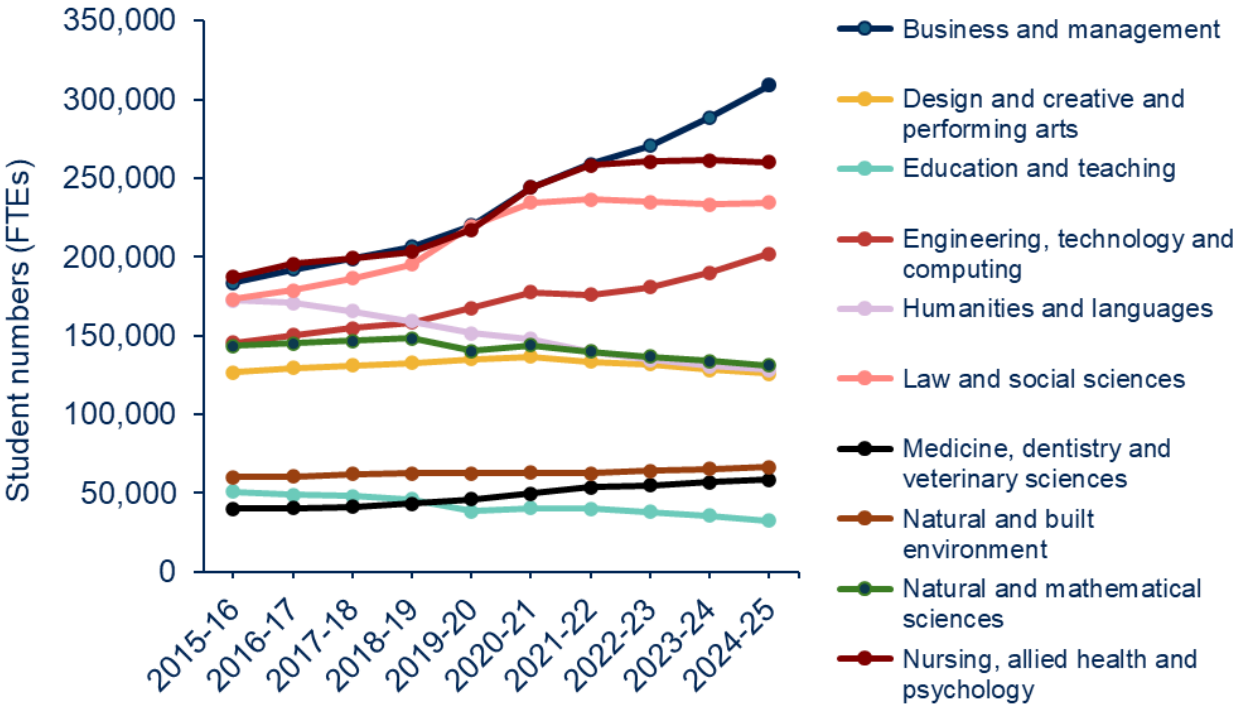
Figure 1: UK and non-UK student numbers, 2015-16 to 2024-25



Data source: HESA student data, subset to OfS-registered providers.

35. Figure 2 illustrates subject-level student data to 2024-25, which shows the number of students by broad subject area. Over the past five years, there has been notable growth in business and management, medicine, dentistry and veterinary sciences and engineering, technology and computing. Over the same period, there has been a decline in education and teaching, humanities and languages, design and creative and performing arts, and natural and mathematical sciences.

Figure 2: Undergraduate student numbers by broad subject of study, 2015-16 to 2024-25



Data source: HESA student data, subset to OfS-registered providers.

UK age demographics

36. The projections for the 18-year-old population can be a reference point for the pipeline for future undergraduate students, although it is not necessarily a reliable basis on which to predict undergraduate recruitment. In 2025, the proportion of UK 18-year-olds entering higher education decreased marginally to 36.3 per cent (from 36.4 per cent in 2024).

37. Figures derived from Office for National Statistics (ONS) data indicate a 9.6 per cent increase in the UK 18-year-old population between 2024-25 and 2028-29. If the proportion of UK 18-year-olds entering higher education remains at 36.3 per cent[5], the number of UK undergraduate entrants in English providers could increase by around 39,000 by 2028-29. However, sector forecasts anticipate a much larger rise of an additional 76,000 UK full-time undergraduate students (18.7 per cent). Although age demographics have not historically provided a reliable indicator of future higher education application trends, the sector's projected growth exceeds the demographic growth expected over this period. We also believe that the 18-year-old population will begin to decline from 2030.

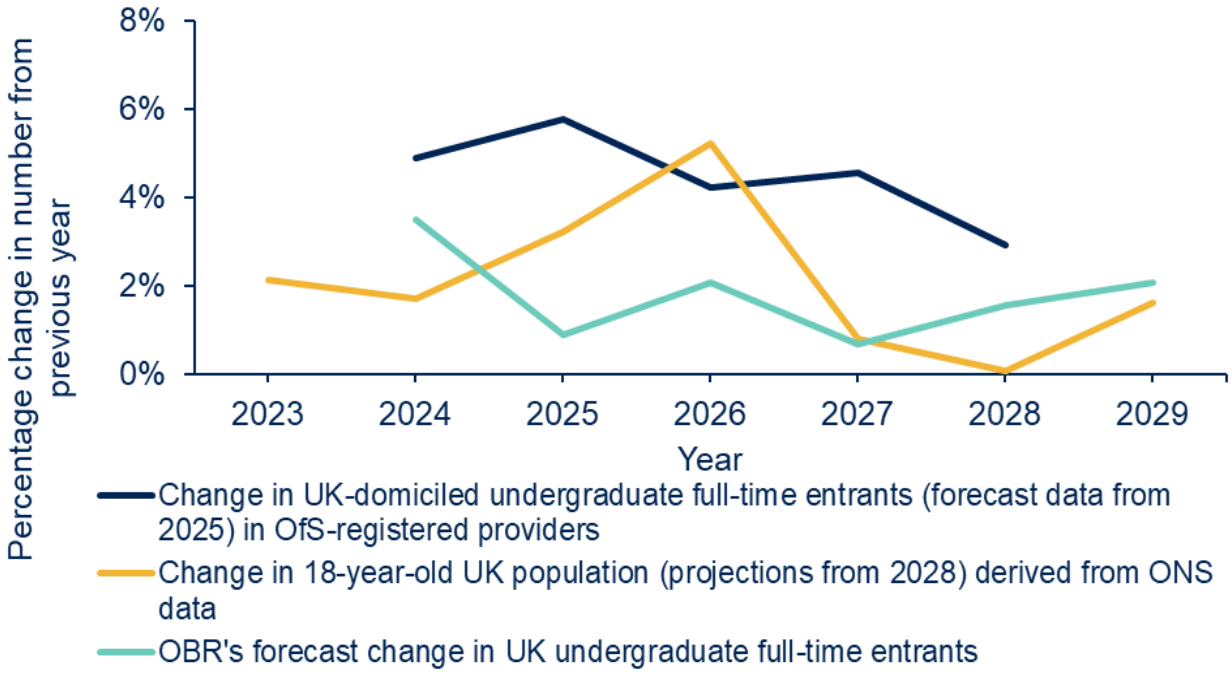
38. The Office for Budget Responsibility (OBR) includes student number forecasts in its six-monthly economic and fiscal outlook. The most recent update, published in March 2026, forecasts annual increases of between 0.7 per cent and 2.3 per cent in full-time undergraduate entrants between 2025-26 and 2030-31.

[5] See 'Entry rates' at UCAS, Undergraduate end of cycle data resources 2025.

39. Taken together, the demographic projections from the ONS, the OBR's forecasts for full-time undergraduate entrants and the modest increase in UCAS application rates discussed in paragraph 62 all indicate considerable uncertainty around the sector's forecasts for UK student recruitment over this period.

40. Figure 3 shows the forecast change in UK domiciled undergraduate entrants from 2024 to 2028 alongside the estimated change in the 18-year-old population between 2023 and 2029 derived from ONS data, and OBR forecast change in full-time undergraduate entrants from 2024-25 to 2029-30.

Figure 3: Annual change in full-time UK undergraduate student entrants from provider forecasts compared with the estimated change in the UK 18-year-old population, 2023 to 2029 and OBR forecast change in full-time undergraduate entrants, 2024-25 to 2029-30

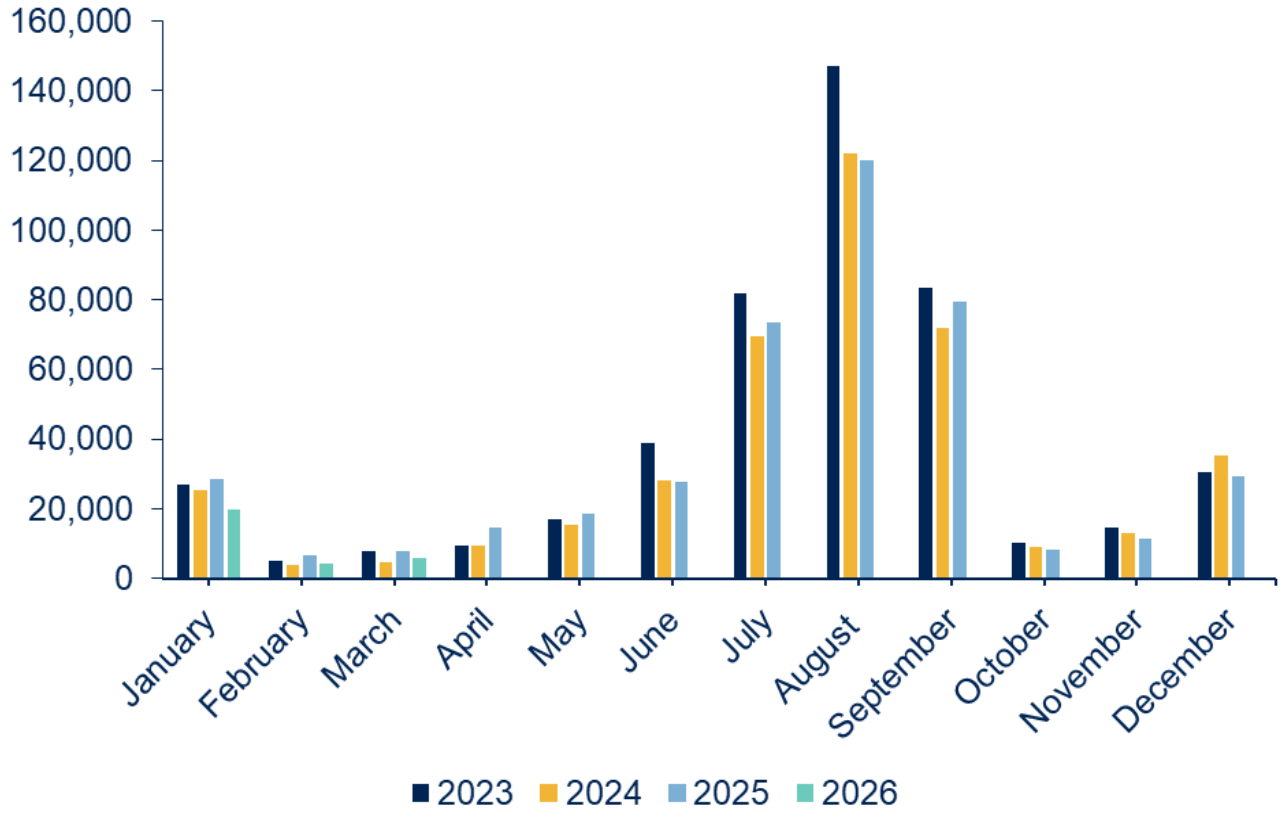


Data source: UK undergraduate full-time entrants from OfS AFR (2024 to 2028 are based on providers' forecasts). 18-year-old population data is based on estimates derived from ONS data. OBR forecast change in full-time undergraduate entrants taken from the OBR's March 2026 economic and fiscal outlook.

41. More recent published information from the Home Office (monthly total study visa applications) suggests that study visa applications (for all provider types, not just higher education providers) for January 2026 to March 2026 have decreased by 30.6 per cent compared with the levels in those months for the previous year. However, the number of applications for January to March represents a relatively small proportion of total annual study visa applications.

42. Figure 4 shows the numbers of study visa applications per month for 2023, 2024, 2025 and 2026.

Figure 4: Main applicant study visa applications (total) per month for 2023, 2024, 2025 and 2026



Data source: OfS analysis of data published by the Home Office on 9 April 2026.

43. The flow of international students can be influenced – positively and negatively – by a wide range of factors, including global economic conditions, currency movements, geopolitical developments and increasing international competition in higher education. At present, pressures in all these areas appear to be heightened. Geopolitical tensions in the Middle East may add further uncertainty and could adversely affect international student recruitment.

44. Although some of the latest UCAS data indicates a continuing recovery in UK-domiciled student recruitment, recent published visa data from the Home Office suggests a possible renewed decline in non-UK student numbers, particularly from key markets such as India and China.

Financial health of the sector

45. At an aggregate level, higher education providers reported an improvement in financial performance for 2024-25, in contrast with last year's forecasts, which had anticipated a third consecutive year of declining sector surpluses. Adjusted surplus, operating cash flow and net liquidity all increased compared with 2023-24. The proportion of providers reporting a deficit was 35.8 per cent of the sector, a marked improvement on expectations in the previous year's annual return, when 44.2 per cent of providers had forecast that they would be in deficit.[6]

46. The improvement in aggregate financial performance was underpinned by growth in total sector income of 2.7 per cent between 2023-24 and 2024-25, following stronger growth of 4.7 per cent the previous year. Nearly half of the 2024-25 increase (47.5 per cent) was attributable to higher tuition fees and income from education contracts. Further contributions came from research grants and contracts (28.4 per cent) and other income sources (20.9 per cent).

47. However, the increase in aggregate surplus was not evenly distributed across provider typologies. Providers in the medium, smaller, specialist and specialist creative typology groups collectively drove the overall improvement, more than offsetting reductions in surplus among larger research-intensive and Level 4 and 5 providers. Larger teaching-intensive providers reported a further widening of deficit.

48. There was also significant variation within provider groups. Among those typologies reporting overall increases in surplus in 2024-25, a significant proportion of providers experienced a decline in performance. Between 40 and 50 per cent of providers in the medium, smaller and specialist groups reported a decline in surplus. Conversely, within groups reporting an overall decline in surplus, many providers saw improvement: between 45 and 55 per cent of larger research-intensive providers, Level 4 and 5 providers and larger teaching-intensive providers reported an increase in surplus.

49. Operating cash flow as a percentage of total income improved across all groups except Level 4 and 5 providers. As with surplus, outcomes here varied widely within groups. For example, although the Level 4 and 5 group reported a decline overall, 53.3 per cent of those providers reported an improvement in operating cash flow in 2024-25.

50. Net liquidity improved among larger research-intensive and smaller provider groups only. Those improvements more than offset the reductions across all other provider groups, resulting in a modest overall improvement at sector level. But there is further variation of outcomes within this group: 41.7 per cent of larger research-intensive and 47.9 per cent of smaller provider groups reported a decline in net liquidity in 2024-25.

[6] Updated figure based on complete AFR24 cycle. Previously reported as 45.2 per cent in last year's publication, because of the timing of report and provider deadlines.

Future outlook

51. The sector adjusted surplus in 2025-26 is forecast in the AFR to reduce by 38.5 per cent, with more providers in deficit across all provider groups except smaller providers.

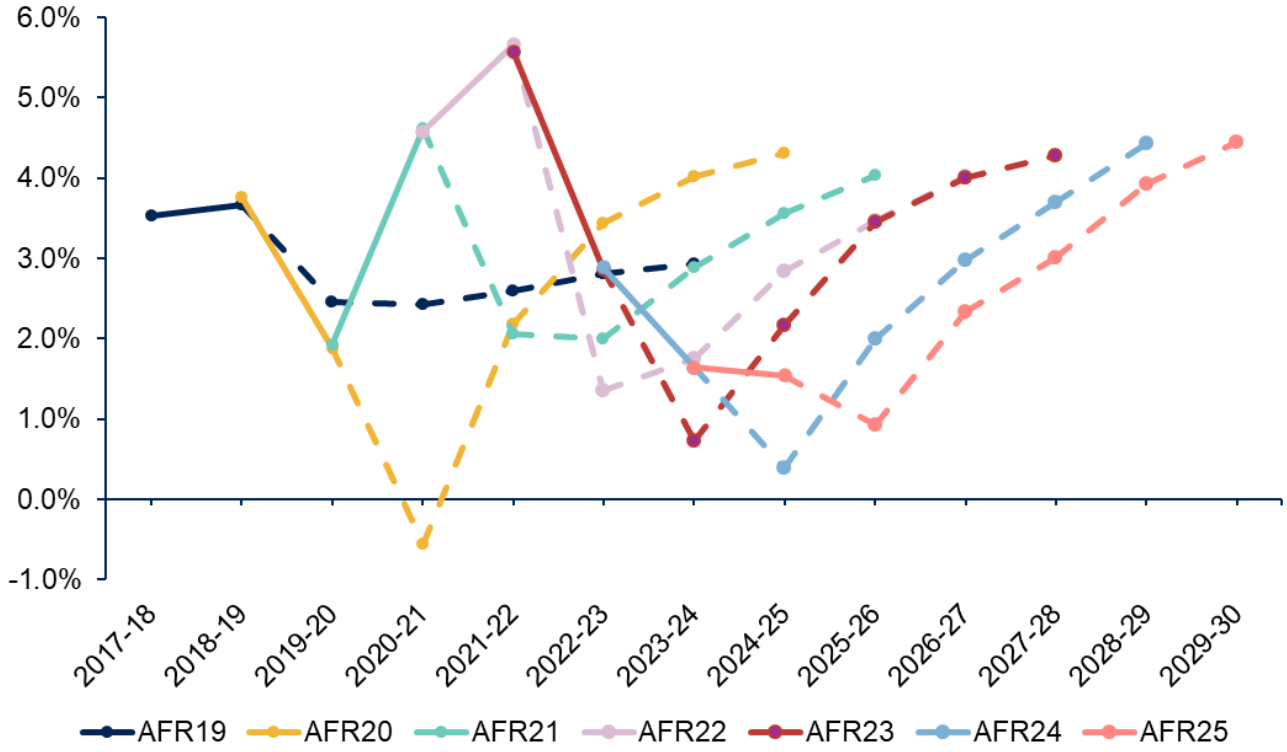
52. Operating cash flow as a percentage of total income is also forecast to reduce by 0.3 percentage points in 2025-26, before recovering to 6.8 per cent in 2026-27. This short-term deterioration is driven by providers in the upper quartile, as both the median and lower quartiles both show improvements in 2025-26, with a further improvement in all later years.

53. Liquidity as a percentage of total expenditure follows a slightly different trend, decreasing each year from 2023-24 to 2026-27, before a slight recovery in 2027-28, and a more substantial improvement thereafter. This indicates a reducing cash buffer to meet future expenditure.

54. Beyond 2025-26, the sector anticipates a significant recovery, with sector surplus forecast to increase by 144.5 per cent in 2026-27 and more than 30 per cent for the subsequent two years. This reflects a common trend that we have seen in sector forecasting for short term pessimism followed by longer-term optimism.

55. Figure 5 displays surplus/deficit (adjusted for pension provision movements) as a percentage of total income over the past seven AFRs, which includes, for each AFR, two years of actual data and five years of forecast data. It shows that, since AFR20, the final year of each AFR forecast the adjusted surplus/deficit as a percentage of total income at between 4.0 and 4.4 per cent. This suggests that the sector is consistently aiming for this as a longer-term target. This is also evident in the latest forecasts (AFR25).

Figure 5: Adjusted surplus/deficit as a percentage of total income (adjusted for pension provision movements) over previous AFRs



Data source: OfS AFRs 2019 to 205.

56. The analysis indicates that providers are beginning to correct for optimism bias in the short term, but it also shows a contrast between short-term prudence and expectations of stronger growth in later years. The familiar 'hockey stick' pattern has shifted further to the right with each AFR cycle, with increasingly deep dips in the years immediately before AFR25. Notably, the adjusted surplus forecast for 2024-25 is now only about one-third of what was originally projected for that year when it first appeared in AFR20. If the same pattern were to occur for 2029-30, the surplus in that year would remain at roughly the 2024-25 level, around 1.5 per cent.

57. As in previous years, assumptions behind strong future growth are premised in this year's analysis on strong future growth in student recruitment, which we examine in more detail in paragraphs 114 to 121.

58. It should also be noted that, given the timing of the announcement of the introduction of the international fee levy (to apply from the 2028-29 academic year onwards), it is unlikely to have been reflected in AFR25 forecasts. Based on the forecasts, we estimate the cost of the levy will be around £570 million for 2028-29, assuming a charge of £925 per non-UK domiciled student, for providers with more than 220 students.

Student recruitment

59. The latest AFR data for 2024-25 shows a slight overall decline in recruitment of 0.5 per cent. This comprised a 3.5 per cent increase in UK domiciled entrants and a 7.7 per cent decrease in non-UK domiciled entrants.

UK students

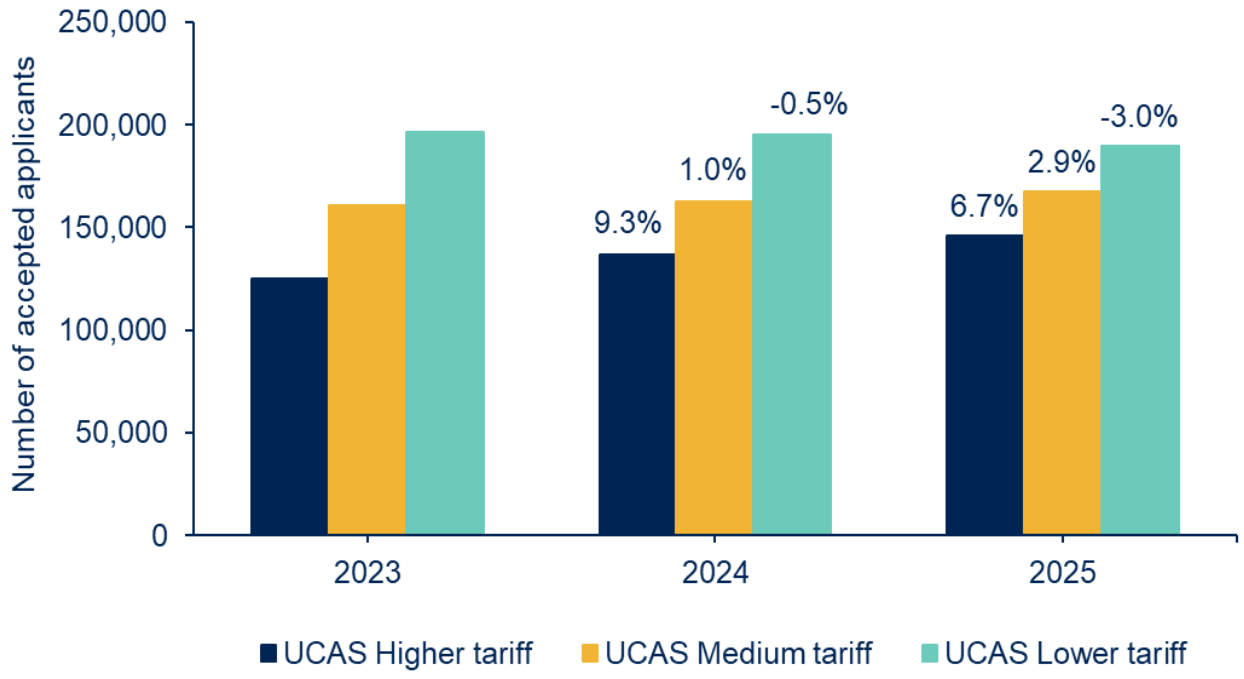
60. Despite the 3.5 per cent increase in the number of UK domiciled entrants in 2024-25, the student recruitment outturn was still 8.6 per cent below the number forecast last year. All provider groups, except for the specialist creative provider group, appear to have underrecruited UK students compared with forecasts.

61. For 2025-26, UK student recruitment is forecast to have increased by 7.6 per cent compared with 2024-25, including a 5.8 per cent increase in UK full-time undergraduate entrants.

62. Data from UCAS provides supplementary information on the placement of 'undergraduate' students to many, but not all, English registered higher education providers. In contrast to the AFR forecasts of UK full-time undergraduate students, published UCAS end-of-cycle data for 2025 shows a 2.1 per cent overall increase in UK-domiciled undergraduate acceptances to English providers compared with the previous year. This cycle covered entrants to the 2025-26 academic year.

63. As was the case last year, the growth in UK undergraduate students in 2025-26 is not evenly distributed across provider groups. Figure 6 presents accepted applicant numbers and annual changes by UCAS tariff group from 2023 to 2025 and shows that higher tariff providers have significantly increased UK undergraduate students.

Figure 6: Changes in UK domiciled accepted applicants to UK providers by provider group, 2023 to 2025

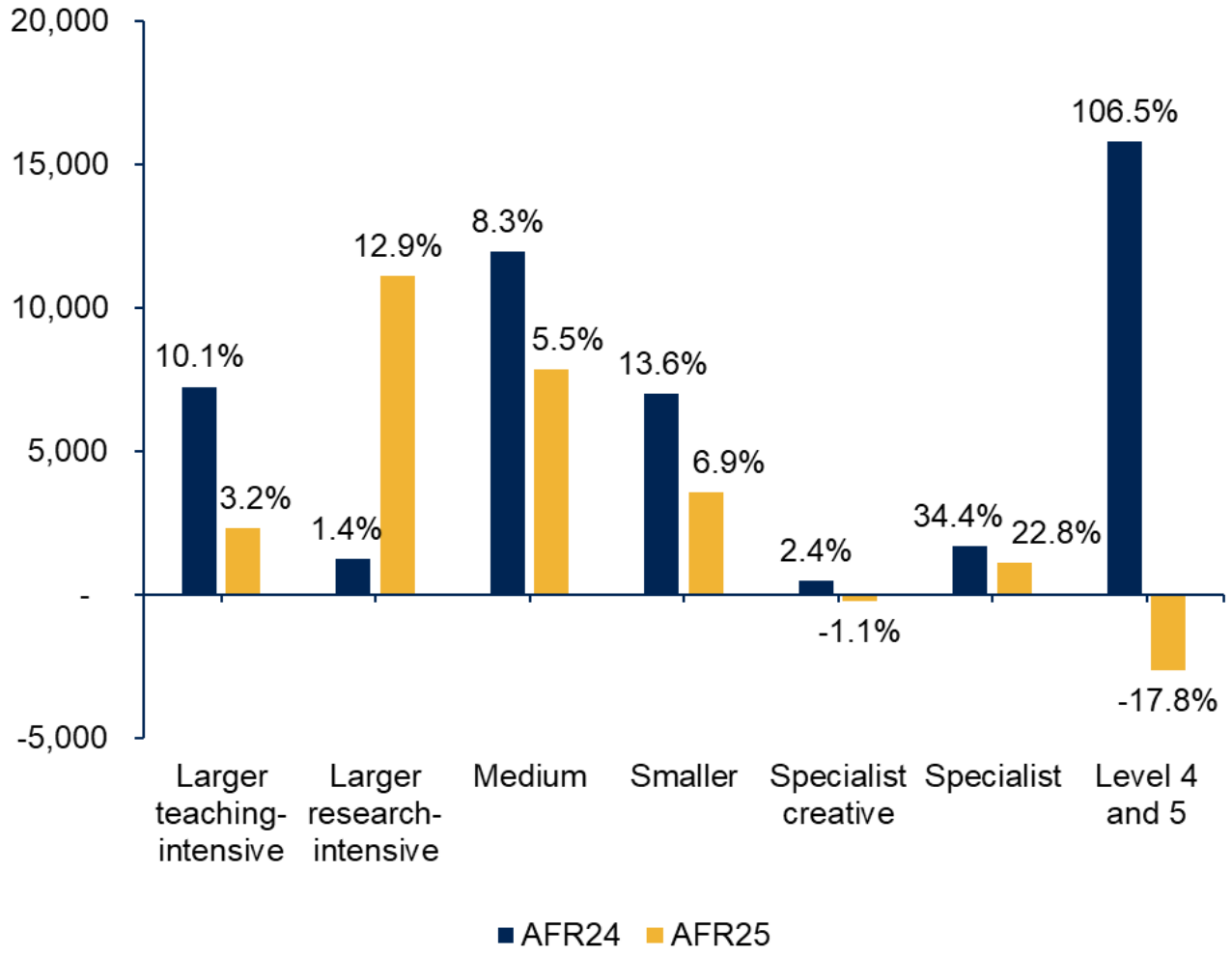


Data source: OfS analysis of published UCAS data.

64. Figure 7 shows a further breakdown of the change in UK full-time undergraduate entrants between 2024-25 and 2025-26 by OfS provider typology group, compared with the forecast from the previous year, for the same period. Larger research-intensive providers are the only

provider group expecting a larger increase in UK full-time undergraduate entrants in 2025-26, with 9,885 (12.9 per cent) more UK full-time undergraduate entrants than previously forecast. All other provider groups' latest forecasts are lower than previous expectations for the same period.

Figure 7: Forecast change to UK domiciled full-time undergraduate student entrants between 2024-25 and 2025-26 compared with 2024-25 reported actuals



Data source: AFR25 forecast for 2025-26 and AFR24 forecast for 2025-26 compared with AFR25 2024-25 results.

Non-UK students

65. Non-UK-domiciled entrants in 2024-25 were reported to be 9.0 per cent lower than previously forecast. All provider groups, apart from Level 4 and 5 providers, appear to have recruited fewer non-UK students than indicated in their prior forecasts, with the largest decreases in student numbers seen in larger research-intensive and specialist providers. For 2025-26, the latest forecast is 9.8 per cent below earlier projections.

Postgraduate recruitment

66. Overall, the largest divergence between providers' previous forecasts and outturn performance in 2024-25 relate to postgraduate student recruitment. Providers have also made the most significant downward revisions to their expectations for postgraduate recruitment in 2025-26.

67. Actual UK postgraduate entrant numbers in 2024-25 were 13.7 per cent lower than the previous year forecast, equivalent to 16,300 FTE. Expectations for UK postgraduate entrants for 2025-26 have likewise been revised downwards, with current forecasts 8.9 per cent lower than those submitted in the prior year, representing a reduction of 11,405 FTE.

68. Table 2 sets out the changes in UK postgraduate entrants for 2024-25 (outturn) and 2025-26 (latest forecasts) based on AFR 25 compared with AFR 24.

Table 2: Change in UK postgraduate entrants compared with previous forecast, 2024-25 and 2025-26

Provider group	2024-25 UK change in FTE	2024-25 UK % change	2025-26 UK change in FTE	2025-26 UK % change
Larger teaching-intensive	-2,740	-14.4%	-2,965	-14.2%
Larger research-intensive	-7,840	-19.4%	-4,285	-9.7%
Medium	-3,970	-11.8%	-3,545	-9.7%
Smaller	-865	-8.0%	535	+4.9%
Specialist creative	-170	-5.8%	-345	-10.4%
Specialist	-810	-7.7%	-990	-8.8%
Level 4 and 5	105	+9.5%	195	+13.6%
Sector	-16,300	-13.7%	-11,405	-8.9%

Data source: AFR data.

69. Table 3 shows the change in non-UK postgraduate entrants in 2024-25 and 2025-26 as per the latest finance returns (AFR25), compared with previous forecasts.

Table 3: Change in non-UK postgraduate entrants compared with previous forecast, 2024-25 and 2025-26

Provider group	2024-25 non-UK change in FTE	2024-25 non-UK % change	2025-26 non-UK change in FTE	2025-26 non-UK % change
Larger teaching-intensive	-1,615	-6.0%	555	+1.8%
Larger research-intensive	-9,300	-11.7%	-11,160	-13.0%
Medium	-3,305	-7.2%	-7,315	-14.1%
Smaller	-1,580	-14.8%	-390	-3.4%
Specialist creative	-850	-11.3%	-560	-6.8%
Specialist	-5,130	-27.7%	-4,715	-22.8%
Level 4 and 5	90	+15.9%	310	+42.4%
Sector	-21,685	-11.4%	-23,275	-11.1%

Data source: AFR data.

70. Non-UK postgraduate entrants were 11.4 per cent (21,685 FTE) below prior-year forecasts for 2024-25 and 11.1 per cent (23,275 FTE) below for 2025-26.

71. Larger research-intensive providers experienced the most pronounced reductions in postgraduate recruitment, particularly among non-UK entrants. Actual non-UK postgraduate entrants in 2024-25 were 11.7 per cent lower than previously forecast, equivalent to a shortfall of 9,300 FTE students. Downward revisions have continued into 2025-26, with the latest forecasts 13.0 per cent below earlier projections, representing a reduction of 11,160 FTE. However, outcomes vary considerably within each provider group, with some providers performing significantly more strongly than others despite the overall trend.

Long-term student forecasts

72. Looking ahead, the sector is forecasting growth in total student entrants between 2024-25 and 2028-29, although the scale and distribution of this growth vary by provider group and by individual provider. Overall, providers project a 19.9 per cent increase in UK-domiciled entrants and a 22.5 per cent increase in non-UK entrants over this period. While this represents a slight reduction in expected growth compared with previous forecasts over a comparable forecast period, the headline projections remain significant.

73. Our assessment is that these latest projections continue to be overly optimistic, particularly in the light of recent recruitment outturns and the continued volatility in the student recruitment market.

74. The projected growth is also at odds with the most recent UCAS application data for the 2026-27 cycle. UCAS data published at the January 2026 application deadline shows a 2.6 per cent increase in UK-domiciled full-time undergraduate applicants to English providers for the 2026-27 cycle, compared with the same point last year. While applicant numbers may change as the cycle progresses, this rate of growth is notably below the 4.2 per cent growth in entrant numbers that providers are currently forecasting for 2026-27.

75. Table 4 shows UCAS applicants split by student domicile.

Table 4: UCAS applicants to English providers, January deadlines 2024 to 2026

Domicile	2024	2025	2026	Change from 2025 to 2026	Change from 2025 to 2026 %
UK	429,150	430,920	442,150	11,230	2.6%
Non-UK	111,380	113,560	119,600	6,040	5.3%
Total	540,530	544,480	561,750	17,270	3.2%

Data source: OfS analysis of published UCAS data.

76. Not all international undergraduate applications are submitted through UCAS; however, the UCAS data for the 2026 cycle shows a 5.3 per cent increase in applicants compared with 2025. This may point to continued underlying demand for undergraduate study in England.

77. The differences between the actual and forecast numbers of new entrants for 2024-25 and 2025-26 illustrate the level of volatility that can occur both during a single year and across multiple years. We anticipate continued volatility in student recruitment, as policy changes and geopolitical and economic conditions impact on the attractiveness of English providers as a destination, and on the ability of students to travel. This volatility heightens uncertainty over the extent to which the sector will realise its projected growth in student entrants between 2024-25 and 2028-29, reinforcing the need for caution in interpreting forecast growth assumptions.

Sector response to financial challenges

78. There is evidence of increased cost-saving activity across the sector in this year's report through an increase in restructuring costs. Although restructuring costs as captured in the AFR remain low overall, at around 0.5 per cent of total sector expenditure, they rose by 20.7 per cent from 2023-24 to 2024-25, reaching £218.2 million. The number of providers reporting restructuring costs also increased by 14.0 per cent to 65. This indicates that just under a quarter of the sector is reporting organisational restructuring costs, with the publicised annual reports of many of these providers suggesting that this is being delivered primarily through voluntary redundancy schemes.

79. However, these costs are then forecast to fall from 2025-26 onwards, suggesting that providers view the current financial year as an opportunity to reset financially to support sustainability in the medium and long terms.

80. Some restructuring activities are not reflected explicitly in the accounts of providers, so analysis of restructuring cost data alone does not tell the whole story. For example, some restructuring of business operations, reviewing non-staff-related cost structures and natural staff turnover may not incur material exceptional up-front costs.

81. At an aggregate level the AFR data suggests increases in the student to academic staff ratio for 2025-26 and 2026-27, of around 3 per cent each year, after remaining broadly flat in 2024-25.

82. There is some evidence of increased cost-saving activity beyond restructuring, particularly in capital expenditure. Spending on the acquisition of assets fell by 7.9 per cent in 2024-25,

indicating a degree of short-term restraint. However, providers are forecasting a substantial rebound in capital investment in 2025-26, with expenditure expected to increase by 26.9 per cent. If realised, this would raise total capital spending to over £5 billion, surpassing levels seen in 2023-24.

83. In many cases the financial benefits of restructuring are unlikely to be realised in the short term. There is evidence that, for some providers, the measures taken to date to address financial pressure have not yet been sufficient. This can be seen in the gradual weakening of financial performance at a sector level and a decline in financial resilience at some individual providers over recent years. As uncertainties persist, these providers may need to take further and more sustained action to turn around improve performance and rebuild resilience while financial uncertainties persist.

Analysis of the annual financial return data from providers

84. We have reviewed the data from 279 registered higher education providers in England, submitted as part of the AFR. Included in the analysis are two years of actual data, 2023-24 and 2024-25, and four years of forecast data – 2025-26, 2026-27, 2027-28 and 2028-29. Forecast data is shaded gold in Tables 5, 6, 9, 10, 12 and 16.

85. Table 5 presents a summary of key financial information for all higher education providers (excluding further education colleges).

Table 5: Summary of sector financial data from providers

Sector financial data	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Total income (£bn)	£46.9	£48.1	£49.4	£51.6	£54.0	£56.6
Surplus/deficit (£bn)	£0.8	£0.9	£0.5	£1.3	£1.8	£2.4
Surplus/deficit as a % of total income	1.7%	1.9%	1.1%	2.6%	3.2%	4.2%
Cash flow from operating activities (£bn)	£1.4	£2.6	£2.5	£3.5	£4.1	£4.7
Cash flow from operating activities as a % of total income	3.0%	5.4%	5.1%	6.8%	7.6%	8.4%
Net liquidity (£bn)	£14.8	£15.0	£13.2	£12.9	£13.5	£14.7
Net liquidity as a % of total expenditure (adjusted for pension provision movements)	32.2%	31.7%	27.1%	25.7%	25.8%	27.1%
External borrowing (£bn)	£13.3	£13.5	£13.8	£13.6	£13.9	£13.6
External borrowing as a % of total income	28.4%	28.0%	27.8%	26.5%	25.7%	24.1%

Data source: OfS AFR. Forecast years are shaded.

Note: Surplus/deficit is total income less total expenditure, excluding other gains or losses (from investments and fixed asset disposals), the share of surplus or deficit in joint ventures and associates, and changes to pension provisions.

86. At a total level, the sector's financial operating performance and strength improved in 2024-25. Reported surplus and operating cash flow levels increased compared with 2023-24. Net liquidity as a percentage of total expenditure declined slightly over the same period. These outturns represent an overall improvement against previous forecasts, which had

anticipated reductions in surplus levels, a larger decline in liquidity as a percentage of total expenditure, and a smaller increase in operating cash flow.

87. The sector has forecast a decline in surplus, cash flow and net liquidity levels in 2025-26.

88. The number of providers forecasting a deficit in 2025-26 has increased from 84 to 102 since the previous forecast. The number of providers reporting low liquidity has reduced from 31 to 27, and those projecting cash flow of less than 5 per cent of total income has increased from 79 to 96 providers.

89. Projections for 2026-27 to 2028-29 indicate a gradual increase in overall financial performance however at a slightly slower rate than was previously forecast.

Financial performance

Overall income

90. At a sector level, total income increased by 2.7 per cent between 2023–24 and 2024–25, rising from £46.9 billion to £48.1 billion.

91. Overall, total income is forecast to increase to £49.4 billion in 2025-26. All sources of income are forecast to increase other than funding body grants and investment income and donations and endowments. Total income is forecast to continue growing throughout the period, reaching £56.6 billion by 2028–29.

92. Table 6 provides a detailed breakdown of income sources for 2023-24 to 2028-29.

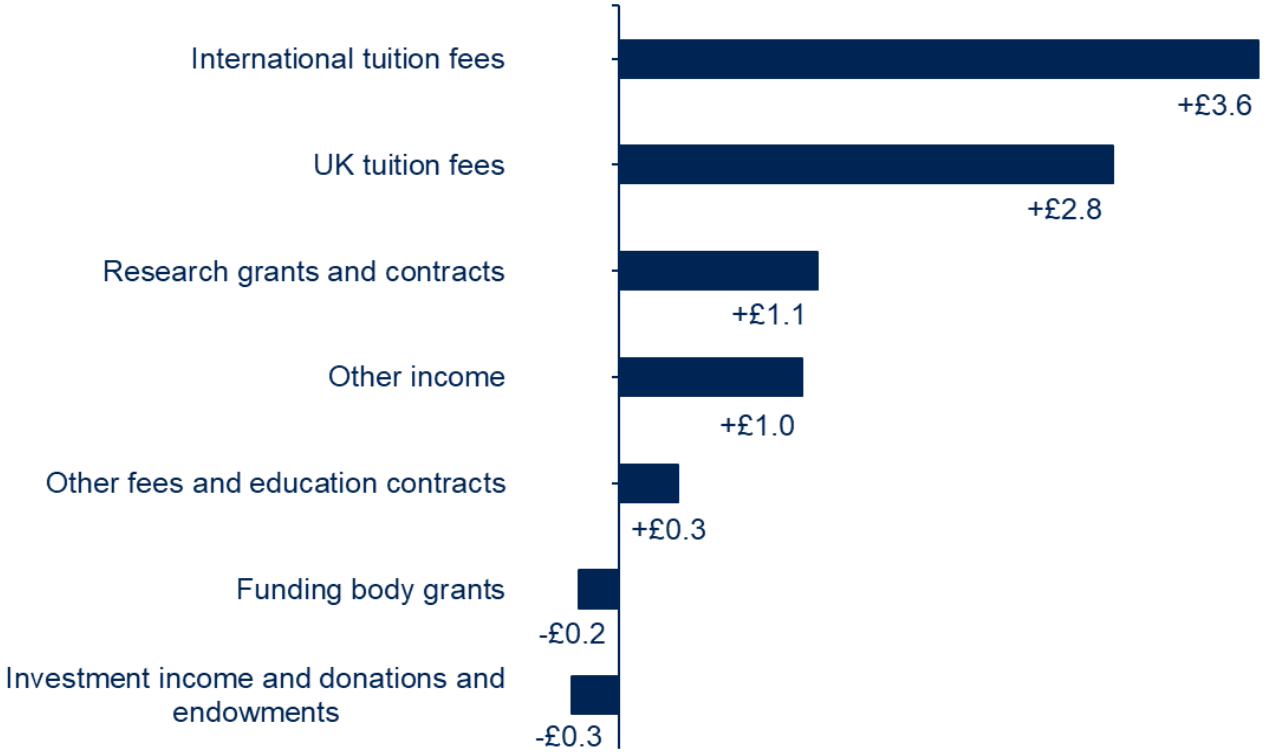
Table 6: Sources of income, 2023-24 to 2028-29, £billion

Income source £bn	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Course fees and education contracts	£25.4	£26.0	£27.5	£29.1	£31.0	£32.7
Funding body grants	£4.4	£4.5	£4.3	£4.3	£4.3	£4.3
Research grants and contracts	£6.2	£6.6	£6.8	£7.1	£7.4	£7.7
Other income	£8.7	£8.9	£9.0	£9.3	£9.6	£10.0
Investment income and donations and endowments	£2.2	£2.1	£1.9	£1.9	£1.8	£1.9
Total income	**£46.9**	**£48.1**	**£49.4**	**£51.6**	**£54.0**	**£56.6**

Data source: OfS AFR. Forecast years are shaded.

93. Providers have projected an increase in total income of £8.4 billion (17.5 per cent) between 2024-25 and 2028-29. Nearly £7 billion of this increase is from course fees and education contracts, with more than 50 per cent of the anticipated increase from overseas tuition fees. Figure 8 shows the scale of these increases in comparison with changes in other sources of income across the forecast period.

Figure 8: Breakdown of projected changes in sector income, 2024-25 to 2028-29, £billion



Data source: OfS AFR.

94. There is sizeable variation in the income projections of individual providers and groups of providers. Table 7 shows the value and percentage change in income between 2024-25 and 2028-29 for all provider groups and the sector.

Table 7: Provider group analysis of changes in income, 2024-25 to 2028-29

Provider group	£billion	%
Larger teaching-intensive	£0.7	13.0%
Larger research-intensive	£4.0	16.7%
Medium	£1.3	12.2%
Smaller	£0.9	28.2%
Specialist creative	£0.2	13.0%
Specialist	£0.6	30.8%
Level 4 and 5	£0.7	46.5%
Sector	**£8.4**	**17.5%**

Data source: OfS AFR.

95. Net income generated through transnational education increased by 13.8 per cent between 2023-24 and 2024-25, reaching £0.6 billion. It is forecast to grow by a further 19.6 per cent by 2026-27, rising to £0.7 billion. Transnational education refers to higher education delivered by UK providers to students based entirely outside the UK. Examples include overseas campuses, distance learning provision, and franchise arrangements.

Tuition fee income

96. At a sector level, tuition fee income increased by 2.2 per cent between 2023-24 and 2024-25, rising from £23.9 billion to £24.5 billion. Undergraduate tuition fee income grew by 4.9 per cent (£0.8 billion) in line with forecasts reported in last year's report. Postgraduate tuition fee income decreased by 3.4 per cent (£0.3 billion) over the same period. This is a decline of approximately £0.2 billion more than anticipated in last year's report.

97. Across the sector, providers reported a 3.6 per cent increase in UK-domiciled tuition fee income between 2023-24 and 2024-25. Over this period, non-UK tuition fee income increased by 0.6 per cent.

98. Between 2023-24 and 2024-25, the Level 4 and 5 provider group reported the largest percentage increases in both UK and non-UK tuition fee income, at 36.2 per cent and 36.1 per cent respectively. Over the same period, the larger teaching-intensive provider group reported a 1.0 per cent decline in UK tuition fee income and a 5.4 per cent decline in non-UK tuition fee income. The medium and smaller providers groups also reported declines of 7.0 and 6.2 per cent respectively in non-UK tuition fee income.

99. Table 8 displays the percentage change in tuition fee income between 2023-24 and 2024-25 by provider group level and domicile.

Table 8: Percentage change in tuition fees between 2023-24 and 2024-25, by domicile and provider group

Provider group	UK	Non-UK
Larger teaching-intensive	-1.0%	-5.4%
Larger research-intensive	+2.5%	+5.3%
Medium	+2.6%	-7.0%
Smaller	+8.2%	-6.2%
Specialist creative	+18.8%	+4.3%
Specialist	+7.6%	+6.2%
Level 4 and 5	+36.2%	+36.1%

Data source: OfS AFR.

100. Between 2024-25 and 2025-26 providers have forecast an increase in tuition fee income from undergraduate courses of 5.4 per cent. Over the same period there is a forecast increase in tuition fees from postgraduate courses of 7.0 per cent. This follows a decline in postgraduate tuition fee income of 3.4 per cent between 2023-24 and 2024-25.

101. Table 9 shows the tuition fee income for undergraduate, postgraduate taught and postgraduate research and the change in tuition fee income between 2024-25 and 2028-29, at a sector level.

Table 9: Forecast tuition fee income (£billion) 2024-25 and 2028-29 and change in tuition fee income between 2024-25 and 2028-29

Level of study	2024-25	2025-26	2026-27	2027-28	2028-29	£bn change	% change
Undergraduate	£17.0	£17.9	£18.9	£20.1	£21.2	£4.2	24.6%
Postgraduate taught	£6.6	£7.1	£7.6	£8.1	£8.6	£2.0	30.1%
Postgraduate research	£0.8	£0.9	£1.0	£1.0	£1.1	£0.2	28.6%

Data source: OfS AFR. Forecast years are shaded.

102. Providers forecast an increase of 26.2 per cent (£6.4 billion) in total higher education course fee income between 2024-25 and 2028-29. Over half of this growth (56.6 per cent) is from non-UK students. Table 10 displays tuition fee income by domicile from 2024-25 to 2028-29, and the predicted change over the period.

Table 10: Higher education tuition fee income and forecast change by domicile, 2024-25 to 2028-29, £billion

Higher education tuition fee income £bn	2024-25	2025-26	2026-27	2027-28	2028-29	£bn change	% change
Total	£24.5	£25.9	£27.4	£29.3	£30.9	£6.4	26.2%
UK	£13.5	£14.2	£14.8	£15.7	£16.3	£2.8	20.6%
Non-UK	£10.9	£11.7	£12.6	£13.6	£14.6	£3.6	33.2%

Data source: OfS AFR. Forecast years are shaded.

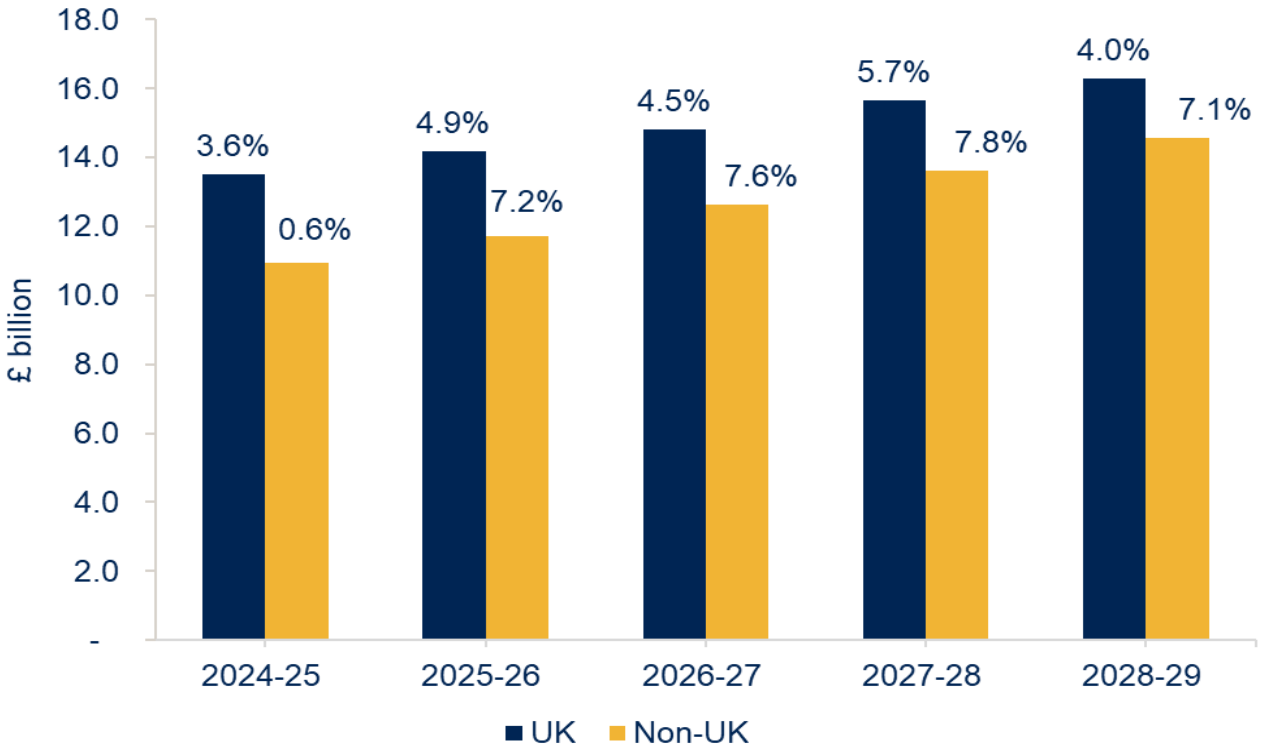
103. In total, providers have forecast annual increases of between 3.6 and 5.7 per cent from 2024-25 and 2028-29 for UK tuition fee income. For non-UK tuition fee income, the sector has forecast annual increases of between 0.6 and 7.8 per cent.

104. Forecasts vary across provider groups. Between 2024-25 and 2028-29, Level 4 and 5 providers are projecting the largest annual percentage increases in UK tuition fee income, ranging from 24.7 to 36.3 per cent. In contrast, larger teaching-intensive providers are expecting the smallest changes over this period, with modest increases of between 1.9 and 3.3 per cent. The specialist creative provider group has forecast a decline of 14.1 per cent between 2027-28 and 2028-29, primarily due to an anticipated change in the way that subcontractual partnerships are managed at these providers, resulting in those students they currently subcontract out to delivery partners instead registering directly with the delivery partner and resulting in a loss of tuition fee income.

105. For non-UK tuition fee income between 2024-25 and 2028-29, all provider groups are forecasting annual increases. Medium providers are forecasting the smallest annual percentage increase of 2.5 per cent between 2024-25 and 2025-26. Level 4 and 5 providers are forecasting the largest annual percentage increase of 23.4 per cent between 2025-26 and 2026-27.

106. Figure 9 shows tuition fee income and the annual change by domicile between 2024-25 and 2028-29.

Figure 9: Forecast tuition fee income and annual change by domicile, 2024-25 to 2028-29



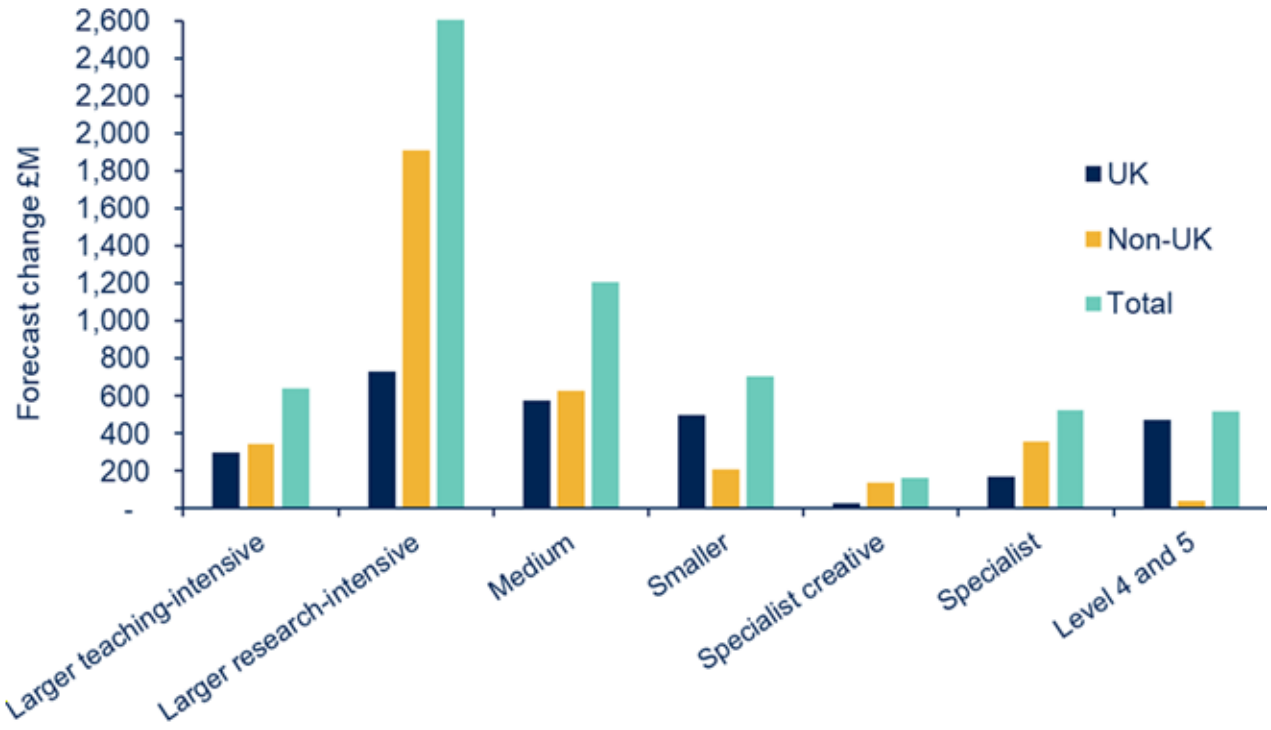
Data source: OfS AFR.

107. At a provider group level, forecasts indicate growth in UK tuition fee income between 2024-25 and 2028-29 across all groups, ranging from 4.7 per cent for specialist creative providers to 198.0 per cent for Level 4 and 5 providers. However, reflecting difference in scale across the sector, larger research-intensive providers are projected to account for over a quarter of the total increase in UK tuition fee income over this period.

108. Forecasts for all provider groups also show increases in non-UK tuition fee income over the same period, ranging from 26.6 per cent for medium providers to 68.5 per cent for specialist providers. Again, projected increases at larger research-intensive providers account for more than half of the total growth in non-UK tuition fee income, between 2024-25 and 2028-29.

109. Figure 10 shows the forecast change in tuition fee income by domiciles and provider groups from 2024-25 and 2028-29.

Figure 10: Forecast change in tuition fee income by domicile and provider group from 2024-25 to 2028-29

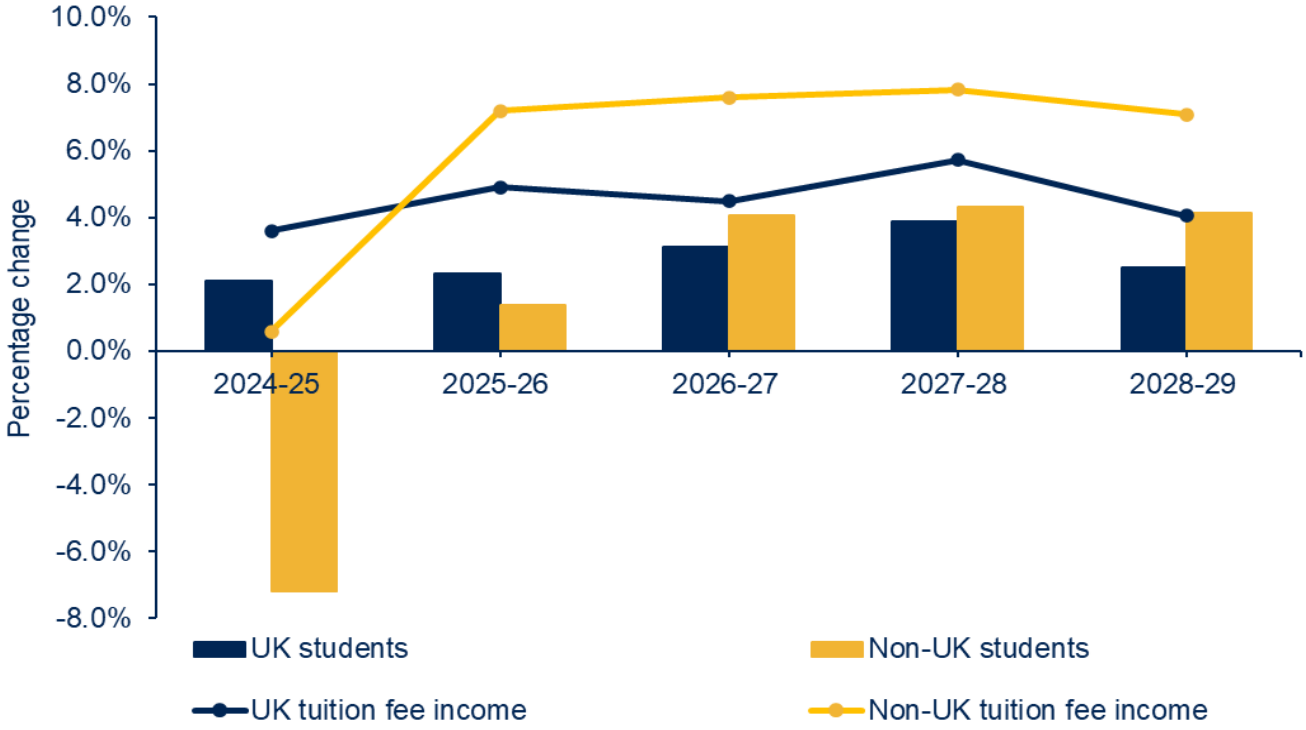


Data source: OfS AFR.

110. At a sector level providers have projected an increase of 12.9 per cent in total student numbers between 2024-25 and 2028-29. This is at a lower rate than the growth in tuition fee income over the same period (26.2 per cent) indicating an increase in fee level per student. Fee income from non-UK students is forecast to grow at a 33.2 per cent over the period in contrast to the 14.6 per cent increase in student numbers. Tuition fee income from UK students is projected to increase more slowly, and more closely in line with forecast changes in UK domiciled student numbers.

111. Figure 11 shows the annual forecast percentage change in tuition fee income and student numbers split by domicile.

Figure 11: Forecast annual percentage change in tuition fee income and student numbers by domicile, 2024-25 to 2028-29



Data source: OfS AFR.

112. Net fee income from contracted-out activity, which refers to arrangements in which academic delivery is provided by another party under a subcontractual agreement, makes up 1.9 per cent of tuition fee income in 2024-25. At sector level, reported net income from contracted-out provision increased from £0.4 billion to £0.5 billion between 2023-24 and 2024-25. Among providers that report this data, income from contracted-out activity is forecast to fall by 4.0 per cent in 2025-26 before increasing over the remainder of the forecast period.

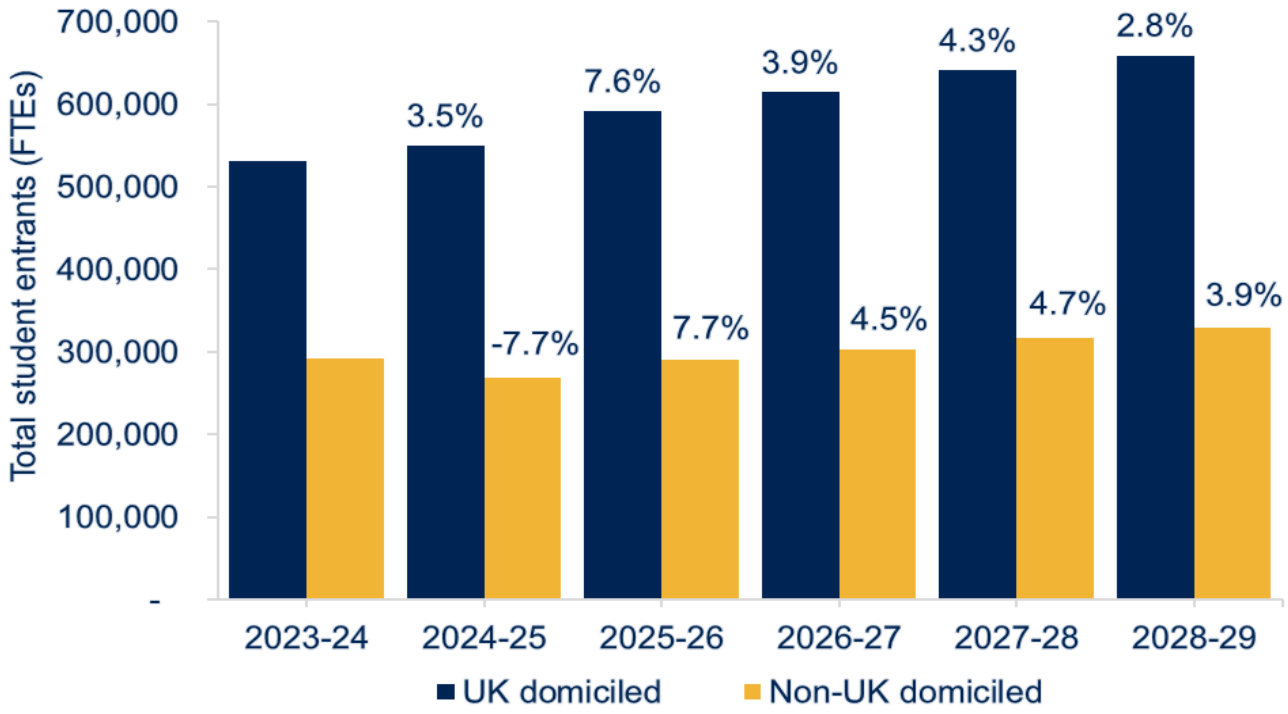
Student numbers

113. At a sector level, providers reported a small decline of 0.5 per cent in total entrants between 2023-24 and 2024-25. Providers reported a 3.5 per cent increase in UK domiciled entrants and a decline of 7.7 per cent in non-UK domiciled entrants over the same period.

114. In contrast to the outturn in 2024-25, providers are forecasting substantial growth in student entrant numbers over the medium term. Between 2024-25 and 2028-29, providers estimate an increase of 109,415 FTE (19.9 per cent) in UK domiciled student entrants and 60,490 FTE (22.5 per cent) non-UK student entrants. In our May 2025 publication, we reported that providers were forecasting growth in UK entrants of 140,615 FTE (26.0 per cent) and 58,610 FTE (19.5 per cent) in non-UK entrants between 2023-24 and 2027-28, suggesting that providers have moderated their expectations relative to last year. However, despite this downward revision, the scale of forecast growth remains ambitious.

115. In total, providers have forecast annual growth between 2.8 and 7.6 per cent from 2025-26 onwards for UK domiciled student entrants. For non-UK domiciled student entrants, following the decline in 2024-25, providers have forecast annual increases of between 3.9 and 7.7 per cent. Figure 12 displays the annual change in actual and forecast FTE entrants by domicile across all levels of study.

Figure 12: Student numbers and annual change for all entrants (FTE) by domicile (UK and non-UK), 2023-24 to 2028-29



Data source: OfS AFR.

116. Between 2024-25 and 2025-26 a quarter of providers (72) have forecast a decline in total entrants, and 14 per cent (40) have forecast a decline in total entrants between 2024-25 and 2028-29. Table 11 shows those providers forecasting a decline in total entrants by provider group between 2024-25 and 2025-26 and between 2024-25 and 2028-29.

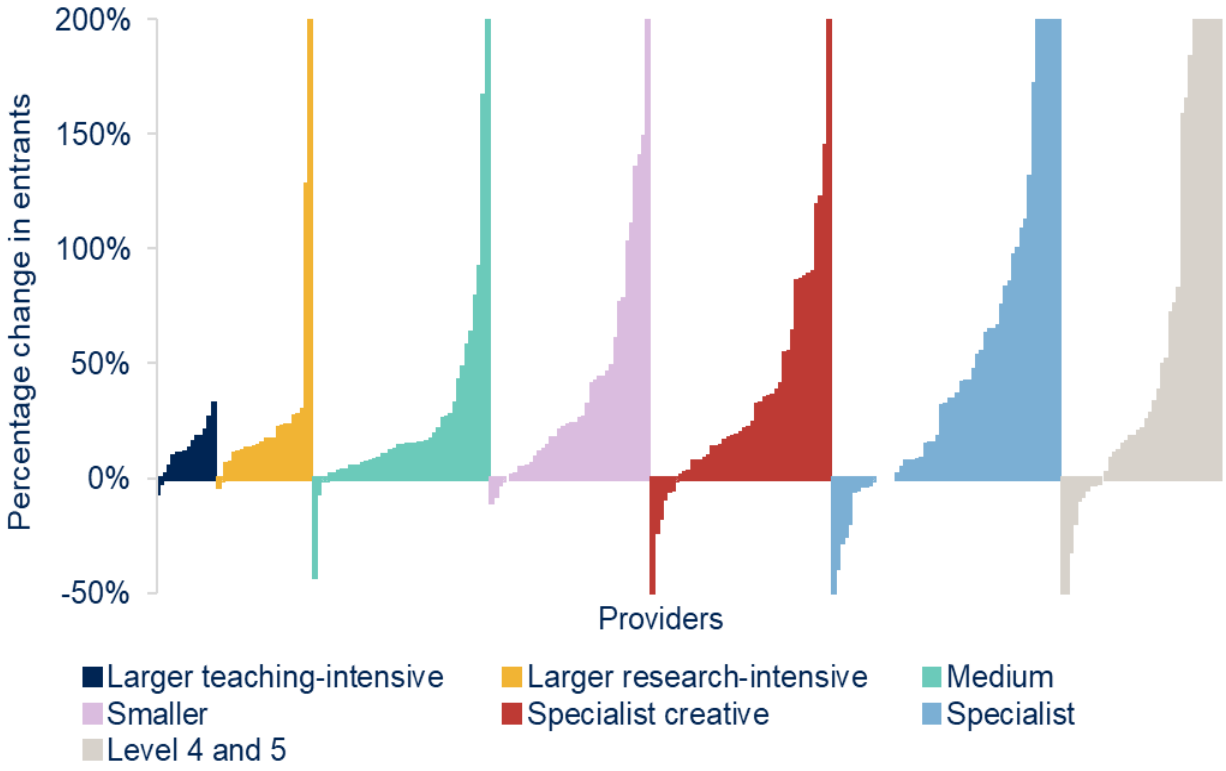
Table 11: Number of providers forecasting a decline in total entrants between 2024-25 and 2028-29, by provider group

Provider group	Number of providers in group	Number of providers forecasting a decline in total entrants between 2024-25 and 2025-26	Number of providers forecasting a decline in total entrants between 2024-25 and 2028-29
Larger teaching-intensive	15	4	2
Larger research-intensive	24	5	2
Medium	44	12	4
Smaller	48	9	4
Specialist creative	45	12	7
Specialist	58	12	11
Level 4 and 5	45	18	10

Data source: OfS AFR.

117. Figure 13 displays the percentage change in total entrants between 2024-25 and 2028-29 by provider, highlighted by provider group.

Figure 13: Forecast change in total entrant numbers (FTE) by provider group, 2024-25 to 2028-29



Data source: OfS AFR.

118. Between 2023-24 and 2024-25, at a sector level, providers reported an increase of 3.3 per cent (17,230 FTE) in undergraduate entrants. Between 2024-25 and 2028-29 they

forecast an increase of more than 100,000 undergraduate entrant FTE (18.7 per cent). They expect nearly 80,000 (76.2 per cent) of this increase to come from UK full-time undergraduate entrants. Table 12 shows full-time undergraduate entrants by domicile from 2024-25 to 2028-29.

Table 12: Full-time undergraduate entrants by domicile, 2024-25 to 2028-29

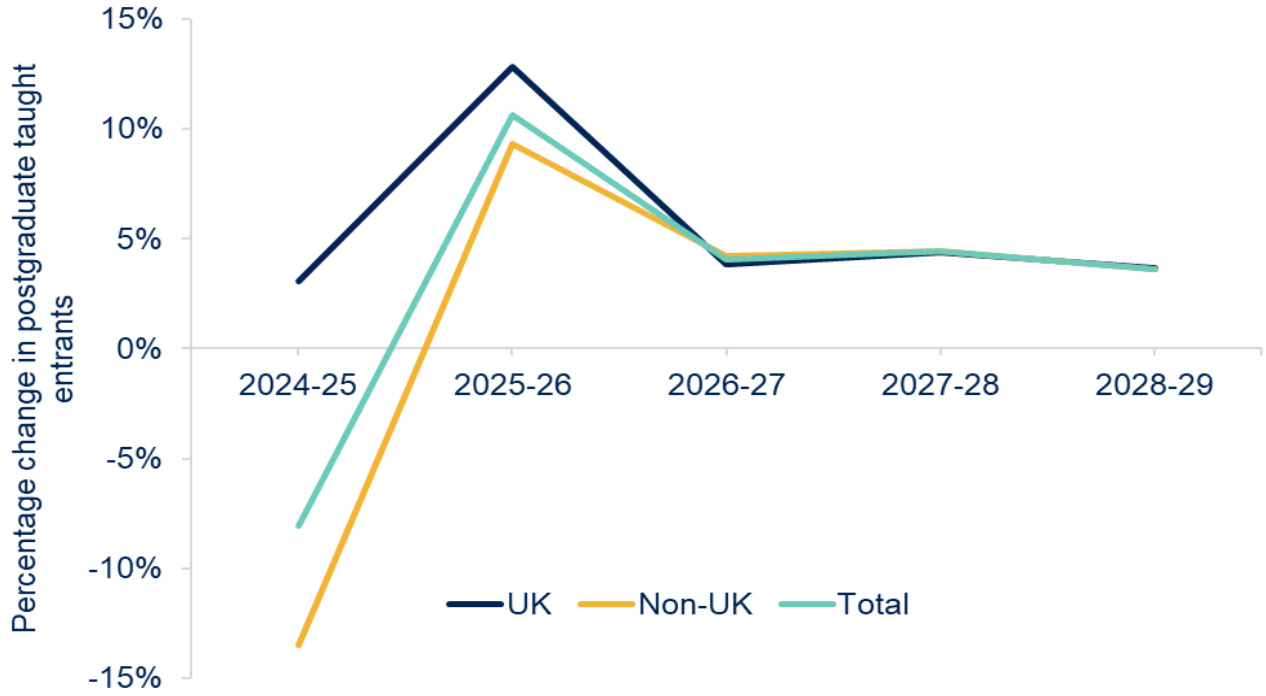
Full-time undergraduate entrants (FTE)	2024-25	2025-26	2026-27	2027-28	2028-29	FTE change	% change
Total	502,050	529,120	553,070	579,080	597,735	95,685	19.1%
UK	409,795	433,495	451,830	472,380	486,245	76,450	18.7%
Non-UK	92,255	95,625	101,235	106,700	111,490	19,240	20.9%

Data source: OfS AFR. Forecast years are shaded.

119. The sector reported an 8.1 per cent decline in postgraduate taught entrant FTE between 2023-24 and 2024-25, equivalent to a reduction of 22,735 FTE. Over this period, UK postgraduate taught entrants increased by 3.1 per cent (2,840 FTE), while non-UK entrants fell by 13.5 per cent (25,575 FTE). Despite this recent contraction, providers are forecasting growth in postgraduate recruitment across both domiciles over the remainder of the forecast period. Between 2024-25 and 2028-29, providers project an overall increase of 24.6 per cent, equivalent to 63,735 FTE.

120. Figure 14 displays the annual forecast change in postgraduate taught entrants by domicile grouping, from 2024-25 to 2028-29.

Figure 14: Annual forecast percentage change in postgraduate taught entrants (FTE) by domicile group, 2024-25 to 2028-29



Data source: OfS AFR.

121. The sector reported an increase of 7.6 per cent in postgraduate research entrants between 2023-24 and 2024-25, and has forecast an increase of 26.8 per cent between 2024-25 and 2028-29. Postgraduate research student entrants make up approximately 3 per cent of the total student population, so the increases in entrant numbers are small.

International student numbers

122. Table 13 highlights the top ten source countries for international students from 2022-23 to 2024-25 (at all levels and studying in English providers) based on HESA student data. The largest recent decreases in student numbers are those from India and Nigeria, while students from Nepal have almost doubled between 2023-24 and 2024-25.

Table 13: Top ten source countries for international students, 2022-23 to 2024-25, sorted in descending order of 2024-25 student numbers

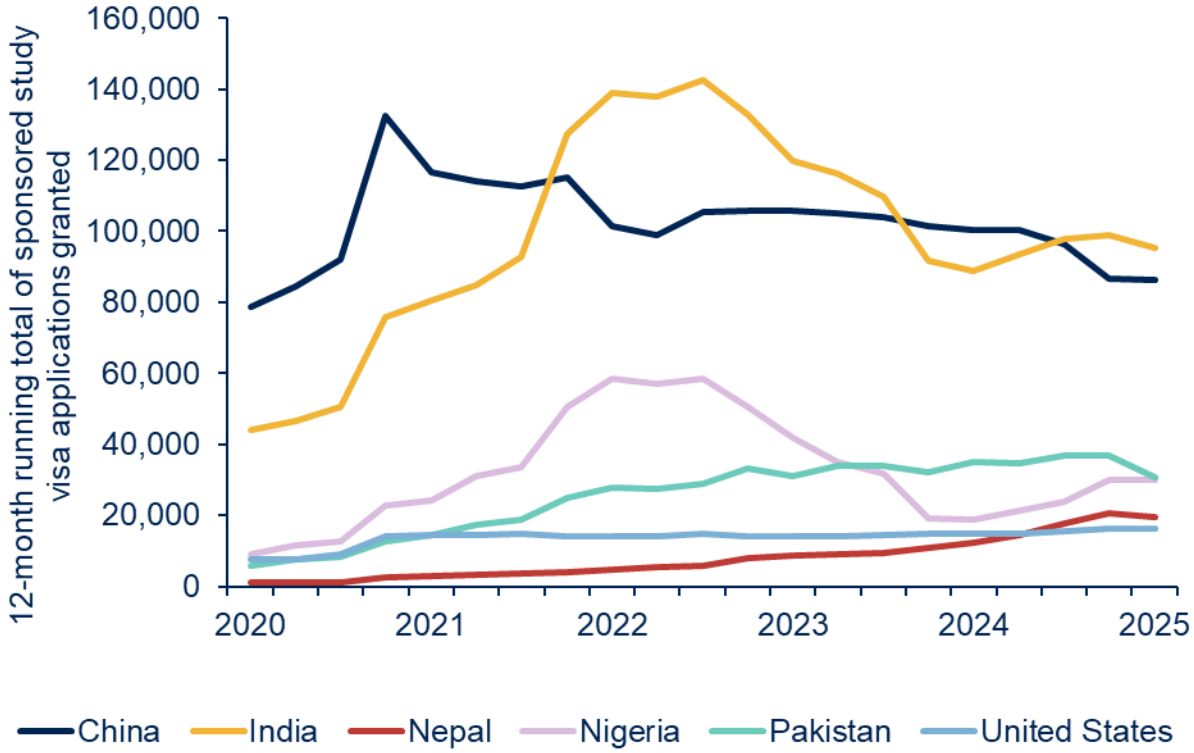
Country	Total students in 2022-23	Total students in 2023-24	Total students in 2024-25	Change between 2023-24 and 2024-25	Percentage change between 2023-24 and 2024-25
India	150,880	144,785	128,875	-15,910	-11.0%
China	130,050	127,660	122,470	-5,190	-4.1%
Pakistan	27,170	35,845	37,965	2,120	+5.9%
Nigeria	55,340	45,470	30,760	-14,710	-32.4%
Nepal	6,485	11,260	21,910	10,650	+94.6%
United States	15,465	15,690	16,290	600	+3.8%
Hong Kong	16,200	15,625	14,290	-1,335	-8.5%
Malaysia	10,510	10,475	9,790	-685	-6.5%
Bangladesh	11,625	9,150	8,610	-540	-5.9%
Saudi Arabia	7,545	8,205	8,365	160	+2.0%

Data source: HESA Higher Education Student Statistics: UK 2024-25, Figure 11.

123. However, more recent data suggests a partial reversal of these trends, particularly in relation to India and Nigeria. Based on published visa data for the year to December 2025, there was a notable increase in the number of sponsored study visas granted to students from Nigeria, rising by 11300 visas (60 per cent) compared with the previous year. Over the same period, visas granted to students from India increased by 6,400 (7 per cent). In contrast, the number of visas granted to students from China declined further, falling by 14,100 (14 per cent).

124. Figure 15 shows the trend for student visas granted to main applicants for the six countries with the largest number of visas up to December 2025.

Figure 15: Sponsored study visa applications granted to main applicants, by year ending

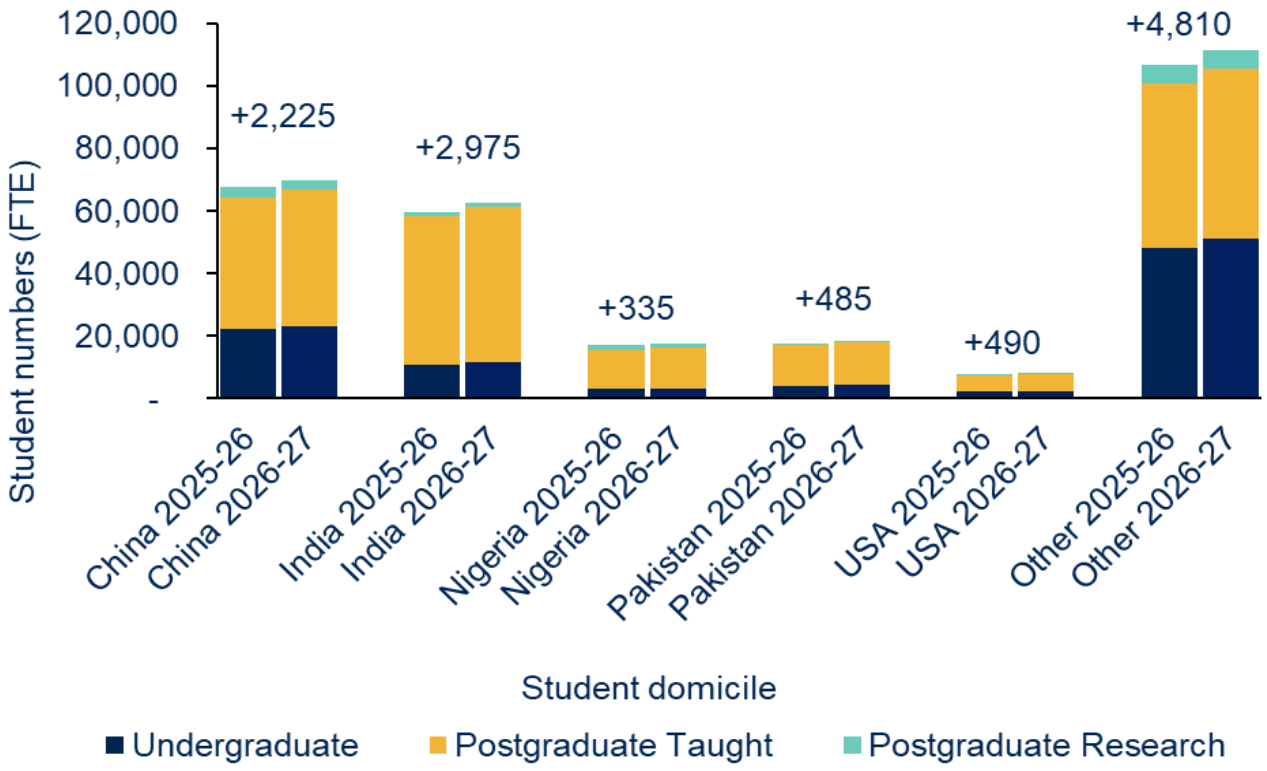


Data source: OfS analysis of published Home Office visa application data.[7]

125. Figure 16 illustrates the forecast change in FTE student entrant numbers by domicile and level of study between 2025-26 and 2028-29. Providers have forecast an increase in entrant numbers across all five of the largest source countries between 2025-26 and 2026-27.

[7] Gov.UK, Immigration system statistics data tables.

Figure 16: Non-UK student entrant numbers by domicile split by level of study, 2025-26 and 2026-27



Data source: OfS AFR.

Operating cash flow performance

126. Operating cash flow increased from £1.4 billion (3.0 per cent of income) in 2023-24 to £2.6 billion (5.4 per cent of income) in 2024-25.

127. However, performance varied considerably across individual providers and provider groups. Table 14 sets out total and average (mean) cash-flow levels by provider group, together with the distribution of performance across quartiles, highlighting the uneven nature of this improvement across the sector.

Table 14: Cash flow from operating activities as a percentage of total income, 2024-25

Provider group	Total cash flow from operating activities (£M)	Lower quartile	Average (mean)	Upper quartile
Sector	£2,588.5	-1.2%	5.4%	10.3%
Larger teaching-intensive	£130.8	0.5%	2.5%	6.6%
Larger research-intensive	£1,279.9	1.3%	5.4%	8.8%
Medium	£684.3	2.0%	6.3%	10.2%
Smaller	£340.4	0.9%	10.1%	11.5%
Specialist creative	£112.8	0.5%	6.8%	12.9%
Specialist	£59.3	-4.9%	3.0%	6.8%
Level 4 and 5	-£19.0	-6.0%	-1.3%	22.1%

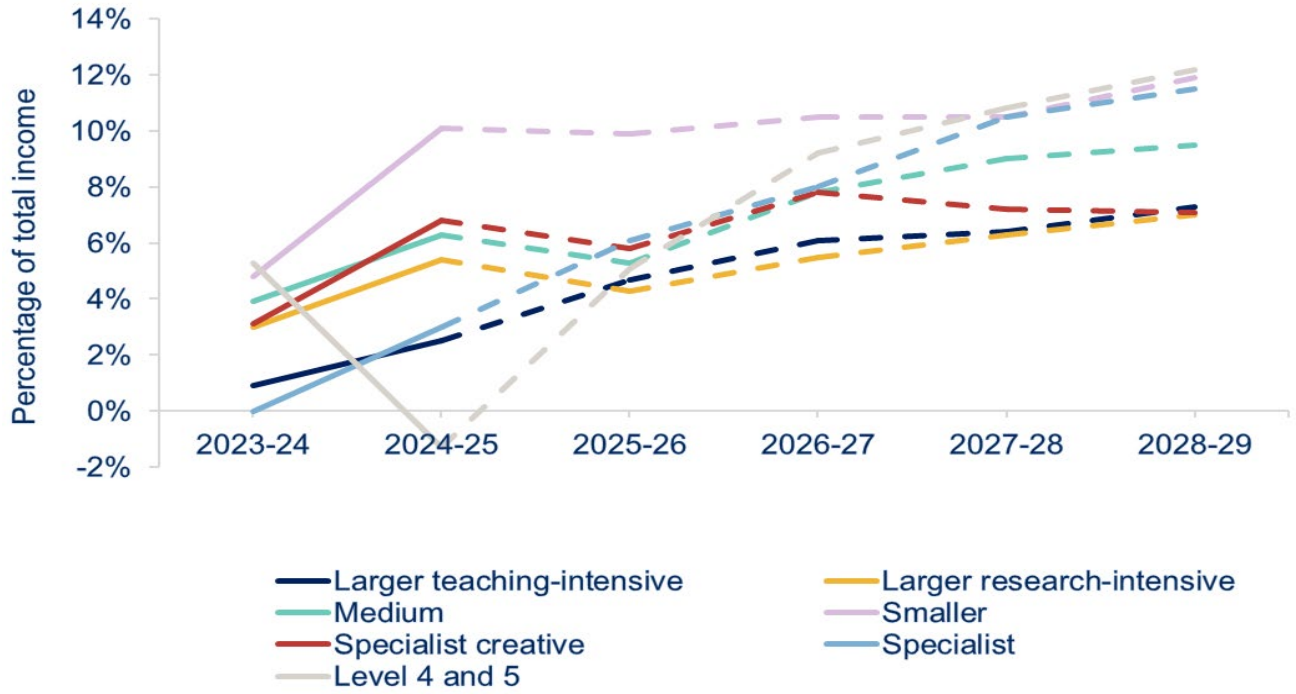
Data source: OfS AFR.

128. In total, providers forecast that operating cash flow will decline to 5.1 per cent of total income in 2025-26 before strengthening over the remainder of the forecast period. Operating cash flow is projected to rise to 6.8 per cent in 2026-27 and to 8.4 per cent by 2028-29. Strong and sustained operating cash flow is critical for providers to fund ongoing investment and to maintain sufficient buffers against financial and operational risks.

129. The overall trend is reflected across several provider groups, including larger research-intensive, medium and smaller provider groups, which all forecast an initial dip followed by recovery. In contrast, the specialist creative provider group projects a more volatile path, with operating cash flow declining again after 2026-27. Larger teaching-intensive, specialist and Level 4 and 5 providers forecast continued growth in operating cash flow throughout the period. Notably, Level 4 and 5 providers anticipate a substantial recovery, with operating cash flow forecast to rise from -1.3 per cent of total income in 2024-25 to 12.2 per cent by 2028-29.

130. Figure 17 displays this trend by provider group from 2023-24 to 2028-29.

Figure 17: Cash flow from operating activities as a percentage of total income by provider group, 2023-24 to 2028-29



Data source: OfS AFR.

Surplus

131. Surplus levels show the extent to which a provider generates income in excess of its costs, including the depreciation of assets. Consistently generating surpluses is essential for providers to invest in infrastructure and academic quality, and to maintain a buffer against financial risks. Conversely, a deficit indicates that a provider's costs exceed its income.

132. A deficit indicator should not, on its own, be used to assess a provider's longer-term financial sustainability. A provider that consistently records underlying deficits will be unable to meet its full costs indefinitely and is therefore unlikely to remain sustainable over the longer term. Although an extended period of consecutive deficits may indicate weaker underlying financial performance, we consider this alongside supporting financial information and wider contextual factors when assessing whether a provider's financial sustainability is at increased risk.

133. Accounting treatments can distort movements in surplus and deficit levels between years, creating risks in using surplus levels alone to assess underlying financial performance. Non-cash accounting adjustments linked to the Universities Superannuation Scheme (USS) (the main pension scheme for UK higher education providers established before 1992) and other defined benefit pension schemes can significantly affect total staff costs. These adjustments, in turn, influence reported surplus levels.

134. These accounting adjustments can distort reported surplus levels and obscure the underlying financial position. To support comparability and present a clearer picture of the sector's underlying surplus levels, we exclude these pension-scheme-related accounting adjustments from total expenditure.

135. The latest data shows that overall surplus levels increased slightly from £0.8 billion (1.7 per cent of income) in 2023-24 to £0.9 billion (1.9 per cent of income) in 2024-25. Providers then predict a decline in aggregate surplus levels to £0.5 billion (1.1 per cent of income) in 2025-26. They then project a substantial increase in sector surplus levels over the remainder of the period. However, this recovery is driven by optimistic tuition fee forecasts for the later years of the period, and there are risks that surplus levels will not recover or recover at a slower pace.

136. Table 15 shows the forecast total adjusted surplus levels (excluding pension provision adjustments) for all provider groups for 2024-25, alongside the percentage of total income by quartile and average (mean), which shows the considerable variability between provider groups.

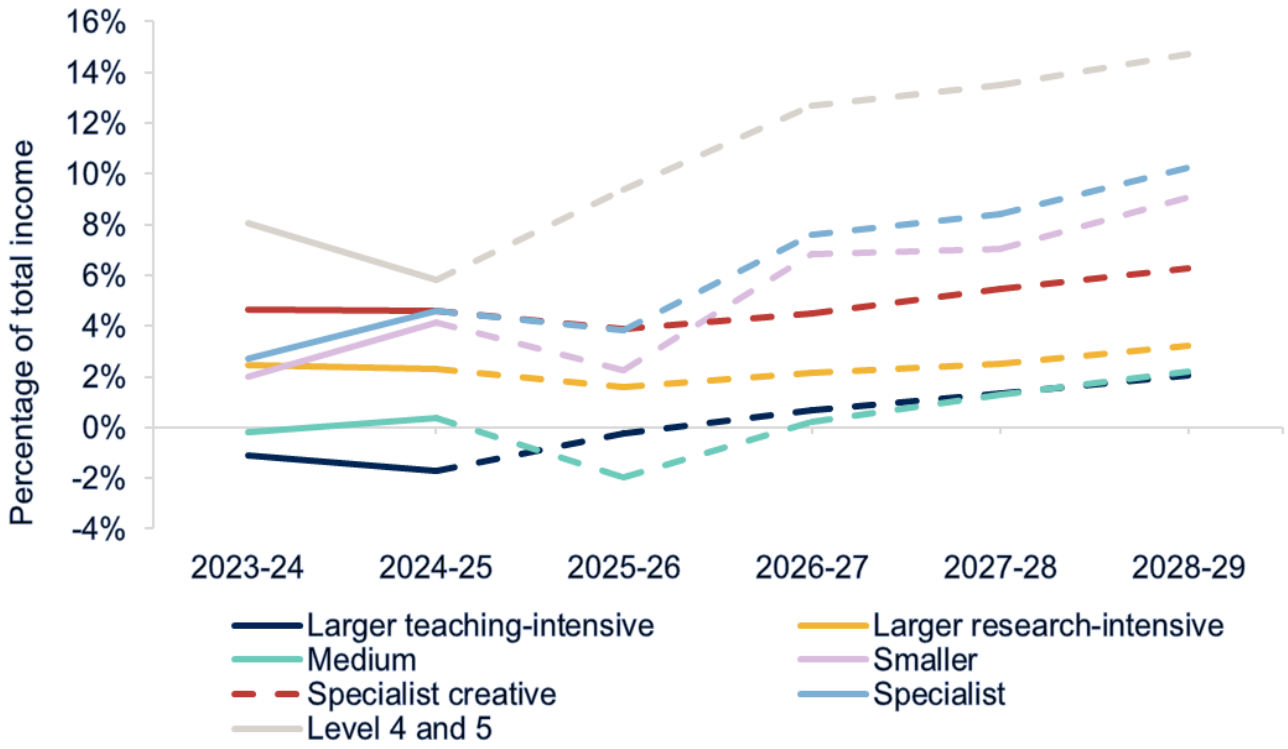
Table 15: Surplus (adjusted for pension provisions) from operating activities as a percentage of total income, 2024-25

Provider group	Total surplus £M	Lower quartile	Average (mean)	Upper quartile
Sector	£890.7	-3.1%	1.9%	6.6%
Larger teaching-intensive	-£87.6	-3.7%	-1.7%	1.6%
Larger research-intensive	£542.3	-1.1%	2.3%	4.3%
Medium	£42.3	-4.8%	0.4%	3.6%
Smaller	£138.9	-4.9%	4.1%	7.1%
Specialist creative	£77.0	-0.9%	4.6%	7.5%
Specialist	£91.9	-6.1%	4.6%	7.3%
Level 4 and 5	£85.8	1.5%	5.8%	22.1%

Data source: OfS AFR.

137. Figure 18 shows the variation in surplus levels across provider groups for the period 2023-24 to 2028-29. All provider groups reported surpluses in 2024-25 except the larger teaching-intensive group, which recorded a deficit of -1.7 per cent of total income. In 2025-26, all provider groups forecast weakening in surplus/deficit levels, except for the larger teaching-intensive and Level 4 and 5 provider groups, both of which anticipate an increase, although the larger teaching-intensive provider group forecast that it will remain in deficit. The medium provider group forecast that it will be in deficit in 2025-26. All provider groups then forecast sustained improvements in adjusted surplus levels across the remainder of the forecast period.

Figure 18: Surplus/deficit (adjusted for pension provisions) as a percentage of total income by provider group, 2023-24 to 2028-29



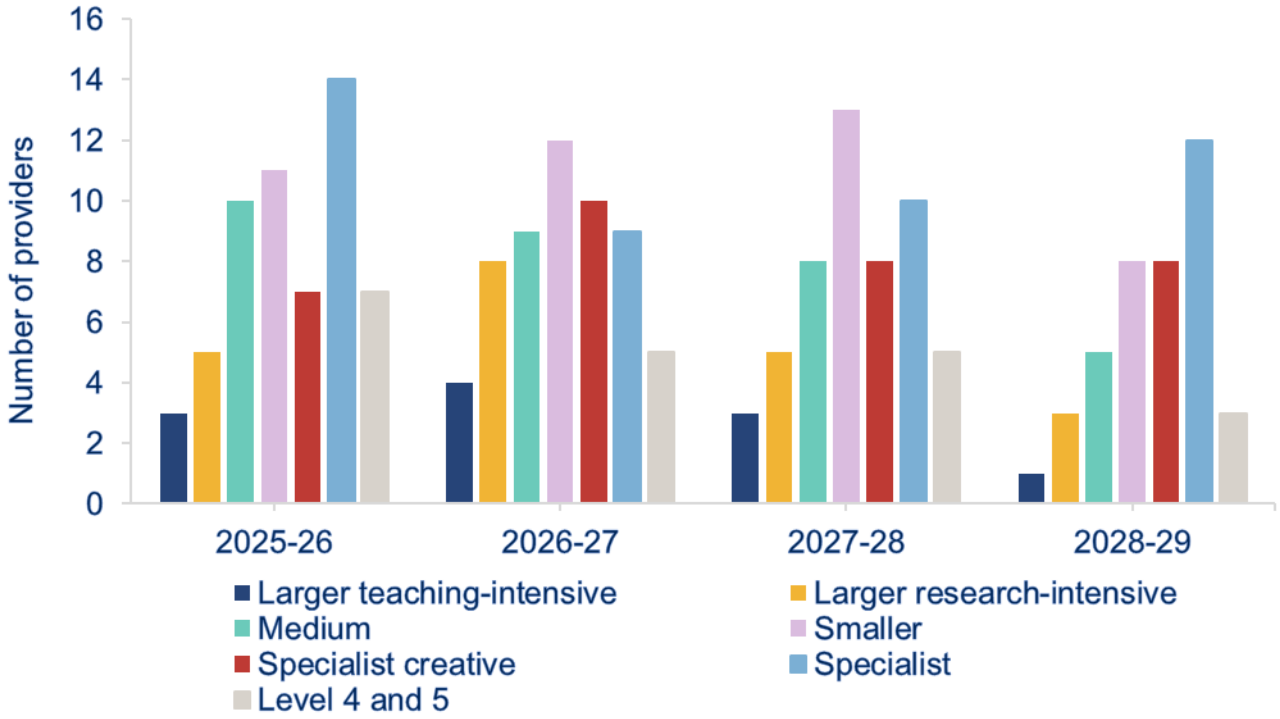
Data source: OfS AFR.

Note: Surplus/deficit is total income less total expenditure, excluding other gains or losses (from investments and fixed asset disposals), the share of surplus or deficit in joint ventures and associates, and changes to pension provisions.

138. There is considerable variation in the surplus and deficit positions reported by individual providers. In 2024-25, 52 providers (18.6 per cent of the sector) reported surpluses exceeding 10 per cent of total income, while 100 providers (35.8 per cent of the sector) reported deficits. Providers' forecasts show that the number reporting deficits is expected to rise to 119 (42.7 per cent of the sector) in 2025-26. Of these, 57 providers anticipate recording a deficit for three consecutive years (2023-24, 2024-25 and 2025-26). Providers forecasting three successive years of deficits appear across all provider groups.

139. Figure 19 shows the number of providers within each provider group predicting three consecutive years of deficits (excluding pension provision adjustments).

Figure 19: Number of providers forecasting three-year consecutive deficits, 2025-26 to 2028-29



Data source: OfS AFR.

140. Across the sector, total expenditure (excluding pension accounting adjustments) increased by 2.5 per cent, rising from £46.1 billion in 2023-24 to £47.2 billion in 2024-25. Providers forecast a further 3.5 per cent increase in 2025-26, reflecting continued inflationary pressure on costs. These forecasts do not include any potential effects of emerging global events. Between 2025-26 and 2028-29, providers project that expenditure will rise by 10.8 per cent, reaching £54.2 billion in 2028-29.

141. Despite the increase in expenditure over the forecast period (2024-25 to 2028-29), this is a lesser increase than from last year's forecasts, a reduction of approximately 8 per cent or £0.6 billion. A breakdown of expenditure split by staff and non-staff costs for the period 2023-24 to 2028-29 is shown in Table 16. Non-staff costs include restructuring costs, other operating expenses, depreciation and amortisation and interest and other finance costs.

Table 16: Expenditure by category, 2023-24 to 2028-29

Expenditure £bn	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Staff costs (excluding pension adjustments)	24.0	25.0	25.8	26.5	27.6	28.8
Non-staff costs	22.1	22.2	23.1	23.7	24.7	25.4
Total expenditure (excluding pension adjustments)	46.1	47.2	48.9	50.2	52.3	54.2
Pension adjustments	-7.2	0.0	-0.0	-0.0	-0.0	-0.0
Total expenditure	38.9	47.3	48.9	50.2	52.3	54.2

Data source: OfS AFR. Forecast years are shaded.

142. As noted in the May 2024 and May 2025 reports, the USS March 2023 valuation showed an improvement in the scheme's funding position. This improvement led providers to report pension adjustments in 2023-24 that reduced expenditure by £7.2 billion, but future year adjustments are smaller. The USS pension scheme carried out a further valuation on 31 March 2026, and it is expected to confirm the funding position in October 2026. This outcome may affect future forecast adjustments.

143. Non-staff costs include expenditure related to restructuring. Restructuring costs are costs in relation to actions taken by a provider to reorganise its operations, often involving staff redundancy programmes and changes to academic or professional services structures to address or mitigate financial pressures.

144. Restructuring costs increased by 20.7 per cent between 2023-24 and 2024-25, rising from £180.9 million to £218.2 million. Restructuring costs make up less than 1 per cent of total staff costs, at a sector level. Some providers may not have forecast restructuring costs in this category and may instead include these costs in operating expenditure until restructuring plans are formally agreed.

145. At provider-group level, larger research-intensive, medium, specialist creative, specialist and Level 4 and 5 providers all reported increases in restructuring costs between 2023-24 and 2024-25. The most significant increase occurred among larger research-intensive providers, where restructuring costs grew by £37.8 million (787.1 per cent). For this group, these costs are forecast to increase further in 2025-26 to £75.3 million, representing a 76.9 per cent rise. Medium providers reported the largest total restructuring costs in 2024-25 at £94.4 million. In contrast, larger teaching-intensive and smaller providers all reported reductions in restructuring expenditure between 2023-24 and 2024-25. All provider groups, other than the larger research-intensive and Level 4 and 5 groups, forecast a decline in 2025-26.

Financial position: Strength and resilience

Cash holding

146. In total, the sector's cash holding marginally increased by 1.0 per cent, from £14.8 billion at the end of 2023-24 to £15.0 billion at the end of 2024-25. As a result of expenditure (adjusted for depreciation and pension provision movements) increasing at a higher rate, net liquidity days (the number of days of average cash expenditure that are covered by the cash holding) decreased from 127 to 124 at the end of 2024-25.

147. Table 17 presents total net liquidity and also net liquidity days for 2024-25 by quartile and averages (means) for all provider groups, with the lowest liquidity days observed in the specialist creative and smaller provider groups.

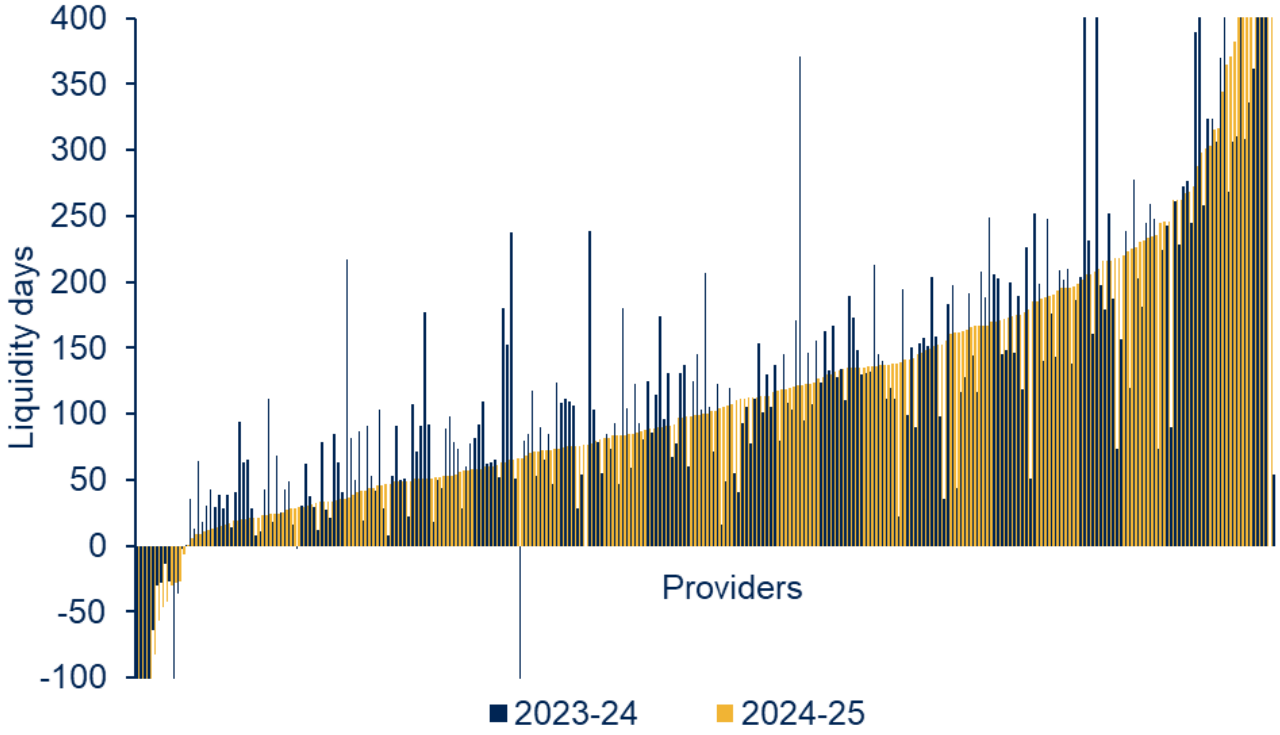
Table 17: Net liquidity days, 2024-25

Provider group	Net liquidity £M	Lower quartile	Average (mean)	Upper quartile
Sector	£14,988.4	51	124	167
Larger teaching-intensive	£1,917.3	86	143	172
Larger research-intensive	£8,003.5	95	135	177
Medium	£3,040.1	55	111	167
Smaller	£871.6	48	104	136
Specialist creative	£374.6	39	90	155
Specialist	£501.5	49	101	165
Level 4 and 5	£279.9	37	77	210

Data source: OfS AFR.

148. Cash holdings continue to vary significantly across provider groups and by individual provider. Figure 20 illustrates this variation, showing net liquidity days at the end of 2024-25 compared with 2023-24.

Figure 20: Net liquidity days by provider, 2024-25 compared with 2023-24

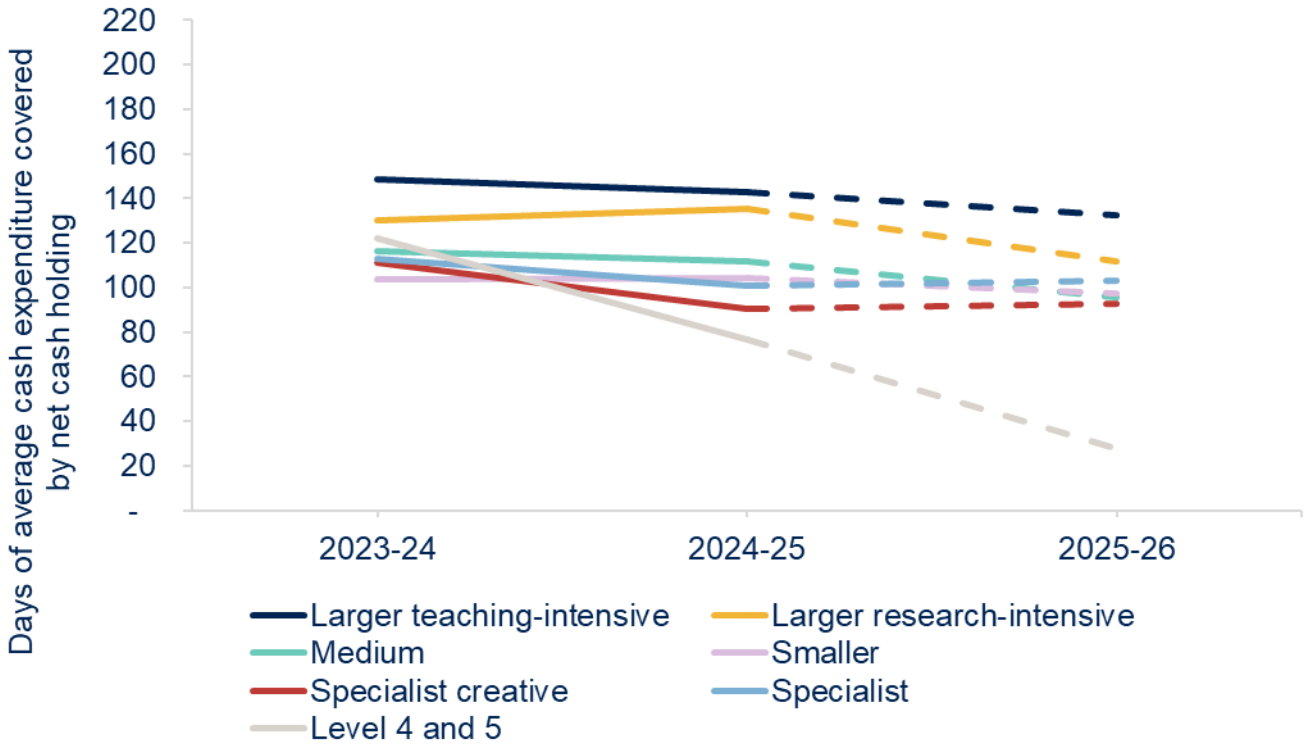


Data source: OfS AFR.

Note: In 2023-24, eight providers reported net liquidity above 400 days, and six providers reported negative net liquidity of below 100 days. In 2024-25 nine providers reported net liquidity above 400 days and four reported negative net liquidity of below 100 days.

149. This variability also appears across provider groups. Figure 21 presents the average net liquidity days for each group over the periods 2023-24 to 2025-26. All groups reported a fall in liquidity days in 2024-25, except for the larger research-intensive and smaller groups, which reported an increase. All groups other than the specialist and specialist creative groups project a further decline in net liquidity days in 2025-26.

Figure 21: Net liquidity days by provider group, 2023-24 to 2025-26



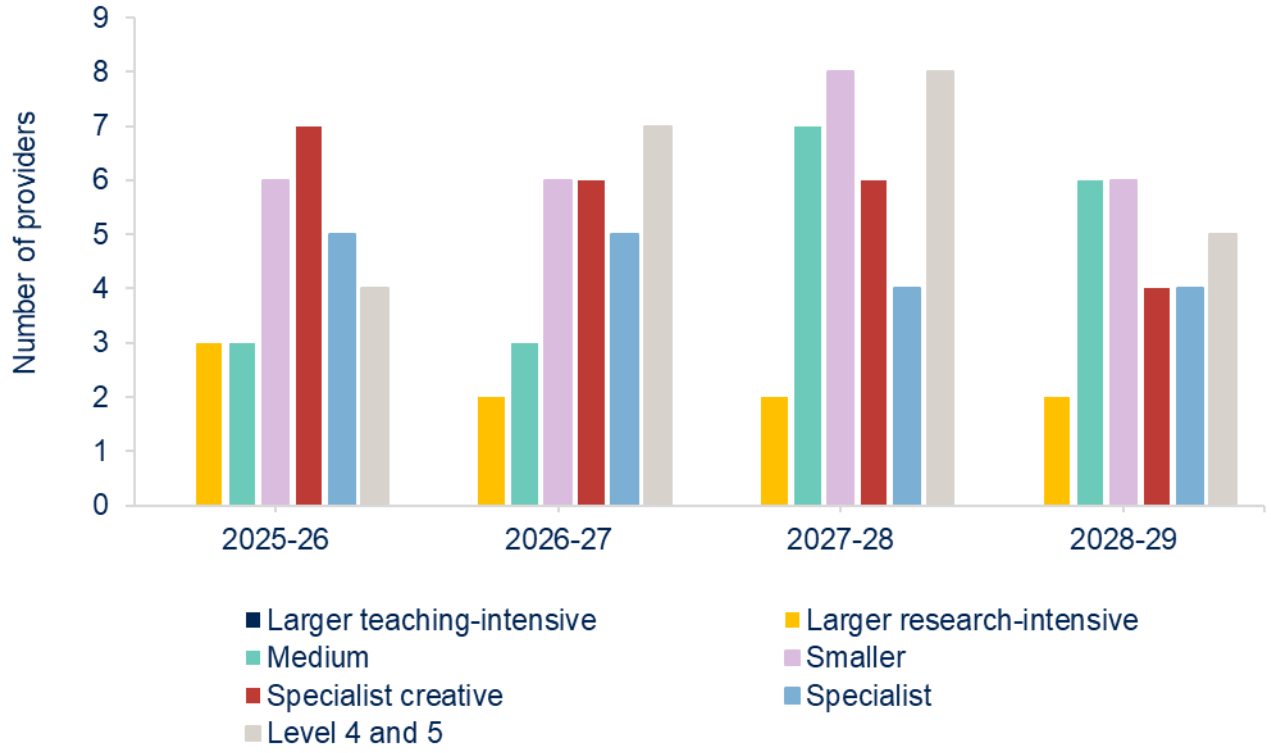
Data source: OfS AFR.

150. 12 providers reported negative net liquidity days in 2024-25. In some instances, this was due to relationships with, and obligations to, parent companies within a broader group structure. For the remaining providers in this category, net liquidity was lower in 2024-25 because of short-term borrowing or other borrowing commitments that were due within 12 months at the financial year end in 2025.

151. As a longer-term indicator of liquidity levels, net liquidity as a percentage of expenditure (adjusted for pension provision movements) is used. In 2024-25, 51 providers reported net liquidity levels less than 10 per cent of total expenditure; this is forecast to increase to 52 providers in 2025-26, with 28 of these reporting net liquidity levels less than 10 per cent of total expenditure for three consecutive years (2023-24, 2024-25 and 2025-26).

152. Figure 22 shows the number of providers (by provider group) forecasting three consecutive years of forecast low liquidity levels (net liquidity as a percentage of expenditure less than 10 per cent of expenditure adjusted for pension provision movements, at the financial year end).

Figure 22: Number of providers forecasting three consecutive years of net liquidity as a percentage of total expenditure (adjusted for pension provision movements) under 10 per cent, 2025-26 to 2028-29



Data source: OfS AFR.

Borrowing

153. Across the sector, gearing levels (borrowing and other financial commitments relative to total income) remained largely stable in 2024-25 at 28.0 per cent of income, compared with 28.4 per cent in 2023-24.

154. At provider-group level, the larger research-intensive group reported the highest gearing levels, at £7.7 billion (32.7 per cent of income). The Level 4 and 5 group reported the lowest gearing levels, at £0.2 billion (14.5 per cent of income) although this represents an increase of 175.0 per cent (£0.1 billion) from 2023-24. Table 18 presents the variation in borrowing as a percentage of income across all provider groups in 2024-25.

Table 18: Borrowing as a percentage of total income, 2024-25

Provider group	Total borrowing £M	Lower quartile	Average (mean)	Upper quartile
Sector	£13,498.7	0.0%	28.0%	29.0%
Larger teaching-intensive	£902.8	10.2%	17.5%	28.6%
Larger research-intensive	£7,723.2	17.3%	32.7%	38.8%
Medium	£3,076.5	13.9%	28.3%	36.1%
Smaller	£750.3	0.0%	22.3%	18.9%
Specialist creative	£342.2	0.0%	20.5%	17.4%
Specialist	£490.7	0.0%	24.5%	19.0%
Level 4 and 5	£212.9	0.0%	14.5%	4.7%

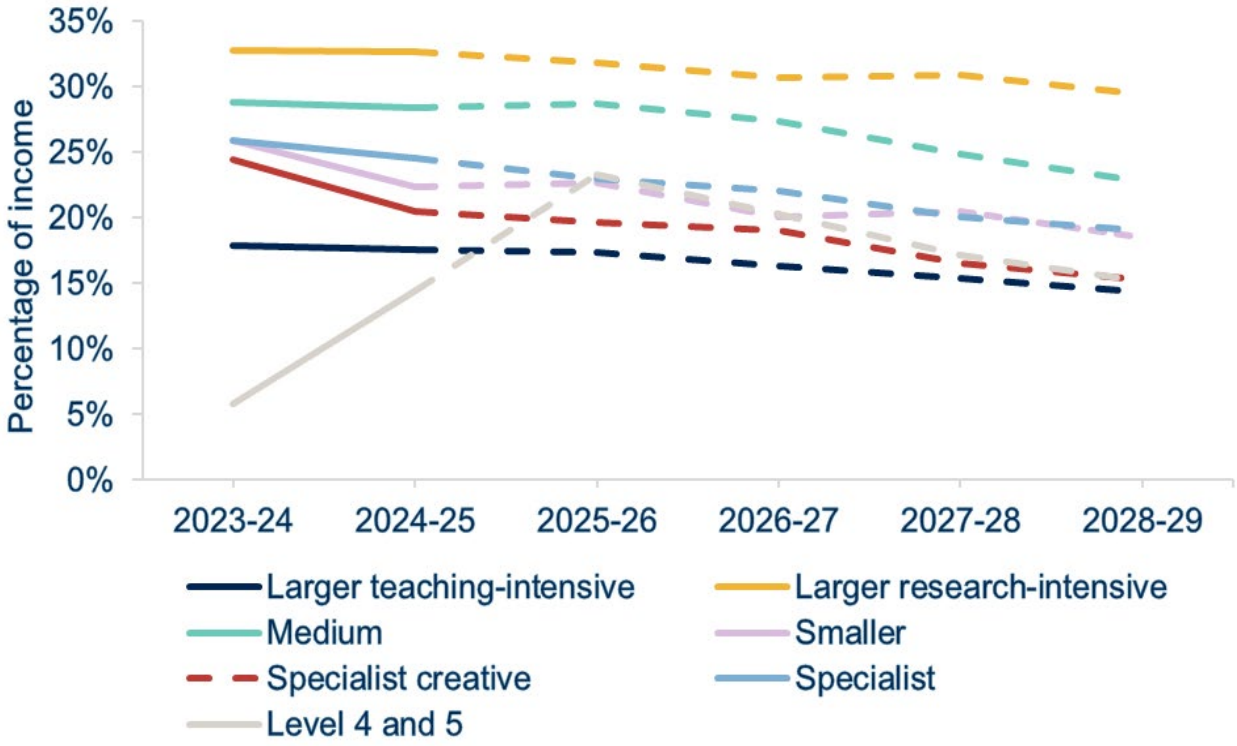
Data source: OfS AFR.

155. For 2025-26, providers forecast that overall gearing levels will slightly decrease again to 27.8 per cent of income. This downward trend is expected to continue, reaching 24.1 per cent by 2028-29.

156. At provider-group level, the outlook varies across the remainder of the forecast period. The larger teaching-intensive, medium, specialist creative, specialist, and Level 4 and 5 provider groups all forecast annual declines between 2025-26 and 2028-29. Larger research-intensive and smaller providers forecast a generally downward trend, with a small increase in 2027-28.

157. Figure 23 shows the gearing levels by provider group for the period 2023-24 to 2028-29.

Figure 23: Average borrowing and other financial commitments as a percentage of total income by provider group, 2023-24 to 2028-29



Data source: OfS AFR.

Capital expenditure

158. Total capital expenditure decreased by 7.9 per cent from £4.3 billion in 2023-24 to £4.0 billion in 2024-25. As a proportion of income, it fell from 9.3 per cent to 8.3 per cent over the same period. Capital expenditure (covering investment in infrastructure, facilities, IT and equipment) is important for supporting a provider's long-term sustainability. A reduction in this spending could lead to a deteriorating estate, higher maintenance costs and potential impacts on the student experience.

159. Table 19 shows the variation in capital investment across provider groups.

Table 19: Capital expenditure as a percentage of total income, 2024-25

Provider group	Capital expenditure £M	Lower quartile	Average (mean)	Upper quartile
Sector	£4,003.5	1.1%	8.3%	8.9%
Larger teaching-intensive	£336.3	4.1%	6.5%	9.0%
Larger research-intensive	£2,027.9	5.8%	8.6%	10.8%
Medium	£985.0	4.6%	9.1%	11.6%
Smaller	£269.3	1.1%	7.6%	8.9%
Specialist creative	£164.0	0.9%	10.1%	9.1%
Specialist	£161.1	0.2%	8.0%	4.6%
Level 4 and 5	£60.0	0.7%	4.1%	4.9%

Data source: OfS AFR.

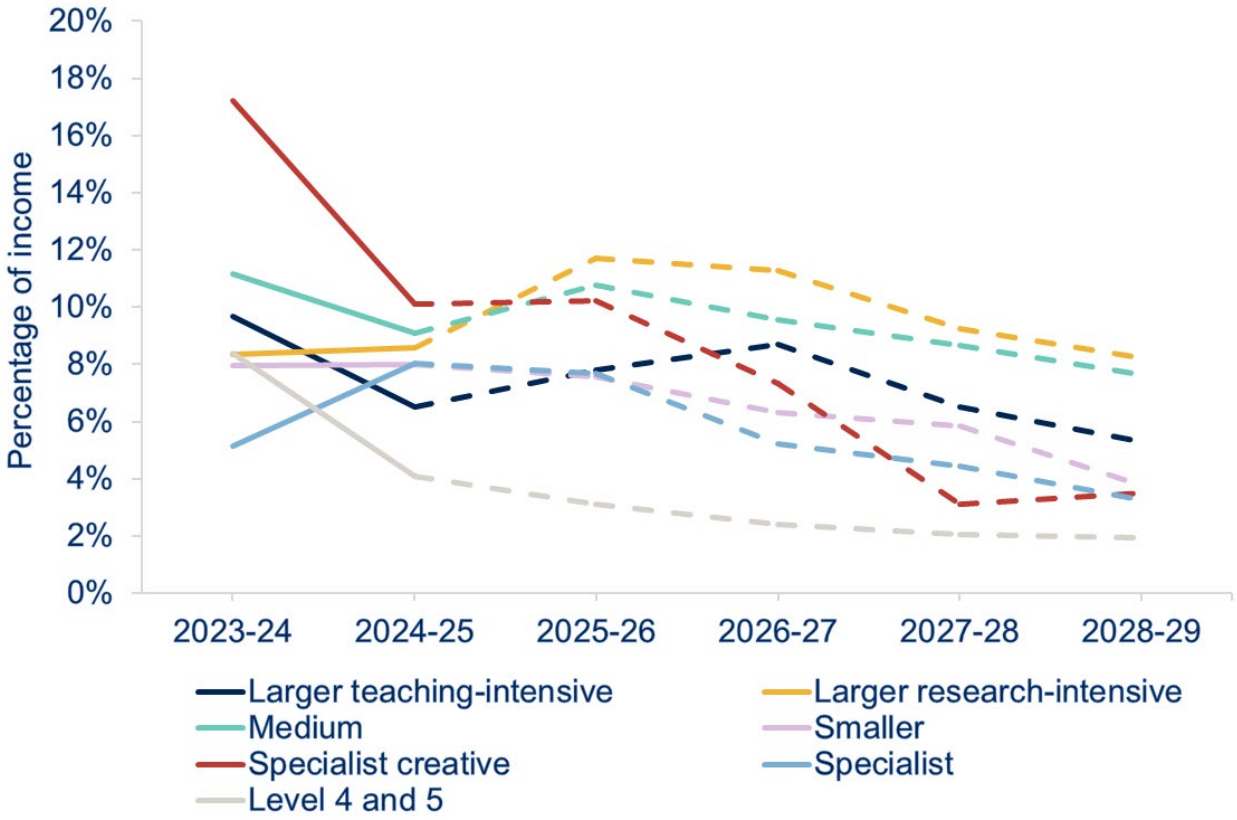
160. Previous forecasts for 2024-25 indicated an increase in capital expenditure. The latest data suggests that many providers chose instead to prioritise cash flow and liquidity in response to ongoing uncertainty and heightened financial risks.

161. As in previous years, providers have shifted planned capital expenditure into later forecast years, and sector forecasts now show a substantial rise in investment projected for 2025-26. Providers forecast a 26.9 per cent increase, with total capital expenditure expected to reach £5.1 billion in 2025-26 (equivalent to 10.3 per cent of income). However, past forecasts indicate that providers projecting large, short-term increases in capital expenditure often do not achieve the levels they anticipate.

162. After the anticipated increase in capital investment in 2025-26, the sector position falls across the remaining forecast period, by 24.0 per cent to £3.9 billion in 2028-29.

163. Figure 24 shows capital expenditure as a percentage of total income by provider group for the period 2023-24 to 2028-29.

Figure 24: Capital expenditure as a percentage of total income by provider group, 2023-24 to 2028-29



Data source: OfS AFR.

164. Forecasts indicate that annual building maintenance expenditure will decline between 2026-27 and 2028-29, falling from 1.8 to 1.7 per cent of total expenditure (£0.9 billion). At provider level, spending on building maintenance varies widely, ranging from 20.4 per cent to 0 per cent of total expenditure.

165. Backlog maintenance represents the estimated total value of capital investment required to bring a provider's estate, facilities, and equipment up to a 'good' condition, appropriate for delivering high-quality higher education and a positive student experience. The sector-wide estimate for backlog maintenance is approximately £8.9 billion, of which 48.3 per cent is already accounted for in forecasts.

Pensions

166. Total annual cash employer pension contributions to all schemes were £3.0 billion in 2024-25, a decline of 2.5 per cent from 2023-24. Providers have forecast that these will increase by 1.2 per cent to just over £3.0 billion in 2025-26 before declining in 2026-27 by 1.5 per cent.

167. The largest pension schemes affecting OfS-registered providers are the Universities Superannuation Scheme, Teachers' Pension Scheme and Local Government Pension Schemes. These schemes are mainly used by higher education providers that were publicly funded before the OfS was established. However, numerous providers across the sector contribute to a range of other pension schemes.

168. Table 20 presents the three largest pension schemes affecting the sector, along with the number of providers participating in each scheme, employer contributions and employer contribution rates for 2024-25. The table also indicates whether the latest employer contribution rate has increased or decreased compared with the previous rate.

Table 20: Pension schemes and employer contributions, 2024-25

Pension scheme	Number of providers	Employer contributions £bn	Employer contribution rate (%)
Universities Superannuation Scheme	102	£1.4	14.5%
Teachers' Pension Scheme	85	£0.6	28.6%
Local Government Pension Scheme	90	£0.4	9-34%

Data source: USS, Teachers' pensions for employers, OfS AFR.[8]

169. Following the March 2023 valuation, the University Superannuation Scheme moved from a deficit position into surplus, which resulted in a reduction in employer contribution rates. A new valuation took place in March 2026, and the results are expected to be announced in October 2026. The outcome will influence future employer contribution rates and may require providers to recognise provisions if the scheme returns to a deficit position.

170. The Teachers' Pension Scheme is the main academic pension scheme for post-1992 universities. Employer contribution rates increased by five percentage points from 1 April 2024, and providers reported an 8.6 per cent rise in total employer contributions to this scheme in 2024-25. The outcome of the latest valuation of the scheme, is expected later in the year, which will determine employer contribution rates from April 2027.

171. The Local Government Pension Scheme is a funded defined benefit scheme with assets held across 87 separate administered funds. Independent actuaries determine employer contribution rates for each employer to ensure the scheme remains adequately funded. Current employer rates vary widely, ranging from approximately 9 per cent to 34 per cent, depending on each employer's funding position.

Potential impact of reduction in student numbers: Modelling outcomes

172. Many higher education providers base their financial forecasts on continued UK and international student growth. However, there is a significant risk that projected growth will not materialise, increasing financial sustainability pressures for some providers.

173. We use scenario modelling to understand how changes in student recruitment could affect providers' financial positions and to show the potential scale of the challenges they may face.

174. These models have limitations. They rely on hypothetical assumptions and on provider forecasts, which themselves are subject to uncertainty. As a result, modelling does not

[8] USS, What you pay and what you get is changing: The 2023 valuation; Teachers' pensions for employers, Calculating contributions.

predict what **will** happen. Instead, it indicates what **could** happen if recruitment changes and providers take no mitigating action.

175. We have modelled three scenarios where providers may encounter a stagnant student recruitment market (no growth model) or reductions in UK and international recruitment. These scenarios are:

    a. **Scenario 1: No growth.** UK and international student entrants remain at 2025 levels, with no growth in recruitment over the forecast period.

    b. **Scenario 2: Modest reductions.** Most providers experience modest reductions in UK and international entrants in 2026-27, compared with 2025-26 forecasts, based on relative market strength.

    c. **Scenario 3: Larger reduction in student entrants.** Providers experience larger reductions in UK and international entrants in 2026-27, again based on market strength, followed by no growth.

176. The modelling estimates the reduction in tuition fee income relative to forecast student number levels. It does not assume changes in other student related income, such as accommodation, or to grant funding tied to student numbers.

177. The scenarios test the impact of student recruitment only. They do not model the risk that providers fail to achieve projected growth in tuition fee levels. As noted in paragraphs 95 to 111, many providers are projecting significant increases in international fee levels, so if providers are unable to realise these increases, the adverse impact on income and financial sustainability would be more severe than indicated by these modelling scenarios.

178. For illustrative purposes, we have assumed a direct cost saving equivalent to 20 per cent of the fee income lost to reflect reduced teaching activity, although we are aware that actual savings will vary significantly across provider types. The model does not assume any further mitigations, such as wider efficiency measures or restructures.

179. It is important to note that we do not attempt to model the varied actions providers may take in response to financial pressure. The analysis therefore represents the scale of potential challenges to the sector if no mitigating actions are taken.

180. Providers operate in a competitive recruitment market. As seen in previous recruitment cycles, providers with stronger offers tend to gain students at the expense of others. Providers may respond by adjusting provision, restructuring, or lowering entry requirements. The model does not attempt to forecast these behaviours.

181. The impact of our models is demonstrated though:

    - estimated net impact (lost fee income minus assumed variable direct cost savings)
    - estimated number of providers in deficit
    - estimated number of providers with low operating cash flow (below 5 per cent of income)

- estimated number of providers with low liquidity (below 10 per cent of expenditure).

182. Table 21 shows a comparison of estimated impacts from the modelled scenarios by 2028-29.

Table 21: Comparison of estimated modelling impacts by 2028-29

	Forecast	Scenario 1	Forecast	Scenario 1
Net impact £M		-£2,726	-£3,264	-£4,153
Number of providers with a deficit	45	163	186	196
Number of providers with low operating cashflow	83	176	203	222
Number of providers with low liquidity	38	108	129	151

183. These summaries set out the broad assumptions behind each scenario and what they could mean for providers' financial positions by 2028-29.

Scenario 1: No growth

184. Under this scenario, UK and international student entrants remain at 2025 levels and there is no growth in student recruitment over the forecast period. As a result, net fee income could fall by £2,726 million by 2028-29, reflecting a 14 per cent reduction in student entrants compared with forecasts.

185. Table 22 shows a summary of the possible impacts by 2028-29 from Scenario 1 compared with 2028-29 forecasts.

Table 22: Scenario 1 – estimated modelling impacts by 2028-29

Scenario 1: No growth	Comparison with forecast 2028-29	Modelled 2028-29	Percentage of providers
Net income impact £M	-£2,726		
Number of providers with a deficit	+118	163	58%
Number of providers with low operating cash flow	+93	176	63%
Number of providers low liquidity	+70	108	39%

Scenario 2: Modest reductions

186. This scenario is based on overall modest reductions in UK and non-UK student recruitment in 2026-27, compared with the base level in 2025-26. We have applied different reductions to different provider types based on their relative market strength. For the 'high' market strength group, we have assumed that growth will be limited (as guided by the OBR forecasts) for the period 2026-27 to 2028-29, but medium and lower strength providers will experience modest reductions in 2025-26, followed by no growth.

187. In this scenario, the total net fee income is estimated to fall by £3,264 million by 2028-29, equivalent to a 16 per cent reduction in total student entrants compared with forecasts.

188. Table 23 shows a summary of the possible impacts by 2028-29 from Scenario 2 compared with 2028-29 forecasts.

Table 23: Scenario 2 – estimated modelling impacts by 2028-29

Scenario 2: Modest reduction	Comparison with forecast 2028-29	Modelled 2028-29	Percentage of providers
Net income impact £M	-£3,264		
Number of providers with a deficit	+141	186	67%
Number of providers with low operating cash flow	+120	203	73%
Number of providers low liquidity	+91	129	46%

Scenario 3: Larger reductions

189. In this scenario medium and lower strength providers face larger reductions in recruitment in 2026-27, while high strength providers face no growth in UK recruitment and moderate reductions in international recruitment.

190. Across the sector, this scenario suggests that the total net reduction in fee income could be £4,153 million by 2028-29, with 196 providers potentially reporting a deficit position. In this scenario, total student entrants could be 20 per cent lower than forecasts in 2028-29.

191. Table 24 shows a summary of the possible impacts by 2028-29 from Scenario 3 compared with 2028-29 forecasts.

Table 24: Scenario 3 – estimated modelling impacts by 2028-29

Scenario 3 Larger reduction	Comparison with forecast 2028-29	Modelled 2028-29	Percentage of providers
Net income impact £M	-£4,153		
Number of providers with a deficit	+151	196	70%
Number of providers with low operating cash flow	+139	222	80%
Number of providers low liquidity	+113	151	54%

192. These results highlight the sector's sensitivity to changes in student recruitment and the scale of the challenge in maintaining financial sustainability if student numbers remain stagnant or decline. Even with a stable recruitment environment, different providers would be exposed to varying levels of recruitment risk, and this variation is likely to become more pronounced in more challenging operating environments.

193. Further details on the scenarios modelled and their impacts are provided in Annex B.

Annex A: Summary of OfS roundtable meetings with finance directors

1. To test our understanding of the potential impact of the financial risks facing the sector, we once again sought views from higher education providers through roundtable events. Three of these were held in February 2026, with finance directors or those in equivalent roles. In total, attendees from 16 providers joined the roundtables this year. The sessions were grouped by providers with the same or similar financial typology.[9]

Summary of discussions

2. Many of the risks that were raised by providers in previous roundtable events remain, and there was some further discussion on the challenges facing providers. Providers reported that some risks had grown more complex or intensified, and that mitigations for some have largely been exhausted.

3. This summary represents the key risks articulated by providers and are not necessarily the views of the OfS. The challenges discussed varied between different types of providers.

Financial sustainability and liquidity pressures

4. Providers said that, while the increase in home tuition fees has been welcome, after over a decade of being static, these fees no longer cover the costs of delivering education as impacted by inflationary pressures over time, and this is creating structural deficits for some. Providers also noted that declining grant income and volatile international fee income were key themes. Providers reported that inflation continues to put pressure on their finances, with rising costs in salaries, pensions and other operating costs, including utilities. The impact is diminishing operating margins and significantly reducing ability to invest.

5. Rising operating costs were reported across energy, staff costs – including pension contributions and national insurance – digital infrastructure, and estates maintenance. Energy and maintenance costs were noted as particularly challenging for those with older, less energy-efficient buildings. Some providers highlighted difficulties with capital needs, due to ageing estates, backlog maintenance, and the required investment in digital systems costs continuing to escalate.

6. Providers said that in some cases there was limited flexibility to reduce costs because of workforce rigidity, union resistance, and high severance costs making some restructuring and staffing reforms more difficult. While some providers said they are actively transforming their operating models, many reported that they face structural barriers in workforce, estates, and systems that limit their agility. Overall, it was noted that the sector is experiencing reduced resilience, narrower margins for error, and greater dependency on international student income during a time of significant policy and geopolitical uncertainty.

7. Providers also reported liquidity constraints, with some having low cash buffers and a reliance on revolving credit facilities to cover the troughs in income flows during the financial

[9] See OfS, Provider typologies 2022: Methodology for grouping OfS-registered providers.

year. Many institutions said they are increasingly operating with tighter liquidity headroom, leaving them more exposed in the event of unexpected financial shocks.

Student recruitment volatility

Competition and market structure

8. Providers noted that the sector feels ‘crowded,’ with many providers competing for fewer students. Providers have found that the volatility in student recruitment has increased and that, despite an upward trend in the 18-year-old population overall, UK recruitment is mixed.

9. Competition with higher tariff institutions lowering entry tariffs, has made predicting future recruitment increasingly challenging. Providers have also found more students postponing or deferring their courses.

10. Providers reported intense clearing competition and late recruitment cycle volatility, with students accepting multiple offers and withdrawing at the last minute, which is complicating forecasting and the budgeting of resources required for the academic year.

11. Many providers are keen to diversify, though this can be challenging. New student entrants are leaving it later to decide whether to enter higher education or choose other routes. The increase in the cost of living is also felt to be having a material impact on potential students, particularly in providers with a reliance on postgraduate students, who are often self-funded. Providers reported that demand from students has become less predictable following increases in the cost of living.

Dependence on international markets

12. Providers said they are seeking to mitigate constriction of the UK market by increasing international student recruitment, attracting fees above the fixed UK rates. There is an understanding among providers that it is desirable to reduce dependency on any single market, given geopolitical issues and possible changes in UK government policy.

13. Providers reported the policy of limiting visas for dependants has had a particular impact on the ability to recruit in certain international markets, that the volatility of currency exchange rates has had an impact on applications and there is uncertainty about how elastic the pricing for international students can be, with a risk of pricing students out of the market.

14. Providers have also seen increasing costs of obtaining visas and regulatory compliance with UK Visas and Immigration requirements as barrier to increased recruitment. UK Visa and Immigration compliance thresholds now create existential risk for providers with in breaching the refusal rate which is threatening licence viability.

15. Providers also noted negative international perceptions of the UK international student levy as seen as a hostile rhetoric and is dampening demand.

16. Providers have suggested that diversification into other markets through international partnerships and branching out into transnational education as opportunities, albeit with risks.

Student trends

17. It was reported that significant numbers of students are choosing to continue to live at home, given the increased cost of living in recent years. In some cases, this has had a significant consequential impact on income generation from accommodation and other services, and often erodes planned surpluses, especially in smaller providers. Providers have said that rising commuter patterns have also weakened campus-based community engagement.

18. Residential income can be material for a number of providers. Some providers in larger cities, and other places with high housing demand, have found it more difficult to accommodate students locally, while others have an excess of accommodation that they are unable to fill. Where there is high demand for accommodation, providers noted that the cost of building new accommodation has increased and recruitment volatility has made investment decisions difficult. Some providers are considering incentives to attract students by providing accommodation where they can in cities and other areas where accommodation can be expensive or difficult to find.

19. Providers suggested that students appear to be less prepared currently for the costs and challenges of higher education. In some cases, this was reported to be resulting in increasing attrition rates and the need for greater ongoing pastoral support. This support often has significant cost implications, requiring specialist trained staff.

Research and funding environment

20. Providers suggested that success rates for research applications are falling, despite strong submissions, and there is recognition that some research activity is structurally loss-making and needs stricter internal controls. Providers raised concerns about the very tight timescales in which they must frame and submit bids for funding. They face uncertainty about when they will receive funding and how much they will receive, with a perception of narrow timeframes in which some funding should be spent. This affects their ability to plan investments and decide a long-term investment strategy.

21. Providers are finding it more difficult to fund research activities, as research grants do not cover the full cost of research, particularly in high-cost subjects. Providers suggested that this could make it difficult to attract the necessary talent. This can also lead to the loss of Higher Education Innovation Funding, compounding the overall impact. Providers cited the importance of research for attracting students and in global rankings, despite it being loss-making, with the Research Excellence Framework in 2029 already prompting concerns.

22. Providers also suggested that there are recruitment challenges following Brexit, as well as the reduced mobility of researchers bringing grants and a decline in overseas development research funding.

Policy uncertainty

23. Providers are concerned about a lack of clarity and predictability on policy areas, including funding, regulation, economic policy and immigration policy.

24. Providers noted that the international student levy is adding costs and contributing to a negative international perception of the UK.

25. Providers were particularly concerned with the changing UK Visa and Immigration rules and noted an inconsistency in decision-making, a lack of clear guidance, tighter refusal thresholds and institutions being penalised for historical refusals as particular concerns. Additionally, providers said that visa delays are forcing changes to intake timing and increasing operational complexity.

26. Some providers noted that the Lifelong Learning Entitlement is creating uncertainty with creative and specialist subjects.

27. Research funding cuts, as previously mentioned, were also raised as an issue in this context.

Workforce challenges

28. Some providers told us that it is becoming increasingly difficult to attract and retain high quality staff, especially academic staff. Staff costs are the most significant cost to the sector, and pay inflation and the demands of pay negotiating bodies have been, and continue to be, high. Providers said staff expectations are affected by pay increases in other sectors, and the competitive job market has made it difficult for some providers to attract and retain staff. Providers said that talent recruitment is challenging, particularly since Brexit because of competition from US and European institutions offering higher remuneration. There is growing competition from other employers offering better pay and conditions, especially in large cities or conurbations. Some providers have sought cost savings and increased flexibility by using visiting lecturers in the face of financial difficulties. However, some providers have a high number of senior lecturers with increased delivery costs. Providers raised concerns about the risk that, in response, staff may start to leave the sector in greater numbers.

29. Providers also raised concerns about active union resistance limiting flexibility on pay restraint or role design. Severance costs for staff make redundancy programmes financially unviable for many institutions. Unions were cited as causing barriers to change and resistance to restructuring, and also leading to increasing demands for above-inflation pay rises.

Pension costs and volatility of schemes

30. Providers noted that pension pressures remain among the largest cost drivers. Providers expressed concerns about the uncertainty of pension scheme valuations and increasing employer contributions associated with the revaluation of defined benefit schemes. Providers said that, in many cases, they have no control over the prescribed contribution rates resulting from periodic scheme valuations, and limited ability to influence negotiations and the rates set by government. A scheme valuation can also cause significant shifts in the accounting provisions required, which can affect the levels of reported surplus or deficit in those years. Although these accounting transactions do not affect cash or reflect the underlying financial performance of providers in that year, providers thought that this might be misunderstood by those reading financial statements.

31. The Teachers Pension Scheme was described as ‘astronomically high’ and unlikely to fall in the near term. Providers also noted the volatility of the Local Government Pension Scheme as a major risk for many.

Capital, estates and sustainable investments

32. A prominent theme in discussions was the condition of facilities and infrastructure and challenges with the affordability of capital investments. Providers noted aged estates requiring major capital investment, and many buildings being costly to operate and maintain, or in some cases less suitable for modern teaching practices. Providers recognised that buildings and infrastructure need investment and that this is particularly challenging for providers with ageing estates. It was noted that capital grant funding rounds do not cover ongoing operating costs, making some business cases unviable, and that there was limited capacity for major campus redevelopment, with long lead-in times and sequencing challenges.

33. Providers reported that routine maintenance is slipping because of cost pressures, causing maintenance backlogs. In parallel, maintenance and building costs have increased. Providers reported a risk that, without investment, parts of estates could become unfit for purpose, and this could materially affect the student experience.

34. Providers have also made decisions to delay capital investment projects, and the costs of projects have increased after commencement. Some governors and trustees have preferred to maintain cash reserves in response to financial pressures, rather than investing in capital projects. These factors have a knock-on effect on the ability of providers to meet net zero targets.

35. Some providers are experiencing estate rationalisation pressures, consolidating campuses and disposing of buildings. Divesting assets to raise funds is a course of action some providers have looked into, but this option is not available to many, and it is recognised that this has limitations and should be carefully managed.

Technology, cyber and digital infrastructure

36. Providers raised concerns over ageing and fragmented digital systems that are outdated and creating inefficiencies. Cybersecurity risks and the associated costs are escalating and institutions are feeling under-prepared. Some providers are running outdated IT systems that are no longer supported by suppliers. There is a widespread understanding that this is building up problems for the future and will have to be addressed at some stage, probably at inflated costs.

37. Providers suggested that artificial intelligence opportunities are not matched by internal capability, and that developments in the sophistication of artificial intelligence technology have made it increasingly difficult to identify its use in student work. The cost of identifying such use can be significant, and this is raising increasing concerns.

Borrowing

38. Providers thought that lenders appear more risk-averse, and that the sector is not as attractive to lenders as it once was. Borrowing has become more expensive because of higher interest rates and the perceived increased risk profile of the sector. Loan approvals are said to be taking longer, and providers suggested that this reflects lenders requiring greater assurances and attaching more stringent borrowing covenants when loans are agreed. Providers reported that covenant constraints can also often hinder essential investment.

Savings and efficiency

39. Providers recognised the importance of achieving efficiencies, but some suggested they have a limited ability to continue to cut costs and maintain value for money for students. Providers have said that, having already reviewed course portfolios, it is difficult to make significant additional savings, and that efficiencies have been sought and implemented and costs already removed from budgets. They reported that activity has been rationalised over time, to reduce loss-making activity and accommodate rising costs. However, there is more discussion now about the need for course closures and the potential for mergers, as a large proportion of providers' cost base is fixed and cannot easily be reduced.

Market structure and collaboration

40. Providers highlighted the difficulty in continuing to deliver loss-making courses and the need to consider diversification and rationalisation of courses. They suggested that this can be challenging when considering the mission of a provider and can affect attractiveness to students.

41. Providers noted that transnational education continues to be a consideration, but carries tax complexity, long payback periods, and reliance on local partners.

42. As competition for UK and international students is intensifying, providers report market consolidation pressures. Despite widespread interest in shared services, such as student record systems, tax advice and procurement, progress is slow because of VAT barriers, supplier constraints, and cultural autonomy concerns.

43. Providers reported that mergers are becoming an increasing part of conversations about financial sustainability. Discussions included the potential efficiencies if providers in close geographical proximity could share services, with functions such as finance, human resources and IT being operated from a central hub. Providers also suggested that merger objectives could vary, focusing on diversifying provision, merging local providers or seeking economies of scale from similar but geographically spread providers.

Provider actions

44. Overall, it is felt that the sector faces a multi-year period of constrained resources and heightened market competition. Most institutions are now:

    - prioritising cash generation
    - modelling multiple downside scenarios
    - considering reductions or consolidation in academic and professional service portfolios
    - evaluating transnational education and new income streams
    - reassessing the financial viability of research activity
    - developing long-term estates strategies that rely solely on operating cashflow generation.

Annex B: Scenario modelling – additional analysis

1. This annex provides an overview of the scenarios modelled, together with a summary of the estimated impacts.

The modelling

2. To show the scale of the recruitment challenge for providers, we have modelled the following scenarios:

    a. **Scenario 1: No growth.** All undergraduate and postgraduate entrants remain at the 2025-26 forecast level for each provider.

    b. **Scenario 2: Modest reduction.** Most providers will incur variable reductions in UK and international entrants in 2026-27 based on market strength, followed by no further growth. Limited growth (as guided by the OBR forecasts) will apply to providers in the 'high' market strength group for the period 2026-27 to 2028-29.[10]

    c. **Scenario 3: Larger reduction.** Providers will incur more significant reductions in UK and international entrants in 2026-27 based on market strength, and then no growth in entrants beyond this point.

3. We have used three 'market strength' categories (high, medium and low) on the basis that some provider types may have more, or less, strength in a competitive recruitment market. We base these market-strength categories on provider typology, the types of courses they offer, and what we have learned from financial monitoring.

4. While competitive strength will be different for individual providers, the model broadly assumes that higher tariff and more highly selective providers are better insulated from student reductions and therefore experience a more modest impact than other providers.

5. We have not attempted to predict how providers might respond to financial pressure. Each provider will take its own approach, so this analysis shows only the potential scale of challenge if no action is taken.

6. The capacity of different providers to manage such a loss of forecast income will vary significantly. This analysis therefore represents an aggregation of the potential scale of the challenge facing providers, and shows the possible consequences for financial performance and accumulated liquidity holdings if mitigating actions are not taken.

7. We recognise that providers take varied approaches to forecasting, which means the potential impact shown in the models is unlikely to fully reflect the impact in the real world.

8. Table B1 shows a summary of the parameters applied to entrants for each of the modelling groups for Scenarios 1 to 3.

[10] See OBR, Economic and fiscal outlook: March 2026.

Table B1: Scenario summary – changes 2026-27

Scenario 1: No growth	Low	Medium	High
UK undergraduate entrants	No growth	No growth	No growth
UK postgraduate entrants	No growth	No growth	No growth
Non-UK undergraduate entrants	No growth	No growth	No growth
Non-UK postgraduate entrants	No growth	No growth	No growth
Scenario 2: Modest reduction	**Low**	**Medium**	**High**
UK undergraduate entrants	-5.0%	-3.0%	+2.1%
UK postgraduate entrants	-10.0%	-5.0%	+2.1%
Non-UK undergraduate entrants	-5.0%	-3.0%	-1.0%
Non-UK postgraduate entrants	-12.0%	-6.0%	-1.0%
Scenario 3: Larger reduction	**Low**	**Medium**	**High**
UK undergraduate entrants	-10.0%	-7.0%	No growth
UK postgraduate entrants	-12.0%	-10.0%	No growth
Non-UK undergraduate entrants	-10.0%	-7.0%	-3.0%
Non-UK postgraduate entrants	-20.0%	-10.0%	-3.0%

Modelling results

9. We have presented the results of our modelling by setting out the estimated sector-level impacts for the period 2026-27 to 2028-29, together with a summary of potential impacts by 2028-29 shown by finance typology.

10. Modelling results are shown by:

    a. Net impact: modelled fee income reduction (after an assumed 20 per cent reduction to represent lower direct costs).

    b. Deficits: number of providers projected to be in deficit.

    c. Operating cash flow: the estimated number of providers with operating cash flow below 5 per cent of total income.

    d. Liquidity: the estimated number of providers with net liquidity below 10 per cent of annual expenditure (excluding pension adjustments).

Net impact

11. The modelling estimates the net impact as the reduction in tuition fee income relative to forecast levels after assumed direct cost savings (equivalent to 20 per cent of the fee income lost to reflect reduced teaching activity).

12. Table B2 shows a summary of the net impact for the three scenarios when compared with provider forecasts for the period 2026-27 to 2028-29.

Table B2: Net impact summary

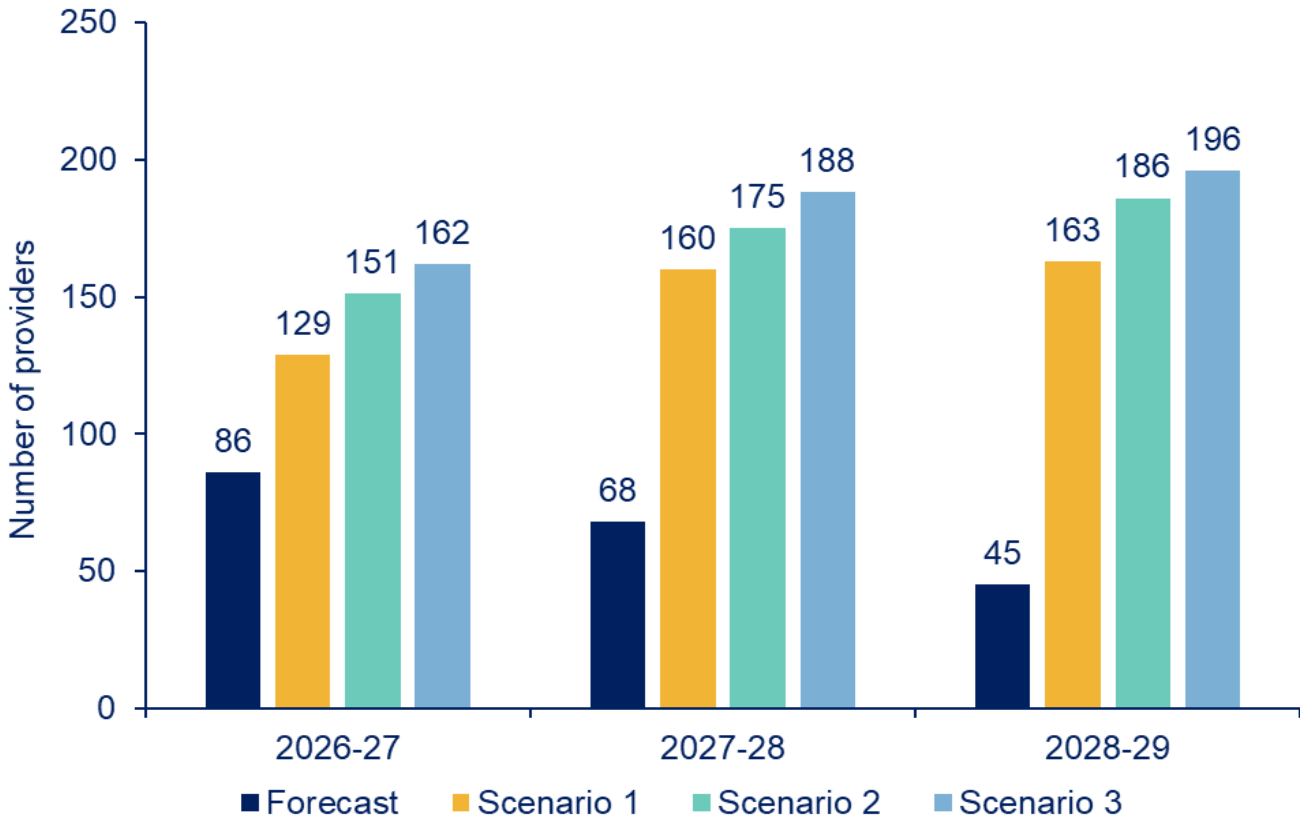
Net impact £M	Estimate 2026-27	Estimate 2027-28	Estimate 2028-19
Scenario 1	-£646	-£1,590	-£2,726
Scenario 2	-£924	-£2,077	-£3,264
Scenario 3	-£1,300	-£2,701	-£4,153

Deficits

13. This shows the potential impact that modelled income reductions could have on a provider's ability to cover its costs (excluding pension adjustments).

14. Figure B1 shows how many providers could move into deficit under each scenario, alongside the number currently forecasting deficits for 2026-27 to 2028-29.

Figure B1: Number of providers reporting deficits, 2026-27 to 2028-29



15. Table B3 presents the number of providers forecasting deficits in 2028–29, broken down by finance typology, together with the estimated number that could report deficits for Scenarios 1 to 3. This helps illustrate which parts of the sector could face the greatest financial pressure.

Table B3: Estimated number of providers reporting deficits by 2028-29

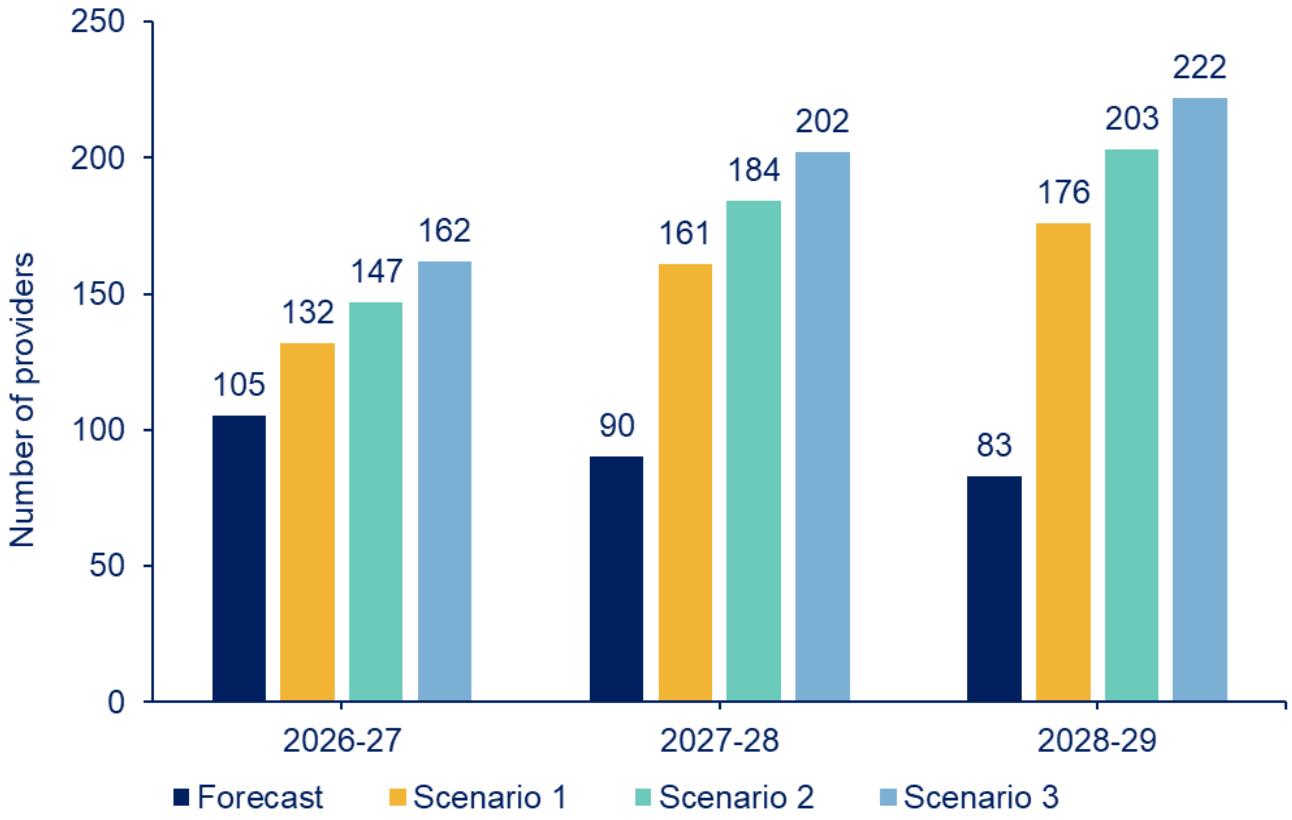
Provider type	Forecast	Scenario 1	Scenario 2	Scenario 3
Larger teaching-intensive	1	12	14	14
Larger research-intensive	3	9	8	10
Medium	5	34	41	42
Smaller	9	27	32	33
Specialist creative	9	28	29	31
Specialist	14	32	39	41
Level 4 and 5	4	21	23	25
Total	**45**	**163**	**186**	**196**
Percentage of sector	**16%**	**58%**	**67%**	**70%**

Operating cash flow

16. This shows whether providers would have enough cash from their core operations to meet short-term costs, such as paying staff and servicing debt, after modelled income reductions. We have defined low operating cash flow as being below 5 per cent of total income.

17. Figure B2 shows an estimate of how many providers with low operating cash flow under each scenario, alongside the number currently forecasting deficits for 2026-27 to 2028-29.

Figure B2: Number of providers reporting operating cash flow below 5 per cent of income, 2026-27 to 2028-29



18. Table B4 shows the number of providers forecasting low operating cash flow in 2028-29, broken down by finance typology, alongside the estimated number reporting low cash flow under each modelled scenario.

Table B4: Estimated number of providers reporting operating cash flow below 5 per cent of income, 2028-29

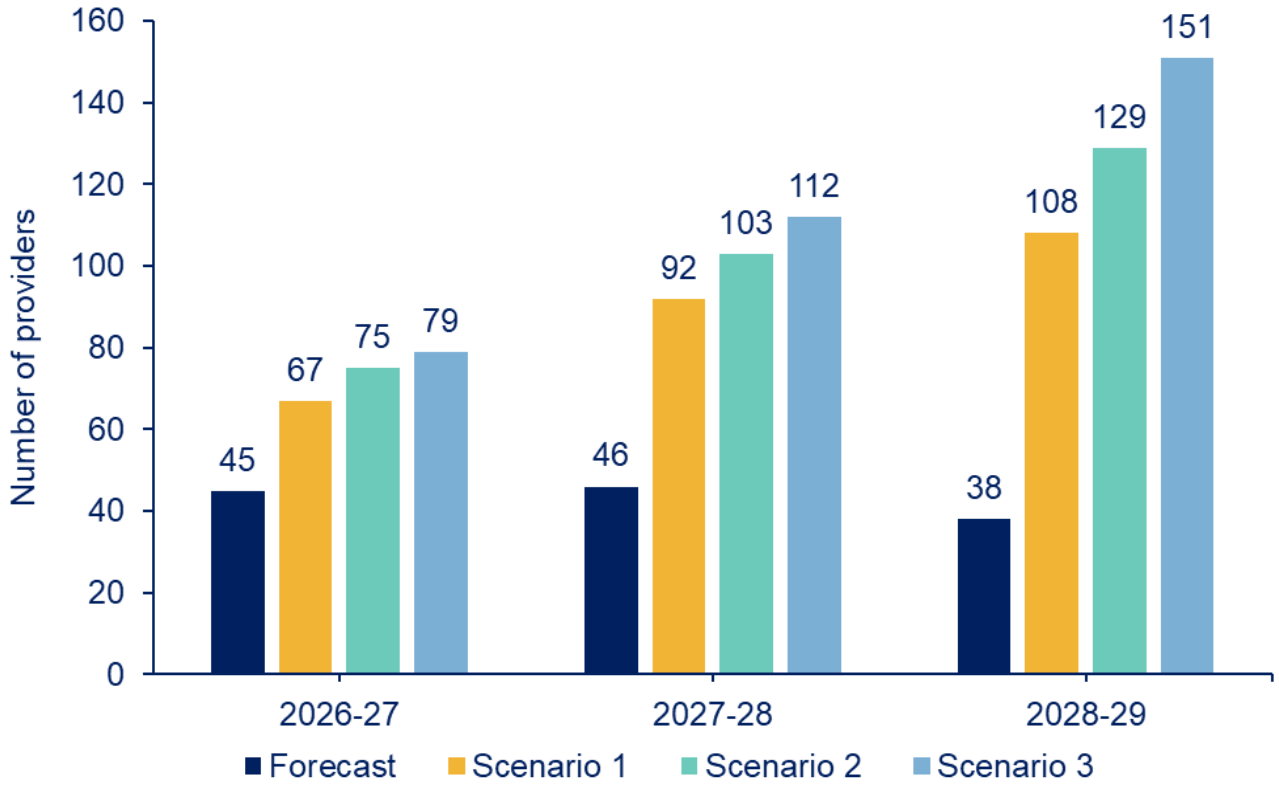
Provider type	Forecast	Scenario 1	Scenario 2	Scenario 3
Larger teaching-intensive	4	11	14	15
Larger research-intensive	5	8	9	13
Medium	4	26	35	39
Smaller	13	31	36	39
Specialist creative	19	31	31	34
Specialist	28	40	45	48
Level 4 and 5	10	29	33	34
Total	**83**	**176**	**203**	**222**
Percentage of sector	**30%**	**63%**	**73%**	**80%**

Liquidity

19. This shows how reduced income over several years could impact a provider's liquidity levels (the cash and short-term investments they have available, less overdrafts) at the end of each financial year. We define low liquidity as net liquidity of below 10 per cent of annual expenditure (excluding pension adjustments).

20. Figure B3 shows an estimate of the number of providers with low liquidity under each scenario, alongside the forecast numbers for 2026-27 to 2028-29.

Figure B3: Number of providers reporting net liquidity below 10 per cent of expenditure, 2026-27 to 2028-29



21. Table B5 shows the number of providers forecasting low liquidity in 2028-29, broken down by finance typology, compared with the estimated number reporting low liquidity under each scenario.

Table B5: Estimated number of providers reporting liquidity below 10 per cent of expenditure, 2028-29

Provider type	Forecast	Scenario 1	Scenario 2	Scenario 3
Larger teaching-intensive	1	5	6	8
Larger research-intensive	4	8	8	9
Medium	8	20	28	33
Smaller	7	18	22	29
Specialist creative	6	17	19	21
Specialist	6	20	24	27
Level 4 and 5	6	20	22	24
Total	**38**	**108**	**129**	**151**
Percentage of sector	**14%**	**39%**	**46%**	**54%**

Annex C: Provider typology groups

1. The ‘finance typology’ provider groupings are based on the amount and type of income received by providers, as well as the level and subject areas predominantly studied by their students. The methodology and data sources used to assign providers to these groups are set out in our paper published in November 2022.[11]

2. The ‘financial typology’ groups providers on the basis of the resources available to them. The factors used in defining these provider groups are:

   a. Proportion of higher education student FTE at Level 4 or 5.

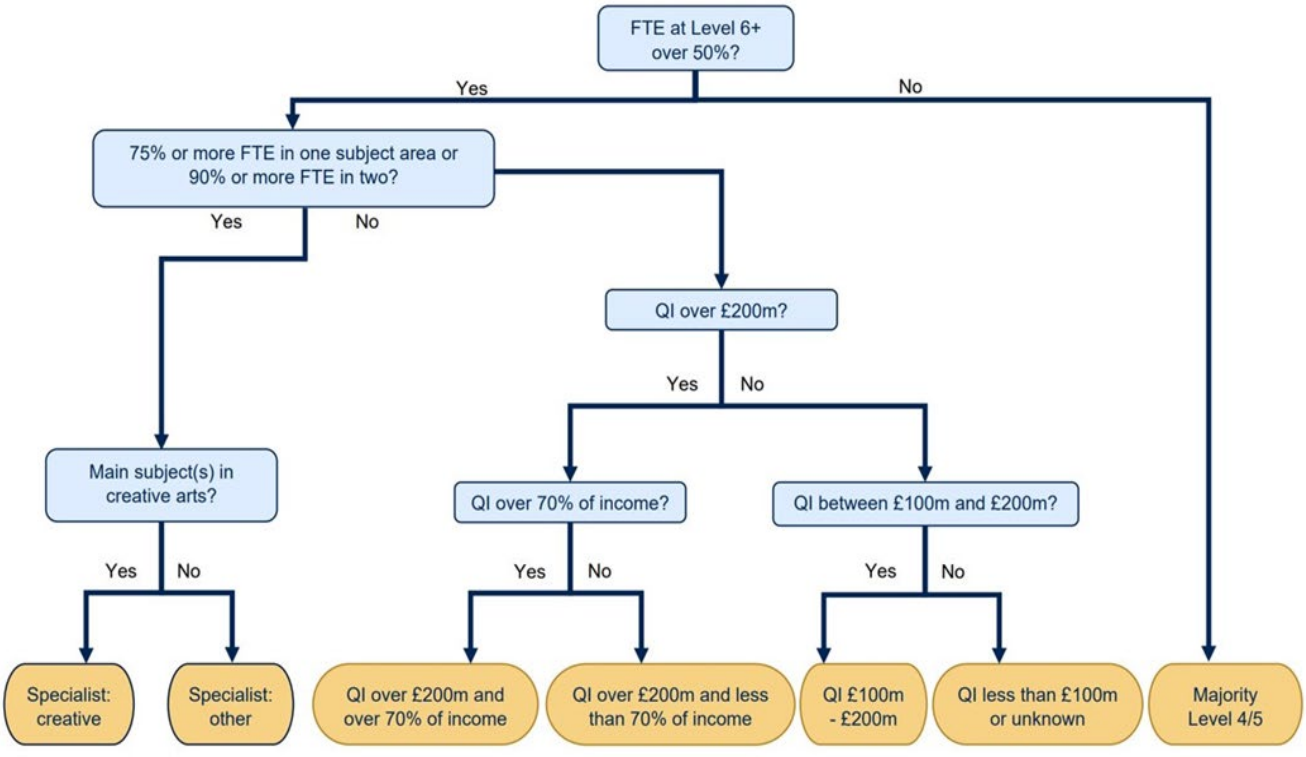
   b. Specialist indicators (e.g. the proportion of provision across one or two subject areas).

   c. Qualifying income (QI) – i.e. public grant funding from the OfS, any fee income from taught awards (exclusive of VAT) and any fee income from research awards (exclusive of VAT).

   d. Proportion of total income from QI.

3. Figure C1 describes how each ‘finance typology’ provider group is derived.

Figure C1: Finance typology flow diagram



4. Analysis and charts use the naming conventions described in Table C1 for ease of reference.

[11] See OfS, Provider typologies 2022: Methodology for grouping OfS-registered providers.

Table C1: Finance typology flow terminology

Description	Name for provider group
Specialist: creative	**Specialist creative**
Specialist: other	**Specialist**
QI over £200 million and over 70% of income	**Larger teaching-intensive**
QI over £200 million and less than 70% of income	**Larger research-intensive**
QI £100 million to £200 million	**Medium**
QI less than £100 million or unknown	**Smaller**
Majority Level 4 and 5	**Level 4 and 5**

Annex D: Spotlight on the interim financial return April 2026

1. In April 2026 we collected a second interim financial return focused on the financial year 2025-26. Table D1 shows the change in key forecast financial information at a sector level for 2025-26, comparing the April 2026 return with both the AFR and November 2025 interim return.

Table D1: Change in key forecast financial information between the November 2025 interim return, AFR and April 2026 in-year return, 2025-26

Forecast financial data	Percentage change from the latest AFR	Percentage change from the interim return November 2025
Total income	-0.1%	-0.1%
Surplus/deficit	30.2%	20.7%
Surplus/deficit as a % of total income	0.4%	0.2%
Cash flow from operating activities	-8.6%	-2.0%
Cash flow from operating activities as a % of total income	-0.4%	-0.1%
Net liquidity	2.6%	2.8%
Net liquidity as a % of total expenditure	0.9%	0.9%
Net liquidity days	3.1%	3.1%

2. The in-year data from April 2026, at a sector level, displays a marginal decline in income and cash flow levels between both the November 2025 in-year data and providers' most recent annual financial return for 2025-26. However, surplus values and liquidity have slightly improved.

3. Despite these trends, there is variation at a provider level. Between the November 2025 and April 2026 returns, 42.5 per cent of providers reported an increase in income and 44.6 per cent of providers reported an increase in cash flow as a percentage of income. Between the latest AFR and the April 2026 return, 43.0 per cent of providers reported an increase in income and 47.7 per cent an increase in cash flow as a percentage of income, despite the overall sector-level decline.

4. In contrast, 50.8 per cent of providers have reported a decline in surplus, and 45.6 per cent a decline in liquidity as a percentage of expenditure between the November 2025 and April 2026 returns. Between the latest AFR and the April 2026 return, this fell to 43.0 per cent of providers reporting a decline in surplus and 44.7 per cent reporting a decline in liquidity, despite the increase at a sector level.

Annex E: Sector financial data

1. See the separate Excel file available at www.officeforstudents.org.uk/publications/financial-sustainability-of-higher-education-providers-in-england-2026/.