



**Education Committee Inquiry - Higher Education
and Funding: Threat of Insolvency and International
Students**

**Response from the Chartered Association of
Business Schools**

July 2025

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Background

The Committee intends to undertake a series of mini-inquiries, each focused on one or two themes relating to higher education. This will enable the Committee to flexibly respond to policy developments in the higher education sector. It is expected that work in this area will include consideration of the future of higher education funding, how the higher education sector is and could meet the priorities set out by Government, the governance of higher education, and the experience of different types of students and staff.

Impact of Government Policy on International Students

How will current Government policies affect the financial stability of higher education institutions?

CABS response: The long-term policy that has altered the financial landscape for higher education institutions in the UK is the freezing of the tuition fee cap for UK students at £9,250 since 2012. This means that tuition fee income from domestic students has been frozen whilst costs have continued to rise. The current Government agreed to a very modest increase in the cap to £9,535 starting in 2025/26, but this is still 59% lower than if the cap had risen in line with inflation since 2012 which would be £15,731¹. The 3% increase in the fee cap announced by the government is expected to be largely offset by the increase in employer NI contributions that went into force in April 2025, meaning it has negligible financial benefit to the higher education sector. The OfS estimates that the increase to employer NI contributions will result in additional costs for the sector of £430m from 2025/26 compared to an estimated £371m in extra income from the rise in tuition fees for UK students². To help stabilise the financial situation of UK universities we ask Government to commit to increasing the tuition fee cap annually in line with inflation.

Analysis by Universities UK published in June 2025 estimates that a range of recent government policy changes will lead to a reduction of £1.4bn in funding to higher education providers in 2025/26³. These include the proposed International Student Levy, cuts in the Strategic Priorities Grant, cuts in capital funding for teaching, the reduction in the maximum fee limit for foundation years, and the decision to remove funding for level 7 apprenticeships.

However, the losses identified by UUK's modelling are in addition to the on-going losses in international students' tuition fee income already experienced by the sector as a result of changes made to immigration policy since 2023 by the previous and current Governments. The ban on dependents' visas and the reduction in the length of the Graduate Route visa have made the UK less attractive to prospective international students. The more restrictive policy

¹ Universities UK, '*Tuition fee rise: What does it mean?*', November 2024

² The PIE, '*Income from UK tuition fee rise not enough to offset national insurance hikes*', December 2024

³ Universities UK, '*The financial impact of government policy decisions on universities*', June 2025

environment has contributed to a fall in the number of international students in the UK of 4% between 2022/23 and 2023/24,⁴ inevitably leading to a reduction in income for universities. We are calling for a wider consultation by the Government on possible exemptions to the ban on visas for students' dependents to enable the UK to attract talented international students whilst not increasing immigration numbers significantly. The proposed International Student Levy of 6% of total international student fee income is another unwelcome risk to the financial health of universities. This comes in addition to the impact of domestic tuition fees being frozen for a decade and the recent reduction in international student fee income which has been at least partly driven by other Government policy changes.

As business schools comprise the largest share of international students in UK universities, our members are uniquely placed to reveal the extent to which international students contribute to the financial sustainability of UK universities. Our 2024 Annual Membership Survey found that the parent universities of business schools are highly reliant on the revenue generated by the international students recruited by the business school⁵. For three out of four student domiciles, at least 89% of the responding schools reported that their university's finances were to some extent reliant on their ability to recruit students. This financial reliance extends to the business school itself, with 98% of respondents stating that their school was to some extent reliant on international student fees to ensure financial viability. As business schools are very successful in generating surplus from their operations, a significant proportion of this is passed on to their parent university. In 2023/24 an average of 60% of our members' net income went to their parent institution and for some schools the contribution was larger.

The current financial outlook for the UK higher education sector is increasingly perilous as highlighted by the OfS in their analysis in May 2025 which observed a third consecutive annual decline in the sector's finances⁶. The report notes that student recruitment for 2023/24 was significantly below previous forecasts, partly due to challenging international student recruitment. An anticipated further drop in international student recruitment in 2024/25 is expected to reduce the sector's aggregate surplus by 64%. However, the report notes significant variation in financial performance between different categories of higher education provider, with the larger teaching-intensive and medium provider groups moving into overall deficit. The OfS's projections for future years are quite alarming, with one possible scenario indicating that 68% of providers could be in deficit by 2027/28.

The financial outlook is similar in the devolved nations. In Scotland, free tuition fees for domestic students means there is an annual cap on the number of places that can be offered to eligible Scottish students, but no cap on the number of fee-paying students from the rest of the UK or from overseas. This has left Scottish universities increasingly reliant on the recruitment of international students for financial viability. HESA data shows that international fees as a proportion of total HE income are higher in Scotland than in any other UK nation.

⁴ HESA, *'Where do HE students come from?'*, HE student enrolments by permanent address, April 2025

⁵ Chartered ABS, *Annual Membership Survey*, November 2024

⁶ Office for Students, *'Financial sustainability of higher education providers in England'*, May 2025

In September 2024 tuition fees for domestic students in Wales increased for the first time since 2011. As domestic tuition fee income has declined significantly in real-terms, universities in Wales are also financially reliant on the recruitment of international students.

In Northern Ireland, universities can charge up to £4,750 a year for domestic undergraduate tuition. This incentivises local study as the fee is considerably less than what a student from Northern Ireland would pay to study in England, Wales or Scotland. However, the relatively low tuition fee combined with a student numbers cap means that the number of university places available is inadequate to meet the demand among Northern Ireland residents. Fees are increased by inflation each year and although bigger increases have been discussed as a means of ensuring the sector's financial sustainability, there are no signs of this being introduced in the foreseeable future. Universities in Northern Ireland also have a degree of financial reliance on the recruitment of international students although it would appear to be less acute given that in 2022/23 no university in Northern Ireland recorded a deficit⁷.

The challenging financial climate facing UK universities raises the spectre of an institution going bankrupt or being forced into a chaotic merger with another university. It is in no-one's interests, including students and the Government, for such a scenario to occur. It's also important to note that the financial impact of universities extends to local economies which depend on their expenditure and that of students.

Analysis by London Economics published in 2024 found that the total economic impact across all UK universities' core activities was £265.35bn in 2021/22⁸. Compared to the total public funding associated with these activities in 2021/22 (estimated at £18.54 billion), this corresponds to a total benefit-to-public-cost ratio of the UK HE sector's activities of approximately 14.3, meaning that for every £1 of public investment into UK universities, £14 of economic benefit is generated. This includes £70.31bn of economic impact via institutions' spending through their supply chains and £37.43bn of impact via educational exports in the form of international students studying with UK universities who contribute substantially through their tuition fees and non-fee expenditure.

The OfS notes that the UK's higher education model is reliant on fee income from international students, which is exacerbated by reliance on certain countries. In 2023/24 tuition fee income from international students accounted for 23% of total income for universities in England, and the OfS's projections expect an increase to 26% of total income by 2027/28. Unexpected events such as the Covid-19 pandemic have shown that international student flows can quickly be disrupted and throw universities' financial projections off target. However, unless the Government decides to substantially lift the tuition fee cap for domestic students it would seem more likely than not that the financial model of UK universities will continue to be dependent on the recruitment of international students.

What implications will these policies have on future tuition fee increases?

⁷ House of Commons Library, '*Higher education finances and funding in England*', June 2025

⁸ London Economics, '*The economic impact of higher education teaching, research, and innovation*', August 2024

CABS response: As the tuition fee cap for domestic students was frozen for a long time universities would have to increase tuition fees significantly if they are to be financially sustainable and capable of delivering good outcomes and adequate pastoral support for students. However, if the domestic fee cap remains well below the actual cost of delivery for each student, universities are likely to double-down on the recruitment of international students as a means of cross-subsidising the delivery of courses for domestic students and other vital activities. This will continue to leave UK universities vulnerable to sudden changes in the flows of international students to the UK in addition to intensifying competition for international students from other countries. With competition increasing from traditional competitor countries, such as Australia and Canada, and from newer competitor countries outside the West, the scope to generate additional revenue through increased tuition fees is likely to be limited.

The proposed International Student Levy of 6% of total international student tuition fee income will pose a further risk to the international competitiveness of UK higher education if providers attempt to re-coup the income lost via the levy by increasing tuition fees.

How will the interaction between international student enrolment and tuition fees shape the sector's financial outlook?

CABS response: As mentioned above, unless there is a significant shift in the policy landscape towards sustainable tuition fee levels, universities are likely to become even more reliant on the tuition fees from international students to ensure the sector's financial viability. This is not a sustainable situation and is likely to lead to the closure or merger of universities which will be very disruptive and adversely affect both students and the regional economies in which universities are located.

Higher Education Insolvency Protections

What is the current state of insolvency processes for higher education institutions?

CABS response: There is no dedicated insolvency regime for universities in England. Unlike Further Education colleges, which are covered by the Education Administration Regime, universities are subject to standard corporate insolvency law. This means that if a university runs out of money, it could enter administration or liquidation like any other company, although it would likely be the case that universities would approach Government for financial help, despite no official (or unofficial) government insolvency regime, largely due to a market perception that universities are backed by the Government. In reality, assets would be carved up and properties would be sold - the process would be complicated due to the need to protect students and manage public interest. However, the insolvency process for statutory bodies or chartered universities is unclear and untested.

There is no specific protection for on-going research projects, meaning research funders bear the risk of project non-completion; nor are there any guidelines for intellectual property rights, which could be caught up in asset realisation⁹. Additionally, there are no formal protections for the economic and social impact on communities. The restructuring regime can consider critical

⁹ David Kernohan, "Understanding insolvency in higher education", Wonkhe (blog), October, 2020, <https://wonkhe.com/blogs/understanding-insolvency-in-higher-education/>.

local provision, but this is discretionary, therefore, a curated HE insolvency regime could include statutory rights for local communities.

The OfS expects providers facing financial difficulties to engage early with the regulator. In the event of a potential failure, the OfS's main concern is to safeguard students' interests, including ensuring options for students to continue their studies elsewhere if their provider can no longer operate.

It would appear that the administrations in the devolved nations have made available specific emergency funds for financially distressed universities whilst in England there is a sense that universities would not receive such emergency support. In the event that a university in England found itself in severe financial distress, it is likely that DfE would be expected to step in and provide support but it is unclear if this would actually happen.

What measures exist to protect students, staff, and other stakeholders in case of institutional insolvency?

CABS response: OfS condition C3 specifies providers must have a published (and OfS approved) student protection plan for the risk to continuation of study of all its students. This stipulates that providers must “*have in force and publish a student protection plan which has been approved by the OfS as appropriate...*”¹⁰. However, it is not clear if this applies to all types of providers. There needs to be clarity regarding which types of providers this applies to, for example, chartered universities, statutory corporations, and higher education corporations would all face different legal complexities in wind-down scenarios.

Staff protections are more limited and less specific in comparison to those for students. There is no dedicated ‘special administration’ or statutory protection regime for staff at universities, unlike the specific provisions for students, and for colleges under the FE insolvency regime. HE staff would therefore likely rely on general employment law protections, which means staff interests compete with other creditors rather than being given special consideration, however, it is not clear if these types of insolvency protections will apply to, HE staff.

Are additional safeguards needed to strengthen protections?

CABS response: Considering there is no dedicated insolvency regime for universities in England it is assumed that if a university was to become insolvent that the Government would intervene. However, there is no guarantee of this. The only safeguarding that is currently in place is OfS condition F3(i) which requires providers to inform the OfS of any “reportable events” that could materially affect the provider’s ability to comply with its conditions of registration. Financial difficulties fall under this requirement. The timeframe for such reporting is stipulated as being “without delay” and “as soon as reasonably practicable” after becoming aware of the event.

It has been noted by Public First in their report calling on the OfS to take a more proactive approach in managing and forecasting financial risk to ensure students are protected, that the

¹⁰ Office for Students, ‘Securing student success: Regulatory framework for higher education in England – Condition C3: Student protection plan’, November 2022

student protection plans have “no force in insolvency law”¹¹. Therefore, these plans offer limited practical protection when institutions fail, so additional safeguards could be developed to consider student protection. Business Rescue Expert notes in an article, that the OfS has begun preparing with “*accountants from Deloitte, Ernst & Young, PwC and KPMG hired under a framework of suppliers to safeguard students throughout any financial adjustments or transition, including potential market exits*”¹². However, these arrangements need statutory backing.

A bespoke HE insolvency regime should be explored, similar to the FE model, which focuses on clear statutory hierarchy, prioritising student interests first. Formal procedures for all types of HE providers, including chartered and statutory bodies, additionally, enhanced OfS early intervention powers, should be considered which could be intertwined with a sector-wide insurance or protection fund.

Ramifications of Institutional Insolvency & Regional Impact

What would be the consequences of a higher education provider becoming insolvent?

CABS response: There is a real risk of a higher education provider becoming insolvent due the increasing financial pressure in the sector with the Office for Students (OfS) estimating that 72% of higher education institutions will be running a deficit by 2025/2026¹³. Many institutions have been forced to make redundancies during this challenging fiscal climate and as such an insolvency would have catastrophic consequences.

While it is difficult to predict specific consequences, higher education insolvencies would undoubtedly have a negative impact on jobs, the economy, and local businesses given the central role universities and business schools play in the economy.

Analysis by Public First finds that in 26 constituencies in the UK, higher education (and directly associated exports) is the single largest export sector in that constituency and is in the top 3 in 102 constituencies. If this is compared to car manufacturing, and pharmaceutical products, higher education is the most widespread top export, with car manufacturing being in the top 3 exports in 95 constituencies, and pharmaceuticals in the top 3 in 87. The same research also calculates that 183,000 jobs in the UK are supported directly by export income from higher education¹⁴.

Therefore, insolvency would not only have an impact on the direct employees of the institution in question, but it would have a domino effect on the local jobs that rely on the universities. Insolvency would also disrupt the education of existing students who would have to find alternative providers for their programmes, which may not be feasible for many students.

¹¹ Public First and University of Warwick, Institution Overboard – Managing the Risk of Disorderly Market Exit in English Higher Education, July 2024

¹² "Higher Education sector faces unprecedented financial challenges ahead", Business Rescue Expert, 16 December 2024, <https://www.businessrescueexpert.co.uk/higher-education-sector-faces-unprecedented-financial-challenges-ahead/>

¹³ Office for Students, Financial sustainability of higher education providers in England: November 2024 update, 2024

¹⁴ Public First, Global Talent and Local Growth, May 2025

Finally, insolvencies in the sector will have a damaging impact on the reputation of UK higher education globally, undermining the sector's ability to recruit international students. If international students do not have faith in the resilience and financial sustainability of the sector they may decide to study in other competitor countries such as Australia, Canada, or the USA which would further exacerbate the financial challenges facing the sector.

How do higher education institutions contribute to growth in their local economies, the provision of public services, and their wider communities?

CABS response: Our business schools and the wider university sector are critical to the Government's growth mission and are pivotal anchor institutions in their local economies, attracting other businesses, investors, and talent to our cities, regions, and nations.

Business and management degrees are the most popular in the UK, with our business schools educating one in six of all university students and one in three international students, representing the highest proportion of international students in any subject area¹⁵.

Data from the Higher Education Policy Institute (HEPI) shows that the economic benefit of international students to the UK rose from £31.3bn to £41.9bn between 2018/19 and 2021/22. For business schools specifically, international students for the academic year of 2021/22 contributed £6.4bn in off-campus spending during the period of their studies (this does not include tuition fees which provide critical income to our universities)¹⁶.

Beyond the income generated from international students, business schools play a vital role in the UK economy by supporting small businesses, conducting research with real-world impact, driving innovation and growth, and developing the advanced skills needed for a thriving and productive workforce. For example:

- The Government backed Help to Grow: Management course which is delivered by the Small Business Charter accredited business schools has been a resounding success, with the course enrolling 11,850 business leaders. A Department for Business and Trade and IPSOS evaluation found that 91% of participants reported increased awareness of factors that drive business productivity and growth, and 91% reported improved leadership and management skills¹⁷.
- As of September 2024, data from the UKRI Knowledge Transfer Partnerships database shows that business schools from across the UK were involved in 121 Knowledge Transfer Partnerships and the total value of business schools' current active KTPs is £17m¹⁸.
- In our 2024 survey of UK business schools' knowledge exchange activities over the last three years, 27% had been involved in the registration of new spin-off

¹⁵ Higher Education Statistics Agency, What do HE students study?, 2025

¹⁶ Higher Education Policy Institute, The benefits and costs of international higher education students to the UK economy, May 2023

¹⁷ DBT and Ipsos, Evaluation of Help to Grow: Management (April to June 2024), November 2024

¹⁸ Chartered ABS, Research Income for Business and Management, January 2025

companies, and 40% had been involved in the creation of student start-up companies¹⁹.

- Level 6 and level 7 business and management apprenticeships have played a vital role in closing our nation's productivity gap, strengthening public services and the NHS, and promoting social mobility. Our research found that 61% of employers said that the Level 6 Chartered Manager and Level 7 Senior Leaders degree apprenticeships significantly raised productivity²⁰.

What strategies should be implemented to prevent insolvency and ensure sustainable regional provision of courses?

CABS response: Ensuring the financial sustainability of business schools and the higher education sector more broadly should be a strategic priority for the Government. This requires policy stability and a commitment to policies that enable the sector's long-term success.

The sector is not seeking handouts. In the right conditions, with a sustainable tuition fee model and through effective operating models, business schools and universities can support their own financial health through international student recruitment, transnational education, and high impact research. These activities also contribute significantly to the UK's economic growth.

However, the sector is facing increasing pressure following a year of adverse policy changes, including the rise in national insurance contributions, the Immigration White Paper, and the withdrawal of levy funding for Level 7 apprenticeships. These developments have undermined the UK's global competitiveness and the financial resilience of the sector.

Moreover, the proposals in the Immigration White Paper follow a series of significant policy changes for international students introduced since 2023 – the banning of visa switching whilst studying, the increase in application and healthcare costs, and the ban on dependents except for postgraduate research students which have had a detrimental impact on sector finances.

According to modelling by Universities UK, the recent decline in international student enrolments driven by the ban on visas for dependents has already cost universities an estimated £1.1bn in lost income.²¹

To prevent insolvency, the Government cannot go ahead with the proposed levy on international students, and it should develop a visa system that ensures that the right students come to the UK for the right reasons.

The Government must also reconsider its approach to tuition fees, and while the recent rise in undergraduate tuition fees was welcomed by the sector, it was promptly offset by inflationary pressures and the rise in national insurance contributions.

¹⁹ Chartered ABS, Research report on business schools and Knowledge Exchange, to be published autumn 2025

²⁰ Chartered ABS survey of employers on the impact of their level 6 and 7 management apprentices, conducted between April and September 2024

²¹ Universities UK, The financial impact of government policy decisions on universities, 2025

There is growing consensus among higher education providers that the true cost of delivering an undergraduate degree is £15,731²². While it would be uncomfortable for the Government to raise fees to this level immediately, it must have a realistic conversation about fees and the increasing financial pressures in the sector.

Finally, the Office for Students (OfS) should take on a more proactive role in preventing institutional insolvencies, given its detailed insight into the sector's financial risks through regular monitoring. While the OfS acknowledges it lacks the statutory powers to directly prevent a university from closing or to provide financial support in the event of a closure, it recognises its responsibility to work with institutions to avoid disorderly exits that could negatively affect students. It aims to do so by collecting financial data, identifying early warning signs, and adopting a multi-agency response.

However, this approach remains limited in scope. The current regulatory focus, which is mainly centred on student protection, fails to adequately address the wider consequences of institutional failure, including regional economic impacts, disruption to research that is vital to improving the UK's productivity, and reputational damage to the UK higher education sector.

To strengthen the sector's financial resilience and avoid closures, we propose the following measures:

- The OfS should take a more proactive role in communicating emerging financial risks to the Government, enabling earlier intervention to prevent insolvency
- The OfS should be granted enhanced powers to support at-risk institutions and to actively prevent insolvencies
- The Department for Education should collaborate more closely with the sector and explore the viability for a dedicated sector rescue fund to support universities at serious risk of closure

About the Chartered Association of Business Schools and the business school sector:

- We are the voice of the UK's business and management education sector. We support our members to maintain world-class standards of teaching, research, and enterprise engagement. Through dialogue with policymakers, business, and stakeholders, we inform government policy to help create the best possible environment for our business schools, the economy and wider society to flourish.
- Business and management graduates go on to lead organisations across the corporate, public and third sectors, contributing to our dynamic economy. The research undertaken in UK business schools has impact across society and helps to turn our capacity for invention into viable businesses.

Mission and priorities:

Our mission: supporting and championing business schools for the benefit of business and society

Our priorities are:

²² Universities UK, Tuition fee rise: what does it mean? 2024

- Securing the financial sustainability of the UK's business schools: supporting members and advocating for fit-for-purpose policy development to maintain the contribution of business schools to the UK's higher education sector and the economy.
- Accelerating small business productivity and growth for the benefit of the UK economy: developing capacity and promoting the role business schools play in improving SME performance