



Higher Education 2040

How might the financial sustainability crisis play out?

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How might the sector evolve in the face of the current financial sustainability challenges?



The sector is under considerable, and well documented, financial pressure with commentators estimating around 40% of universities likely to post a deficit in the coming year.



Whilst there are some short-term actions universities can take, structural pressures have the potential to transform the shape of the sector.



We want to explore how these pressures might shape the sector in the longer term, and how universities can act now to position themselves for future success and financial sustainability.

Brightstar Capital Partners to Acquire Arden University Stake

Partnership aims to scale Arden's international reach, supercharge digital innovation and cement leadership position in higher education

University of Southampton's flagship Delhi campus launch builds on UK-India relations

Dundee University to receive a further £40m support

City and St George's have united

City, University of London and St George's, University of London merged on 1 August 2024. We are now 'City St George's, University of London'.





As financial pressures bite, and with significant increases in funding unlikely, the higher education sector is being forced to innovate and change. As this continues, the shape and size of the sector will transform, and we are already starting to see this play out with the recently announced Greenwich/Kent merger.

Whilst it is impossible to predict the future with certainty, it is likely that the sector will look very different in 15 to 20 years - shaped by decisions university leaders take now.

In this article, we want to explore where this might all be leading, to help support university decision making today.

Ewan Robertson, Principal, Cairneagle



Short and long-term pressures make structural change inevitable

Well-documented challenges to financial sustainability, combined with greater geopolitical uncertainty and technological disruption, mean that universities are having to adapt and change faster than ever before. The scale of these challenges make structural change in the sector almost inevitable.

Current financial sustainability challenges

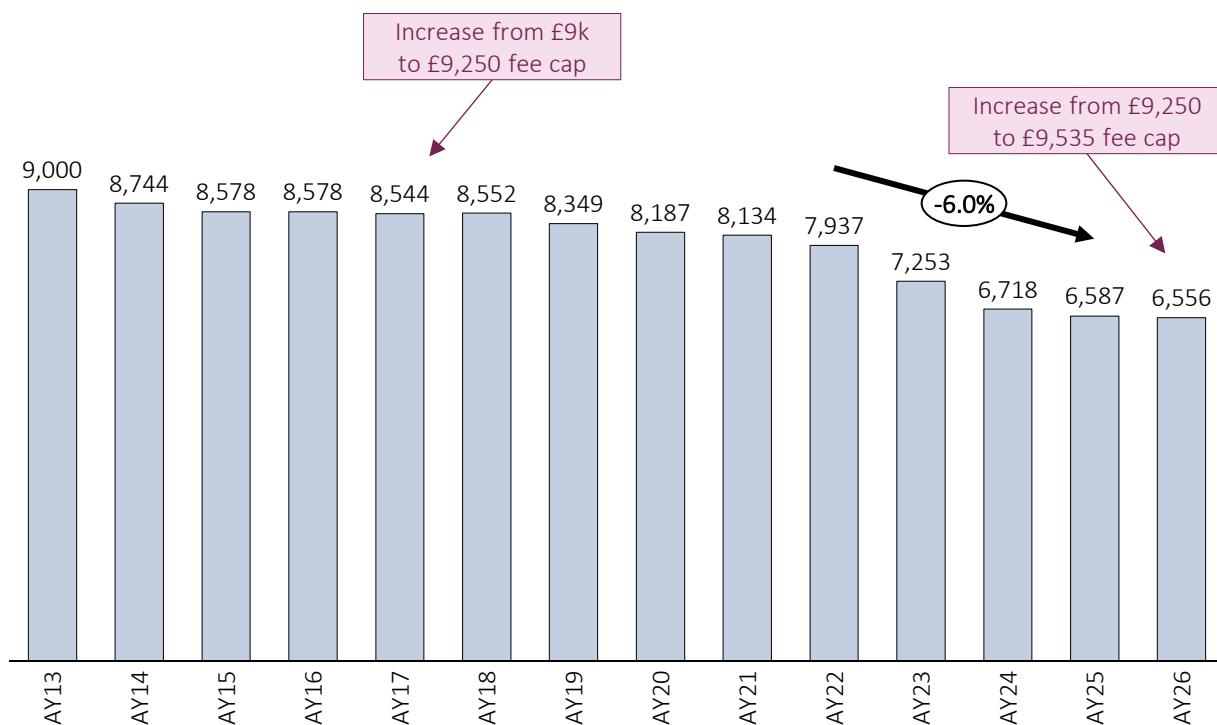


1. Flat/declining UK fees

Financial sustainability challenges in the face of the declining real terms value of home undergraduate tuition fees have put strain on the sector with some estimating over 40% of universities being in deficit.

Real terms value of UK tuition fees (2012 base) ⁽¹⁾

AY13 to AY26, £



Notes: (1) Based on June CPI index

Source: ONS; Four in 10 universities face financial challenges BBC news 8 May 2025; Cairneagle research and analysis

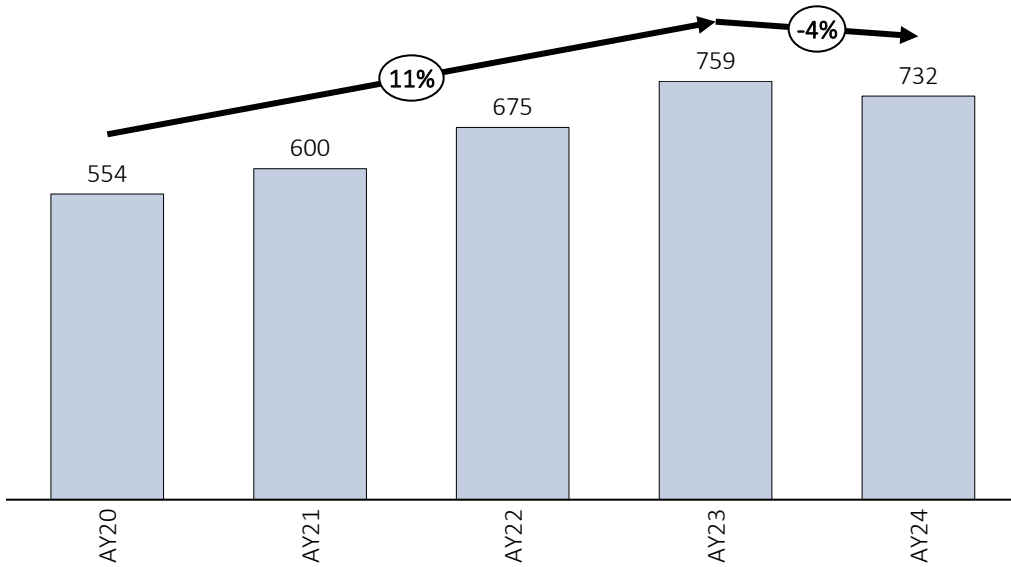


2. Pressure on inbound international recruitment

Pressure on inbound international recruitment, due to dependent visa changes and political rhetoric, has compounded the financial challenge given higher international fees.

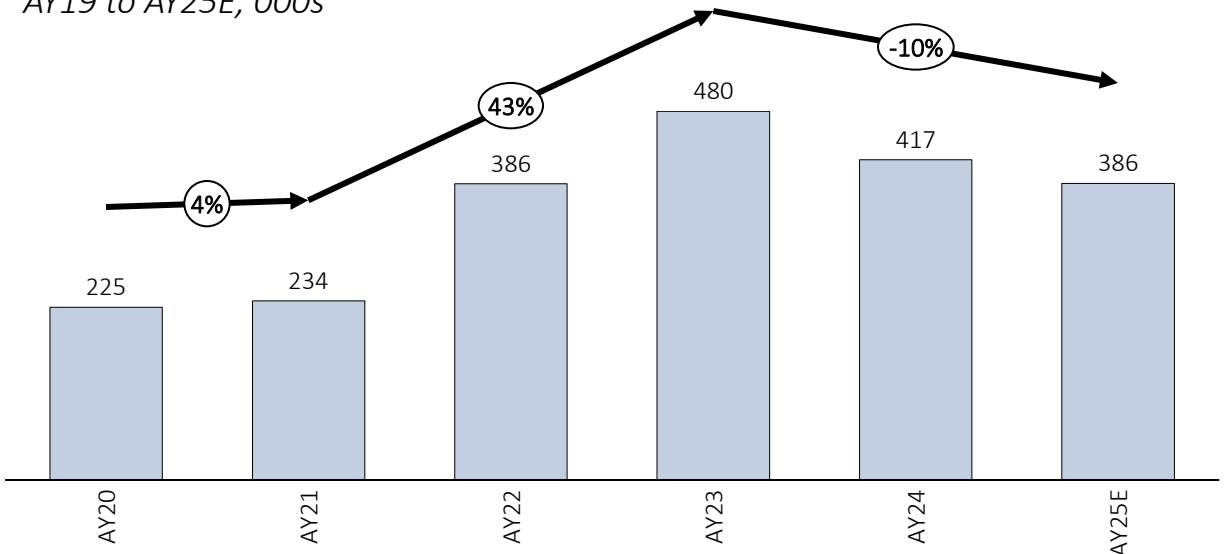
Inbound international student numbers

AY20 to AY24, 000s



Tier 4 student visa acceptances

AY19 to AY25E, 000s



Longer-term macro trends

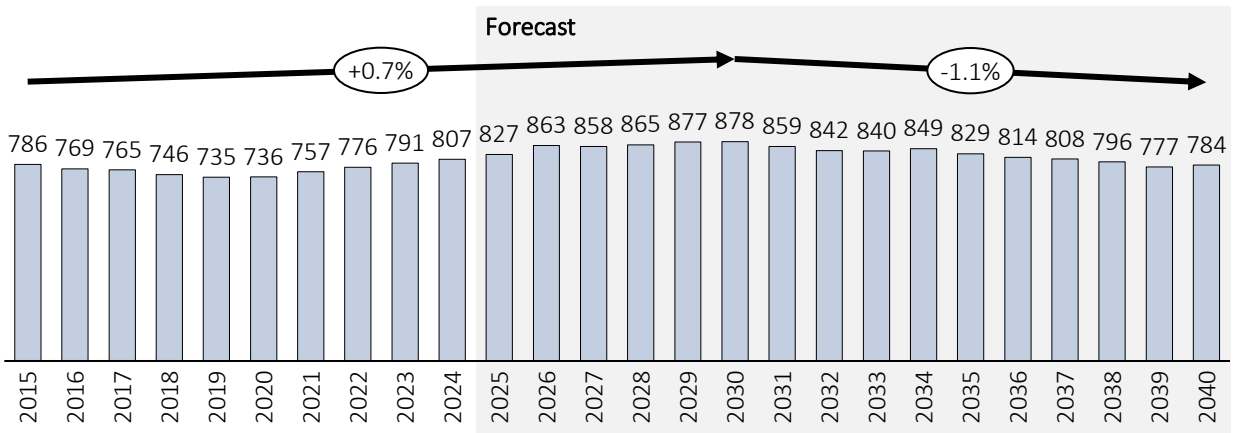
In addition to current challenges, there are also longer-term sector challenges:



3. Demographic decline

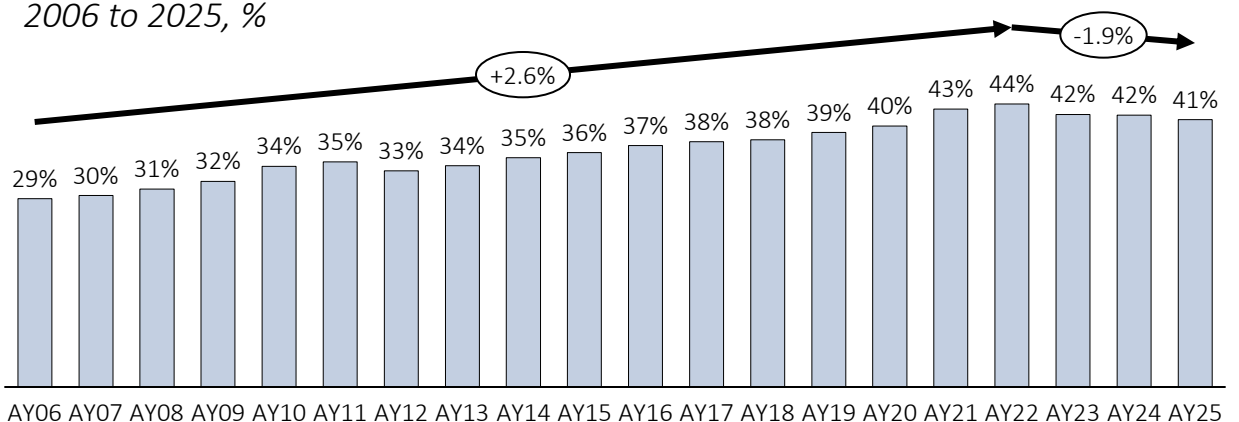
Current growth of universities 'core' UK 18-year-old demographic is forecast to start to reverse from 2030, compounding the challenge universities face, and highlighting the need to diversify further.

Historical and forecast 18-year-old population in the UK 2015 to 2040, 000s



There are also early signs that uptake of university by 18-year-olds is starting to decline as student perceptions of universities and their return on investment change. As non-degree pathways increase, the traditional UK UG market may become even more difficult - reinforcing a need for some to diversify their offer.

Proportion of 18-year-olds applying to university in the UK 2006 to 2025, %





4. Rising international competition

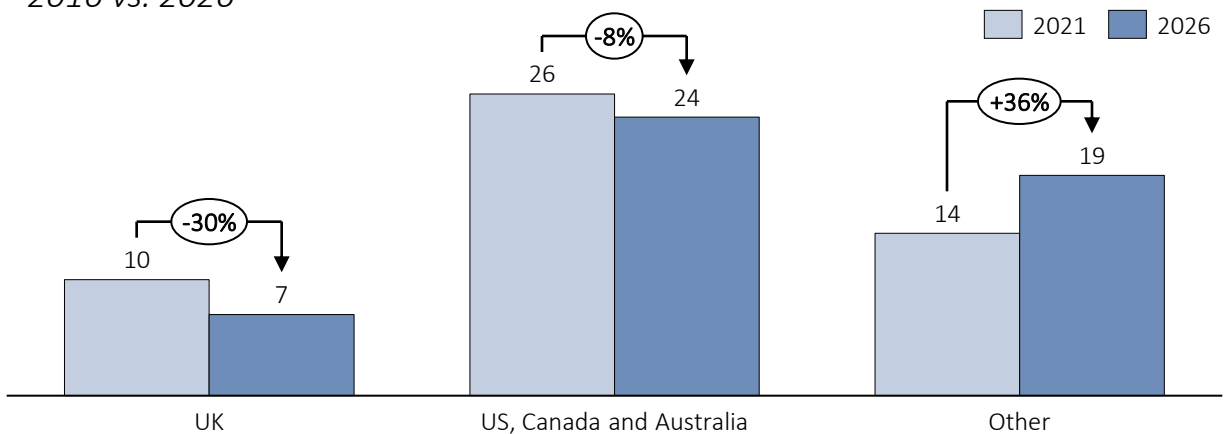
Investment by governments around the world to build high quality, in-country alternatives has resulted in a rise in the number of universities outside of the UK, US, Australia and Canada within the top 50 world ranked institutions.

This compounds shorter-term challenges around in-bound international recruitment and dampens longer term international recruitment growth.

It can also be an opportunity, however, as we are seeing in India with ten (and counting) UK universities announcing plans to open Indian campuses by 2026.

Global league table, top 50 by country/region

2016 vs. 2026



5. Tech. disruption adding to the benefits of scale

Technology, particularly AI, has the potential to fundamentally disrupt traditional approaches across most areas of a university (pedagogy and personalisation of learning; enhancing decision-making with data; and through more efficient and effective front and back-office systems and processes, etc.).

It is, however, expensive and hard to get right, leading to an increased use of, and reliance on, partners (at a cost to margin and loss of some control).

Thoughtful use of technology can also increase the benefits of scale, therefore potentially favouring larger institutions with the budgets to invest and volumes to drive efficiencies.

Renewed direction, not additional funding, from Government

The October 2025 white paper sets out the Government's vision for post-16 education, with emphasis on quality, financial sustainability and specialisation, as well as providing some much-needed relief by announcing a small, inflationary increase to tuition fees.

It focuses on setting the broad direction of travel rather than providing details on how to get there. Wholesale change to the system therefore seems unlikely, with the Government preferring to nudge and set the conditions to achieve its vision, rather than dictate to the sector.

In this context, the need for change is acknowledged and encouraged, but is left to the sector to determine. Without significant cash injection into the system, universities will need to innovate, with specialisation and collaboration high up on their agendas.

"The post-16 education and skills white paper, whilst long anticipated, was both something and nothing when it was published. The challenge for government, as ever, is how changes are implemented without significant additional funding, and whether and to what extent they provide better outcomes for learners."

Lizzie Wills, GK Strategy



Structurally, there are a lot of small, but regionally important universities

Whilst some universities are still growing, many others are struggling. Given there is unlikely to be a big cash injection into the sector, and with no obvious solution to financial sustainability pressures, underlying sectoral issues remain.



1. Are there too many, too small universities?

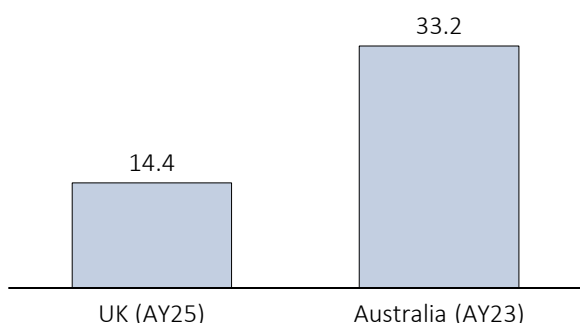
Much of the commentary on the sector is about the large number of small, regional institutions that grew up to serve the regions of the UK.

There are undoubted benefits in having regional, high-quality, specialist institutions that develop reputations for particular subjects, or links with industry; but many of our small universities are generalists, and it is becoming increasingly difficult for them to remain financially viable.

Small generalist universities will have to adapt to survive, with some deciding to specialise, some thinking about collaboration options, and others adopting entirely different strategies.

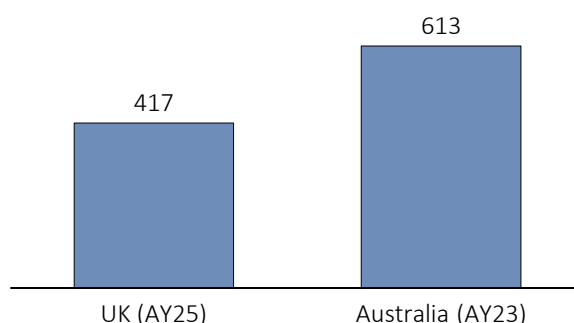
Average university size

UK vs. Australia, 000s



Population per university

UK vs. Australia, 000s

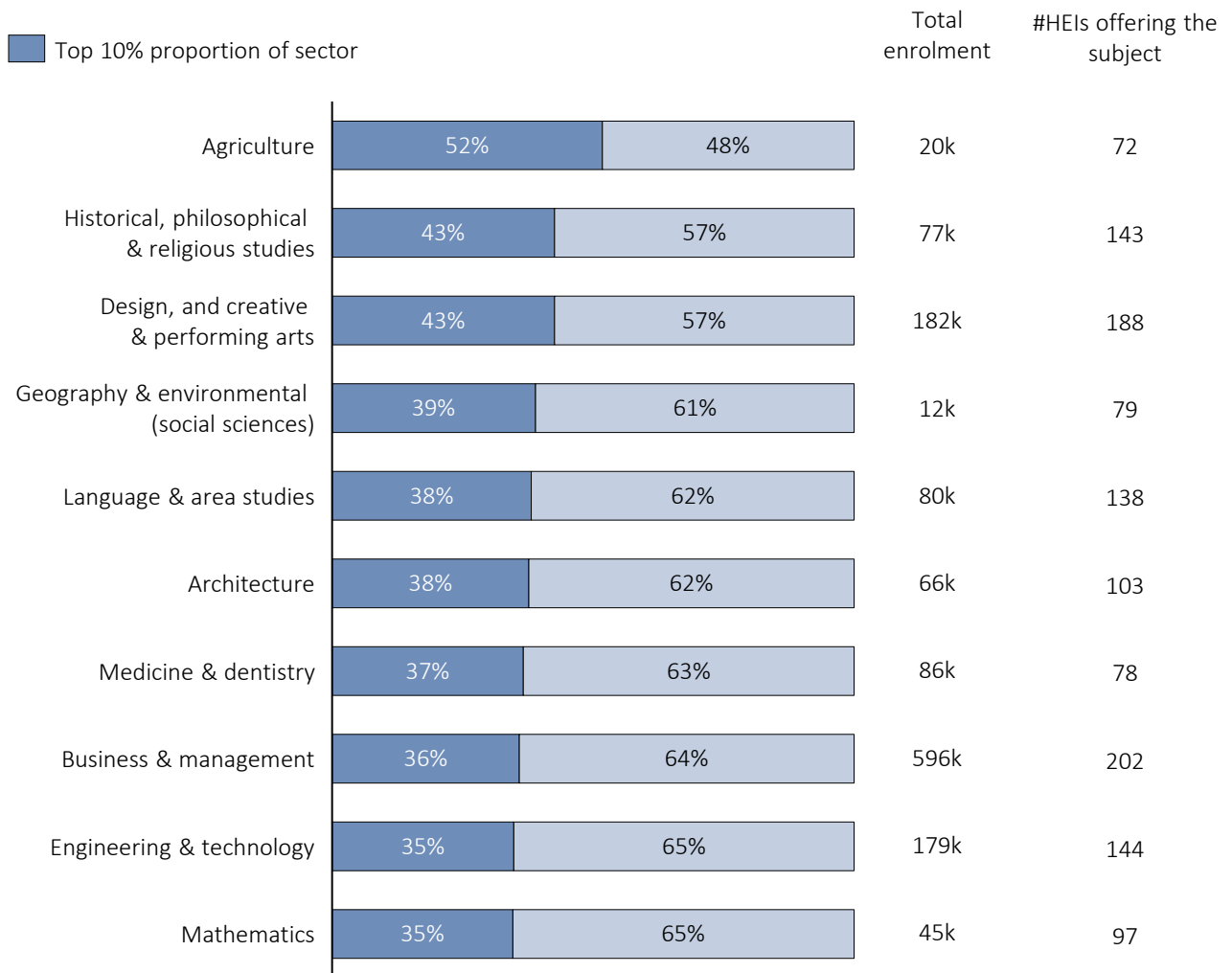


2. The challenge of 'sub-scale' courses

Financial pressures have also made it more difficult for universities to sustain sub-scale courses. Whilst this has led to the closure of courses by some universities over the last year or so, this challenge remains.

Volume share of largest 10% of universities offering that subject area

Top 10 highest concentration subject areas, AY24



3. Universities' importance in their area (including politically)

Whilst there are financial inefficiencies and associated sustainability challenges with sub-scale universities and/or courses, there are benefits that need to be considered. The alternative - closing courses and institutions - would have significant impacts to local areas and could, without local collaboration, result in 'cold spots' that damage the local economy due to lack of skilled labour; as well as being highly detrimental to social mobility.

Universities can take action, but sectoral change is likely

At an institution level there are actions that can be taken in the face of these challenges. Broadly speaking they fall into three categories:



Cost efficiencies – *being pursued by most of the sector*



Efficiencies through economies of scale



Revenue diversification

Within these categories there are an array of different levers that individual institutions can pull. At Cairneagle we have identified 25 financial sustainability options that are available to a university, falling into these three areas.

However, there is no single ‘*magic bullet*’ solution at an institution-level, and as different institutions pursue different strategies, there will inevitably be winners and losers.

Considered at a sector-level, something has got to give – and so we ask: *how might it play out?*

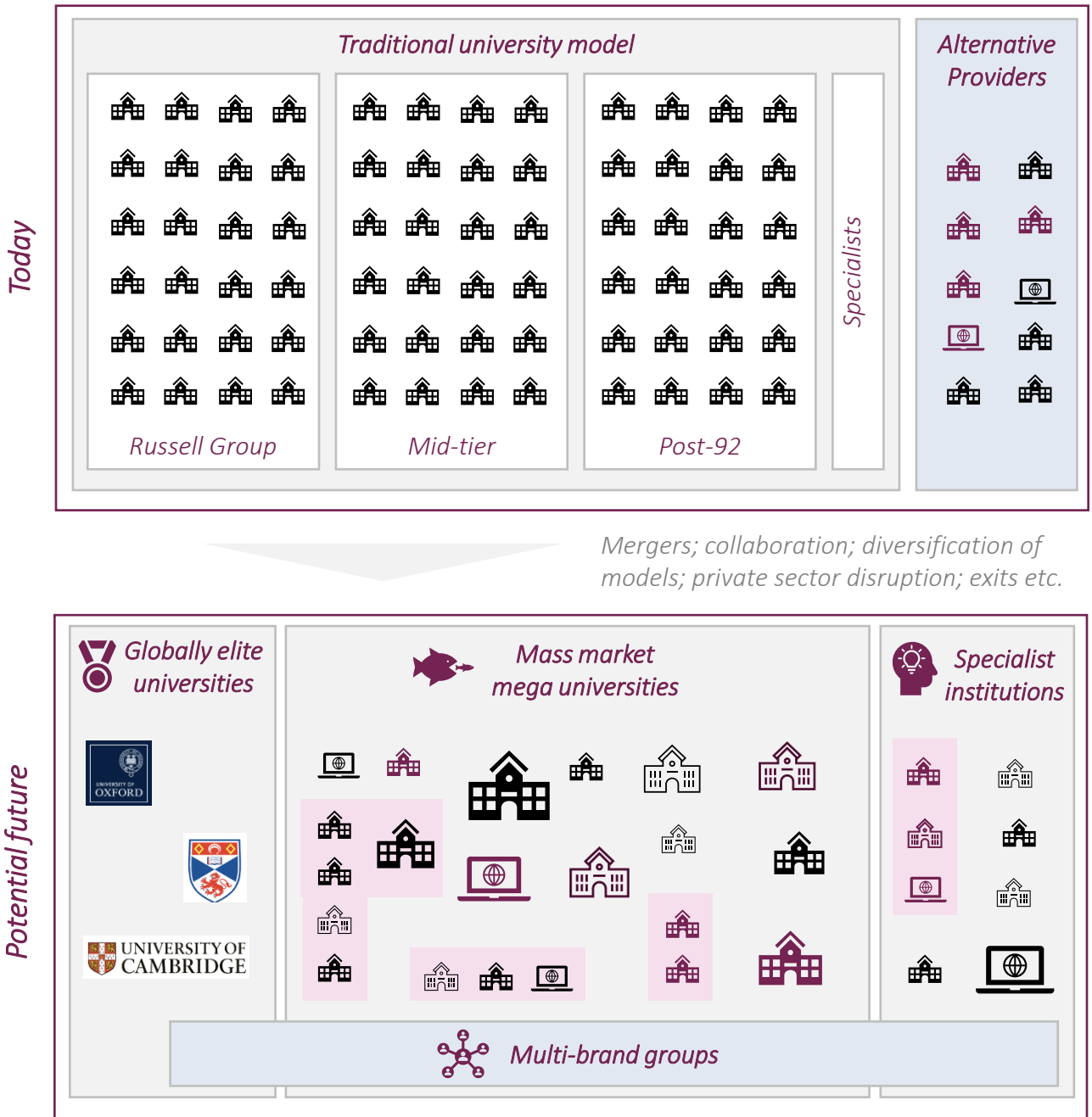


A vision of a potential future...

It is always difficult to predict the future, particularly in a sector that is exposed to Government policy, but if the current course is held, where might it lead us:



Change in the shape of the sector



Key: Black = Public Purple = Private = Face-to-face = Hybrid = Online
 = Group

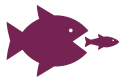


A small group of globally elite prestige brands

Globally elite prestige brands, such as Oxford, Cambridge and LSE, can continue to deliver a premium offer.

These will likely be a small group of universities competing globally for the highest academic achievers.

They will remain research intensive, and the power of their brands will allow them to continue to grow at home and potentially overseas, for example through branch campuses.



The emergence of mass-market mega-universities

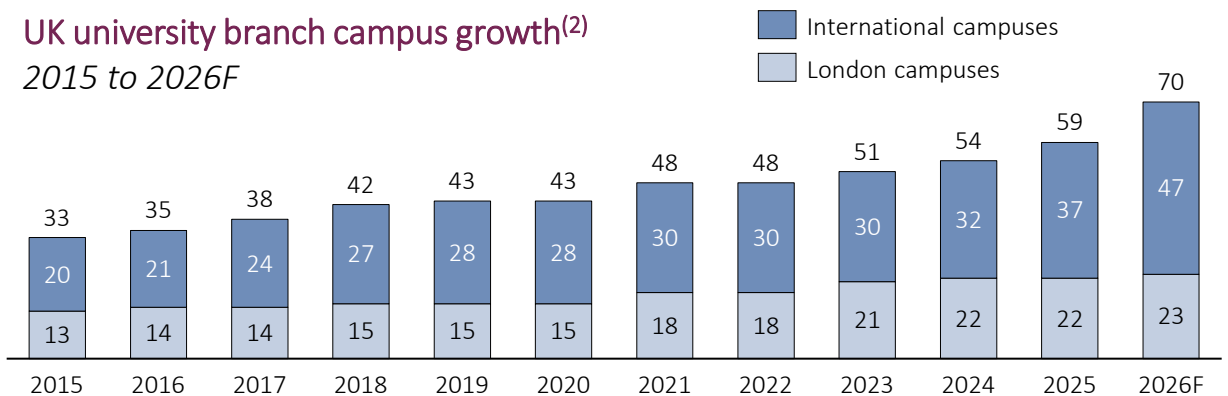
Large universities delivering high-quality education at scale, built through a mixture of organic growth, innovative collaboration and mergers.

Economies of scale provide financial stability with fixed costs diluted across larger volumes⁽¹⁾, and potentially across multiple campuses (possibly with different brands – see later), countries and channels.

A mix of models are utilised for geographic reach, for example shared campuses (e.g. 'Republic' in London), online provision, franchising and link-up with Further Education in the UK, expanded networks to drive in-bound international; and expansion of UK and overseas branch campuses (TNE).

UK university branch campus growth⁽²⁾

2015 to 2026F



Their scale enables them to invest in technology, further benefiting from economies of scale and enhancing their student proposition. Investment in scalable tech may allow private providers (for example BPP and Walbrook Institute) to continue to grow their share in this space.

(1) Including estates costs, tech. infrastructure and elements of back-office (2) Indicative – may not include all; excludes pathway colleges

Source: HESA (www.hesa.ac.uk), Cairneagle research and analysis

They may have a diverse offering catering to a wide variety of student profiles, with clear and compelling pathways. For example, they may augment the traditional model with lifelong learning, stackable short-course credentials, higher apprenticeships, etc..

And they may include international branch campuses of non-UK universities, for example US universities such as ASU.



Small, high-quality specialists

Specialists that enjoy leading positions and high numbers in their niche can command premiums on unregulated fees.

Providers that cannot achieve a critical mass of scale may be able to achieve financial sustainability by carving out niche positions in targeted specialisms (or through federations with other specialists). This requires focused strategies and institutional clarity on what they will, and more importantly will not, do.

Innovation from private providers may result in a range of differentiated models in this category, with BIMM being an example.

The success of specialisation is already bearing fruit, with institutions with a particular subject focus growing at more than twice the rate of generalists over between AY15 and AY24.





An increasingly disruptive (and successful) private sector

Private sector provision in UK higher education has been growing over the last 10 years with almost 5% of students now studying at a private institution.

Whilst in the mid-term at least, public universities will continue to dominate by volume, private providers' greater agility (and typically lower unit cost) mean they are usually able to innovate in a way that traditional universities cannot.

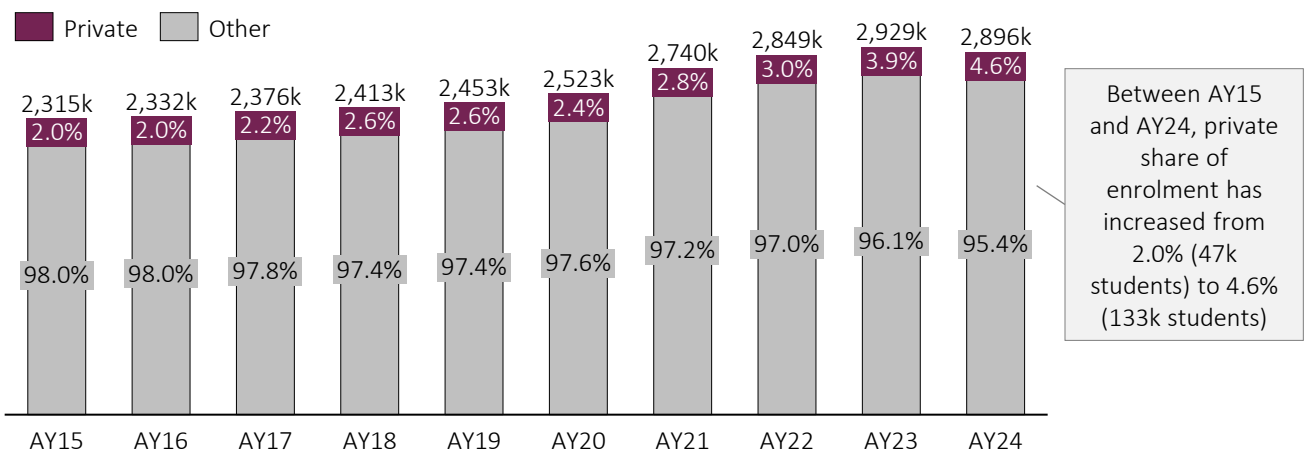
For example:

- **Arden** – part of the private group Global University Systems (GUS), with a blended approach leveraging technology. It grew by 41% per year from AY16 to AY24, benefiting from its focused offer. Brightstar Capital recently announced an agreement to acquire a 50% stake to 'supercharge digital innovation and accelerate international reach'.
- **BPP** - have grown a strong position in HE since getting Degree Awarding Powers in 2007⁽¹⁾, with 37k HE students in AY24. Investing heavily as a group to expand geographically, with a continued vocational focus.
- **IU Group** – PE-backed group recently entered the UK through investment in Walbrook Institute (formerly London Institute of Banking and Finance) with investment in AI-driven tools.

Given the sector remains interesting to investors, and on-going tech. disruption, private providers will likely play an increasingly disruptive role in UK HE in the years to come.

Private sector penetration in UK higher education by volume⁽²⁾

AY15 to AY24





The rise of the multi-brand university groups?

There are many reasons why multi-university groups are hard to achieve in the public sector, and many forms they could take, but financial necessity may make them a reality.

And why not?

Mergers are very much on the agenda - with City St George's being the first of scale in over a decade, and Greenwich and Kent recently announced - so why not take it a step further and build multi-brand groups?

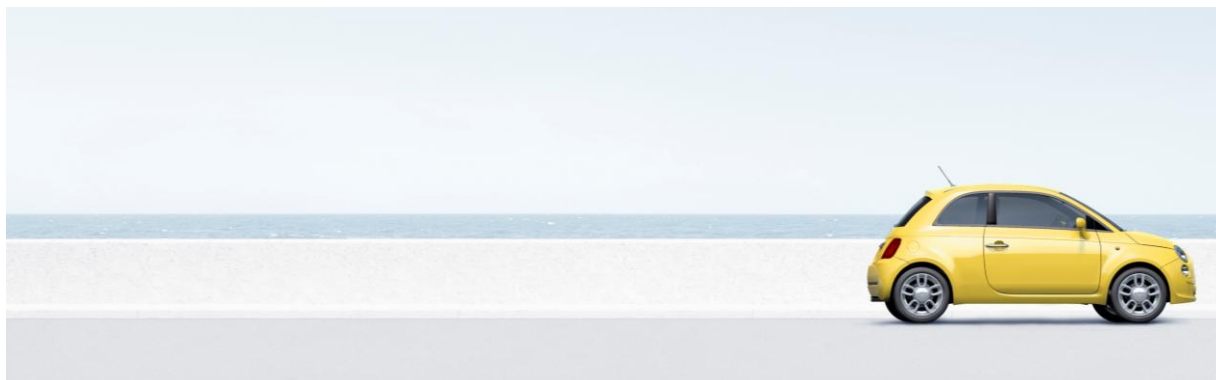
It can make a lot of sense given the overlap in common activities that are not associated with brand positioning or proposition differentiation (for example back-office across finance, admissions; systems; etc.); and the costs associated with multiple leadership teams across small institutions.

To some extent the private sector are starting to do this with the emergence of private groups such as GUS – which now has ULaw, Arden and Futurelearn - although there is more to do on realising benefits of scale across the group.

And there are clear analogies from other education sectors, for example:

- **Further Education** – for example, NCG which consists of 7 colleges across the country from Newcastle across to Lancashire and down to London.
- **Multi-Academy Trusts** - for example, United Learning Trust which consists of over 90 schools.
- **International school groups** – for example, Cognita, GEMS, Nord Anglia and ISP.





Perhaps a more interesting analogy is from outside of education altogether - the automotive industry. In the same way that the Volkswagen group includes VW, Skoda, Seat, Audi, Porsche, Lamborghini and Bentley and shares across them to reduce cost whilst catering to different parts of the market, why couldn't a university house multiple brands across Russell Group, mid-market, post-92 and specialist sector segments?

Or a '*Multi University Trust*' specialising in regional vocational universities (maybe also including some FE colleges)? Or a group of specialists all focused on, say, music? With one leadership team, common systems and processes but retaining clear and distinct propositions and brands that serve their target segments.

Less formal collaboration could also play an increasing role in helping institutions achieve financial sustainability.

For example, federated models could become more common and wide ranging, enabling universities to achieve the benefits of scale without giving up as much independence as mergers. These can take many forms, of varying degrees of collaboration, with the University of California (including Berkeley, Santa Barbara, UCLA, etc.) being an interesting example, as well as the University of London closer to home.

And the others?

But what about those who do not naturally fit into any of these categories?



Clarity of identity and strategy is a requirement

- Institutions that lack this will increasingly struggle – repositioning may be required. It is no longer good enough to be another generalist provider – differentiation is needed.



Strategic options are available, but action is required early

- It is unlikely that waiting and reacting will position institutions well against the changing sector backdrop.
- Early action provides more scope and options to re-position well.



Prioritisation (and de-prioritisation) decisions need to be made

- Clarity is required around strategic options and how they can be executed, backed up by robust analysis to help to identify the way forward (beyond broad vision statements – “we will be good at teaching and research”).
- Universities are historically good at deciding what they would like to be but can shy away from making difficult de-prioritisation decisions - detailed work is required to understand and justify difficult decisions.



External perspectives can add value

- External advisors provide fresh perspectives and can help to bring focus to strategy setting processes.
- At Cairneagle we work with our clients to help them develop winning strategies to navigate the increasingly fast pace of change in the sector.

At Cairneagle we have identified 25 financial sustainability options available to a university that provide a framework for us to work with university leaders to build winning strategies.

Please do get in touch if you want to discuss your strategy with us!

Either directly with the author or at info@cairneagle.com

Cairneagle in Higher Education

About the author

Ewan Robertson joined Cairneagle as a Principal in June 2025. Prior to that he led the Education Strategy business at KPMG, with a strong focus on Higher Education. Ewan has worked with over 25 institutions across public and private Higher Education, supporting universities with some of their most strategic challenges. His work was shortlisted as a finalist for ‘Strategy Project of the Year’ in the Management Consultancies Association awards in 2023.



About Cairneagle



Our Higher Education team

Cairneagle’s Higher Education team is led by Ian Koxvold, Fionnuala Duggan and Ewan Robertson.

Between us we have worked with over 50 universities on a range of strategic projects including international growth strategy.

We combine deep sector expertise with market-leading, evidence-based insight to help our clients answer their most challenging strategic questions.



Ian Koxvold
Partner



Fionnuala Duggan
Partner



Ewan Robertson
Principal

This article is part of a wider series of Thought Leadership articles, Higher Education 2040, that explores the future of UK higher education



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