Education. It's ours



Funding and Governing Higher Education in the Public Interest

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The UK university funding crisis is real, but more public money alone will not solve it. It is also an infrastructure and capital crisis driven by market-led expansion. How universities borrow, spend and are governed shapes who bears the risk: employers, employees, or the public. Opening institutional books to democratic scrutiny is a precondition for understanding what went wrong and designing a new funding model for higher education in the public interest.

Summary

Since the dissolution of the public block grant, UK universities have become increasingly dependent on student loans, international fees and competitive research funding. Public funding per student has fallen sharply in real terms, meaning the value of student fees are a third lower in real terms than a decade ago. Meanwhile research has always recovered well below its full cost. Universities have always been asked to cover the shortfall, forcing them to allocate thousands of academic and professional hours in grant competition, drawing in private finance, and conducting research assessments, often privileging short-term measurable outputs over longer-term public benefit.

Faced with declining public funding and growing competitive pressures, many universities expanded through borrowing, estate development and private partnerships, often based on assumptions of continued growth in student recruitment, particularly from overseas, to offset shortfalls in domestic income. These arrangements can ease immediate financial pressures, but they also create long-term liabilities and commercial dependencies that increasingly shape institutional priorities.

More funding is necessary, but not sufficient. We ask: where has the money gone? When universities cut jobs to protect operating surpluses, workers, students and local communities bear the costs, while those responsible for key financial decisions are rarely held accountable. Our analysis suggests that the current crisis cannot be explained by recruitment shortfalls, underfunding or borrowing costs alone. The deeper questions concern resource allocation, long-term financial commitments, governance and public accountability.

The brief requests a sector-wide audit of financial flows, commitments and governance arrangements, alongside reforms that strengthen transparency, democratic oversight and an education for the public good. Each audit area includes a question for UCU, recognising that meaningful change will require not only better information, but also the political will, organisational capacity and campaigning tools to help members and branches act.

Why this matters

The UCU ***Education. It's Ours*** campaign should mark a strategic pivot. We cannot limit ourselves to responding to redundancy rounds. We need a campaign that challenges the higher education funding model and seeks to reclaim democratic control over universities for workers and students.

Universities are under financial pressure, and any credible solution will require greater public investment. Yet, underfunding alone does not explain why institutions facing similar conditions have reached very different financial positions, nor why major decisions on borrowing, estates and commercial partnerships often receive limited scrutiny.

Over the past decade, many universities have become increasingly reliant on debt-financed expansion, international recruitment and long-term private partnerships. The crisis therefore reflects not only a shortage of funding, but also a model that increasingly socialises risk while privatising decision-making and rewards, concentrating financial risks within institutions while directing growing shares of income to lenders, contractors and commercial partners.

While recent scholarship has mapped the governance architecture of the marketised university (Burrell et al., 2024), we still lack a comparable account of its financial architecture. In the spirit of recent mobilisation within UCU membership to dispute the higher education funding model (Universities Rank and File Working Group, 2026), this brief calls for a forensic audit of capital flows, financial commitments and governance arrangements across the sector.

These questions are no longer hypothetical. As financial pressures intensify, some institutions may require additional public support, while others could avoid crisis through different financial and governance choices. In both cases, greater transparency, accountability, and change of the strategic direction are essential. Before more public money is committed, workers, students and the wider public deserve a clear understanding of how resources are allocated, how risks are managed, and who benefits from the financial arrangements that shape the sector.

Key statistic / message

More public funding is necessary, but not sufficient. Some institutions may require urgent public support to avoid financial failure. But for the survival of the sector as a public good, the key question is not simply how much money enters universities, but where it goes, who controls it, and who benefits. Any future financial strategy must be conditioned upon greater transparency, accountability and strategic reform of the financial arrangements that produced the crisis.

Evidence

To change this dynamic, our industrial and political strategy must look directly at institutional balance sheets, follow the money, and understand how public resources are distributed between education, research, public interest or private gain. Researchers such as Andrew McGettigan (2013) have long shown the value of scrutinising university finances, debt structures and contracts case by case. The next step is a sector-wide union strategy: following the money to understand how resources are allocated, who benefits, and what financial choices underpin claims that cuts and redundancies are inevitable. While official data already reveals many of the failures of the current funding models operating across the UK (OfS, 2026; FFSG, 2026), significant financial information remains difficult to scrutinise effectively. Although universities publish annual accounts, and recognised trade unions can receive further disclosures through statutory processes, these data are often fragmented, difficult to compare across institutions, and subject to restrictions on public dissemination. This shifts the central question from how much money enters the sector to how it is allocated, who is responsible for its distribution, and who should benefit.

UK universities are not simply public bodies. They operate under diverse legal and regulatory arrangements, most commonly as charities or exempt charities, with governance structures that vary across the four nations. Governing bodies, not only executive teams, carry responsibility for financial sustainability, borrowing and regulatory compliance. The latest Committee of University Chairs report on governance in England (2026), now the industry governance standard, omits trade union representation, while in Scotland for a decade now it is mandatory that trade unions nominate a member to represent them at university Court (Scottish Parliament, 2016). Debates about transparency and democratic governance must engage with these contradictory regional institutional arrangements and the unequal powers they confer.

More fundamentally, there remains a political question about what a democratic model of university governance should look like, and who should exercise authority within it. UCU faces an urgent historic opportunity to lead this debate alongside a campaign for a sustainable funding model: developing new strategies to secure legislative reforms that strengthen transparency, broaden participation in decision-making, and give workers, students and their representative bodies the capacity to scrutinise and challenge financial decisions made in their name.

Below, we set out what existing data already show across four key areas, and the questions a forensic audit should answer in each. We also indicate where UCU should take the lead.

1. The architecture of student fees, debt and cross-subsidisation

The collapse of direct public funding for undergraduate teaching is now well established. In England, teaching grants fell from 48% of undergraduate course and maintenance costs in 2012/13 to just 16% in 2024/25 (London Economics, 2026: 10; Universities UK, 2026). In Scotland, despite free tuition for Scottish students, public funding per student has fallen by 39% in real terms since 2014/15 (UCU Scotland, 2026: 4), while Scottish Funding Council grants now account for only around 27% of teaching income (FFSG, 2026: 23).

Publicly funded teaching runs at a loss: a £288m shortfall against full economic cost in Scotland (FFSG, 2026: 63) and a 10.8% deficit in England (Bolton and Lewis, 2026: 20). Universities increasingly rely on international student fees to cross-subsidise these losses. Across the UK, non-publicly funded teaching recovers around 140% of its costs (BUFDG, 2025: 32), while international fees accounted for 48.5% of teaching income in Scottish universities in 2023/24 (FFSG, 2026: 63). Yet even this does not close the gap. In Scotland, in the same period, a £440m surplus on non-publicly funded teaching (FFSG, 2026: 19) falls well short of the £288m teaching shortfall and the £580m research deficit combined, leaving a net gap of over £400m.

Often, such differences are made up through questionable partnerships with authoritarian regimes, like the University of Exeter's education provision deals with Saudi Arabia and Egypt, whose security forces are accused of murdering journalists (Weale, 2026) and foreign researchers (Ireland, 2026).

We need to get behind the headlines. Universities differ widely in their dependence on international fee income and in how surpluses are allocated between teaching, research, estates, debt obligations and reserves. The question is not simply whether international students generate enough income, but where that income goes and who benefits from it. While overreliance on international fees is a major risk (OfS, 2026), and a proposed international student levy is expected to cost hundreds of millions a year from the sector from 2028, growth in international recruitment can no longer be assumed. This makes greater scrutiny of financial priorities, governance and resource allocation more urgent than ever.

Questions for the audit:

- How much does each institution spend on recruitment agents, overseas commissions, marketing and branding?
- How is international fee income allocated between academic departments, central services and reserves?
- How are internal cross-subsidies between teaching, research, estates, student recruitment and central administration determined and reported?
- How much of each reported teaching deficit reflects direct teaching costs, and how much reflects internal charges set by the institution itself?
- What information on cross-subsidies and internal resource allocation is already available through institutional accounts, and what remains difficult to compare, aggregate and scrutinise across the sector?

Question for UCU: How can UCU branches, regions and national structures develop the capacity to collect, compare and share publicly evidence on international fee dependency, cross-subsidies and internal resource allocation across the sector?

2. Borrowing, estates and private finance

During the 2010s, UK universities took on substantial long-term liabilities to finance campus expansion through European Investment Bank (EIB) loans, private bonds and commercial borrowing. By 2016, 30 institutions had borrowed a combined £2.1bn from the EIB, while others increasingly turned to bond markets to fund major estate projects, ranging from £110m at De Montfort University 2012 to £750m at the University of Oxford in 2017 (Matthews, 2018; Pinsent Masons, 2016). These arrangements often carry financial covenants requiring universities to maintain specified cash, income and liquidity ratios, giving lenders significant influence over institutional decision-making (BUFDG, 2025). Estate expansion has also created substantial ongoing liabilities. Scottish institutions alone report a maintenance backlog exceeding £1.1bn and projected decarbonisation costs of £645m (FFSG, 2026: 9). These costs illustrate that the long-term consequences of estate expansion extend beyond borrowing itself and include substantial maintenance, energy and environmental liabilities.

We analysed 2024/25 HESA/OfS (2026) finance data for 298 UK providers to assess the role of borrowing in the current crisis. Interest and finance costs totalled £573m, just 1.1% of sector expenditure, down from 2.3% in 2015/16. Among the 113 providers in deficit, removing all finance costs would have eliminated the deficit in only 11 cases. Debt burdens were concentrated in a small number of institutions, including Robert Gordon (9.5% of expenditure), Northampton (6.0%) and Aberystwyth (4.7%). By contrast, several universities with some of the largest deficits, including Staffordshire, Coventry, Cardiff and Queen's University Belfast, had relatively low finance costs. This suggests that borrowing costs alone cannot explain the financial difficulties facing the sector.

However, interest costs tell only part of the story. The impact of borrowing also depends on loan repayment schedules, covenant requirements and other long-term liabilities. Much of the borrowing undertaken during the expansionary period of the 2010s was structured so that more substantial repayment obligations will fall due over the coming decade. Understanding institutional vulnerability therefore requires looking beyond annual interest payments to the wider financial commitments universities have taken on, including leases, service-concession arrangements and other long-term obligations. While much of this information is disclosed in published accounts, it is rarely examined systematically across the sector or connected to wider questions of governance, restructuring and institutional strategy.

Questions for the audit:

- What major long-term financial commitments have institutions entered into, including debt repayments, loan and bond conditions, lease and accommodation commitments, and service-concession, PPP/PFI and other partnership contracts; when do these obligations fall due, and how do they constrain future institutional choices?
- What do partnership contracts for accommodation, IT and other services commit each institution to, what do private partners receive, and who carries the risk if income falls short?

- How close is each institution to its covenant limits, and how have lending conditions shaped strategic, financial and staffing decisions?
- How much maintenance on teaching and research buildings has been deferred while new commercial or prestige projects went ahead?
- Which estate projects can show a clear benefit to students, staff and local communities?

Question to UCU: How can UCU build the capacity to analyse borrowing, covenant restrictions, estate liabilities and long-term contractual commitments across the sector, while mobilising members, branches and allies to win greater transparency, democratic scrutiny and accountability for the financial decisions driving restructuring, redundancy and institutional change?

3. Research potential and transparency

Research is structurally underfunded. UK-wide, research recovers only 68.4% of its full economic cost, leaving a £4.61bn deficit that must be funded from somewhere (BUFDG, 2025: 32); in Scotland, recovery is 72%, creating a funding gap of around £580m (FFSG, 2026: 9). The House of Commons Education Committee (2026) has called on government to fund research at 80% of full economic cost and review the long-term sustainability of the system, but that would still leave 20% to be covered from elsewhere. With student fee income declining as well, research staff are pressed into securing ever larger grants from a stagnant pool, both in real terms and proportionally. Competitive bidding with low success rates consumes substantial academic and professional time, diverting resources to increasing proportion to income generation and output assessment (FFSG, 2026: 59). Quality-related block funding remains concentrated in a small number of research-intensive institutions (New JNCHES, 2011), while knowledge-exchange funding is increasingly oriented towards commercialisation, often with defence and surveillance companies (UCU Scotland, 2026: 33-34).

However, aggregate funding deficits reveal little about how research income is distributed and used within institutions. Research grants attract overheads and indirect cost recoveries, but universities differ considerably in how research activity is cross-subsidised, centrally managed and linked to wider institutional strategies. Understanding research sustainability therefore requires attention not only to the volume of funding entering the sector, but also to the mechanisms through which it is allocated. These mechanisms are not neutral: competitive grant funding and performance-driven allocation systems shape workloads, institutional priorities and inequalities across the sector, raising questions about who benefits from public investment in research and under what conditions, driving inequalities and questionable decision-making.

Questions for the audit:

- How much staff time goes into unsuccessful grant applications and REF compliance, and what does it cost to departments and the wider institution?
- When research grants and quality-related funding bring income into an institution, how much reaches departments and researchers, and how much is retained centrally?

- How are overheads, indirect costs and quality-related research funding allocated within institutions, and what principles govern these decisions?

- When public money supports spin-outs, PPPs and joint ventures, how much value returns to the institution, its staff and local communities?

Question for UCU: How can UCU build a sector-wide campaign against research funding arrangements that rely on costly competition, intensify inequalities between institutions, and divert resources away from research, teaching and public engagement?

4. Governance and the workforce

Decisions on borrowing, capital investment, restructuring and course closures are often taken by small executive teams, with senates and staff and student representatives consulted only after key choices have been made (UCU Scotland, 2026: 8). However, formal responsibility for these decisions is shared across governing bodies, executive management and regulatory frameworks, raising important questions about where accountability ultimately lies and how scrutiny is exercised. The University of Dundee shows what can happen. The independent Gillies investigation found poor financial judgement and a growth strategy pursued despite mounting warning signs, including falling overseas postgraduate recruitment (Gillies, 2025). It also identified failures of scrutiny, challenge and oversight across multiple levels of governance. Although the report concluded that the primary causes were largely specific to Dundee, and it was the only one of Scotland's universities to experience such a collapse, the case raises wider questions about how financial risks are identified, communicated and acted upon by trade unions, student bodies, executive teams, governing bodies, auditors and regulators across the sector. The weaknesses it exposed are not unique to Dundee and concern the institutional capacity to challenge strategic decisions before, rather than after, crises emerge.

Pressure on the workforce follows. To meet operating surplus targets, a growing share of teaching is delivered by staff on hourly paid and other insecure contracts (Megoran and Mason, 2020: 6), and some universities have moved teaching into subsidiary companies outside national bargaining (UCU, 2016; Smythe, 2025). This weakens institutional capacity, workforce oversight, and erodes the organisational knowledge on which teaching, research and local economies depend.

Questions for the audit:

- What financial information is unavailable to staff, students, senates and unions, and why?

- How are major decisions on borrowing, investment, restructuring and redundancies made, and who scrutinises them?

- Do governing bodies adequately represent staff, students and local communities, and how can their decisions be challenged?

- To what extent do universities rely on insecure employment, subsidiaries and outsourced arrangements, and on what terms?

- What evidence is used to justify restructuring, course closures and redundancies, and how is it tested?

Question for UCU: How can UCU equip branches and members to understand and challenge institutional financial decisions, share intelligence on governance and workforce restructuring across the sector, and campaign for greater transparency, democratic accountability and meaningful participation in university decision-making?

UCU's Position & Recommendations

Higher education is a public good, funded largely through public investment and student debt. Yet when financial strategies fail, staff and students are left to pay through redundancies, casualisation and course closures. This is not simply a funding crisis, but a crisis of governance, accountability and democratic oversight. UCU rejects the idea that university communities should bear the costs of decisions they did not make and cannot challenge.

UCU will continue to resist redundancies, defend national bargaining and protect casualised staff. But resistance is not enough. We need a programme to reshape how higher education is funded and governed. We call for:

1. Opening the books. Standardised disclosure of institutional finances, including cross-subsidies, marketing and recruitment expenditure, borrowing and covenant terms, partnership contracts, and sector-wide reporting of capital flows.

2. No cuts without scrutiny. No restructuring, course closure or redundancy programme should proceed without financial disclosure, independent union scrutiny and meaningful democratic debate, including wider local stakeholders.

3. Democratic governance. Strong elected representation for staff, students and trade unions on governing bodies; senates with real authority; and effective oversight of borrowing, capital spending and restructuring.

4. Sustainable research and teaching. Public funding that moves towards the full economic cost of teaching and research, reduces reliance on hyper-competitive bidding and costly assessment exercises, and supports long-term educational and research capacity.

5. Fair work. Public funding and access to student-loan income should be conditional on national agreements, fair employment standards and an end to the use of subsidiary companies and insecure contracts to circumvent collective bargaining.

6. Public-interest controls on capital investment. New borrowing, partnership contracts and major capital projects should meet transparency requirements and demonstrate clear benefits for education, research and local communities.

Devolution impact

While funding and regulatory structures for governance oversight differ across the four nations, all operate within a common marketised model that exposes universities to financial and competitive pressures:

- **England:** The sector is regulated for its student 'consumers' by the Office for Students. Unlike in Scotland, recognised trade unions are not mandated to have seats on university Council. The system relies heavily on graduate debt following the erosion of direct public support for teaching, leaving institutions exposed to domestic competition and fluctuations in international student recruitment.

- **Scotland:** Free tuition for Scottish undergraduates has been accompanied by sustained pressure on per-student funding. With domestic places capped, universities have become increasingly reliant on international fee income to balance their budgets.

- **Wales:** Overseen by Medr, the Commission for Tertiary Education and Research, Welsh institutions operate within a hybrid fee-and-grant system while facing many of the same financial pressures seen elsewhere in the UK.

- **Northern Ireland:** Administered by the Department for the Economy, a combination of constrained public funding and limits on student numbers has generated persistent financial pressures and encouraged outward student migration.

Despite these differences, all four nations share common vulnerabilities: chronic research underfunding, exposure to UK-wide visa policy, and, in some institutions, the growing weight of borrowing, estate commitments and long-term commercial contracts. Across the UK, universities are pushed to compete for students, funding and market share, even though the long-term sustainability of higher education depends on coordination and planning rather than perpetual competition. Meanwhile, the distinct legal, regulatory and governance arrangements operating across the four nations create different opportunities for intervention, oversight and transformation.

Devolution also provides important levers for change. Governments can attach Fair Work and transparency conditions to public funding, including requirements for greater financial disclosure and scrutiny, as is partly the case in Scotland. They could also strengthen elected workers and student representation in university governance and move funding closer to the full economic cost of teaching and research. These powers are not identical across the four nations, but they provide locally strategic opportunities to test alternative approaches to funding, transparency and democratic accountability.

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Get involved
Fight back!
Join UCU!

Become an active rep!

Reject inter-university competition.

Build solidarity with students and campus unions.

Pass a branch motion demanding full public disclosure of loan covenants, private developer contracts, and subsidiaries.

Demand MPs legislate for democratic governance with elected staff-student majorities, attach binding Fair Work conditionality to all public funding, and restore direct public block grants.

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