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Debate

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A degree of regulation: Building a more financially sustainable and resilient higher education sector

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About the author

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Executive summary

There is so much good work being done by so many higher education providers and academics to deliver a great experience to their students, yet this report outlines a range of evidence showing that some providers have taken too many risks, ignored students' interests and damaged the reputation of the sector by pursuing extra tuition fee income above all else.

Given the pivotal role of higher education in our society and economy, it is legitimate for the Government to set new boundaries that aim to curtail excessive risk-taking while leaving the autonomy of many providers largely (if not entirely) intact. Consequently, this report describes a 'toolkit' of eight measures that the Government could implement to create a more financially sustainable and resilient higher education landscape in England. These measures, which could be introduced separately or as a full package, aim to put the interests of the sector and students above the interests of individual providers.

Protecting society's interests

1. **Constraining provider growth:** providers would be limited to 5 per cent annual growth in student numbers.

2. **Reducing the reliance on international students:** the International Student Levy should only be charged on fees above the maximum tuition fee loan for domestic undergraduates and postgraduates.

3. **Restrictions on franchising arrangements:** providers would require government approval for any franchising deal (including existing ones) and providers should be capped at receiving no more than 20 per cent of their income from franchising.

4. **Financial buffers to protect against losses:** providers would be required to hold 'capital buffers', adhere to limits on debt levels and meet minimum liquidity requirements, as well as being subject to 'stress tests' to assess their financial resilience.

Protecting students' interests

5. **A 'teaching resource cap' on the number of undergraduates that can be recruited:** providers would be barred from accepting more undergraduates than they are able to support in terms of their overall teaching capacity.

6. **Ensuring providers have enough space for the students they enrol:** providers would be made responsible for ensuring that any student who requires accommodation can secure a suitable living space within a very short travel distance of their place of learning, and every student on a course can be seated within a single venue (for example, a lecture hall) regardless of the course size.

7. **Transparency over the maximum number of students on every course:** at the start of each application cycle, providers would be required to publish (and subsequently adhere to) the maximum number of students they will admit onto each course.

8. **Standardised degree classifications for providers:** all providers would be limited to awarding 15 per cent of classifications as a 'First', 35 per cent of classifications as an 'Upper Second', 35 per cent as a 'Lower Second' and 15 per cent as a 'Third'.

Introduction

> *For the state itself, higher education has become a crucial asset. It must recognise what it will gain from ensuring the wellbeing of higher education. In return, as it has done in the past, higher education as a whole must recognise its obligation to society as a whole.*[1]

Ron Dearing's landmark report on higher education ('the Dearing Report'), published shortly after the 1997 General Election, is perhaps best known for laying the groundwork for the incoming Labour Government's decision to introduce tuition fees in 1998 (albeit not initially in the way that Dearing had envisaged). Even so, the Dearing Report looked far beyond funding matters as it set out a 20-year vision to build a 'learning society', proclaiming that 'at the heart of our vision of higher education is the free-standing institution, which offers teaching to the highest level in an environment of scholarship and independent enquiry'.[2]

This notion of higher education providers, especially universities, acting as autonomous institutions is still very much in evidence today. However, the Dearing Report stressed this position as free-standing institutions did not mean that providers should think of themselves in isolation from the society in which they operate, not least because 'collectively and individually, these institutions are becoming ever more central to the economic wellbeing of the nation, localities and individuals'. It was these sorts of observations that led Dearing to talk of a 'compact' between providers and the state, in which both parties recognise each other's value as well as the importance of the relationship between them – as seen in the opening quotation. Judging by some media headlines in recent years, Dearing's 'compact' is close to breaking down. Nowhere is this frayed relationship more evident than in the financial challenges facing higher education providers.

In May 2025, the Office for Students (OfS) – the regulator of higher education in England – published its latest report on the financial sustainability of providers.

The findings painted a bleak picture:

- ‘We are seeing the third consecutive annual decline in the sector’s finances’;
- ‘[S]ignificantly more providers than before reported an income and expenditure deficit’;
- ‘The outlook for 2024-25 has deteriorated since last year’s forecasts’;
- ‘[T]he sector reported a decline in surplus, operating cash flow and net liquidity’; and
- ‘[T]he sector’s cash holding fell by 9.8 per cent [from 2022-23 to 2023-24]’.[3]

The OfS’ most recent annual report – published in July 2025 – added that five providers are currently required to comply with a ‘Student Protection Direction’, meaning that ‘the OfS reasonably considers there to be a material risk that a provider may fully or substantially cease the provision of higher education’. A further 71 providers are subject to ‘formal monitoring’.[4]

Against this gloomy backdrop, it is important to note that the OfS has a surprisingly limited role in ensuring that institutions do not collapse. The regulator has ‘a statutory duty to monitor the financial sustainability of registered higher education providers in England, yet ‘monitoring’ falls a long way short of preventing or addressing any problems.[5] The reason for this constrained role is that, although 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)’, the OfS insists that ‘the responsibility for financial sustainability, including the management of financial risks, rests clearly and unambiguously with the providers themselves’.[6] In short, the OfS does not have the legal power or authority to prevent institutions from heading towards a financial collapse, even if they can see it happening. Although the OfS has carried out more monitoring activities and assessments of individual providers since the 2024 General Election, the regulator is currently unable to take the lead in building a sustainable and resilient sector.[7]

From the sector's perspective, the solution to their financial woes is straightforward. A recent report from Universities UK claimed that 'universities lose money teaching UK students – and that deficit has grown year on year', and 'we have to halt that'. The report added that 'if investment in teaching students had kept up with inflation, funding per student would be in the region of £12,000 to £13,000'.[8] Nevertheless, save for small increases in the tuition fee cap in line with inflation – which the Government's *Post 16 education and skills white paper* (published in October 2025) said will also apply in 2026/27 and 2027/28 – tuition fees have remained virtually static for over a decade.[9] This suggests that the Government, like its predecessor, is unwilling to invest in the higher education sector to promote its sustainability, nor does it appear willing to directly intervene from a policy or regulatory perspective. For example, the Government has repeatedly cited its intention to design some form of insolvency regime in case a provider collapses and their students need to find a new home for their studies, but the Post-16 white paper had nothing to say on this matter.[10]

It is reasonable to assume that both the sector and government ministers are keen to avoid the collapse of higher education providers, particularly universities. In 2024, Lord Willetts, a former Conservative Universities Minister, said that 'there's genuine anxiety in government about universities going bust', adding that 'nobody wishes to face that crisis'.[11] Nevertheless, in our system of autonomous providers, ministers and the OfS have limited levers with which to address any concerns about the financial sustainability of individual institutions, let alone prevent similar problems occurring in future. Moreover, the Government is known to be nervous about the possible reclassification of universities as public sector organisations should ministers intervene in their financial affairs, not least because of the risk that the debts held by universities may end up appearing in the public accounts.[12] At the same time, while many providers remain absolutely committed to helping their students achieve the best possible outcomes, the actions of some providers risk undermining both the sector's reputation (thus reducing the chances of ministers supporting higher education more broadly) and the sustainability of some institutions.

Consequently, this report starts from the same premise as the Dearing Report's 'compact' almost 30 years ago: government needs to accept its role in ensuring that the sector is sustainable and resilient given the importance of higher education as a national asset, while the sector needs to accept that its collective actions must work in the best interests of society even if individual institutions prioritise their own interests. To this end, this report will describe a 'toolkit' of interventions that government ministers could enact, via the Department for Education (DfE) or the OfS, to create a more sustainable sector. It is unlikely these interventions will be universally welcomed by providers, but the alternative – continuing to allow some autonomous providers to act in a way that can threaten their own sustainability and resilience while pushing other institutions towards financial ruin – is surely far worse for everyone concerned.

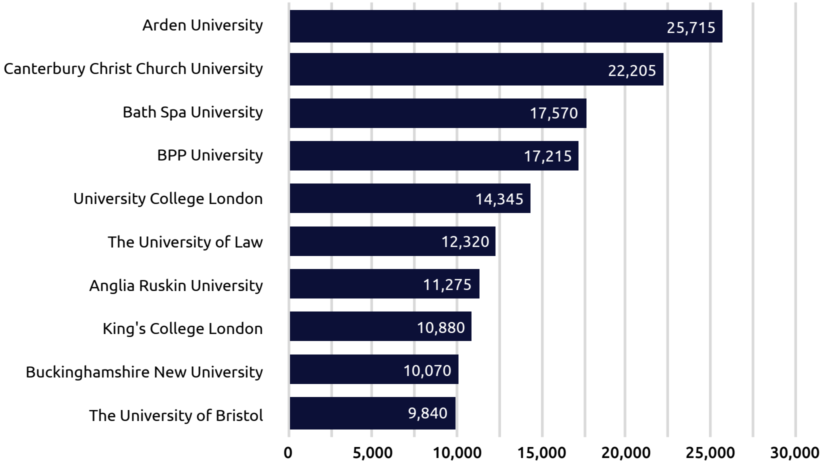
These eight new measures – which could be implemented individually or as a full package, and are sometimes variations on the same theme – are broken into two sections to reflect the two legitimate cases for such interventions: first, measures that government could take to protect society's interests; and second, measures that government could take to protect students' interests. All the interventions are intended to strike a new balance between the autonomy of providers on the one hand and the interests of both society and the state on the other, with the aim of eliminating the most damaging behaviours now visible in the higher education sector while leaving as many providers as possible unaffected.

Protecting society's interests

Option 1: Constraining provider growth

Before 2015, higher education institutions were capped at the previous year's enrolment plus or minus 5 per cent, with fines given to institutions that over-recruited.[13] Following the removal of 'student number controls' in 2015/16, the higher education sector has undergone a dramatic transformation.

Figure 1: The 10 fastest growing higher education providers between 2015/16 and 2024/25 based on the number of additional FTE students



Source: Higher Education Statistics Agency, 'Who's studying in HE?: Student numbers', 2026 https://www.hesa.ac.uk/data-and-analysis/students/whos-in-he/numbers. Only providers with 500 or more students in 2015/16 were included in this analysis. This analysis also excluded students in franchised providers being educated through subcontracting arrangements.

As Figure 1 shows, many providers have expanded by thousands upon thousands of students since the removal of number controls. Some of these fast-growing institutions were large to begin with, such as University College London, whereas others have swelled by huge margins in percentage terms. For example, BPP University saw its student numbers increase by 421 per cent from 2015/16 to

2024/25, the University of Law increased by 1,811 per cent and Arden University increased by 3,217 per cent. Meanwhile, Regent College London, a smaller provider, expanded by 1,408 per cent (from 510 to 7,180 students). Canterbury Christ Church University appears to have achieved its stunning growth from 12,450 to 34,655 students (+278 per cent) through franchising partnerships, as did Buckinghamshire New University and Bath Spa University (franchising is discussed in more detail later in this report).

In the absence of student number controls, these providers have not broken any rules. Nonetheless, there has been growing disquiet about this unchecked growth. For example, although the previous Conservative Government shied away from re-imposing a national cap on student numbers, the review of post-18 education by Philip Augar in 2019 suggested that, for courses with persistent evidence of poor value, 'the OfS would have the regulatory authority to place a limit, for a fixed period, on the numbers eligible for financial support who could be admitted to the course'.[14] This is not dissimilar to the current Government's proposal in their Post-16 white paper to 'legislate to ensure the Office for Students is able to impose recruitment limits where growth risks poor quality'.[15]

Furthermore, during the pandemic the then Conservative Government proposed introducing student number controls to prevent universities 'taking a recruitment approach which would go against the interests of students and the sector as a whole'. This was in response to concerns that some providers were adopting admissions practices that 'risked destabilising the admissions system' (for example, increasing their use of unconditional offers) to recruit a greater share of domestic students, which in turn would have placed 'some providers at risk of significant financial strain'. As a result, higher education providers in England were going to have their student intake capped at their forecast growth plus 5 per cent, although the proposal was not subsequently implemented.[16]

If ministers wish to promote sustainability without resorting to student number caps, a simple approach would be to give the OfS the legal power to limit the growth of undergraduate and postgraduate provision at higher education providers to 5 per cent a year (the pre-2015 limit), including any students recruited through franchising arrangements. Any growth beyond that limit would incur stiff financial penalties. The percentage growth limit could potentially be more flexible for smaller providers (perhaps up to 10 per cent growth for providers with fewer than 500 students) without undermining the overall goal. This approach would not 'cap' the size of providers or the higher education sector because some growth is still permitted, but it would significantly reduce the risk of a provider putting itself under financial strain by prioritising rapid growth over sustainability.

Option 2: Reducing the reliance on international students

The Post-16 white paper warned that 'providers must ensure that their recruitment practices are sustainable […] and that they are not materially at risk from volatile overseas markets'. The evidence suggests this will be easier said than done.

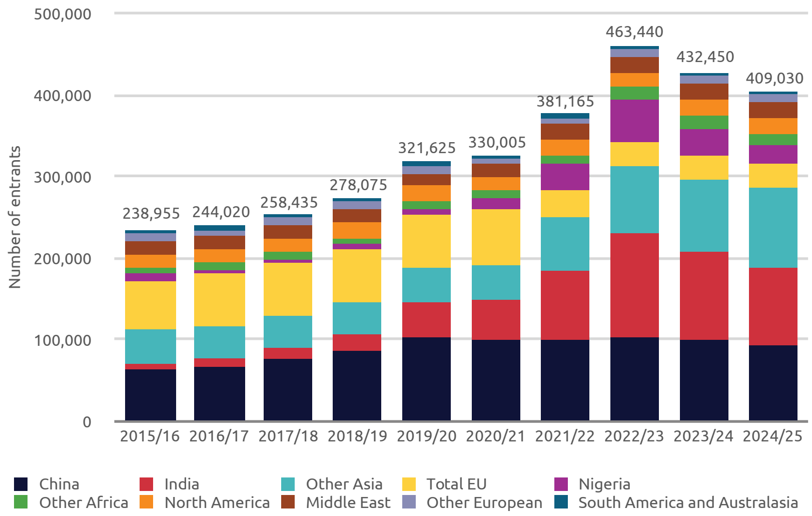
In 2022, a report from the Public Accounts Committee in Parliament stated that:

> *We are concerned that the financial sustainability of some providers is being put at risk by their heavy dependence on their ability to continue growing overseas student numbers.*[17]

Figure 2 shows why the Committee was so concerned. In 2015/16, around 239,000 international students enrolled in higher education courses in the UK – largely unchanged since 2010. The number of international students then almost doubled up to 2022/23 before falling back slightly.

This growth has been driven predominantly by students from China and India, alongside Nigeria, as well as other Asian countries such as Pakistan. In 2024/25, 10 universities accepted at least 5,000 students from China. Moreover, five universities accepted at least 5,000 from India, with BPP University recruiting 11,995. It is no wonder that various commentators, including academics and students, have frequently complained that providers use international students as 'cash cows' due to the absence of any limits on the fees they can be charged. Undergraduate fees for international students have already reached as much as £38,000 a year while postgraduate fees have hit £30,000.[18]

Figure 2: The number of higher education entrants who live outside the UK



Source: Higher Education Statistics Agency, 'Where do HE students come from?' https://www.hesa.ac.uk/data-and-analysis/students/where-from

As the Post-16 white paper noted, the volatility in international student recruitment is just as significant as the absolute number of students. The OfS's 2025 report on financial sustainability observed that the outlook had deteriorated 'largely due to an expected reduction of 21 per cent in new international student entrants compared with last year's forecasts'. Remarkably, despite this sharp reversal, providers were still claiming that their overall finances would strengthen over the next few years due to a predicted increase of 24 per cent in tuition fee income by 2027/28 – over 60 per cent of which was apparently going to come from international students. One can hardly blame the OfS for being sceptical of such predictions and they were 'concerned that this expected recovery is based on overly ambitious figures', adding that any financial recovery in the sector 'could be slower, or even reversed, if these recruitment assumptions are not met'.[19]

Many providers continue to insist they use international student fees to cross-subsidise much of the rest of their provision. Even so, there is a strong case for discouraging providers from putting their resilience at risk by relying too heavily on international students and leaving themselves overly exposed to volatility in international recruitment. This can be achieved by changing the configuration of the upcoming 'International Student Levy'.

In the Autumn Budget of November 2025, the Government confirmed plans to introduce an International Student Levy of £925 per student per year starting in 2028/29. The Government claimed that the funds raised by the levy would, among other things, support the reintroduction of targeted maintenance grants.[20] This flat-rate levy is a rejection of the previously mooted model of a percentage charge on fees, yet a flat-rate levy is much more favourable towards providers that treat international students as 'cash cows' by recruiting more of them and by charging them higher fees. Encouraging such behaviour will do nothing to improve the financial resilience of the sector in the face of volatile recruitment patterns.

To dissuade providers from overly relying on international students, the Government should switch to a percentage-based levy that only applies to fees charged over and above the loan cap for tuition fees to domestic students (£9,535 for undergraduate courses, £12,858 for Master's degrees and £30,301 for doctoral degrees at the time of writing). For example, international students enrolling on an undergraduate degree would pay no levy on fees of £9,535 or below, but the levy could be set at, say, 10 per cent of any fees charged between £9,535 and £12,000, 20 per cent of any fees from £12,000 to £14,500, 30 per cent of any fees from £14,500 to £17,000 and so on. The same principle would be applied to all postgraduate courses charging fees above the student loan limit for domestic students.

Through careful modelling, this new levy could be designed in a cost-neutral way relative to the Government's proposed flat-rate levy – thereby helping to improve its political palatability, while also rewarding those providers charging international students similar fees to domestic students. In addition, there would be a strong case for placing a greater 'risk weighting' on the proportion of international students enrolled by each provider when calculating an institution's capital buffers, as described in Option 1. In other words, providers that recruit more international students would be forced to set aside more capital than providers that focus mostly on domestic students, to reflect the additional risks they have taken on.

Option 3: Restrictions on franchising arrangements

A situation in which higher education provision is subcontracted by one provider (lead partner) to another (delivery partner) is typically referred to as 'franchising'. The lead partner registers those students studying at their delivery / franchise partner(s), which allows the students to apply for student loan funding. The Student Loans Company pays lead providers the tuition fees for all students at franchised providers, with the lead provider then sharing the fees with the franchised providers. At present, delivery partners are not required to be registered as a higher education provider with the OfS for their students to access the student loan system.

In 2025, Education Secretary Bridget Phillipson noted that 'franchising can be a valuable tool to widen access to higher education', citing the example of London South Bank University partnering with some of the city's top NHS trusts to help students studying midwifery and other front-line services.[21] The Government also accepted that 'good quality franchising' can help with 'reaching areas under-served by other providers and tailoring delivery models to meet diverse needs'.[22] However, a National Audit Office report in 2024 outlined a range of serious weaknesses in the oversight of franchised provision. Although the number of students enrolled at franchised providers (108,600 students) was only 4.7 per cent of the total student population in 2021/22, it had more than doubled in the previous three years. Almost 60 per cent of these students had enrolled on Business and Management related courses.

Despite this startling growth, almost two thirds of franchised providers were not registered with the OfS – creating a huge regulatory blindspot. In 2022/23, 53 per cent of the £4.1 million of fraud detected by the Student Loans Company was at franchised providers. Some providers were using agents or paying cash bonuses to persuade students to sign up to courses, but the Department for Education, Student Loans Company and the Office for Students did not even know the extent to which lead or franchised providers used agents or financial incentives (which are not prohibited or regulated in any case).[23]

The growth in students and profits at franchised providers has not gone unnoticed. For example, Global Banking School Limited saw its franchised student numbers increase from 2,140 in 2019/20 to 32,110 in 2023/24.[24] Independent analysis has shown that several larger franchised providers are operating with profit margins of around 30 to 50 per cent.[25] The financial benefits of franchising to the lead partner are also an important factor. The National Audit Office found that 114 providers had franchising contracts in place.[26] Lead providers were retaining between 12.5 and 30 per cent of tuition fee payments, which the OfS described as 'quite shocking'.[27] Such is the financial lure for providers, several universities – including Canterbury Christ Church University, Buckinghamshire New University and Bath Spa University, all mentioned earlier in this report in relation to their dramatic recent growth – have the majority of their undergraduate students being taught in franchised providers rather than at the university itself.[28]

An inquiry into franchised provision by the Public Accounts Committee, published in April 2024, pointed out that 'with franchised providers also taking profits, a significant proportion of student funding may not be spent on giving students the best possible university experience and better educational outcomes'. The Post-16 white paper was even more robust, stating that the Government had 'seen many providers using franchise arrangements as a way of bringing in income without assuring quality, damaging the reputation of the sector through poor-quality provision to students who may not meet basic entry requirements'.[29] Figures published in January 2025 showed that the number of students at franchised providers had jumped again to 135,850 by 2022/23 (5.7 per cent of all higher education students), with over 80,000 of those students attending a franchised provider that was not registered with the OfS.[30] In December 2025, Ministers confirmed their plan to 'crack down' on franchised provision, with franchise partners educating over 300 students required to register with the OfS or face being cut off from accessing student loan funding in 2028/29.[31]

This combination of good and bad outcomes within franchising presents a policy dilemma. If franchising were banned outright, then some effective and valuable partnerships would be lost, but the powerful financial incentives that underpin franchising (for the lead partner and delivery partner) have led to too many unintended and undesirable consequences. Requiring more franchised providers to register with the OfS may prevent some abuses of the current model, but a more direct approach is required to stamp out any bad actors. This report puts forward two mechanisms aimed at redrawing the line between acceptable and unacceptable uses of franchising – one of which emanates from the apprenticeships sector and the other comes from the further education sector.

Apprenticeships

In advance of the introduction of the Apprenticeship Levy in April 2017, the Register of Apprenticeship Training Providers (RoATP) grew at an astounding rate, reaching around 2,500 providers – almost triple the number when the Levy was first announced in 2015. Seemingly endless scandals followed as many unsuitable (and occasionally fraudulent) providers were discovered, with just 58 per cent of new providers inspected by Ofsted judged to be 'Good' or 'Outstanding'.[32]

The Department for Education closed the RoATP to new entrants in 2020 and it has never fully reopened.[33] That said, two exceptions have been made to this closure – one of which is that an employer can ask the DfE to allow a training provider to join the now-renamed Apprenticeship Provider and Assessment Register if the employer has identified 'gaps in provision' (there is no training available for the skill that the employer needs and the existing training providers are unable to deliver the required training).[34] The Government is therefore willing to allow provision to expand if a clear evidence-based need is identified.

This report proposes that the same principle should be applied to franchising. All franchising would be banned unless the Department for Education and / or the Office for Students approves an application from a higher education provider to use such an arrangement. The application would need to include sufficient information for the Government to make a decision (for example, degree or course title; a clear description of the 'need' and intended benefits; the likely beneficiaries in terms of student demographics; the name and details of the franchise partner; and the proposed location of provision). The Department for Education / the Office for Students would assess each application on its merits, with only successful applications leading to students being able to access student loans. Through this approach, high-quality and beneficial franchising could be protected while unnecessary franchising is pushed out. A 24-month window should allow plenty of time for providers to make their applications and for the Department for Education / the Office for Students to make their decisions, with all rejected franchising arrangements being banned from admitting new entrants from 2028 onwards.

Further education

In response to 'continuing cases' of fraud, the DfE set out new plans in 2020 to:

> *give confidence that the limited subcontracting that is necessary in the future evidentially and defensibly meets the needs of specific learners or employer, is of good quality and is managed responsibly by the lead provider.*[35]

The most significant measure was a cap that prevented providers from receiving more than 25 per cent of their income through subcontracting arrangements – a rule that still exists today.[36] In addition, providers who wished to enter into a subcontracting arrangement had to provide 'a clear curriculum rationale' – not dissimilar to the approach taken to identifying gaps in apprenticeship provision cited above.[37] Given the sheer scale of existing franchise arrangements at some universities, this report proposes that a 50 per cent cap on franchising income as a proportion of all income is introduced from 2027/28 – backed by new legislative powers for the OfS – and the cap should be reduced by 10 percentage points a year for three years until it reaches 20 per cent in 2030/31.

In both the apprenticeship and further education sectors, the goal was clear: maintain sufficient space for high-quality and quality-assured franchising / subcontracting but without allowing any provider to over-expose themselves in pursuit of financial gains. The same approach would provide a strong foundation for a sustainable higher education sector, even if it means that some providers are forced to give up their existing franchise arrangements. Vigilance would nevertheless be required to ensure that lead providers do not try to circumvent these new restrictions through pursuing other forms of 'partnerships' that have similarly undesirable consequences.

Option 4: Financial 'buffers' to protect against losses

The 2007 to 2009 global financial crisis was a stark illustration of what can happen when autonomous private-sector institutions critical to society behave recklessly and irresponsibly, threatening not only their own survival, but also the effective operation of the entire economy. Even some of the largest financial institutions found themselves unable to absorb the widespread losses, leading to bailouts with public money. The Bank for International Settlements, established in 1974 to promote financial stability by improving the quality of global banking supervision, offers an uncompromising view on what triggered the crisis:

> *The banking sector entered the financial crisis with too much leverage and inadequate liquidity buffers. These weaknesses were accompanied by poor governance and risk management, as well as inappropriate incentive structures. The dangerous combination of these factors was demonstrated by the mispricing of credit and liquidity risks, and excess credit growth.*[38]

When the financial crisis struck there were standards in place setting out how much capital (money or other assets) a bank should hold to protect it from financial shocks, but those standards were found wanting. This ultimately led to a swathe of new rules for how commercial banks should operate, including a reform package aimed at capital and liquidity – often referred to as 'Basel III'.[39] These reforms comprised of several measures grouped into three 'pillars' that were essentially designed to force banks to protect themselves better from future crises. The most prominent measure was the increase in requirements for 'capital buffers' to shield banks from unexpected losses, which sat alongside other significant changes:

- banks having to hold more equity relative to their risk-weighted assets (for example, loans to customers);
- countercyclical buffers that restricted banks from participating in 'credit booms' to reduce their losses in credit busts;

- a ‘leverage ratio’ that set a minimum amount of loss-absorbing capital relative to a bank’s assets and off-balance sheet exposures; and

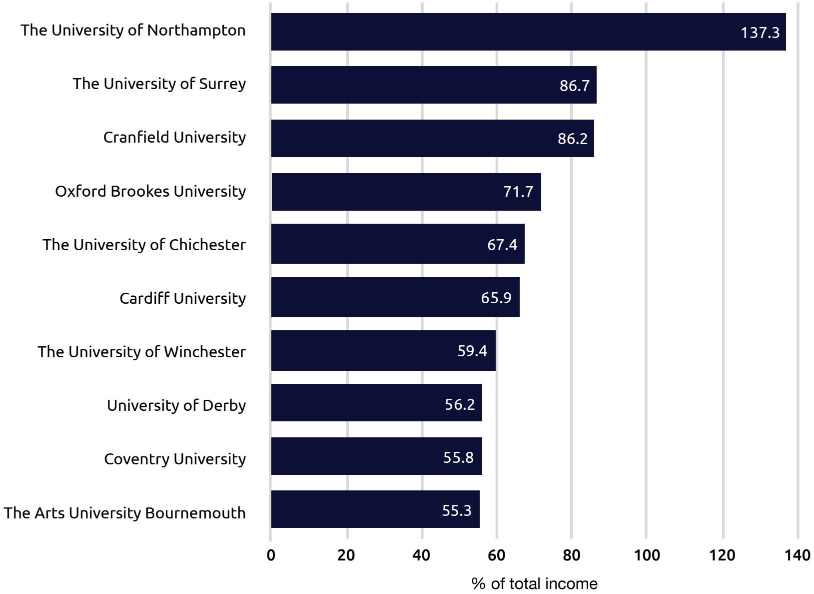
- a minimum liquidity ratio to ensure banks had enough cash to cover funding needs over a 30-day period of stress.

As if that was not enough, extra requirements were introduced for ‘systemically important banks’, including additional loss absorbency.[40]

Capital and liquidity buffers are not the only tool now used to promote the sustainability and resilience of financial institutions. Since 2014 the Bank of England has conducted ‘stress tests’ to assess the health of banks as well as other institutions such as building societies and insurers. While there is no single approach to these tests, their purpose is to ensure the financial system ‘is strong enough to withstand severe scenarios such as a financial crisis’. In practice, the testing is an ‘exercise where multiple banks’ balance sheets are subjected simultaneously to a common adverse scenario […] to assess individual banks’ and the banking system’s resilience to a range of adverse shocks and their ability to continue to support households and businesses if a stress does materialise’.[41] The policy goal is obvious enough: to check whether the current rules, regulations and standards have resulted in banks sufficiently reducing their exposure to financial risk.

It may seem strange to draw parallels between banking and higher education, not least because of the prevalence of charitable organisations and smaller providers within the higher education sector. That said, the state of some providers’ finances suggests that discussions of leverage, risk and debt are appropriate, and arguably necessary, in the context of the sustainability of higher education. For example, the average level of borrowing as a percentage of a provider’s income is 28 per cent but the level of borrowing at 38 providers has passed 50 per cent on this measure, with 10 providers at over 100 per cent and five providers at over 200 per cent. Many of these 38 providers are smaller institutions yet, as shown in Figure 3, some universities have also borrowed vast sums – approaching, and in one case clearing, 100 per cent of their income.[42] Such debts could leave these providers more exposed to changes in student demand and / or government policy.

Figure 3: The 10 universities with the highest external borrowing levels as a percentage of their total income in 2023/24



Source: Higher Education Statistics Agency, 'Table 14 - Key Financial Indicators 2015/16 to 2024/25' https://www.hesa.ac.uk/data-and-analysis/finances/table-14

In addition, 21 providers have 'net liquidity' (the number of days of average cash expenditure that are covered by their cash holding) of 30 days or less, with a further 43 having net liquidity of between 31 and 60 days.[43] This indicates that these providers may be unable to absorb the impact of any future shocks.

When society-critical institutions do not – either deliberately or otherwise – protect themselves from financial risks then it is perfectly acceptable for government to make them do so. Despite their apparent differences, this logic applies to both banking and higher education, particularly given the risks caused by large annual fluctuations in domestic and international student numbers as well as the unpredictable political and economic environment. The precise form of financial regulation for higher education providers would require extensive consultation before being enacted in legislation, but some options for discussion include:

- higher education providers being required to hold in reserve a 'buffer', such as a percentage of their annual income or asset base to cover potential future losses;
- setting minimum liquidity requirements to cover periods of financial distress;
- implementing strict rules on the maximum levels of debt that institutions can hold relative to their income and assets; and
- regular 'stress testing' to assess the impact on providers of various scenarios related to weakening recruitment or other losses, with sanctions and remedial action for any provider that fails to maintain sufficient buffers.

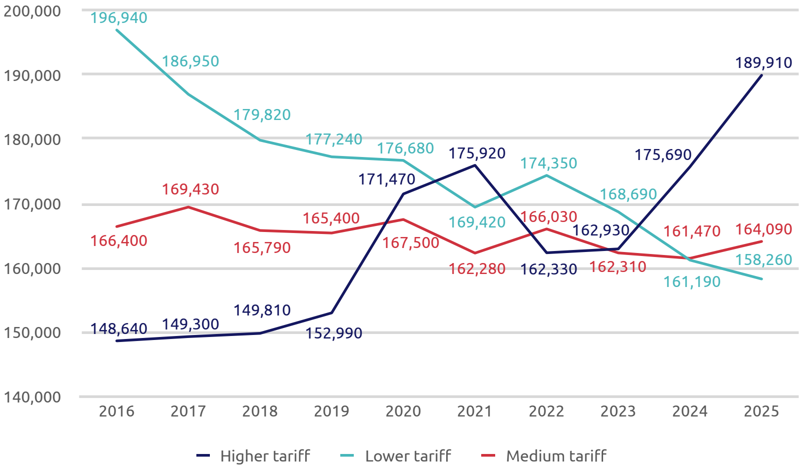
The OfS would be the obvious home for these new powers, given their existing role in monitoring the financial health of providers. Ideally these powers would initially be calibrated to require an OfS intervention only in more extreme cases, with the requirements on all providers then being slowly tightened over time. No doubt many providers would protest against any perceived intrusion on their financial management, but it is difficult to imagine the higher education sector being truly sustainable without transparent and enforced boundaries on the acceptable level of financial risk that providers can take.

Protecting students' interests

Option 5: A 'teaching resource cap' on the number of undergraduates that can be recruited

Many providers have grown rapidly over the past decade, yet even since the pandemic there have been huge fluctuations in entry patterns. As Figure 4 shows, higher-tariff providers saw a sharp rise in entrants in 2024 and 2025, while many other providers experienced precisely the opposite trend. In the space of just one academic year from 2024/25 to 2025/26, the OfS reported that 'research-intensive universities saw their UK undergraduate recruitment rise by 9.9 per cent, at the expense of weaker than expected recruitment for most other provider groups'.[44]

Figure 4: The number of accepted entrants into higher education broken down by the advertised tariffs of providers



Source: Elliot Newstead, 'We need to talk about high-tariff recruitment behaviour', Wonkhe, 22 October 2025 https://wonkhe.com/blogs/we-need-to-talk-about-high-tariff-recruitment-behavior/

One may be tempted to welcome an increase in students attending higher-tariff providers seeing as the top 10 universities in *The Guardian* university rankings (average entry tariff: 183 UCAS points) have an average student:staff ratio of 11.4 compared to 17.8 among the bottom 10 universities (average entry tariff: 112 UCAS points).[45] However, there are two reasons to question whether this growth at higher-tariff providers is genuinely beneficial for students.

First, the student:staff ratio can be distorted by the type of staff employed at a provider. Of the 246,930 academic staff at UK higher education providers in 2023/24, 88,725 (36 per cent) were 'teaching only', 50,825 (21 per cent) were 'research only', 106,290 were 'both teaching and research' (43 per cent) and 1,630 were 'neither teaching nor research' (1 per cent).[46] When calculating a provider's student:staff ratio the 'research only' staff are excluded, but 'teaching only' and 'both teaching and research' staff are counted as spending all their time teaching even though 'both teaching and research' staff will almost certainly be spending a significant proportion of time on research activities that may not add any value to the student experience. In other words, there is no reason to believe that research-intensive universities – many of which sit near the top end of the university rankings due in part to their lower student:staff ratio – actually offer more teaching to their students, and there is good reason to believe that the opposite may be true.

Secondly, a survey in 2025 found that fewer than half of academics feel they can manage their workload and feel supported in their wellbeing at work.[47] These concerns appear to be having a particularly detrimental impact on the student experience at higher-tariff providers. In the *National Student Survey* the higher-, medium- and lower-tariff providers produce similar scores in six of the seven 'themes', but when it comes to 'assessment and feedback' (for example, 'How often have you received assessment feedback on time?') higher-tariff providers score far worse. These more selective institutions only achieved a 75 per cent 'positivity' from respondents in 2025 on assessment and feedback compared to 81.5 per cent at medium-tariff providers and 84.5 per cent at lower-tariff providers.[48]

If academics are being asked to do too much because a provider has expanded their student population without recruiting a commensurate number of new staff, one obvious solution would be to reintroduce student number controls to protect the student experience and staff wellbeing. However, the previous system of student number controls ceased operation a decade ago and many providers have greatly expanded since then, making it difficult to simply roll back the clock. That said, before student number controls were abolished, the Higher Education Funding Council for England (HEFCE) – the OfS's predecessor – maintained the caps on each provider but still allowed their total student income to grow or shrink every year within a 5 per cent tolerance band. This smoothed the impact of fluctuating applicant numbers by, in the words of one commentator, 'allowing for the maintenance of resources and staff numbers during lean years, and preventing ambitious providers growing at a speed that did not match their existing resources'.[49] Importantly, though, providers could bid for 'additional student numbers' beyond this limit but HEFCE would only allocate additional students if a provider could show they had the capacity and quality to support the extra students.

This report proposes recreating this link between recruitment and capacity through a new 'teaching resource cap' on every provider. Rather than resorting to fixed student number controls, providers' recruitment of new undergraduates would be capped based on the amount of teaching capacity available at their institution. There are several ways that a teaching resource cap could be designed, but two options are perhaps best suited to this function:

1. **Surveys of teaching staff:** staff at higher education providers could be directly contacted by the OfS through an online survey to capture the amount of teaching they provide. This would require staff to specify how many hours of scheduled live teaching they deliver, either face-to-face or online (including lectures, seminars, tutorials, practical classes / workshops), potentially through weekly time allocation diaries.

2. **Surveys of providers:** based on the now-defunct proposals to record 'teaching intensity' within the Teaching Excellence Framework (TEF), providers would instead submit similar data on teaching activity to that listed in the first option above.[50] This approach could either build on or replace the data on staff workload currently submitted by providers through the Transparent Approach to Costing programme.

In both cases, the teaching resource cap would set an upper limit on the number of students (domestic and international) that could be recruited by a provider.

This report envisages that pilots would be used to establish the range of teaching resource capacities currently found across the provider base, which could then be used to set future teaching resource caps across the sector. Consideration would need to be given as to whether the teaching resource cap is set at a departmental, subject / subject group or institutional level. For example, a total teaching resource cap could be set across the provider as a whole, with the provider deciding how to split their allocated student numbers across departments and faculties. Alternatively, the teaching resource cap could be calculated and set for each provider at a subject level based on the 19 'subject areas' or 146 'principal subjects' used by the Higher Education Statistics Agency (HESA). When calculating teaching resource caps, it would also be worth considering placing greater weight on the teaching hours provided by certain types of staff (for example, those on permanent contracts versus those on zero hours or temporary contracts).

Crucially, when implemented, the limits determined for each provider would apply retrospectively, so if a provider was currently recruiting more students than their teaching resource cap allowed, then they would have to reduce their intake by a certain date (a two-year timeframe would seem sensible) or face significant financial penalties.

The initial pilots of the 'teaching intensity' metric within the TEF were met with complaints from providers about the difficulties of collecting the data, but such burdens could be reduced by only repeating the teaching resource cap calculations, say, once every three or five years to give providers certainty about future recruitment.[51] Moreover, research commissioned by the OfS found that 91 per cent of students thought the number of contact hours per week was 'very important' or 'somewhat important' in demonstrating value for money.[52] This immense benefit for students is precisely why a teaching resource cap should be introduced, even if providers lobby against it. Specific issues such as how to treat online learning within teaching resource caps would need further consultation, although the previous 'teaching intensity' metric already offers solutions to this issue and others.

Teaching resource caps would not be (and are not intended to be) a perfect metric for teaching activity, especially as the caps are only an input measure, nor are the caps designed to reflect the total time spent by staff on related work such as preparation or marking. Collecting high-stakes data on teaching hours may also be vulnerable to staff or providers attempting to manipulate the surveys to boost their perceived capacity. Nevertheless, there is an urgent need to protect students and staff from any providers that happily take a student's fees without sufficient capacity to offer them a high-quality experience. Teaching resource caps would offer a sustainable and self-adjusting mechanism that allows autonomous providers and indeed the whole sector to expand if – and only if – they can genuinely accommodate additional students.

Option 6: Ensuring providers have enough space for the students they enrol

For many higher education students, it will be the first time they have lived away from home. These students may assume that the provider accepting their tuition fee income bears some responsibility for helping them find suitable accommodation near where they will be studying, but for some students the reality ends up being very different. In 2019, students from the University of Bristol had to be housed up to 30 miles away in Wales because the University had accepted 200 extra students through Clearing, but did not have enough space for them. The University of the West of England was also struggling to find enough accommodation at the time, with a spokeswoman saying 'we are a growing university, and this year we received more applications for accommodation than we have available rooms' – as if this represented a satisfactory explanation for students.[53] Two years later, the University of Bristol housed up to 300 students in Bath – 13 miles away – following 'a significant rise in applicants meeting the terms of their offer'.[54] One student complained, entirely reasonably, that being housed a huge distance away from your university 'isolates students and stops them from really learning about the city, the campus, in their first year', adding that 'we deserve to live in and contribute to the city we study in'.

Data compiled by the StuRents accommodation portal in 2022 suggested there was a shortfall of 207,000 student beds, with 19 towns and cities having an undersupply of beds of over 10 per cent, reaching as high as 28 per cent in

Preston. The situation has now become so bad that 'there are growing numbers of students experiencing periods of hidden homelessness or accepting unsuitable housing out of desperation'.[55] International students can face even bigger problems because the lack of accommodation means they can be pushed into the private rental market, which can leave them even more vulnerable and facing even greater costs.[56] John Cater, then Vice-Chancellor of Edge Hill University, said in 2024 that action was needed to 'help protect the student experience and the capacity of local economies to accommodate a rapidly growing or shrinking student population'.[57] The Post-16 white paper recognised the 'acute lack of available accommodation in some places' and said the Government 'will work with the sector and others so that the supply of student accommodation meets demand', but no details were offered on how this would be achieved.[58]

A lack of suitable space has also become an issue on campus. Students at even the most prestigious high-tariff universities are being turned away from overcrowded lectures and told to watch classes online or in 'overflow rooms' (which were originally intended to be used to cater for large audiences when well-known figures gave a public lecture). *The Observer* has previously offered some eye-popping illustrations of the problem. Maths students in a 600-capacity hall at the University of Manchester were given slips with a link to a YouTube live stream and told they could 'sit in a coffee shop' to watch their lecture. They were also given the option of sitting in an overflow theatre to watch it instead. Psychology students at Lancaster University were sent to overflow rooms and given the option to watch lessons on their laptops because lecture theatres were full, with the University apparently justifying this move by saying 'there is always a staff member present in the streamed venue'. The University of Nottingham had even posted a job advert for a temporary worker to monitor the overflow live stream for first-year Law students, such was its common usage.[59]

To this day, online forums contain stark examples of universities overrecruiting beyond the physical spaces they have available.[60] Needless to say, students are not told in advance that the degree course they have joined will be so full that they will not be able to attend lectures in person. While the teaching resource cap from Option 6 would reduce the likelihood of students ending up in this regrettable situation, further constraints on providers are needed to prevent students from being denied the higher education experience they are entitled to receive.

This report proposes two new 'guarantees' for students (in the form of new regulations) that all providers must abide by:

1. **Living space:** providers must guarantee that every first-year undergraduate and postgraduate student who requires accommodation can secure a suitable living space within a very short travel distance of their place of learning (with specified maximum distances varying depending on the urban / suburban / rural location of the provider).

2. **Learning space:** providers must guarantee that every student on a course can be seated within a single venue (for example, a lecture hall) whatever the course size.

Such regulations could potentially be added to the OfS's Conditions of Registrations related to 'protecting the interests of all students', although this would require further consultation. The OfS would also need to establish a formal complaints process through which students can report when these regulations have not been met, with severe financial penalties for providers that breach the regulations. To be clear, merely requiring providers to offer tuition fee refunds to affected students will be insufficient to discourage them from overrecruiting beyond their available spaces. Consequently, any penalties would need to be many multiples of a single student's tuition fee income (say, a £50,000 fine from the OfS for every affected student in addition to being required to offer cash refunds to cover affected students' tuition fees and potentially maintenance loans).

With these new and strictly enforced regulations in place, providers would find it much harder to diminish the student experience in the pursuit of more tuition fee income. There is no justification for accepting more students than a provider can accommodate in terms of learning or living spaces, so any arguments about providers' autonomy being impinged should be swiftly dismissed. That said, careful consideration would need to be given to minimise the risk of gaming by a provider supplying incorrect or misleading information about their courses and / or accommodation options. More broadly, these two new regulations could form part of a wider 'student charter' that covers other areas related to how students should be treated by providers, although such discussions should take place in parallel with the rapid introduction of these first two guarantees.

Option 7: Transparency over the maximum number of students on every course

Students undoubtedly value low student:staff ratios, but the calculations behind these figures can be highly misleading. Moreover, student:staff ratios are of little value to an individual student applying for a new course because the ratios are retrospective and they also do not give a sense of how large or small any degree or other course is likely to be in the following academic year.

Under the current system, the Universities and Colleges Admissions Service (UCAS) does not show how many places are available on each course during the application cycle because providers do not provide this information. This makes it virtually impossible for students to gauge the likelihood of their application being successful in terms of the relative popularity of a degree. It also means that students cannot compare different courses in terms of their cohort size, which denies them a crucial piece of information when trying to identify a course that will deliver the best possible experience for them.

This report proposes a simple administrative remedy to this information gap. In future, all providers should be required to publish a 'maximum course size' for every course they offer, representing the total number of places available on a course for domestic and international students in the academic year following their application. Some degree courses may only accept a handful of students each year because they are highly specialised or technical courses that require intensive supervision, whereas other courses may operate with very large numbers of students who are generally taught in large lecture halls. Either way, it will be up to providers to decide how they set their maximum course size for every course – thus protecting their institutional autonomy.

One possible mechanism to implement this proposal is to use the OfS' Conditions of Registration for higher education providers, which relate to the data providers are required to send to the Higher Education Statistics Agency (HESA). As the 'designated data body', HESA must publish information that would be considered helpful to, among others, prospective students thinking about undertaking a degree or other course.[61] Under these existing legal duties, providers could be required to send HESA their maximum size for every course at the start of each application cycle (the September of the year prior to the commencement of an academic year), so that this information is available to all applicants. Ideally UCAS would then incorporate this information into their provider and course databases.

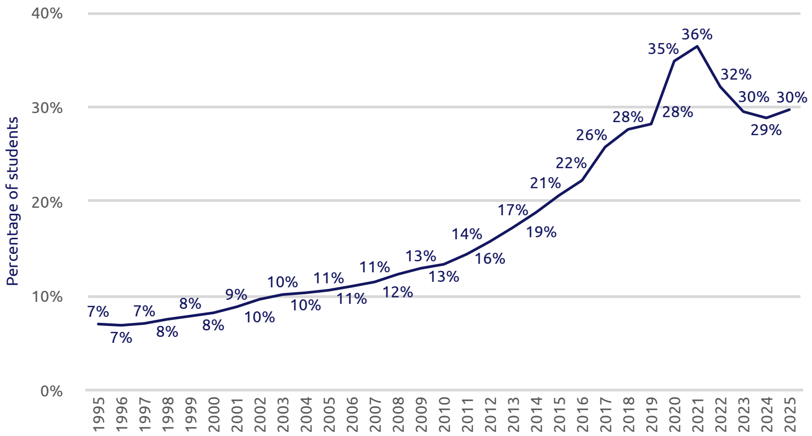
By requiring providers to publish the maximum size for their courses, institutions will be strongly discouraged from recruiting far more students than other providers offering the same subject, because they will now need to be honest with applicants about the experience they are likely to receive. The availability of maximum course size data will also give prospective students a hugely valuable piece of information when selecting the most appropriate course for them. That is not to say every student will necessarily select the provider offering the smallest course in their preferred subject, but the transparency over course sizes will no doubt prove useful when weighing the pros and cons of different providers. Providers would subsequently need to adjust their offer-making strategy, because allowing courses to become over-subscribed beyond their stated maximum size would no longer be an option. That said, over 60,000 students found places through Clearing in 2025 and two-thirds of them had previously researched the university they eventually joined, so this new approach would arguably be in line with the current direction of travel towards students making decisions later in the application cycle.[62]

In addition, the OfS would require new powers to investigate and enforce the maximum course size published for every course – similar to those needed to enforce the new learning and living space regulations described in Option 6, including the ability to conduct on-site inspections. Large financial penalties should await any provider that recruits more than their stated maximum course size, to prevent providers from viewing any fines or remedial action over breaching a maximum course size as merely a cost of doing business. In the pursuit of protecting students' best interests, such penalties are essential.

Option 8: Standardised degree classifications for providers

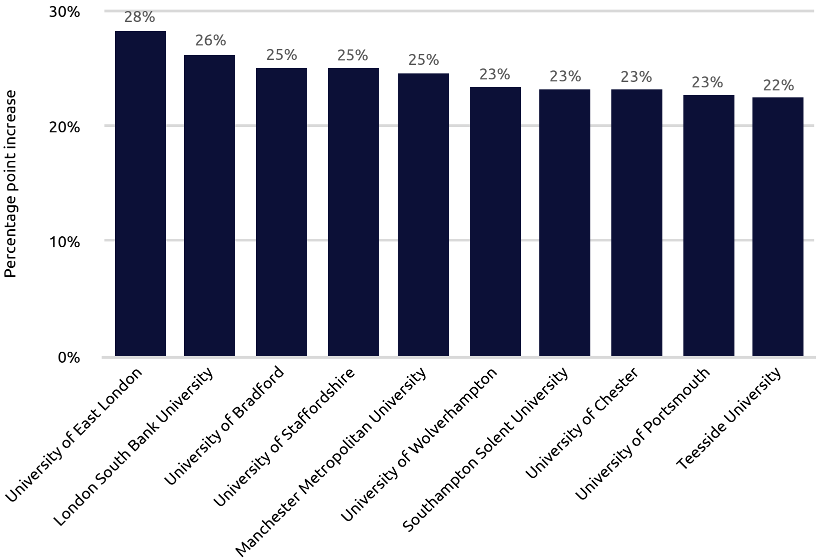
As this author described in a report for the Reform (since renamed Re:State) think tank in 2018, the number of top degree classifications awarded to students had already reached entirely unjustified levels.[63] There was no detectable inflation in the mid-1990s, with 7 per cent of students awarded a First-Class honours ('First' or 1:1). The average proportion of students awarded a First back in 1970 was, again, 7 per cent.[64] However, in the 12 years from 1997 to 2009, the proportion of Firsts almost doubled, and in just seven years from 2010 to 2017 the proportion doubled again.[65] After going on to reach a peak of 36 per cent during the pandemic, it has since fallen slightly to 30 per cent. Seeing as a further 48 per cent of students now receive an Upper-Second Class (2:1) degree classification, the proportion of first-degree students receiving either of the top two grades was 78 per cent in 2025.[66]

Figure 5: The proportion of UK students awarded First-Class honours for their first undergraduate degree



This overall rise masks an even more concerning trend. Twenty-two providers increased their proportion of Firsts by over 20 percentage points from 2010 to 2024 (Figure 6).[67] In the absence of any supporting evidence of an underlying rise in teaching standards or learning outcomes, this strongly suggests some providers have used their higher degree classifications as a means of marketing themselves to potential applicants at home and abroad.

Figure 6: English higher education providers with over 1,000 students showing the largest increase in the proportion of Firsts from 2009/10 to 2023/24



Source: Higher Education Statistics Agency, 'What are HE students' progression rates and qualifications?' https://www.hesa.ac.uk/data-and-analysis/students/outcomes

This author's previous report highlighted several mechanisms through which degree classifications can be altered by providers, including changes to 'degree algorithms' (which translate the marks achieved by students during their degree into a final classification) as well as the 'intolerable' pressure being placed on academics by senior managers at universities to lower their standards.[68] One academic recently told *The Guardian* they were 'forced to leave a teaching position for drawing attention to the low quality of student work and the high grades it received', adding that higher education leaders have essentially made 'a Faustian bargain: lower standards of assessment are the price of increased admissions, which are necessary to ensure financial security'.[69]

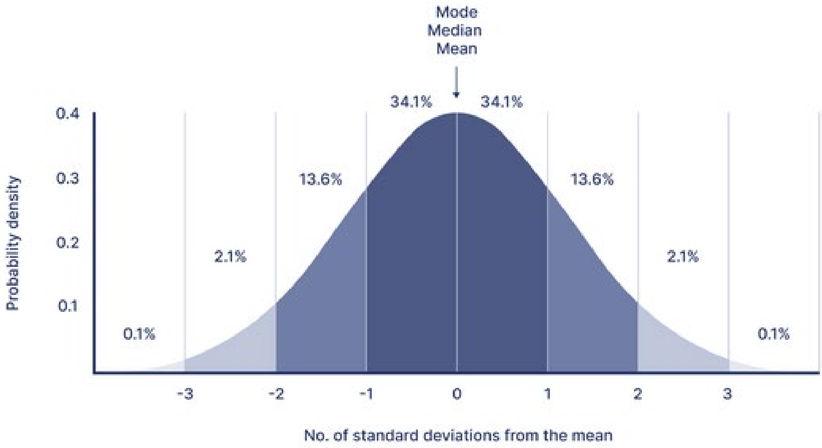
Regardless of the precise mechanisms behind the inflation, it is hard to overstate the damage done to the reputation of higher education by the growth in top grades. In January 2026, the Minister for Skills, Jacqui Smith, said that 'a surge in unexplained first-class degrees since 2010-11 could risk undermining the prestige of our world-class universities [and] we are looking at whether this is an erosion of standards'.[70] Under the previous Conservative Government, then Education Secretary Damian Hinds highlighted that 'trust in the quality and high standards of the education provided' was at the heart of the UK's global standing for higher education yet the 'unjustifiable, artificial grade inflation threatens that'. He added that 'it cannot be right that students in one year are awarded higher grades for the same level of achievement than those in previous years'.[71] Similarly, then Universities Minister Sam Gyimah said that 'when you look at what makes our universities so prestigious, it comes down to the value of our degrees [and] the value of those degrees is threatened by grade inflation'.[72]

Various solutions are available to grade inflation. This author previously proposed introducing external examinations for degree subjects to ensure standards were calibrated across the sector, although this would take some time to implement.[73] If the goal is to prevent any provider from undermining the reputation of the sector and the value of students' degrees by misusing their degree classifications, a more straightforward solution would be to cap the proportions of classifications awarded at every provider for undergraduate courses.

Such is the staggering scale of grade inflation, only seven out of 115 current providers that also existed in 2010 awarded Firsts to no more than 15 per cent of students in 2023/24.[74] This commendable restraint closely matches the pattern that would be produced by a 'normal distribution' of final grades. Across four possible classifications (First; 2:1; 2:2; Third), a standard normal distribution would mean that approximately 68 per cent of students were within one standard deviation of the average (34 per cent above it and 34 per cent below it), with

16 per cent of students more than one standard deviation above the average and another 16 per cent more than one standard deviation below it (Figure 7).

Figure 7: Data profile created by a standard normal distribution ('bell curve')



Source: Scribbr, Normal Distribution | Examples, Formulas, & Uses, 2023

Seeing as a normal distribution is the most logical (and arguably most desirable) way to allocate grades across a cohort of students, a simple approach to classification caps would be for all providers in England to award 15 per cent of students a First, 35 per cent an Upper-Second, 35 per cent a Lower-Second and 15 per cent a Third-Class degree (excluding students who did not obtain a degree or whose degree is not subject to classification who are not awarded a degree). This is undoubtedly an artificial way to conceive of academic standards but, given the unjustified growth in top degrees in recent years plus the failure of the sector to unwind this unwarranted development, degree classification caps are now a legitimate intervention.

Providers would retain full autonomy over how the allocations of degree classifications are distributed among students and faculties, although the DfE would still need to amend the *Higher Education and Research Act 2017* (HERA) to allow this type of intervention, given providers' historical protections over how they ‘assess’ students.[75] Nonetheless, classification caps represent the easiest way to protect students’ interests regarding the value of their degree because employers and other education providers would now have a much clearer understanding of what a student has achieved. Furthermore, the caps would mean that no provider could misuse degree classifications to attract more students.

Conclusion

> *Decision-making […] hasn't always been informed by the best governance, culture, and behaviour*[76]

As the evidence in this report has demonstrated, the above quotation from Jacqui Smith in November 2025 is something of an understatement. The apparent absence of appropriate governance and oversight at some providers has not only put their own institutions at risk, but also put the whole sector in a much more vulnerable position – both financially and politically. As Universities UK noted in their submission to a parliamentary inquiry into higher education funding in 2025, 'the consequences of a large scale institutional failure would be so significant that policy effort should be primarily focussed on averting this outcome, rather than on mitigating its impact after the event'.[77] This report endorses the view that prevention is better than cure, but such efforts will require a new Dearing-style 'compact' between higher education and government in which both parties accept that they need to change their behaviour.

The Department for Education and the Office for Students can no longer be passive observers of the financial plight of providers. There is a clear and, in this author's view, overwhelming case for an element of government intervention to protect the interests of society and students given the devastating fallout that could result from the collapse of providers, especially universities. In this context, the hesitancy of government ministers to take a close interest in the financial affairs of providers is no longer defensible. The DfE should give significant new powers to the OfS to ensure that the regulator has the tools it needs to set new boundaries for providers in relation to how they function as private institutions, just as banks faced constraints in the aftermath of the global financial crisis given their significance to our society and economy. The measures proposed in this report would all require careful deliberation and consultation before being enacted, to reduce the risk of unintended consequences. Even so, that is no reason for the Department for Education and the Office for Students to hesitate in taking action, seeing as the prospect of one or more institutional failures remains very real and has the potential to get worse.

Implementing the proposals in this report would effectively recast the OfS as a defender of the interests of students and taxpayers – something that is much better suited to the OfS' name than merely monitoring providers' financial woes. This can be achieved without interfering with the autonomy of providers that have acted responsibly and diligently. There would subsequently be a strong case for taking away some existing responsibilities from the OfS to make room for its more focused role as a regulator of the financial health and stability of the higher education sector, although debating which responsibilities the OfS should relinquish would probably consume an entire think tank report in itself.

But the Government is not the only stakeholder that has to change. The good work being done by so many providers and their staff has been tarnished by the behaviour of providers that have prioritised chasing extra income above all else. The apparent willingness of less scrupulous providers to take excessive risks, ignore students' interests and damage the reputation of the sector has long since passed the point of acceptability. This needs to stop, yet there is no point politely asking autonomous institutions to curb their own excesses in the absence of accompanying rules and regulations when those excesses offer such large rewards. Most universities are charities and are thus legally required to pursue their own interests, further emphasising why the responsibility for creating a sustainable operating framework for higher education rests mostly, if not entirely, with government.

Using the proposals in this report as a platform on which to build, the DfE and the OfS should spell out and enforce what they regard as the limits of acceptable financial and educational management by providers because, ultimately, everyone loses – taxpayers, students, staff, employers and local communities – if the behaviour of some providers results in them pushing themselves or indeed another provider over the financial precipice. By setting out these limits in a transparent manner, the DfE and OfS will send two unambiguous messages to the sector: first, the interests of the sector are more important than the interests of any single provider; and secondly, providers that continue to behave with integrity will be largely, if not entirely, left alone in this new environment while those providers that run the risk of harming the interests of students, society or the sector will be forced to change their ways.

Striking the right balance between the autonomy afforded to higher education with the responsibilities that higher education has to wider society is never an easy task, even in benign political and economic conditions. Nonetheless, the Government's approach to the banking sector since the global financial crisis has shown that curtailing excessive risk-taking does not undermine the work of private sector institutions, nor does it prevent them from innovating and competing. In short, the best way to balance the autonomy of higher education providers with the state's and society's need for a financially sustainable and resilient sector is for government to introduce a new degree of regulation.

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In this HEPI Debate Paper, a former adviser to ministers in the Department for Education argues that many universities have taken on too much financial risk.

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