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Risk and Resilience: What UK higher education can learn from the United States

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Foreword

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The analysis presented in this paper arrives at a pivotal moment for UK higher education.

While demographic demand may provide a temporary buffer over the next few years, in some parts of the UK at least, the evidence from the United States demonstrates that institutional decline rarely begins with a single dramatic event. More often, it emerges through a series of interconnected signals: changes in recruitment patterns; weaker retention; declining net revenue; pressure on cash generation; and reduced capacity to invest in the student experience. By the time these indicators appear in annual accounts, the underlying challenges may already be deeply embedded.

What makes this moment different is that the structural conditions behind those American patterns – a fee income institutions cannot fully control, as well as a quality threshold attached to future fee increases – are now taking shape in England. The paper's most important conclusion is that trajectory matters more than snapshot measures, and that institutions succeed when they can identify changing patterns early and act decisively before financial pressure becomes structural decline.

Ellucian's experience in the UK and Ireland gives us a long line of sight across recruitment, admissions, enrolment, progression and finance data, built from working inside the higher education sector rather than observing it from the outside. That vantage point shapes how I think about our role here. Our regional team is structured around exactly the point in an institution's cycle where these signals first appear: colleagues who work with registry, planning and finance teams on how recruitment, progression and financial data connect within their own systems and a sector advisory team that keeps us current on how the regulatory landscape is evolving. A regional Executive Advisory Council of sector leaders keeps our own understanding tested against real institutional experience, not just our own. None of that is a claim to have solved the problem this paper sets out. It is the basis for a more useful conversation: institutions considering how to see their own trajectory earlier in application volumes, offer rates, conversion, continuation and programme demand.

The window for action highlighted in this paper should be seen as an opportunity. The sector still has time to build the capability to see what is coming. I would welcome the chance to discuss what that looks like for your institution.

Introduction

English higher education has roughly four years of demographic tailwind left. The Office for Students expects the 18-year-old population to rise by around 9.6 per cent to 2028/29, then fall from 2030. US higher education entered its own restructuring decade already past that peak and built the machinery to handle the resulting distress only after the damage was done.

This paper asks three questions:

- › What did US higher education learn from more than a dozen years of dealing with significant demographic and financial headwinds?
- › Which responses worked?
- › What can UK higher education learn from it?

One structural point frames everything that follows. English higher education is funded like American private higher education and governed like American public higher education. Its higher education institutions depend on student fees for more than half of sector income, so a fall in demand hits immediately and without a cushion. That is the condition of American privates. But no English university sets its own price, no one can restructure institutions across the sector and no designed route exists through failure. That is the condition of the American publics. That combination does not exist anywhere in the United States. It is why the American record is worth your attention, and why parts of it will not apply.

01. Funding levels do not predict distress. Funding design does

Across 91 US public university systems (two or more institutions governed by a single authority), public support per student does not explain which institutions end up in trouble. Two other things do. The first is whether that support holds its value – that is, it is indexed to inflation. The second is whether the institution can respond by raising its price, recruiting more students or changing the credentials it offers. Erosion in public support is survivable if you hold one of those levers. The worst combination in the data is a capped price alongside a capped intake, because it offers no offset at all, and it is worse than a low appropriation that at least moves with costs. Scottish and Northern Irish universities, whose appropriations are not indexed and whose fees and student numbers are both controlled, hold neither lever.

02. The sector aggregate hides the institution, and the institution's own headline numbers can hide its own financial condition

Among those US systems, the most common pattern is a strong 'flagship' institution (one with a strong brand, diversified revenue and relative financial health) carrying an aggregate that conceals decline at the campuses beneath it. Nobody watches, because the reported condition looks fine.

The same thing happens inside a single institution's accounts, and the American evidence is specific about where to look. The most rigorous work on predicting American college closures, a Federal Reserve Bank of Philadelphia study covering some twenty-thousand institution-years from 2002 to 2023, finds that failure is predicted not by the level of any financial measure but by

its direction. Changes and ratios outperform levels: enrolment down 10 per cent from a five-year high, revenue down 10 per cent from a five-year high, a negative operating margin in three of five years, a rising discount rate, falling days of cash. Of 100 institutions the model ranked most at risk, 84 closed within three years. Margin and cash both appear on that list, and both appear as trajectories rather than readings.

Which is why the UK surplus line is currently so unhelpful. The problem is not that surplus is a poor measure in principle. It is that in recent years it provides almost no operating information: the USS pension revaluation pushed most of the largest universities into deficit in 2021/22, then handed several of them record surpluses in 2023/24. Neither figure describes how the institution fared financially.

Operating cash over the same period is unaffected by any of that, and it is far worse. Operating cash is the money a university has left from running itself. That is, everything it takes in, less what it costs to teach, research and keep the place open. Unlike a surplus, which is an accounting figure that items such as pension revaluation can move a long way, operating cash is money that reaches the bank account, and it pays to fix a building, replace a system or service a loan. An institution can report a healthy surplus and have nothing to spend. The sector median fell from 10.1 per cent of income in 2021/22 to 3.2 per cent in 2023/24. That is, from about £10 of usable cash in every £100 of income to about £3. The number of institutions generating none at all rose from a fifth to more than a third. The typical institution lost two-thirds of its ability to fund anything out of its own operations in two years. That is a trajectory, not a level, and exactly the kind of movement that analyses of US institutions say to watch.

03. One revenue line is holding the sector up

In 2021/22, the last year non-EU fee income is published across the whole register, every one of the 24 Russell Group universities collected more in non-EU tuition fees than it generated in operating cash. All 24. Sector-wide, 62 per cent of institutions generated no operating cash or generated less than they collected from international students.

One revenue line is larger than everything these institutions generate in cash, and it is priced in a market they do not control, exposed to visa policy they do not set and, in England, carries a levy from 2028/29. A parallel exists in the US among the wealthiest private research universities. All run negative operating margins once you remove investment returns. Harvard is at minus 57 per cent, Stanford at minus 47 per cent. They are not in trouble. They run on a permanent subsidy, and it works for as long as the subsidy holds. The difference is that an endowment is an asset you own. A student recruitment market is not.

04. Institutions rarely fail from one problem. They fail when the problems start driving each other

What separates American institutions that recovered from those that did not is rarely how bad any single number was. It is whether the numbers began feeding one another. The loop tends to run in a fixed order. A common one for US institutions looks like this. Enrolment falls. The institution discounts more heavily to fill the class. Net tuition revenue falls even though headcount holds up. Reserves are drawn down to cover payroll. Margin goes, then liquidity, then the capacity to

invest in the very things that would have restored recruitment. The predictors from that Federal Reserve study are this sequence, in order.

At some point, this stops being a story about weak institutions. On NACUBO's (the National Association of College and University Business Officers) latest figures, the average American private institution now gives back 57 per cent of its published price in discount, a record. Benchmark any single institution against that cohort, and it looks unremarkable. Everyone passes the peer test – but make no mistake – the sector is contracting, and its financial trajectory is running towards risk.

The closer comparator for UK universities is the American public sector, which carries a state appropriation and has gone the same way more slowly. On College Board figures, the net tuition a first-time in-state student pays, after all grant aid, has fallen from roughly \$4,450 in 2012/13 to an estimated \$2,300 today in constant dollars, while the published price rose throughout.

England reached the same place by a different route. The headline fee has moved twice since 2012, to £9,250 and then £9,535, while its real value fell toward £5,900 in 2012/13 prices. US public institutions discounted their real net price by nearly half; England was frozen into a fall of about a third in inflation-adjusted pounds sterling. Neither shows in the published price, and the consequence is the same: a decade of teaching more students for less money each.

That makes the absence of discounting here less protective than it looks. What drives the American spiral is not discounting itself, but something more general: an institution short of money reaches for whatever fix is available, and that fix makes next year's shortfall worse than this year's. Discounting is simply what that looks like in a market where institutions set their own prices. Where they cannot, as in England, the fix available is to fill the places by lowering the bar for entry, and from 2028/29 that will carry a financial penalty of its own. That is the subject of the next finding.

Roughly a third of English institutions are already severely challenged on several fronts at once. Oregon shows where this can go. Between 2013 and 2015, the legislature changed the governance structure of the state's public higher education sector to improve its flagging performance, by dissolving the Oregon University System and giving each constituent university its own governing board. Over the decade that followed, enrolment fell at four of the seven universities – by double digits at three of them – while the state's population grew by about 10 per cent, and per-student spending rose above the national average at all but one. By 2025/26, most had taken emergency measures; one – Southern Oregon University – declared financial exigency and took a \$15 million bailout to make payroll. In January 2026, the state's own commission concluded that bold action was necessary and put integration, up to full merger, on the table. The legislature has now instructed it to design the restructuring.

Ten years, a governance reform, seven institutions, and the trajectory did not bend. The reform devolved authority without creating the capacity to act across the portfolio. Past a certain point, capable teams executing sound plans change the pace of decline but not its direction.

05. From 2028/29 retention stops being an access measure and starts driving revenue. What drives retention is not measured

When English fee increases become conditional on meeting a quality threshold, an institution's continuation rate stops being a widening-participation statistic and starts determining how much income it can collect.

That creates a loop. An institution short of its recruitment target makes offers it would not otherwise have made. It fills its places. Those students are, on average, less likely to continue. Continuation falls, the threshold bites and the institution loses the fee uplift. Next year's recruitment position is worse than this year's, so it makes more offers than it otherwise would. Americans will recognise this as their tuition discounting spiral, with a regulator standing where their market stands.

The warning arrives too late to use. Continuation is published, but continuation is the end of the sequence: by the time it falls, the recruitment decision that caused it is two or three years old. What is published nowhere is the beginning. How many applications does an institution receive? What share of applicants does it make offers to? How many of those offers convert? Those three move first, well before anything appears in the accounts.

UCAS already collects all three, provider by provider. But they are not joined to the financial returns. That join is the cheapest early warning available to this sector. It requires no new data, no additional reporting burden on institutions, no legislation.

06. Recovery comes from the revenue side. Austerity makes an institution efficient. It does not make it grow

Every American case of an institution or system pulling out of a deteriorating trajectory involved it acting on revenue, not costs alone. That is not a statement of strategic preference. Rather, it identifies the real limits on what cost reduction can do.

The limit is arithmetic. Academic and student-facing activity is two-thirds or more of a typical institution's expenditure. A cost programme that protects the academic core can therefore only reach the remaining third; one that does not protect it damages the thing that generates the revenue. And genuinely fixed costs, including estate, compliance, systems and debt service, do not shrink with enrolment at all. So each round of savings has to be larger than the last to hold the same margin against a smaller base. An institution losing 3 per cent of its students a year and taking 3 per cent out of its costs a year is not stabilising. It is contracting in an orderly fashion, indefinitely, and the cost programme never ends.

That is why the American systems that went furthest in consolidating their operations, sharing back-office functions across their campuses more comprehensively than anyone else in the data, are also among the most financially distressed. They executed. The execution was real, and technically impressive. It never touched the variable driving the decline.

A trajectory sits on four levers, and all four are demand-side: recruitment and yield, retention and new credentialling programmes that match demand (and the retirement of programmes that no longer do).

The sector reaches for cost efficiency for a reason. Cost levers sit within a governing body's unilateral control and respond directly to executive-level direction. Demand levers do not. As a consequence, they are harder, more complicated, slower and often highly controversial to pull.

One honest limit. The UK evidence base for demand-side intervention is thin. TASO's assessment is that the existing literature does not employ robust causal methods, much of it predates 2012 and the first robust UK trials do not report until 2027. So the recommendation is not 'do demand-side work' at scale tomorrow. It is narrower: build the instrumentation now, while the demography

is still favourable. Know your own continuation spread and what drives it. Know what credit loss costs you. Know your labour market denominator.

07. Shared services save money. Only those affecting student-facing and instructional services can change an institution's direction

This relates directly to finding 6. Where US university systems have published audited shared-services savings, they find the value is real, though sometimes slow to materialise. But the two systems with the deepest shared services in the entire US dataset are also among the most distressed. Cost reduction does not touch what is driving the decline. An institution that runs its savings programme perfectly while its recruitment keeps falling has not changed its trajectory; it has made its contraction more efficient.

The distinction that matters is back office against front office. Shared procurement, HR, finance and IT free up money and build capability; they work on cost. Shared teaching, shared student support and shared employer engagement are the only kinds that work on revenue. Almost the entire UK conversation is about the back office, which matters; but efficiency buys time, not sustainability.

What does not transfer from the US to the UK

The most portable-looking American finding is that heavy dependence on a single revenue source predicts distress. It does not transfer. Tested against 326 UK providers, tuition dependency does not distinguish institutions in difficulty from those not in difficulty. Dozens of entirely healthy providers have the most severe reading, because fees now exceed half of sector income and the block grant has fallen to around 11 per cent. Three related measures fail the same test: EU enrolment collapse, dependence on the funding body and international student concentration. A pattern that fires across an entire sector is not a risk signal. It is the operating environment.

England also has no authority able to act across institutions, and competition law constrains UK collaboration where it does not constrain American systems. And England's position has no American parallel: its institutions are funded like American private universities, with student fees producing more than half of the sector's income, but priced like American public ones, with no control over price and no block-grant appropriation to absorb a shock. They carry private-sector exposure at public-sector speed.

What does transfer? The failure of detection

American states learned after the fact that the best way to deal with underperforming universities is to use data transparency and financial monitoring and oversight to identify and intervene with struggling schools before challenges became acute crises. The lessons are directly applicable to the University of Dundee and any institutions that may follow in its wake.

Which brings back the structural point this paper opened with. England's higher education institutions are funded like American private ones: student fees produce more than half of sector

income, so when demand moves, income moves with it immediately and nothing cushions the fall. But they cannot act like American private ones. No English university sets its own price; the government sets the fee. No body can act across a portfolio, and no designed route exists through failure.

An American private college that loses a class can change its price, restructure or close; and some have done all three within a year. An English university that loses a cohort has the same arithmetic and none of the moves. They carry private-sector exposure at public-sector speed. That is the asymmetry, and it is why the one thing that does transfer matters more here than it did there.

References

US institutional and system findings run on IPEDS (Integrated Postsecondary Education Data System) longitudinal data through 2024/25, College Scorecard and published institutional financial statements, benchmarked within Carnegie classification peer groups; the 91-system assessment adds NCHEMS (The National Center for Higher Education Management Systems) governance coding and state appropriations data.

The shared services figures are our own coding of the US public system universe against a documented rule set, sourced to system board materials and system office documentation. UK figures run on HESA open data to the financial year ending 31 July 2024 and Office for Students student outcome data, applied across 326 providers. Non-EU fee income is published across the full register only to 2021/22.

Published research and data: Federal Reserve Bank of Philadelphia, Predicting College Closures and Financial Distress (Working Paper 24-20). SHEEO (State Higher Education Executive Officers Association) and the National Student Clearinghouse on 467 closures. MDRC's randomised evaluations of CUNY ASAP (The City University of New York's Accelerated Study in Academic Programs). NACUBO (National Association of College and University Business Officers) Tuition Discounting Study. College Board, Trends in College Pricing and Student Aid.

UK regulatory material: Office for Students financial sustainability reporting; Medr; the Scottish Funding Council; the Department for the Economy, Northern Ireland; the Commons Education Committee's 2026 report and the government response.

Order of precedence: Audited accounts and regulator compilations govern all monetary amounts. Risk scores govern pattern and position only, and are not used to attach a figure to any named institution.