

Photo: Royal Conservatoire of Scotland



### Risks to universities' financial health

Universities identified many risks in their returns which could adversely affect their financial health and ability to achieve student activity and other income targets. The most significant risk areas for universities relate to:



**An over-reliance on income from international students to remain financially sustainable** and to support other areas of their operations, particularly where recruitment is heavily weighted to a single country, or where changes to UK policy relating to **visa and immigration regulations** can have a significant effect on target markets and approaches (recent Government white paper: [Restoring control over the immigration system](#)).



**The uncertain macro-economic outlook**, with inflation rising and high interest rates. Stock market pressures and wider economic challenges can also lead to significant drops in regular **donations and income from endowments**.



**Increasing staff costs** due to cost of living pay awards and increase in employer contributions to some pension schemes and National Insurance.



**Energy costs remain high** against historic levels after substantial spikes in recent years.



Having **adequate infrastructure in both universities and within the wider community for students**. Shortages of student accommodation could result in prospective students having to decline or defer places offered by universities, reducing this essential source of income.



Existing **debt levels**, given persistently high interest rates and the management of lender and Private Placement relationships, including compliance with covenants.



Unanticipated **public spending cuts in teaching and/or research income**. In-year reductions and below inflation rises would place significant added pressure on universities to maintain a sustainable trajectory.



The uncertainty of the **UK Government's policies** on Higher Education, including those designed to mitigate the effects of leaving the EU, and those that impact **rUK recruitment** in an increasingly competitive market.



The requirement for universities to invest in the **achievement of public sector net zero targets** with the costs across the UK HE sector recently estimated at £37.1bn<sup>2</sup>.



**Suspension and revocation of a university's international student sponsor licence following an inspection by UK Visas and Immigration (UKVI)** could cause an immediate stop to any international student recruitment. Stricter Basic Compliance Assessment (BCA) metrics such as visa refusal rate and course completion rate are outlined in the immigration White Paper.



The impact of changes to UK **research funding** and the research funding policies of charities and industry in this challenging financial environment.



The impact of **reinforced autoclaved aerated concrete (RAAC)** on the university estate with potential building closures and expenditure required to make affected buildings safe for use.



The impact of the outcome of the **Independent Review of Skills Delivery and Purpose and Principles**.



**Any failure to effectively manage major capital investment programmes** and their financial impacts, including construction inflation.

<sup>2</sup> The Cost of Net Zero | EAUC