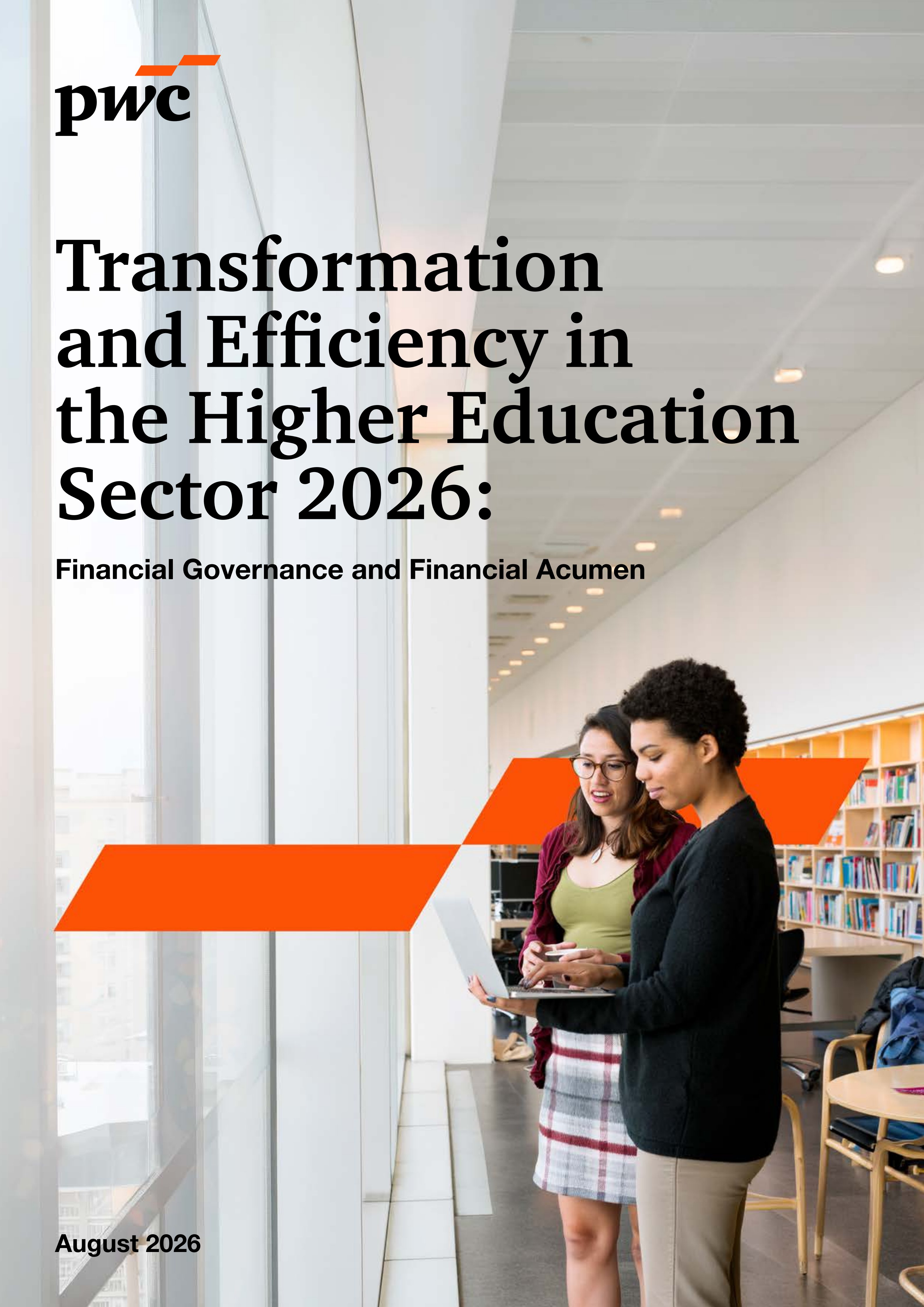

Transformation and Efficiency in the Higher Education Sector 2026:

Financial Governance and Financial Acumen

August 2026

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This report provides an overview of the discussions held across three roundtables with participants from UUK member institutions. Key areas and themes discussed have been used to produce and inform the report. The information presented in this report is the collective summary of discussions held by the representatives in attendance. Where the views presented are that of PwC UK this has been highlighted.

Foreword

Over recent years, the UK Higher Education sector has been navigating a more constrained and uncertain financial environment. Institutions are balancing the need to protect academic quality and the student experience with rising cost pressures, increasing scrutiny, and the ongoing requirement to invest in both digital and physical infrastructure.

In this context, effective financial governance and stronger financial acumen across institutions are increasingly important enablers of long-term sustainability. Universities UK (UUK), in collaboration with Lloyds Banking Group and PwC UK, convened a series of roundtable discussions in April 2026 to share practical experiences and explore the actions institutions can take to strengthen decision-making, accountability and resilience.

These roundtables continue our support to inform the work of UUK's Transformation and Efficiency Programme, building on the discussions and engagement held in March 2025 when we brought together sector leaders to share experience and explore systemic approaches to efficiency. Last year, these roundtables focused on cost transformation and driving value across estates as levers to support ongoing financial sustainability. Our previous report Transformation and Efficiency in the Higher Education Sector was published in June 2025.

This report summarises the themes and practical actions identified through those discussions.
It is intended as a sector-facing output, reflecting the collective insights of participants and highlighting areas where institutions are already making progress, as well as where further focus may be required.

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While not fully representative as a sample of the sector, the themes of feedback from these discussions echo what we find in our wider work with clients, and we hope prove helpful to inform actionable insights for university leaders moving forwards.

Background

In collaboration with Universities UK (UUK) and Lloyds Banking Group, PwC engaged with institutions across the UK to deliver a series of roundtable events in April 2026 focused on financial governance, financial acumen and the wider drivers of financial sustainability in the Higher Education sector.

The events built on the work performed as part of the Universities UK Transformation and Efficiency Programme. The roundtables were designed to encourage collaboration and the sharing of ideas between senior representatives from UK Higher Education Institutions (HEIs), alongside colleagues from UUK, PwC and Lloyds Banking Group. Discussions drew together perspectives from across the sector, including Vice Chancellors, Chief Financial Officers, Chief Operating Officers and other senior executives, to explore the practical actions institutions can take to strengthen governance, improve financial decision-making and support long-term resilience.

This report is structured around two areas. **Section 1 considers financial governance**, such as board accountability, financial literacy, and management during financial stress. **Section 2 covers financial skills**, including reporting, accountability, and methods for assessing delivery costs with contribution models.

Senior representatives from UK Higher Education Institutions attended the roundtables across London, Birmingham and Manchester. Participants comprising of senior executives from across the sector provided a range of perspectives and experiences. Feedback from attendees highlighted the value of the mix of professional backgrounds, seniority and openness of discussion, which contributed to a rich and collaborative exchange of ideas.

Taken together, the composition of participants and the scale of the opportunities identified underscore a decisive moment for the UK higher education sector. There was widespread recognition that financial sustainability can no longer be achieved through incremental efficiencies alone; it requires coordinated, sector-wide transformation and deeper collaboration with employers and industry partners.

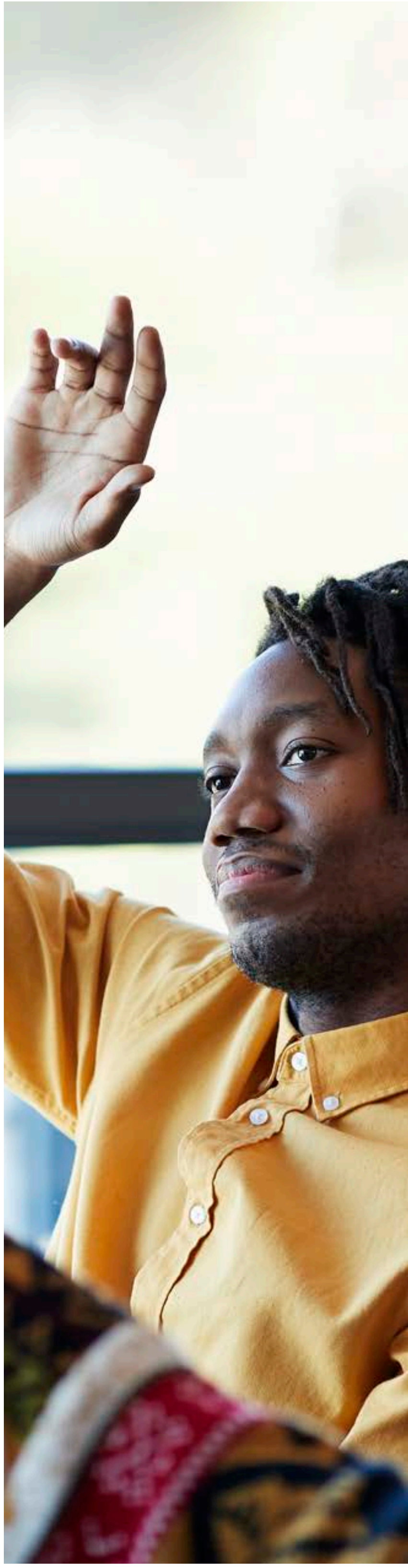
Institutions that act collectively to modernise operating models, diversify income, and protect academic core activities will be best positioned to remain financially resilient, internationally competitive, and capable of delivering high-quality education and research in an increasingly constrained funding environment.

Higher Education Institutions by segment - OfS classification	Number of providers	Qualifying income
Larger research intensive	15 providers	“Qualifying income” of more than **£200m**, and less than **70%** of total income includes all Russell group universities.
Larger teaching intensive	9 providers	“Qualifying income” of more than **£200m**, and over than **70%** of total income.
Medium	25 providers	“Qualifying income” between **£100m and £200m.**
Small	15 providers	“Qualifying income” less than **£100m.**
Specialist: Creative	7 providers	**75% or more** higher education student full-time equivalent (FTE) in one subject area, or **90% or more** in two areas, where the main subject(s) is creative arts.
Specialist	2 providers	**75% or more** FTE in one subject area, or **90% or more in two areas.**
Other	4 providers	Participants from other HEI forums e.g. **UUK, Universities Scotland.**

Financial governance

01

Financial governance: The context and themes



Sustained financial pressure across the Higher Education sector and high-profile financial governance issues at some institutions including the University of Dundee have brought financial governance further to the forefront of institutional decision-making. Participants reflected that boards are operating in a more challenging environment, with greater scrutiny on financial sustainability, increasing expectations around financial oversight, and a growing need for more forward-looking discussion.

Board role and accountability

Strong financial governance depends on boards providing strategic oversight, challenge and assurance, while maintaining a clear boundary with executive management. Recent sector pressures have increased scrutiny, but participants stressed the importance of avoiding drift into operational detail and a managerial role.

Committees and delegation

Clear governance structures support better decision-making. Participants highlighted the need for more defined committee remits and stronger delegation arrangements to reduce duplication and improve accountability across committees and boards.

Skills and financial literacy

Increasingly specific financial skills are needed to support institutional development and scrutinise transformation – such as in mergers and acquisitions or cost-out transformation. Participants discussed the need to identify skills in this more nuanced way, rather than simply considering finance as a single homogeneous skillset. Induction, ongoing training and regular briefing were seen as important enablers of more confident and effective challenge.

Financial oversight and information

Institutions need financial reporting that is timely, concise and decision useful. Participants emphasised the importance of improving clarity, usability, and consistency so that governors can focus on the most material issues and risks.

Governance in financial stress

Periods of financial stress require governance arrangements that can respond with pace and discipline. Scenario planning, clearer escalation routes and more forward-looking discussion were identified as important features of effective governance in a more volatile environment. Having clear plans for how governance can act effectively when pace is required was deemed valuable.

What does strong financial governance look like?

Strong financial governance is underpinned by clear accountability, proportionate oversight and a shared understanding of the institution's financial position and long-term financial and non-financial risks.

Participants reflected that effective governance depends not only on the formal design of structures and committees, but also on the quality of information, the confidence of governors to engage with financial matters, and a culture that supports transparency, challenge and timely decision-making.

A consistent theme across the discussions was that boards are most effective when they remain focused on strategic stewardship rather than operational management. This includes maintaining clear separation between governance and executive responsibilities, while ensuring that boards receive sufficiently clear, timely and decision-focused information to provide meaningful scrutiny and challenge.

Participants also highlighted the importance of governance structures that are clear and complementary. Finance committees, audit committees and boards each have distinct but connected roles, which vary from institution to institution. Strong financial governance depends on these responsibilities being well understood, regularly reviewed and supported by appropriate delegation arrangements.

There was a broad agreement that financial literacy, specifically in relation to common business models in higher education is a critical enabler of effective governance. Boards are better placed to support institutional resilience when financial understanding is shared more widely across governors, rather than concentrated in a small number of individuals. Induction, regular training and ongoing briefing were all cited as important mechanisms for strengthening confidence and enabling more effective challenge.

Finally, strong financial governance was associated with a more forward-looking and agile approach to oversight. Participants emphasised the importance of scenario planning, discussion of key assumptions and risks, and governance arrangements that can respond with pace during periods of financial stress while maintaining accountability and control.

> "Boards are most effective when they remain focused on strategic stewardship rather than operational management.

Common challenges and themes

Balancing pace of decision-making with the need for assurance

The presentation identified the tension between fast decision-making and assurance as a core challenge, and this was strongly reinforced in the roundtable discussions. Participants reflected that governance structures can feel too process-heavy in periods of financial stress, making it more difficult to respond with the pace required while still maintaining accountability, transparency and appropriate scrutiny.

Focusing on leading indicators, not only backward-looking results

Participants reflected that governance discussion can still be too heavily weighted toward historic reporting, rather than the leading indicators that shape future resilience. Discussions highlighted the need for scrutiny of emerging risks, scenario planning and forward-looking information, while roundtable discussion reinforced the importance of moving beyond backward-looking results alone.

Supporting non-financial governors to contribute confidently

Across the roundtables, participants consistently raised the challenge of uneven financial literacy and over-reliance on a small number of financially experienced individuals. Supporting non-financial governors both to understand the financial matters and to engage with the non-financial impacts of financial matters, is key, as are induction, regular training and the confidence of governors to ask the right questions.

Clarity of roles across governance structures

A recurring challenge was the lack of clarity between the roles of finance committees, audit committees and the board. Participants described examples of overlapping remit, duplication of scrutiny and uncertainty over where challenge and escalation should sit, echoing the issue explicitly highlighted in the roundtable presentation.

Maintaining student-centred decision-making under financial pressure

A further challenge highlighted was the need to maintain student-centred decision-making while institutions respond to financial pressure. This reflects a wider tension discussed in the roundtables between financial control, institutional resilience and preserving the quality of delivery and student experience.

Actions to strengthen financial governance

Participants highlighted several practical actions that can strengthen financial governance, particularly in a more volatile environment. These included aligning committee cycles to forecasting and planning processes, improving scenario modelling, clarifying committee remits and delegation, strengthening induction and training for governors, and improving the quality and focus of board reporting.

There was also strong emphasis on the role of financial leadership in supporting more effective governance. Closer engagement and alignment between vice-chancellors, chief financial officers, chairs and committees, together with more concise and decision-focused information, were seen as important enablers of stronger oversight, better challenge and more forward-looking discussion.

What is working well:

1 Stronger alignment of committee cycles with forecasting and financial processes.

2 Enhanced scenario modelling with clearer distinction between base plans and risk sensitivities.

3 Improved senior stakeholder engagement (vice-chancellor, chief financial officer, treasurer, chairs) with regular informal interactions.

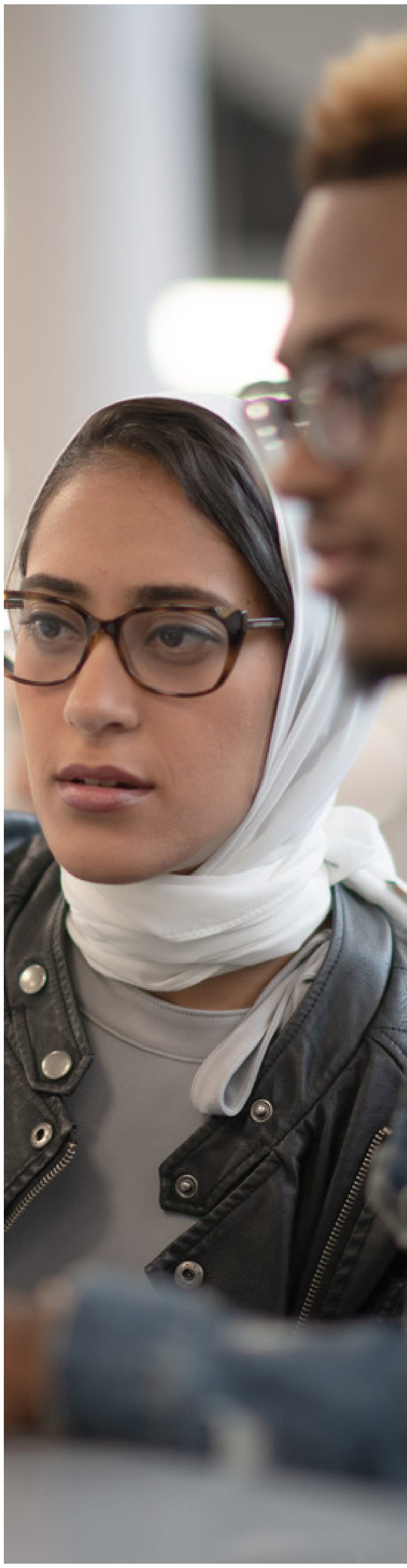
4 Strengthened financial oversight through updated capability matrices and targeted recruitment.

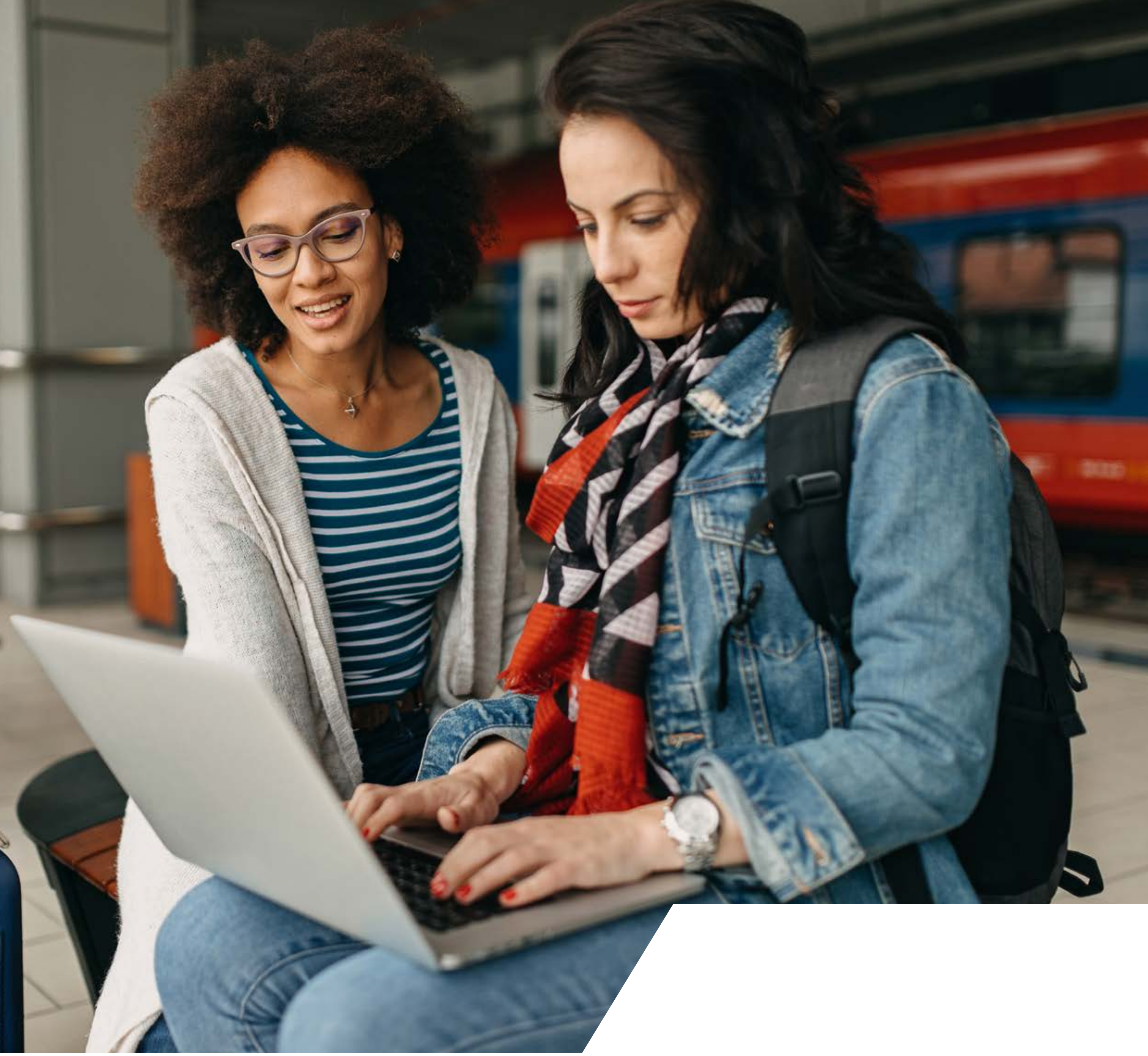
5 More effective reporting with shorter, clearer papers and improved analytical insight and key performance indicator (KPI) clarity.

6 Increased scrutiny via infrastructure/finance/resources committees.

7 Better integration of academic/student outcomes with financial sustainability decisions.

8 Greater transparency and assurance through private audit/finance committee sessions.





02

Financial acumen

Financial maturity of the sector

The roundtables highlighted that institutions are responding to sustained financial pressure with greater focus on financial improvement, accountability and the use of better information to support decision-making. However, participants discussed that financial maturity remains mixed across the sector, with variation in how well institutions embed transparency, ownership and understanding of value across the organisation.

Where financial maturity is lower, institutions typically identified lack of accountability for budgets and in-year financial performance, inconsistent integration between planning processes, and a weaker understanding of cost of delivery and financial benefit. Combined, these findings suggest that the challenge is not only financial pressure, but also the infrastructure needed to support more embedded financial management practices.

Where financial maturity is lower, institutions often demonstrate limited:

- Clarity and accountability across financial decision-making and budget ownership, including regular in-year scrutiny of spend and margin.
- Systematic assessment of impact, meaning institutions are not always able to judge whether savings initiatives have improved the bottom line.
- Understanding of cost of delivery, including the cost of acquisition or delivery at an appropriate level to support trade-offs.
- Integration across planning processes, particularly between student planning and financial planning.
- Use of finance and financial data in strategy, limiting the extent to which operational and strategic decisions are informed by clear financial insight.
- Processes to identify and track benefits, including incentives and mechanisms to encourage strong financial performance.

47%

of individuals felt that their institution used financial reporting to actively influence priorities and trade-offs.

25%

of individuals stated financial information available to decision makers was clear, timely and supported informed challenge.

96%

of individuals stated budget holders are formally accountable for financial performance within Academic and Professional Services departments.

What does strong financial accountability look like?

Participants reflected that strong financial accountability is not simply about tighter control. It requires an environment in which ownership is clear, information is trusted, and financial decisions are aligned to institutional priorities and visible across the organisation. Across the roundtables, financial accountability was described as most effective when it is practical, embedded and understood beyond the finance function alone.

Strong accountability and ownership

Clear accountability begins with a shared understanding of who is responsible for budgets, which decisions sit locally and which are retained centrally, and how financial performance will be monitored over time. Participants reflected that accountability is strongest when budget holders have both the right level of control and clear responsibility for outcomes.

Clear and consistent strategic alignment

Financial accountability is most effective when it reinforces the wider institutional strategy rather than operating as a parallel process. Participants emphasised the importance of linking budgeting, investment choices and performance expectations directly to the strategic direction of the institution, so that financial trade-offs are made within a clear and consistent framework.

Transparency

Appropriate financial transparency enables earlier intervention, better quality conversations and more confident decision-making. Across the roundtables, participants highlighted that transparency matters not as an end in itself, but because it creates visibility of performance, clarifies trade-offs and reduces the risk of issues remaining hidden until options are more limited.

Consistency and one version of the truth

Strong accountability depends on decision-makers working from a consistent set of definitions, data and analysis. The roundtables reinforced that where institutions rely on fragmented systems, inconsistent reporting or shadow spreadsheets, trust in the numbers can erode quickly and make meaningful comparison and challenge more difficult.

Traceability

Financial accountability is strengthened when institutions are able to track the link between a decision, its intended impact and the individual or team responsible for delivery. Participants reflected that this kind of traceability is important not only for control, but also for learning, course correction and embedding stronger financial management over time.

Financial reporting: What good looks like

Strong financial reporting enables institutions to move beyond retrospective finance packs toward more integrated, decision-useful management information. The presentation highlighted that best practice reporting combines financial, operational and strategic insight in a way that supports better oversight, clearer prioritisation and more informed decision-making across the institution.

Key components of Financial Reporting that individuals are utilising in their organisation

96%	**Cash flow analysis**
90%	**Monthly and annual analysis**
90%	**KPIs**
82%	**Capital programme**
73%	**Phased budget**
65%	**Student analysis**
39%	**Research analysis**
39%	**Consistent and varied format**
24%	**Tailored dashboards**
14%	**Carbon emission tracking**

Reporting toolkit

Performance and planning

KPI's, phased budgets, monthly and annual analysis, cash flow analysis.

Portfolio and Activity

Student analysis, research analysis, capital programme.

Design and usability

Tailored dashboards, consistent formats, AI insights and automation.

Broader decision support

Activity based costing, carbon emission tracking.

Why understanding cost of delivery matters

Sustained financial pressure and changing strategic priorities are increasing the need for institutions to understand the true cost of delivery across their academic and professional services activity. Participants reflected that many institutions still have a limited view of how income, direct costs and shared costs come together at faculty, school or service level, making it harder to assess performance, prioritise interventions and align financial decisions to the institution's strategy.

Limited visibility of cost and contribution is often associated with a number of recurring issues: lack of clarity over financial performance, inconsistency in where costs are budgeted, limited accountability, limited alignment between financial decisions and institutional priorities, and a tendency to view cost and income separately rather than through a contribution lens. The roundtables reinforced that these issues are often compounded by data limitations, fragmented systems and uneven engagement from budget holders outside central finance teams.

By contrast, institutions that improve understanding of cost of delivery are better placed to create consistency in planning and budgeting, generate stronger data-driven insight, increase visibility of financial performance, and strengthen ownership of both income and expenditure. Participants also reflected that a clearer view of contribution can support more informed trade-offs around portfolio, workforce, research activity and shared services, particularly where financial pressure is sustained.

10%

individuals stated financial performance is fully owned with one version of truth that is routinely used to drive decisions and outcomes.

47%

individuals stated their institutions apply a central funding approach or allocate minimal indirect costs out to faculties (Faculties managed with only direct income and direct cost).

Contribution models: Characteristics across the spectrum

Common challenges where cost of delivery is less well understood:

- Lack of clarity over the financial performance of faculties, schools and professional services.
- Inconsistency in how and where costs are budgeted across academic and professional service areas.
- Limited accountability for financial performance outside central finance teams.
- Limited transparency of financial decision-making and the services provided across the institution.
- Limited alignment between financial decisions and the broader strategic direction of the institution.
- A separate view of costs and income, rather than a clearer focus on contribution and value creation.

What stronger cost visibility can enable:

- Greater consistency of planning and budgeting across the institution.
- Stronger data-driven insight to support prioritisation and trade-offs.
- Increased visibility of financial performance at faculty, school and service level.
- Better alignment between financial strategy and institutional priorities.
- Clearer ownership of income and expenditure by budget holders and leaders.
- Stronger accountability for financial performance and investment decisions.
- An increased focus on contribution, helping institutions understand where value is generated and where intervention may be needed.

The most effective model...

...is rarely the most complex, but the one that is clear enough to be understood, robust enough to be trusted, and practical enough to be used.

Participants reflected that improving understanding of cost of delivery does not require every institution to move to a fully allocated costing model. Instead, a spectrum of approaches ranging from simpler contribution views based on direct costs through to partial and full cost allocation models, dependent on the institution's maturity, capability and intended use of the information is key.

Across the roundtables, there was broad recognition that the value of a contribution model lies not only in technical precision, but in whether it is sufficiently clear, trusted and practical to support better decision-making. Participants noted that overly complex models can be difficult to explain, difficult to trust and difficult to embed, particularly where wider financial literacy and data quality remain uneven.

Simple contribution view
Focuses on income and direct costs only. This is the simplest and most transparent option and can be a practical starting point where institutions want to build visibility and accountability without introducing too much complexity.

1

2

Partial indirect cost allocation
Adds selected central and professional service costs to the model. This provides a wider view of contribution while remaining more manageable than full allocation.

Full cost allocation model
Allocates all relevant central and shared costs across the institution. This gives the most complete view of cost and contribution, but is also the most complex and relies on stronger data, methodology and organisational confidence.

3

Developing and embedding the model

Introducing a contribution model is not simply a technical exercise. To be effective, the model needs to be built iteratively around the institution's current level of financial maturity, the quality of available data, and the behaviours and accountability it is intended to support. Across participants, there was broad recognition that the success of any model depends not only on methodology, but on whether it is trusted, understood and used in practice. This reinforces the value of an iterative approach that allows institutions to review the current state, test assumptions and refine the framework before embedding it more widely.

1

Review
Begin by reviewing the current budgeting, reporting and planning process to understand the starting point. This should include where accountability currently sits, how costs are assigned, what information is already available, and where the main gaps in data, consistency or process exist.

2

Design
Agree the purpose and principles of the model before building it. Institutions need to define what the model is intended to support - whether that is greater accountability, better planning, improved visibility of contribution, or stronger decision-making - and then determine what level of complexity is proportionate to their maturity and data quality.

3

Develop
Once the design principles are clear, the model can be developed. This includes agreeing cost categories, allocation logic and the supporting accountability framework, so that the model reflects both the institution's financial structure and the way leaders are expected to use the outputs in practice.

4

Test
Before wider rollout, the model should be tested and refined. This stage is important for validating assumptions, checking whether the outputs are credible and understandable, and building confidence among budget holders and leaders that the model is robust enough to support meaningful decisions.

5

Implement
The final step is to implement and embed the model into the institution's planning, reporting and decision-making processes. The model should not sit alongside business-as-usual activity as a separate exercise; its value comes from being used consistently to inform conversations about performance, trade-offs and accountability across the organisation.

PwC roundtable team

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Thank you

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