

**NATIONAL ASSEMBLY FOR WALES FINANCE COMMITTEE 17
OCTOBER 2012: WRITTEN EVIDENCE FROM CARDIFF UNIVERSITY**

1. Looking at the budget allocations for 2013-14, do you have any concerns from a strategic, overarching perspective?

We recognise that the Welsh Government is working with a very challenging settlement given the severe budget cuts and the likelihood that public expenditure will continue to be constrained. The focus of this budget - ensuring growth in the economy - is entirely appropriate but it is not certain that this can be achieved without sufficient investment in higher education. Investment in higher education is critical for a buoyant economy in Wales and there is great potential at this point to drive future economic growth and the creation of opportunities and jobs through prioritising such investment.

Higher education is a key driver of long-term economic growth. Research by the OECD for instance identifies that, while a range of factors may have a short-run impact, long-run economic growth is above all determined by two factors which are strongly associated with universities: knowledge accumulation and technological progress.ⁱ Similarly the evidence points to the fact that countries with high levels of innovation on average tend to have a stronger track record of investment in higher education and higher proportions of graduates in their populations.ⁱⁱ

Higher education contributes to the economy via, for example, the supply of graduates and postgraduates and through research and development expenditure. Universities also have a significant direct impact on the economy in Wales. They are major employers in their own right with a total turnover of over £1.2bn. Based purely on patterns of expenditure, for every £100m that is invested in higher education £102m will accrue to industries located in Wales (a comparatively high 'multiplier effect'). Universities also play a significant role in leveraging additional resource into Wales. In 2007/8 for instance the university sector gained £238m of export earnings for Wales and generated an additional direct boost to the Welsh economy of more than £90m a year from attracting students from outside Wales.

Funding for higher education is an investment that leads to increased income generation throughout the economy. Higher education also contributes significantly to the Welsh Government's social justice agenda. Access to a university education has always been an important springboard to better living standards in Wales for individuals and families. For many people in Wales a degree has helped to advance their careers, broaden their horizons and raise their aspirations. The expansion of higher learning is one of the most important ways in which social mobility can be advanced.

2. Looking at the budget allocations for 2013-14, do you have any concerns about specific areas?

The fact that there is no planned increase in the Higher education budget in 2013-14 (nor is there an increase planned for 2014-15) is a concern especially given that the student loan budget is increasing in both of these years. An increasing student loan budget means that there is less funding for other aspects of high education such as research, postgraduate studies, and innovation. Also, the student loan money doesn't

necessarily benefit Welsh higher education institutions as students may study anywhere in the UK.

We have concerns in respect of full-time undergraduates where there are risks associated with:

- The reduction of the recurrent grant for teaching which relate specifically to higher-cost subjects where the cost exceeds the fee (e.g. Science, Technology, Engineering, Medicine, Dentistry);
- The potential loss of students achieving grades ABB or higher at A-Level due to the new English policy of unrestrained recruitment of students with higher grades at A-Level;
- Potential under-recruitment across the sector due to strategic reallocation and/or changes in recruitment patterns associated with the new funding and student support mechanisms in Wales and the UK.

The lack of any capital budget is also concerning as this will inhibit improvements to infrastructure which will impact on the student experience, on the ability to expand research activity, as well as on the Welsh sector's ability to compete. For example, in order to be able to counter the English policy of unrestrained recruitment of students achieving grades ABB or higher at A-Level, Welsh HEIs need to be able to offer excellent facilities and an excellent quality of education.

These concerns are compounded by the historical funding gap between Wales and England (and Scotland) which means that the Welsh HE sector is already at a disadvantage. HEFCW's most recent report identified a funding gap with England of up to £69m and rising in 2007/08 based on GIA per fundable FTE. The Learned Society, based on HEFCW's data, estimated the negative funding gap with England per student had grown from £20 to £900 per student between 2000/01 and 2008/09 and the cumulative gap between 2000 and 2009 was £361m (and more for Scotland).

There is a danger that insufficient investment in higher education now, on top of the historical funding gap, will begin to damage the competitiveness of the Welsh higher education sector and hence its ability to deliver for Wales.

Whilst it is essential that Welsh HEIs deliver for Wales, it must also be remembered that Welsh HEIs operate within a UK sector and need to be able to compete at a UK level for research funds (both public and private), industry contacts and student recruitment (both home and international). A lack of investment in higher education, especially in comparison to other UK countries, will mean that Welsh HEIs are less able to compete with other UK HEIs. This will impact adversely on their ability to bring sources of funding into Wales and also to bring spending power into Wales.

- 3. What do you think will be the impact of the 2013-14 draft budget proposals on your ability to deliver services and meet the priorities of the Welsh Government?**
- Cardiff University will continue to deliver its core services and will continue to contribute to the priorities of the Welsh Government. However, further investment in higher education now would enable further contribution to these priorities and would also enable the University to expand, support and drive forward its activities in areas such as research, postgraduate studies, knowledge transfer and the provision of

expensive subjects. The expansion of these activities would have a significant long-term positive effect on the economy.

Research

Cardiff University is the most research-intensive University in Wales. Its research already contributes significantly to growing the Welsh economy and, given the investment to enable expansion, has the potential to contribute even further.

This budget, however, risks the HEFCW funding for research (QR) being diminished when it is essential that this fund is at the very least maintained and, ideally, increased. QR funding enables HEIs to invest in improving and updating their research activities through general investment in research infrastructure and training of new researchers as well as by identifying and investing in important new and emerging areas of work. QR funding also enables HEIs to apply for Research Council funding.

Wales needs an increase in research activity as this will lead to an increase in the exploitation of research and knowledge transfer. Wales needs greater levels of entrepreneurship and innovation and Welsh Universities can be the catalysts for the growth of the Welsh economy through spin-out companies, innovation partnerships with locally-based businesses and the drawing in of expertise world-wide.

The Welsh Government's investment in Ser Cymru will go some way towards increasing research activity by bringing in world-leading researchers and this will increase innovation and knowledge transfer. However, increased research activity will necessitate investment in the research environment. World-leading academics require fit for purpose infrastructure – state of the art equipment and additional and appropriate space. Without adequate funding for research infrastructure there is a danger that the Ser Cymru programme might not be as successful as it could be. Thus it is essential that HEFCW QR funding for research is sustained.

Postgraduate Studies

Wales also needs to invest in funding for the highest level of skills development, and particularly postgraduate research students (PGRs). The Global Entrepreneurship Monitor Wales (2007) Report showed that those with the highest qualifications were more likely to be entrepreneurially active, and investment to encourage the growth of PGR students in top rated research departments, together with proper funding of their training and development, will deliver not only the new generation of academics and potential research stars, but Wales' next generation of cutting edge entrepreneurs.

The Welsh Government's current programmes such as the Young Recruits Programme and Pathways to Apprenticeships have merit and will go some way to improving job prospects but higher level skills development and initiatives that encourage University-Industry collaboration will lead to more innovation and will create more opportunities and more jobs in the long term.

Science, Technology and Engineering Provision

The importance of Science, Technology, Engineering and Maths (STEM) graduates in society has long been recognised in terms of the benefits that these disciplines bring to the economy, standard of living and well-being. The current HEFCW funding model

means that those institutions that offer courses predominantly in the lower-cost subject areas will benefit more from the increased fee income than those who offer more higher-cost, STEM subjects. Institutions with more expensive subjects will be dependent on continued government funding for teaching to sustain excellent provision in the higher-cost and priority subject areas. Without adequate funding for these expensive areas, HEIs will not be able to afford to run these courses and Wales cannot afford to lose its STEM students and graduates. A strategy for the sustainable provision of these subjects is therefore vital as any damage from cuts in funding will not be easily reversed.

Medicine and Dentistry Teaching

Cardiff University has the only Medical and Dental Schools in Wales which, together with the University's other health-related Schools with an all-Wales remit, such as Optometry and Pharmacy, contribute to the social well-being of Wales by providing the next generation of health professionals for 21st Century healthcare.

The cost of teaching Medicine and Dentistry far exceeds the new higher fee of £9,000 per annum and without sustained and adequate public funding both the Medical and the Dental School will quickly cease to be viable. Wales certainly cannot afford to lose its only Schools of Medicine and Dentistry and associated healthcare students and graduates – the adverse impact on healthcare in Wales would be significant. It is vital therefore that there is an explicit commitment to sustaining funding for these very high cost subjects in future years to ensure continued provision in these areas.

ⁱ OECD. "The OECD Innovation Strategy - Getting a head start on tomorrow." 2010.

ⁱⁱ Universities UK. "Higher Education in Focus: Driving Economic Growth - Higher Education a core strategic asset to the UK." 2011.