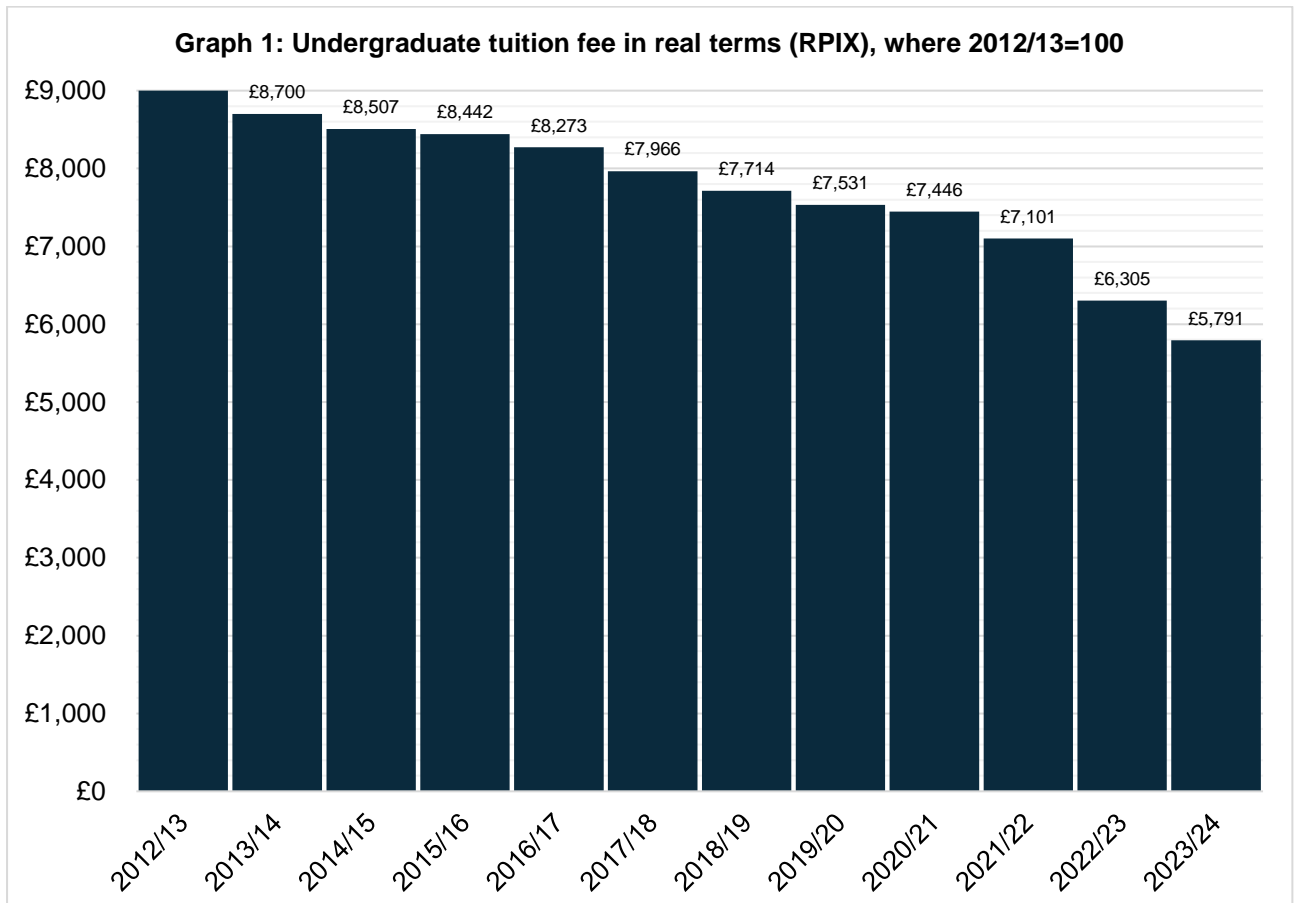


**Cardiff Metropolitan University response to the Senedd Finance Committee inquiry into the Welsh Government draft budget 2024/25**

- i. In the most recent analysis, universities generated £5.3bn for the Welsh economy.<sup>1</sup> UCAS estimates that demand for UK higher education will rise until 2030 and peak at one million applicants, with international demand growing until 2050.<sup>2 3</sup> Universities UK states 95% of new jobs in Wales will be graduate level by 2035, necessitating an additional 402,825 graduates.<sup>4</sup> The ability to meet demand and fill skills gaps depends on a strong higher education sector.
- ii. The indicative budget for 2024/25 showed a proposed allocation of c. £200m for higher education, representing no increase on the final 2023/24 budget (or a cut against supplementary budgets for 2023/24).<sup>5</sup> Cardiff Metropolitan University recommends Welsh Government uses the 2024/25 budget to focus higher education funding on:
  - Higher cost subject premia for full-time undergraduates.
  - Innovation via the Research Wales Innovation Fund, taking it closer to £25m.
  - Capital, at least reinstating the £10m allocation.

**1. Fee income**

- 1.1 Applications and acceptances to universities fell in 2023, possibly reflecting cost-of-living pressures.<sup>6 7</sup> To note, Welsh Government uprated students’ maintenance support in line with inflation at the start of 2023 but other governments’ support is less resilient.<sup>8 9</sup>
- 1.2 The tuition fee for UK undergraduates has been £9,000 in Wales since 2012/13. Based on ONS data for RPIX, the fee was less than £6,000 in real terms at the start of this academic year.<sup>10</sup> From OBR projections for RPIX, it will fall below £5,500 by the start of 2027/28.<sup>11</sup>



- 1.3 The situation in other parts of the UK is different, with Wales the only country that does not charge £9,250 for students domiciled in another UK nation.

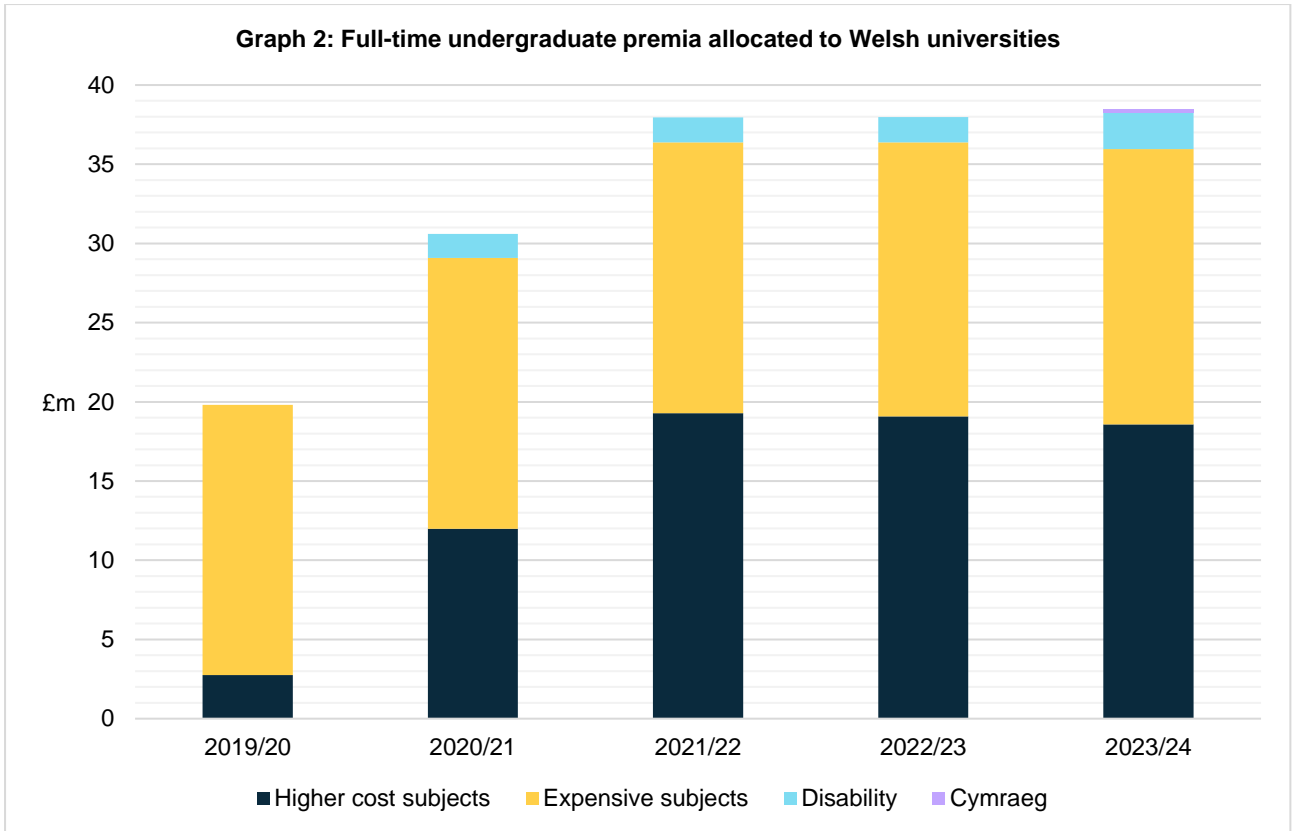
**Table 1: Maximum undergraduate tuition fees for 2023/24**

University location	Domicile			
	Wales	England	Scotland	Northern Ireland
Wales	£9,000	£9,000	£9,000	£9,000
England	£9,250	£9,250	£9,250	£9,250
Scotland	£9,250	£9,250	-	£9,250
Northern Ireland	£9,250	£9,250	£9,250	£4,710

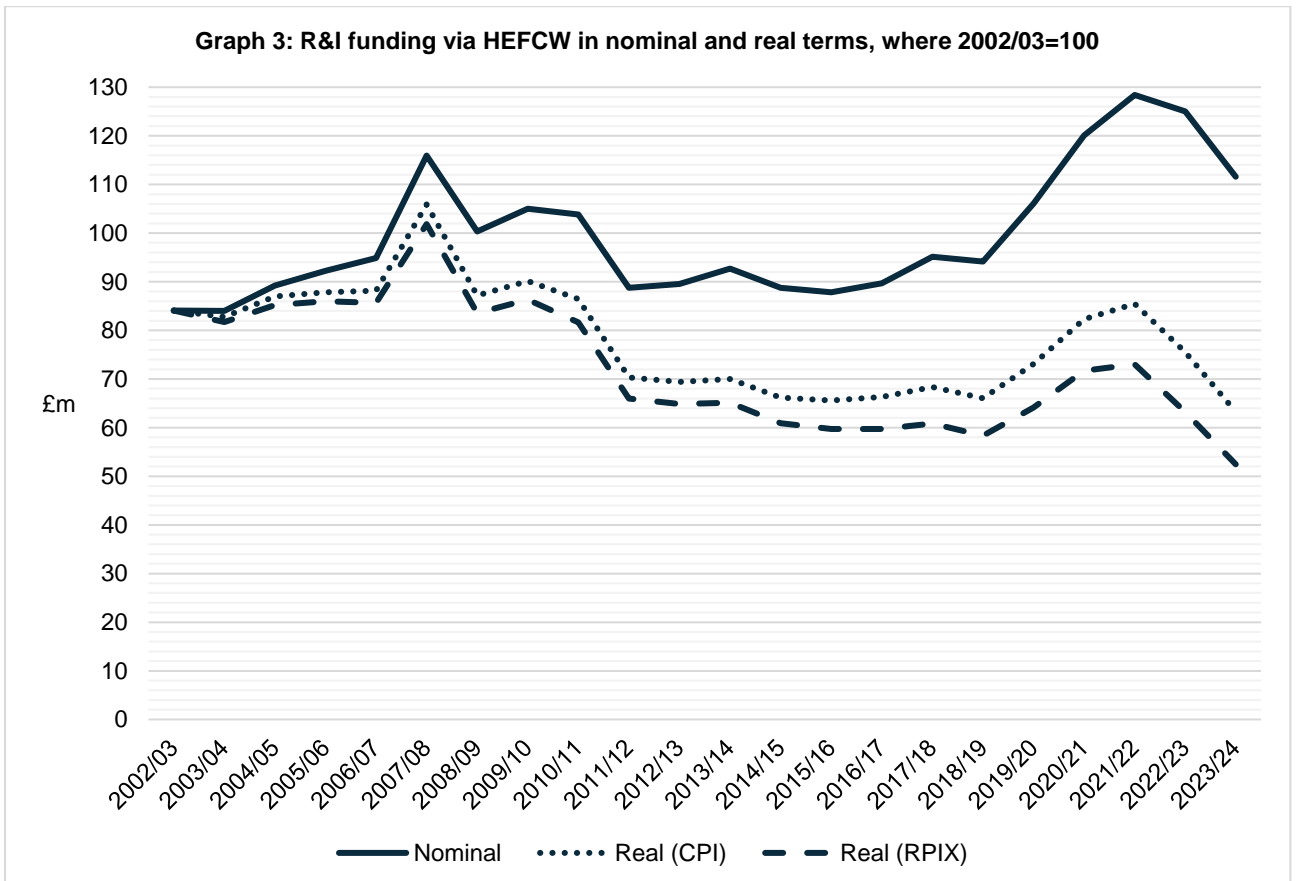
- 1.4 If UK students from outside Wales paid £9,250, it would generate an extra c. £10m per annum for Welsh universities. This would not be funded by Welsh Government.
- 1.5 Falling fee value has been alleviated via other income, primarily the uncapped fees of postgraduate and international students. International students are increasingly vital for sector finances. In the most recent data, they were 17% of the cohort in Wales but 26.6% of the fee income.<sup>12 13</sup> *Unlike home students, international students generate a surplus.*
- 1.6 However, UK Government policies are hampering international activity. From 1 January 2024, UK Government will no longer grant visas for dependants of taught postgraduates.<sup>14</sup> This is most likely to affect Nigeria and India which, in 2021/22, accounted for 43% of international taught postgraduates in Wales.<sup>15</sup>
- 1.7 UK Government has also increased visa costs and will be raising the Immigration Healthcare Surcharge to part-fund a public sector pay-rise. The healthcare surcharge has gone from £470 to £776 a year for students, an increase of £306 (65%).<sup>16</sup> Applying for a study visa from outside the UK has risen from £363 to £490, an increase of £127 (35%).<sup>17</sup>
- 1.8 For international staff, the health surcharge has risen from £624 to at least £1,305 per annum, a substantial increase of £681 (109%). A range of their visa costs have also risen, including for dependants they may wish to bring as part of their move to the UK. Universities have typically paid these costs, and this increase will have a considerable effect.
- 1.9 To note, equality impact assessments for the changes also indicated there were likely to be negative effects across a range of protected characteristics. The visa costs were found to be likely to impact with regards to sex and disability.<sup>18</sup> The healthcare change would impact negatively based on marriage/civil partnership, race, religion and sex (with mitigation only in place for marriage/civil partnerships).<sup>19</sup>

## 2. Recurrent grant

- 2.1 Raising the fee to allow for a surplus and/or immigration policy reforms are unlikely, so the grant to HEFCW (replaced by CTER from 2024/25) is increasingly important. Welsh Government gave an extra £17.2m to HEFCW for ring-fenced priorities in 2023/24.<sup>20</sup> Such funding allows investments that are harder to make whilst fee value is falling.
- 2.2 There is a need to address higher cost subjects for full-time undergraduates, for which universities receive premia. The higher cost subjects are non-clinical medicine and dentistry; science, engineering and technology; and mathematical sciences, IT and computing. These are national priorities, vital to the future success of NHS Wales, our economic productivity and the just transition to net zero.
- 2.3 It is one of four premia and, without an overall increase in the higher education budget, funding the premia properly will be difficult without cuts to other pots of funding.



2.4 The research and innovation (R&I) budget has greater salience since the loss of EU structural funds, which could cost 1,000 jobs across Welsh universities.<sup>21</sup> In real terms, the devolved R&I budget, combining both revenue and capital, is smaller than 20 years ago.



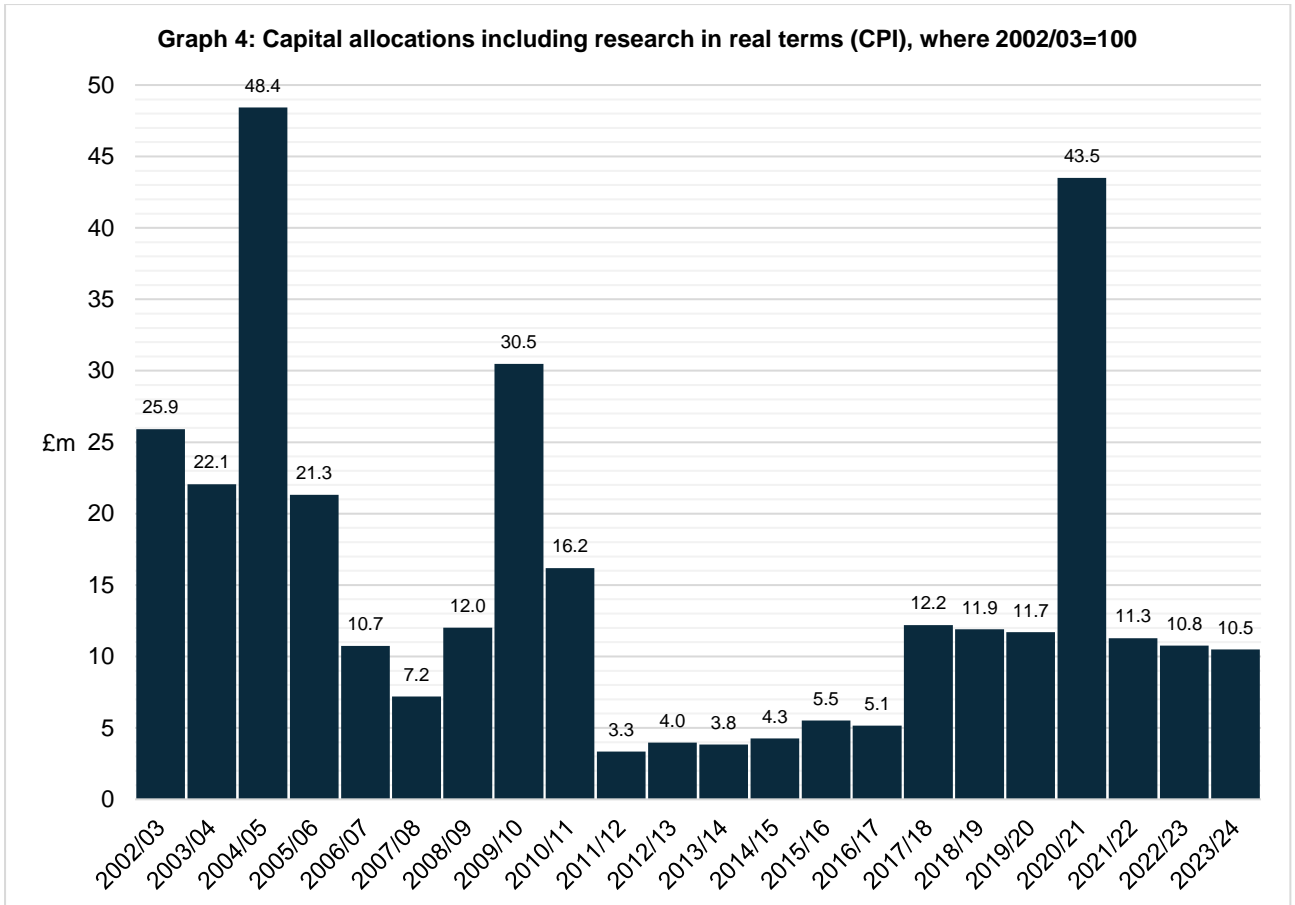
- 2.5 A priority for 2024/25 should be innovation funding. Wales has lost access to EU structural funds, which had a focus on innovation and translating research into societal benefits. Replacing the funds in full is well beyond the scope of devolved budgets, so Wales needs to transition to competitive UK sources and shore up its own innovation funding streams.
- 2.6 The only devolved funding stream with a somewhat similar purpose to structural funds is the Research Wales Innovation Fund (RWIF), created after Professor Graeme Reid’s review of government-funded R&I.<sup>22</sup> Since RWIF arrived in 2019/20, Cardiff Met has increased R&I income from non-HEFCW sources by 54%.
- 2.6 Reid advocated an innovation fund of £25m per year, but RWIF is still £15m.<sup>23</sup> Moreover, the Welsh Government innovation strategy delivery plan states that CTER will expand innovation funding to further education.<sup>24</sup> This would result in a £15m fund, short of its £25m target, being spread more thinly. **Getting RWIF to £25m should be a priority for the 2024/25 budget, with future increases to allow for a greater number of eligible organisations.**
- 2.7 In all, the unfulfilled Reid recommendations are substantial. The following table uses HEFCW figures for QR, postgraduate research, RWIF and the Learned Society of Wales. The figure for Welsh Government innovation is the sum of the revenue and capital lines for “innovation” in the 2023/24 budget.<sup>25</sup> <sup>26</sup> The Sêr Cymru figure is from a Welsh Government statement (it is not a distinct line in the budget).<sup>27</sup>

**Table 2: Difference between 2023/24 allocations and Reid review recommendations**

Funding stream	2023/24 (£)	Reid (£)	Difference (£)
Quality-related research	81,677,343	71,000,000	10,677,343
Postgraduate research	6,236,883	3,750,000	2,486,883
Research Wales Innovation Fund	15,000,000	25,000,000	-10,000,000
Learned Society of Wales	275,000	1,000,000	-725,000
Sêr Cymru	5,000,000	6,000,000	-1,000,000
Future of Wales Fund	0	30,000,000	-30,000,000
Welsh Government innovation	5,519,000	10,000,000	-4,481,000
Innovation hubs	0	10,000,000	-10,000,000
Innovation competitions	0	15,000,000	-15,000,000
<b>Total</b>	<b>113,708,226</b>	<b>171,750,000</b>	<b>-£58,041,774</b>

### 3. Capital

- 3.1 As above, capital investment is hampered by the shrinking ability to generate surpluses. The Bank of England base rate stands at 5.25%, making it harder to invest via private debt.<sup>28</sup>
- 3.2 The primary capital funding grant has been based on student numbers and is required to support Welsh Government priorities like net zero.<sup>29</sup> The funding is £10m a year, boosted during COVID-19 with an extra £44m.<sup>30</sup>
- 3.3 A separate stream exists for research capital; half of which is from UK Government in proportion to Research Council income, with Welsh Government funding the other half in proportion to QR and other research income. The research capital fund is £8.5m in 2023/24.<sup>31</sup>



- 3.4 Total capital funding, both teaching and research, was raised after a tighter period from 2011/12 to 2016/17. The current picture is a clear improvement on the earlier 2010s, albeit generally lower than the 2000s. The 2024/25 indicative budget did not include any capital allocation for higher education, with the £10m recurrent fund potentially ending.<sup>32</sup>
- 3.5 Welsh Government has the mutual investment model, a public-private partnership to finance capital projects, but is not available to higher education institutions.<sup>33 34</sup> From 2012/13 to 2014/15, Welsh universities bid to the education department for capital funding.<sup>35</sup>
- 3.6 In recent years, capital funding has helped Cardiff Met to invest in a range of initiatives of real benefit to Wales and our student population. The Allied Clinical Health Hubs will transform learning and teaching facilities and improved programme delivery of our allied health education contracts e.g., healthcare and podiatry.
- 3.7 Cardiff Met has also invested in the student experience with new learning infrastructure and social spaces, as well as specialist facilities for new courses in architecture and policing. Capital funding has also improved agile working for staff, decarbonisation of estates and the establishment of the Cardiff School of Technologies. **Capital funding for higher education should be reinstated (ideally past £10m) rather than disappearing altogether.**

<sup>1</sup> Kelly, U. and McNicoll, I. 2021. *The economic impact of higher education in Wales*. Cardiff: Universities Wales.

<sup>2</sup> Kirk, C. 2023. *What does the Journey to a Million mean for international admissions?*. Cheltenham: UCAS.

<sup>3</sup> Hewitt, R. 2020. *Demand for Higher Education to 2035*. Oxford: Higher Education Policy Institute.

<sup>4</sup> Universities UK. 2023. *Jobs of the future*. London: Universities UK.

<sup>5</sup> Welsh Government. 2023. *Final Budget 2023 to 2024*. Cardiff: Welsh Government.

<sup>6</sup> Shearing, H. 2023. *Fall in students accepted into university in UK*. London: BBC.

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- <sup>7</sup> UCAS. 2023. [All-Party Parliamentary Group for Students – Cost of Living inquiry: UCAS submission](#). Cheltenham: UCAS.
- <sup>8</sup> Miles, J. 2023. [Written Statement: Student support for higher education students in the 2023/24 academic year](#). Cardiff: Welsh Government.
- <sup>9</sup> Freeman, J. 2023. [How to beat a cost-of-living crisis: Universities' support for students](#). Oxford: Higher Education Policy Institute.
- <sup>10</sup> ONS. 2023. [Inflation and price indices](#). Newport: ONS.
- <sup>11</sup> OBR. 2023. [Inflation](#). London: OBR.
- <sup>12</sup> Higher Education Statistics Agency. 2023. [Who's studying in HE?](#). Cheltenham: Higher Education Statistics Agency.
- <sup>13</sup> Higher Education Statistics Agency. 2023. [What is the income of HE providers?](#). Cheltenham: Higher Education Statistics Agency.
- <sup>14</sup> UK Government. 2023. [Changes to student visa route will reduce net migration](#). London: UK Government.
- <sup>15</sup> Higher Education Statistics Agency. 2023. [Where do HE students come from?](#). Cheltenham: Higher Education Statistics Agency.
- <sup>16</sup> UK Government. 2023. [NHS staff receive pay rise](#). London: UK Government.
- <sup>17</sup> UK Government. 2023. [Visa fees transparency data](#). London: UK Government.
- <sup>18</sup> UK Government. 2023. [Immigration and nationality fees: equality impact assessment](#). London: UK Government.
- <sup>19</sup> UK Government. 2023. [Immigration Health Surcharge \(IHS\): equality impact assessment 2023](#). London: UK Government.
- <sup>20</sup> Miles, J. 2023. [HEFCW Remit Letter 2023-24](#). Cardiff: Welsh Government.
- <sup>21</sup> Universities Wales. 2023. [Universities sound the alarm for research, innovation and skills in Wales](#). Cardiff: Universities Wales.
- <sup>22</sup> Reid, G. 2018. [Review of Government Funded Research and Innovation in Wales](#). Cardiff: Welsh Government.
- <sup>23</sup> HEFCW. 2023. [HEFCW's Funding Allocations for Academic Year 2023/24](#). Bedwas: HEFCW.
- <sup>24</sup> Welsh Government. 2023. [Innovation strategy for Wales: delivery plan](#). Cardiff: Welsh Government.
- <sup>25</sup> HEFCW. 2023. [HEFCW's Funding Allocations for Academic Year 2023/24](#). Caerphilly: HEFCW.
- <sup>26</sup> Welsh Government. [1st Supplementary Budget 2023 to 2024](#). Cardiff: Welsh Government.
- <sup>27</sup> Welsh Government. 2023. [Sêr Cymru IV: Economy Minister announces £10 million to support scientific research in Wales](#). Cardiff: Welsh Government.
- <sup>28</sup> Bank of England. 2023. [Interest rates and Bank Rate](#). London: Bank of England.
- <sup>29</sup> HEFCW. 2023. [Capital Funding 2023-24](#). Bedwas: HEFCW.
- <sup>30</sup> HEFCW. 2021. [Additional Capital Funding 2020-21](#). Bedwas: HEFCW.
- <sup>31</sup> HEFCW. 2023. [Higher Education Research Capital \(HERC\) Funding 2023-24](#). Bedwas: HEFCW.
- <sup>32</sup> HEFCW. 2023. [HEFCW's Funding Allocations for Academic Year 2023/24](#). Cardiff: Welsh Government.
- <sup>33</sup> Welsh Government. 2022. [Mutual investment model for infrastructure investment](#). Cardiff: Welsh Government.
- <sup>34</sup> Welsh Government. 2022. [Redacted Education Strategic Partnership Agreement](#). Cardiff: Welsh Government.
- <sup>35</sup> HEFCW. 2012. [Welsh Government Department for Education and Skills Capital Funding](#). Bedwas: HEFCW.