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Chair of the Senedd's Children, Young People and Education Committee
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9 April 2025

Annwyl Buffy,

Re: Request for information

Thank you for your letter dated 12 March 2025. A briefing is attached to answer your questions in more detail, with the following serving as an overview. All actions relate to the period after I took office on 1 February 2024.

The sudden downturn in international postgraduate students studying in Wales has had a significant effect on finances and, like all organisations, we have been dealing with a period of high inflation. The forthcoming increase to employer National Insurance contributions creates additional problems and, as a 'post-92' provider, we are also absorbing the 5% increase in employer contributions to the Teachers' Pension Scheme.

Towards the end of 2023/24, we had a financial gap of £17m. To deal with it, we ran a voluntary severance scheme from 24 April to 14 May 2024, and cut other expenditure and deferred pay increases.

Two more rounds of voluntary severance ran from 6 December 2024 to 31 January 2025 and 21 February to 5 March, respectively. We are now in formal consultation for a redesign that will seek to close the remaining gap and better position the University for the future.

In terms of UK policies, the January 2024 removal of visas for the dependents international students on taught postgraduate programmes had a sharp and immediate impact. In Wales, the decision to cap the fee at £9,000 (and to not match the £9,250 in England) was manageable until the post-covid spike in inflation. Wales has since matched the English fee, but this does not cover the preceding decade's worth of inflation.

A more detailed response to your specific questions is attached, although some of the data requested cannot be provided. Should you need further information on this or any other matter, we are always happy to support.

Yn gywir,

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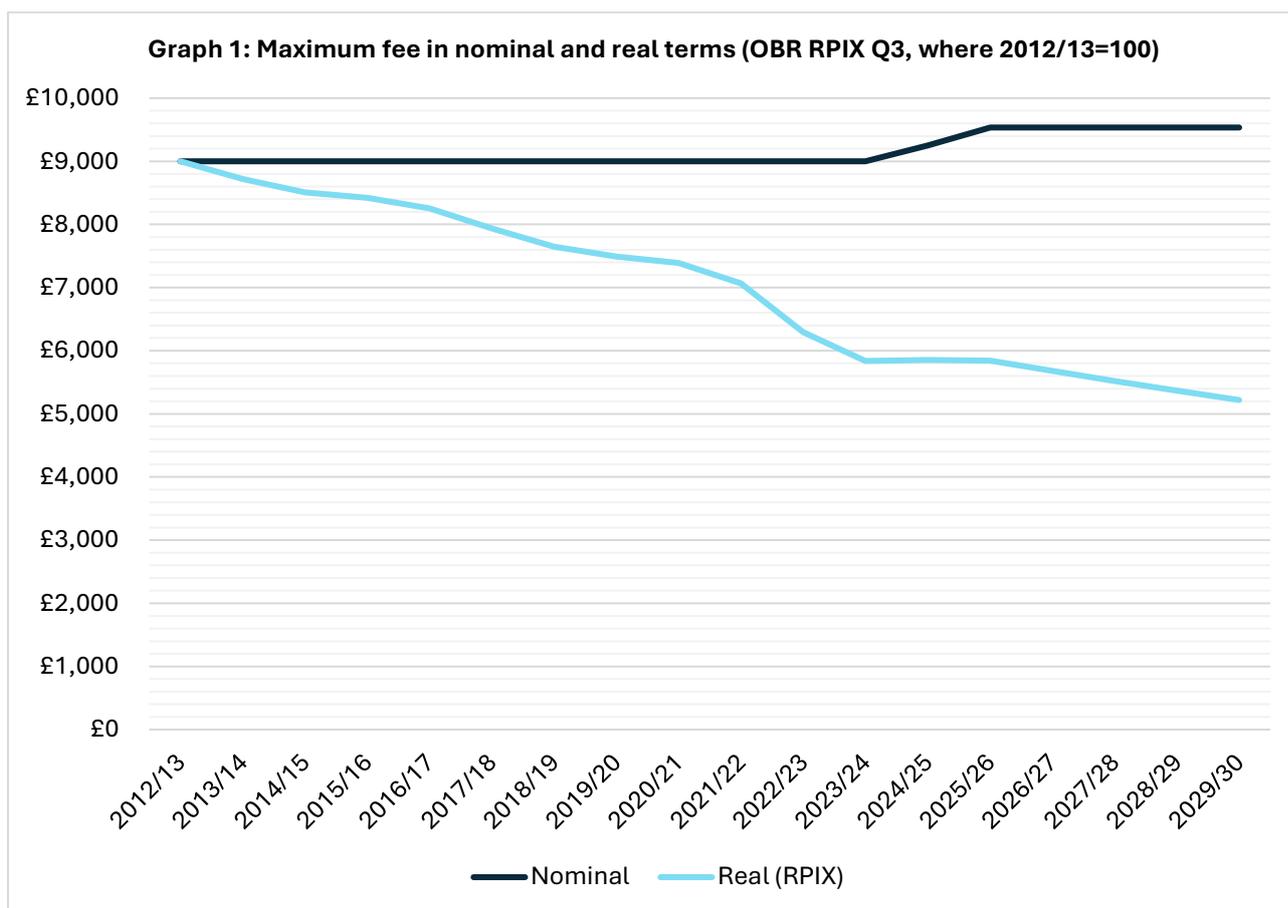
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1. Overview of your assessment of the financial challenges facing Cardiff Metropolitan University, with reference to key data that underpins this assessment (e.g. current and projected student numbers, take-up rates, levels of reserves, etc) for both the coming financial year and the longer term picture).

1.1 Some of the information requested is not available. Projected student numbers and financial information beyond 2023/24 are commercially sensitive and, moreover, the latter is not yet audited.

1.2 Universities are experiencing unprecedented levels of financial challenge, brought about in large part by an unindexed full-time undergraduate tuition fee that increased by just £250 in ten years. The recent increase to £9,535 does not reverse the longer-term drop in real value. Assuming no further indexation, the fee will drop to c. £5,200 in real terms by the end of the decade (based on OBR data).¹



1.3 This situation has been further compounded by recent funding cuts and a sharp decline in international student admissions, precipitated by UK Government policy changes. For the University, this resulted in a significant projected recurrent financial shortfall. Accordingly, the University's approved budget for 2024/2025 had a key aim of realising efficiencies (pay and non-pay) of £17m within the academic year.

1.4 In terms of using reserves, the 2023/24 accounts show the University with £186m but the more relevant figure is the £43m of cash and highly liquid investments.² Cash and liquidity has been utilised since that point, and it is prudent to reduce it no further to give assurance of staying comfortably within loan covenant conditions and security against future shocks. Recent movement in markets and the outlook of both the UK and global economy, as well as reports about the graduate visa, illustrate the continued need for prudence.

1.5 The budget for 2024/25 was also developed to accommodate additional disruption to the University's financial position arising from further income shrinkage and continuing cost inflation. Salary costs have been impacted by high pay inflation, resulting from:

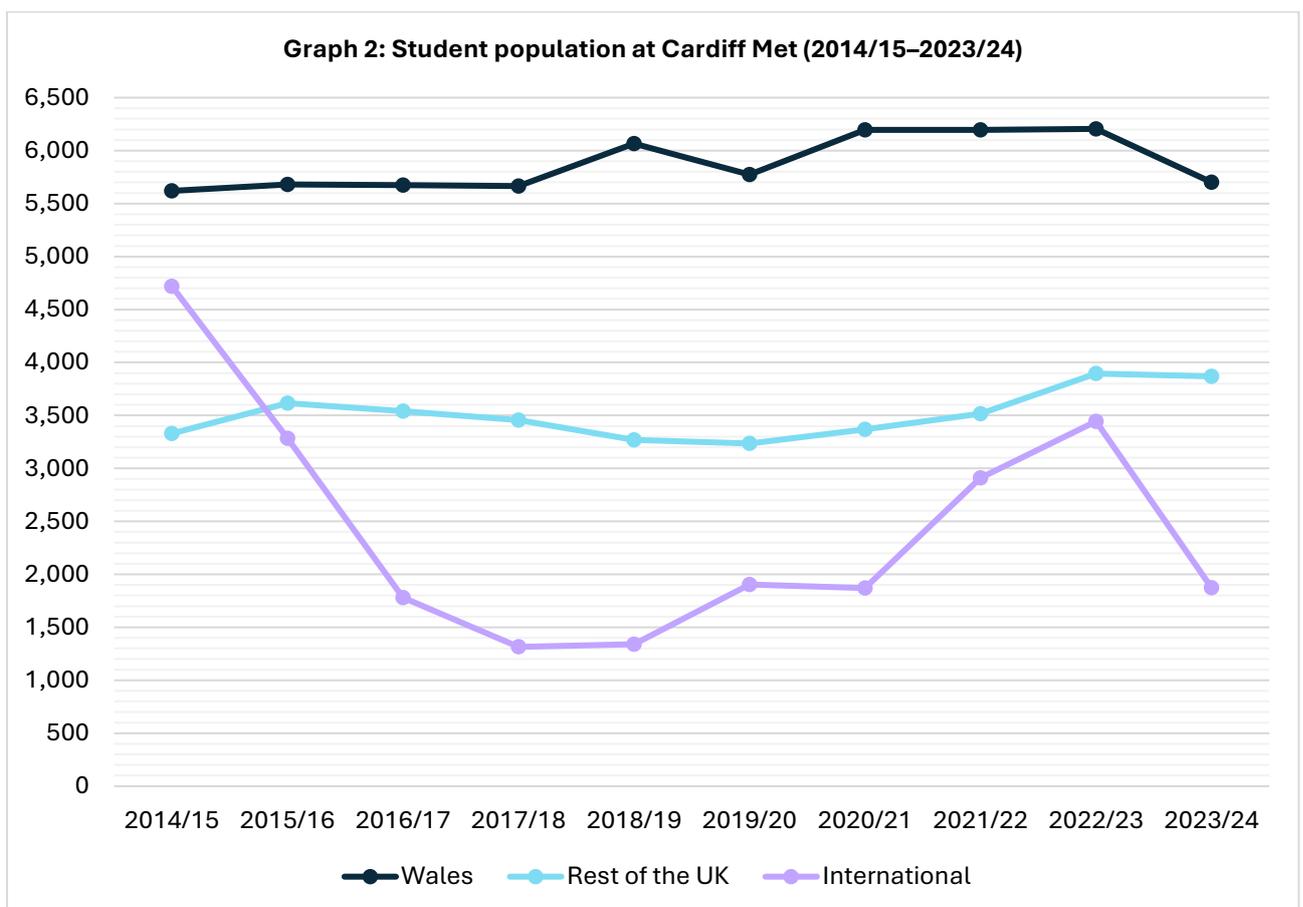
- Annual pay award of 2.5%.
- Increase of 5% in the Teachers’ Pension employer pension contribution rate, which will apply to the salaries of most of the University’s academic colleagues.
- Further average increase of c. 1.5% to the salary costs for colleagues on the national pay scales who will be entitled to an annual salary increment.
- Other unplanned salary cost increases, such as National Insurance employer contributions.

2. Details of any specific policies at Welsh- or UK-government level that have significantly impacted on Cardiff Metropolitan University’s ability to operate sustainably.

2.1 In short, the funding system was manageable when inflation was near the Bank of England target rate of 2% and/or international recruitment continued to grow. The loss of one pillar was difficult, but the loss of both has precipitated series financial challenges across all universities.

2.2 The Diamond review, which led to the current funding model said, “inflationary pressures should be shared between the student (through the Tuition Fee Loan and Maintenance Loan) and the state (through the Maintenance Grant and HEFCW learning and teaching grants)”.³ The loan and grant did rise with inflation, but inflationary pressures were not mitigated via the fee or HEFCW grants.

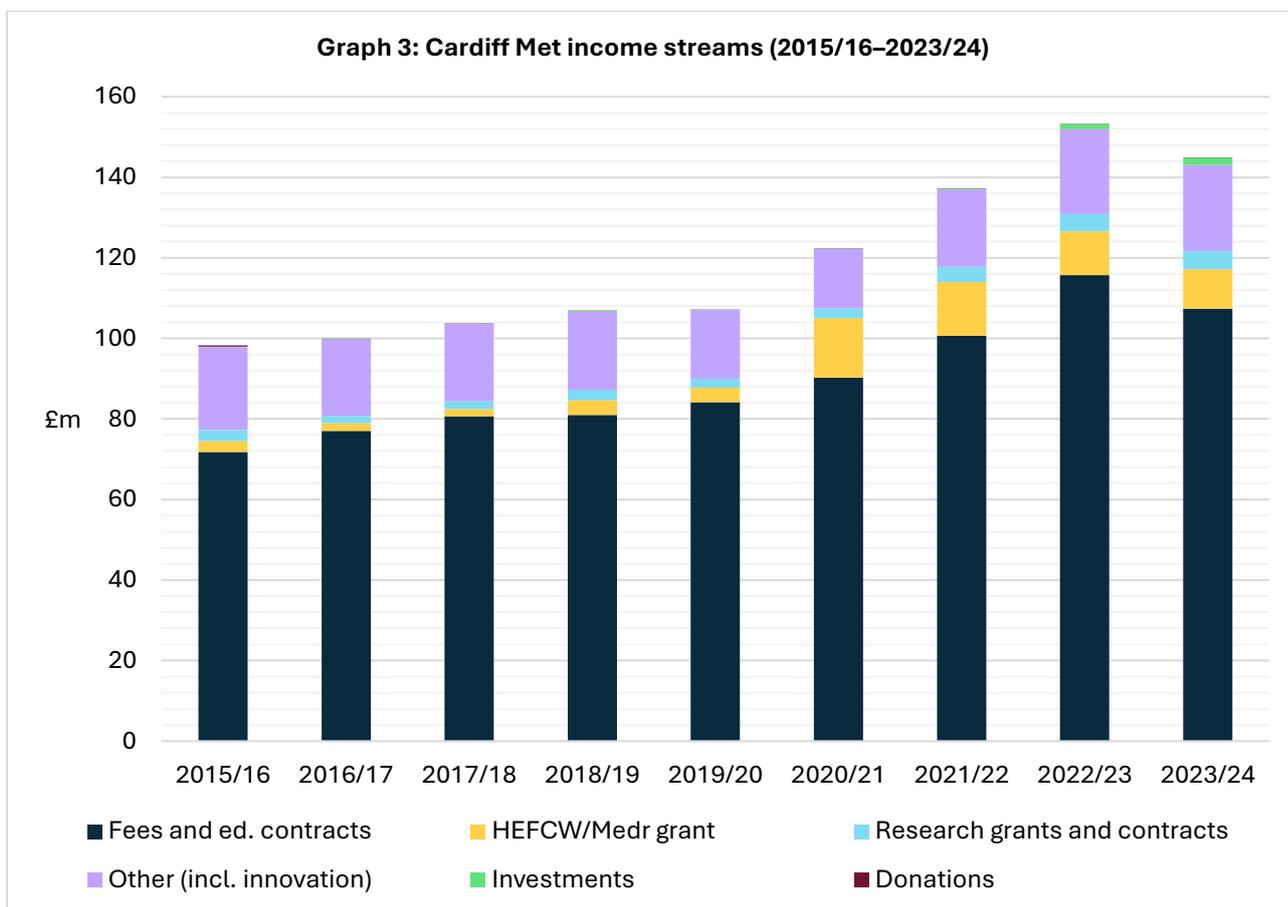
2.3 Instead, inflationary pressures were alleviated primarily via the uncapped fees of postgraduate and international students. The University did not ‘double-down’ and ensured it continued to grow and/or maintain its Welsh and UK recruitment.⁴ But international recruitment has become important for all universities’ financial models and such recruitment has now retrenched across the UK.



2.4 Some of this is beyond domestic control. The post-covid boom in international students had some of its origin in demand that was suppressed by lockdowns. This demand has now returned to a level more consistent with past numbers.⁵ Recruitment from some countries has also been affected by economic

crises in those places, most notably Nigeria.⁶ But it remains the case that UK policymakers have accelerated, rather than mitigated, these factors, with effects being felt in 2023/24 and 2024/25.

- 2.5 The previous UK Government increased visa costs and the Immigration Healthcare Surcharge, the latter by £306 (65%) for students.⁷ Applying for a study visa from outside the UK rose by £127 (35%).⁸ Moreover, it abolished visas for dependants of taught postgraduates.⁹ This has had a notable effect on applications from Nigeria and India, which were 56% of international taught postgraduates in Wales before the change.¹⁰ UK Government's impact assessment of the dependants visa change estimates a hit to the UK economy of c. £15bn, and the new administration has ruled out reversing the decision.¹¹
- 2.6 Other UK factors that have hurt sustainability. As above, the Autumn Budget introduced additional pressures. The increase in employers' contributions to National Insurance will add millions to the wage bill and employer contributions to the Teachers' Pension Scheme have risen from 23.6% to 28.6%.^{12 13} English students also now have reduced access to loans for foundation year courses, with their borrowing capped at £5,760 for classroom-based subjects.¹⁴ A higher fee for such courses in Wales is unviable due to cross-border recruitment, so matching the cut will further hit income.
- 2.7 The longer burn was the fall in the real terms value of the maximum tuition fee and, to a smaller extent, the funding grant from HEFCW. This came into sharper focus with the precipitous rise in inflation in 2021 and 2022, which wiped c. £1,000 off the fee in real terms (see section 1.2). While inflation has now come down from those highs, it is still running above the target rate (0.8% via CPI and 1% via RPIX) and the OBR does not forecast a return to the target rate until 2029.^{15 16}
- 2.8 On fees, Welsh Government has been limited by the appetite of Westminster governments. Like Wales, England has only increased its maximum fee twice in more than a decade. UK Government moved to £9,250 in time for the 2017/18 academic year and, in July 2017, Welsh Government announced it would also raise fees in line with inflation to £9,295 for the 2018/19 academic year.¹⁷ Later that year, UK Government announced it would freeze fees and Welsh Government decided it would do the same.¹⁸ However, it would still take until 2023/24 for fees in Wals to match those in England.
- 2.9 It is worth noting that fee rises have not applied to degree apprenticeships or courses commissioned by Health Education and Improvement Wales, the second of which is a substantial part of the University's portfolio. These courses are considered a national priority but, heading into 2024/25, they still will not be rising with inflation. The capping of the degree apprenticeship budget at c. £10m is also causing considerable problems in matching supply to demand.¹⁹
- 2.10 Alongside the fee, grants from HEFCW and now Medr have not kept pace with inflation.²⁰ This has been less of an issue for Cardiff Met, with the recurrent grant accounting for a far smaller share of income.²¹ While income is now 52.5% larger than 2015/16, income streams' share of the total are relatively stable. But, given its ability to provide ballast to what would be loss-making activity, the recurrent grant should not be downplayed.
- 2.11 The grant provides additional coverage for high-cost and expensive subjects and Welsh-medium provision. Before Medr was established, HEFCW commissioned a review of the costs of Welsh-medium provision.²² HEFCW found that it could not cover those true costs and could afford only to use the language premium for expensive and higher-cost subjects: medicine, dentistry, conservatoire performance, science, engineering, technology, mathematical sciences, IT and computing. This leaves large parts of Welsh-medium provision without sufficient support.



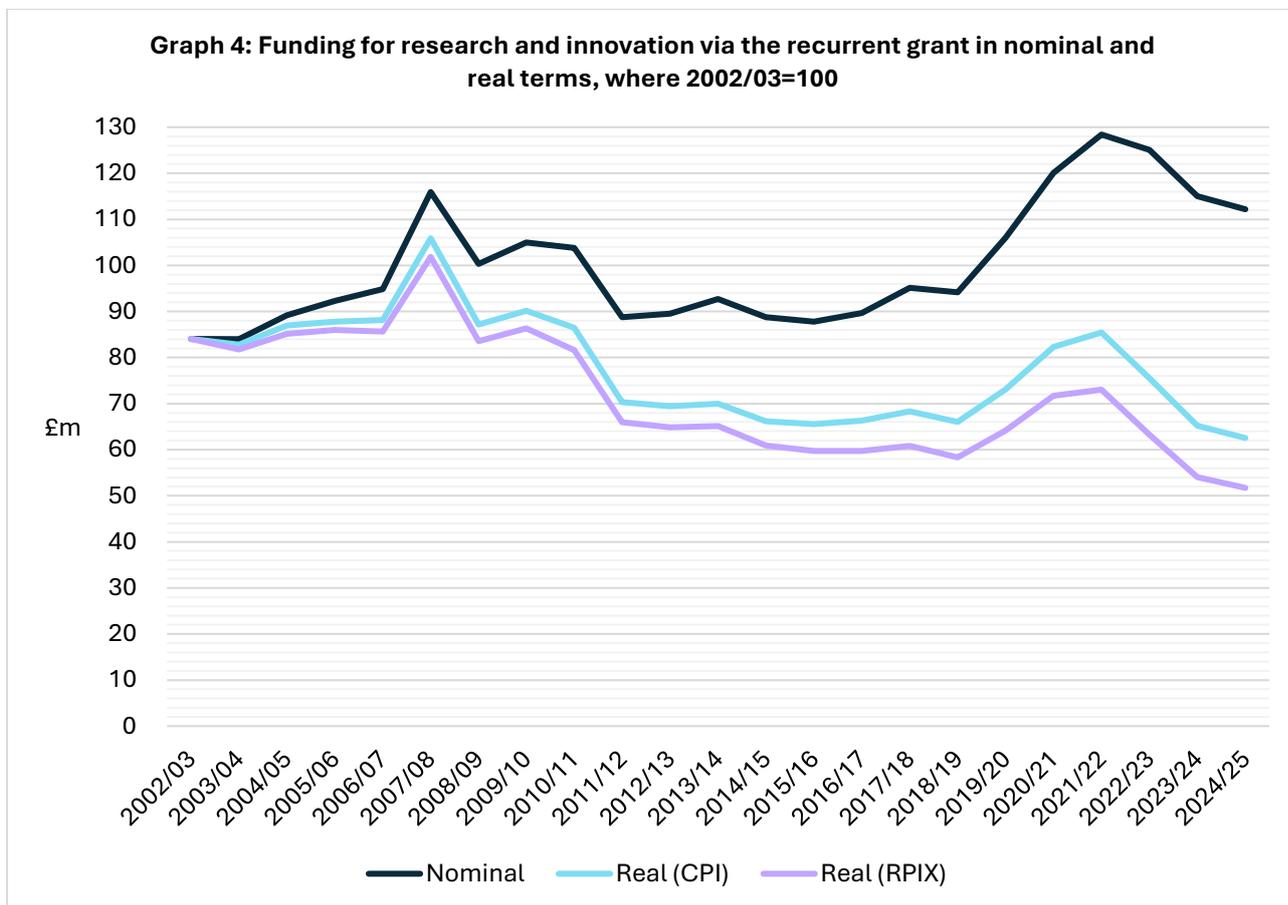
2.13 The recurrent grant is also essential to support loss-making research. The grant provides funding for curiosity-led research, postgraduate research and innovation. This is intended to secure the research base, which can then draw additional funding from UKRI and non-public partners. Broadly, there are two issues with research funding and sustainability.

2.14 The first issue is UK-wide, in that research is not funded at full cost (be it UKRI or another source). UKRI has recently looked at the matter and, as announced last month, will be making changes.²³

Table 1: Median cost recovery for research, UK peer groups²⁴

Peer group	Includes	Median cost recovery (%)
A	Cardiff, Swansea	71.6
B	Aberystwyth, Bangor	64.0
C	-	52.5
D	USW	44.6
E	Cardiff Met, UWTSD, Wrexham	44.1
F	-	68.0

2.15 The second issue is devolved, in that the funding for research and innovation via HEFCW has not been maintained in real terms. This issue predates the high inflation at the start of this decade. The situation now is, arguably, at its lowest point in two decades.



3. Changes that have already been made in recent years by you or your predecessors to mitigate the impact of the financial challenges facing Cardiff Metropolitan University

3.1 Towards the end of 2023/24, the University identified a financial gap of £17m. Since then, it has:

- Completed three voluntary severance schemes: 24 April to 14 May 2024, 6 December 2024 to 31 January 2025, and 21 February to 5 March.
- Benefitted from strong student recruitment in summer 2024.
- Cut non-essential expenditure.
- Not renewed fixed term contracts.
- Deleted vacancies.

3.2 The University is now in formal collective consultation for a redesign, with 30 to 50 full-time-equivalent roles expected to be lost via compulsory redundancy.

3.3 The University is not undertaking a review with the intention of cutting subjects or programmes, not least as Wales has a participation gap in both post-16 and post-18 education. Moreover, it will protect and expand those courses that feed directly into the public sector and support the Welsh economy and society more generally. The University remains committed to training workers in education, health and social care and will not damage initial teacher education or the delivery of courses for HEIW.

3.4 But the University will become an institution with a smaller staff body, so that any future growth is more efficient and sustainable. It will look to implement the fee increase that Welsh Government is due to enable for 2025/26, ensuring at least 15% of domestic fee income continues to be spent on widening participation activities.

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- ¹ OBR. 2025. [Inflation](#). London: OBR.
- ² Cardiff Metropolitan University. 2025. [Annual Report & Financial Statements 2023-2024](#). Cardiff: Cardiff Metropolitan University.
- ³ Diamond, I. 2016. [The Review of Higher Education Funding and Student Finance Arrangements in Wales: Final Report](#). Cardiff: Welsh Government.
- ⁴ Ibid.
- ⁵ British Council. 2024. [Refocus for UK higher education as international student numbers expected to fall](#). London: British Council.
- ⁶ Wood, P. and Butcher, B. 2024. [Universities braced for financial fallout from Nigerian currency crisis](#). London: Telegraph.
- ⁷ UK Government. 2023. [NHS staff receive pay rise](#). London: UK Government.
- ⁸ UK Government. 2024. [Visa fees transparency data](#). London: UK Government.
- ⁹ UK Government. 2023. [Changes to student visa route will reduce net migration](#). London: UK Government.
- ¹⁰ Higher Education Statistics Agency. 2025. [Where do HE students come from?](#). Cheltenham: Higher Education Statistics Agency.
- ¹¹ UK Government. 2024. [Changes to Immigration Rules: impact assessments](#). London: UK Government.
- ¹² Universities & Colleges Employers Association. 2024. [UCEA response to the Budget](#). London: Universities & Colleges Employers Association.
- ¹³ Lewis, J., Mirza-Davies, J. and Cunningham, S. 2025. [Universities and the Teachers' Pension Scheme](#). London: UK Parliament.
- ¹⁴ UK Government. 2025. [Higher education tuition fees for foundation years](#). London: UK Government.
- ¹⁵ ONS. 2025. [Inflation and price indices](#). Newport: ONS.
- ¹⁶ OBR. 2025. [Economic and fiscal outlook – March 2025](#). London: OBR.
- ¹⁷ BBC News. 2017. [Tuition fee £9,000 cap to be raised, says Kirsty Williams](#). London: BBC.
- ¹⁸ BBC News. 2017. [Tuition fee rise to £9,295 in Wales scrapped](#). London: BBC.
- ¹⁹ Cardiff Metropolitan University. 2025. [Cardiff Metropolitan University response to the Senedd's Economy, Trade and Rural Affairs Committee's inquiry into apprenticeships](#). Cardiff: Senedd Cymru.
- ²⁰ Universities Wales and Chairs of Universities Wales. 2024. [Universities Wales and Chairs of Universities Wales joint response to the Finance Committee of the Senedd's call for information on Welsh Government Draft budget proposals for 2025/26](#). Cardiff: Universities Wales.
- ²¹ Higher Education Statistics Agency. 2024. [What is the income of HE providers?](#). Cheltenham: Higher Education Statistics Agency.
- ²² London Economics. 2023. [Costs of Welsh medium provision at higher education institutions in Wales](#). London: London Economics.
- ²³ UKRI. 2025. [UKRI updates funding policies to improve research sustainability](#). Swindon: UKRI.
- ²⁴ Office for Students. 2024. [Annual TRAC 2022-23: Sector summary and analysis by TRAC peer group](#). London: Office for Students.