

CARDIFF UNIVERSITY RESPONSE TO THE CALL FOR INFORMATION – WELSH GOVERNMENT DRAFT BUDGET PROPOSALS FOR 2014-15

1. *What, in your opinion has been the impact of the Welsh Government's 2013-14 budget?*

Cardiff University will be able to continue to deliver its core services and contribute to the priorities of the Welsh Government. However, further investment in higher education in 2013-14 would have enabled further contribution to these priorities and would also have enabled the University to expand, support and drive forward its activities in areas such as research, science, innovation, postgraduate studies, knowledge transfer and the provision of expensive subjects - activities which would have a significant long-term positive effect on the economy.

The University is currently developing an ambitious capital development plan to facilitate the delivery of its strategy of being recognised as one of the top 100 universities globally by 2017. This will regenerate a 9 acre brownfield site for Innovation near the city centre of Cardiff. The near lack of a capital budget in 2013-14 will constrain the University's ability to make significant improvements to infrastructure which would impact positively on the student experience, on the ability to expand research activity, as well as on the Welsh sector's ability to compete in recruiting and retaining the best talent in Wales.

2. *Looking at the indicative budget allocations for 2014-15, do you have any concerns from a strategic, overarching perspective, or about any specific areas?*

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. However, 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 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 the most important ways in which social mobility can be advanced.

The fact that there is no planned increase in the indicative Higher education budget for 2014-15 is a concern especially given that the student loan budget is continuing to increase. An increasing student loan budget means that there is less funding for other aspects of high education such as research, postgraduate studies, and innovation. We fear that in the long term the competitiveness of higher education in Wales may be at risk, impacting negatively on the competitiveness of the Welsh economy.

Another concern is that the government's investment in student loans doesn't necessarily benefit Welsh higher education institutions as students may study anywhere in the UK. A by-product of the current tuition fee policy is that the Welsh Government is effectively funding English universities at the expense of supporting Welsh universities (estimated at £50M flowing to institutions outside Wales in 2012/13). We have estimated that, by 2015/16 (as the number of students in the new fee regime reaches steady state), up to £94.5M of Welsh Government money could be flowing into English institutions per annum as a result of this policy.

We are concerned that as the cost of supporting student loans increases that the premium for high-cost subjects such as Science, Technology, Engineering, Medicine and Dentistry will be eroded away. The protection of this core funding in support of these subject areas is essential if we are to compete at a UK, European and Global level in terms of the student experience, providing future workforce to the NHS in Wales and generating new innovative ideas that boost the economic outputs of Wales. The cost of teaching Medicine and Dentistry far exceeds the maximum new higher fee of £9,000 per annum (it is estimated that the true cost of teaching Medicine and Dentistry amounts to around £18,000 - £19,000 per full-time student per annum). For 2013/14, HEFCW is able to meet these additional costs through its direct allocation to universities; it is vital to healthcare in Wales that this funding is sustained into the future. For Science, Technology and Engineering in 2013/14, there is a negative funding gap with England of £1,500 per student under the new fee regime - i.e. there is direct funding to the English universities of £1,500 per student in addition to the fee income, whereas in Wales there is no direct funding to the Welsh universities for these subject areas under the new fee regime. The competitiveness of Wales for these high cost subjects is at risk.

Whilst it is essential that Welsh HEIs deliver for Wales, it is important to remember that Welsh HEIs operate within a global environment. The Welsh sector needs to be able to compete at a UK and European level for research funds (both public and private), industry contracts and student recruitment (both home and international). A lack of investment in higher education in

Wales, especially in comparison to other UK and European countries, will mean that Welsh HEIs are less able to compete. This will impact adversely on their ability to bring sources of funding into Wales and also to bring spending power into Wales. The HE sector generates approximately £3 billion to the UK economy. The export earnings from International students are estimated at £413 million per annum (based on 2011/12 student numbers).

3. What expectations do you have of the 2014-15 draft budget proposals? How financially prepared is your organisation for the 2014-15 financial year, and how robust is your ability to plan for future years?

The University has recently submitted financial forecasts to HEFCW and they were prepared on the assumption that there will be continued HEFCW current funding support for teaching high cost subjects etc at M£20 and continued Research grant of M£40. Any reductions in either of these headings would cause challenges in delivering our strategic objectives as stated in The Way Forward 2012-2017.

4. What are your views on the Welsh Government's approach to preventative spending* and how is this represented in your resource allocation (if appropriate)? (**spending which focuses on preventing problems and eases future demand on services by intervening early*)

This is not relevant to the higher education budget.

16 September 2013