

11 April 2025

Dear Buffy,

Thank you for your letter of 12 March. I am pleased that your committee has set aside time to examine the financial challenges that the Higher Education sector faces at present. It is important that providers can act to restore financial sustainability supported by our stakeholders, including the Welsh Government.

I have set out our answers to your questions below (which are presented in bold).

An overview of your assessment of the financial challenges facing Bangor 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

We see that there are challenges for the whole of the university sector. The five key elements are:

1. Home undergraduate fees in Wales have been fixed at £9,000 since 2012/13. While we can increase our fees for incoming students to £9,535 from 2025/26 onwards, there is no agreement for future inflation adjustment to the amount of money we receive per student.
2. UK universities have been increasingly reliant on international income to make up for the shortfall from home fees not increasing by inflation. The UK Government's action to reduce the level of immigration has led to a fall in international students coming to study in the UK. The new Westminster Government does not seem to be planning to reverse the changes made by the previous Government.
3. Cost increases have been significant over recent years particularly in utility bills and pay awards. However, home fees have not kept pace with inflation, which has risen by nearly 40% since 2012, intensifying the financial strain that the sector faces.
4. The changes to national insurance have increased our operating costs. For us, this will add £1.8 million per year to our costs from April 2025 onwards, which is higher than the positive impact of the recent fee increase.
5. There is a change of behaviour within the sector. Some high-tariff universities appear to have responded to the fall in international student intakes by reducing

their entry grades and taking more home students. This has reduced the size of the pool of students attending to other universities.

These sector level challenges are very significant for us. In Autumn 2024, our student intakes were smaller than in 2023, falling short of our budget target. Our home undergraduate intake was 7% smaller. Our international intake was also smaller, with our September international postgraduate intake around half the size of the 2023 intake.

As we have passed the UCAS application deadline in January, we can see that a further fall in student intake is likely in 2025, with applications 1% lower than 2024.

We must take action to bring our costs into line with the reduced income that we anticipate for the years ahead. At 31 July 2024 we had cash reserves of £33 million, it is essential to act now to avoid these falling to unsustainable levels.

Details of any specific policies at Welsh- or UK-government level that have significantly impacted on Bangor University's ability to operate sustainably

As noted above, the policy decision of Welsh Government to hold home fees at £9,000 in 2017/18 rather than to allow the increase to £9,250 in England has had an impact on our sustainability. Had the fees increased to £9,250 from 2017/18 we would have received around an additional £10 million in funding.

The Welsh sector also faces significant challenges in respect of the lower underlying demand for higher education compared to universities elsewhere in the UK. As you will be aware, we have the lowest proportion of 18 year-olds applying for university places. In Wales, 32% applied compared to 40.6% for the UK as a whole.

The UK Government's changes to student visa rules have had a profound impact on our University and the whole sector. As I have outlined above, our September 2024 intake of international students fell by around 50%.

The changes that have already been made in recent years by you or your predecessors to mitigate the impact of the financial challenges facing Bangor University

We could see that the financial risks that we were facing in late 2023 were increasing and we instigated a close control of our pay and non-pay expenditure. Our close control of vacant posts was supplemented by a voluntary severance scheme. This has been a success: in March our staff headcount is down 7.8% year on year.

The University has restructured and/or reduced staffing and non-pay budgets on three previous occasions, in 2015, 2017 and 2020. These interventions were proportionate for the nature and scale of the challenges faced at the time but could not have foreseen the

continued deterioration to the higher education funding landscape over recent years (as outlined above).

More details on your proposals to cut 200 jobs to generate savings of around £15m, as reported in February

Alongside continuing close control of any vacant posts, non-pay spend and reducing the size of the estate, we must target savings of £15 million of pay costs. We anticipate that this will require a reduction of around 200 posts.

We opened a University-wide voluntary severance scheme until the end of March. The University's governing body has acknowledged that the use of compulsory redundancies may be necessary if we cannot achieve the savings through voluntary severance. We will try to avoid the use of compulsory redundancies, but we must achieve our savings target so that we rebuild our financial sustainability.

In the light of falling student intakes, we need to reduce staffing levels in particular academic schools. Each Head of School has received a data-informed analysis of their school's overall performance and market insight. This analysis considers several areas of performance: financial sustainability; Welsh-medium provision; student recruitment; research activity; student satisfaction; and graduate employability - alongside information on staff and student populations together with student recruitment trends. Using this information, colleagues are asked to assess key challenges, drivers for change, and proposed solutions as part of their business case for change.

Professional Services Directors have been given budgetary targets and tasked with developing business cases for change. As key contributors to the academic mission and student experience, Professional Services will maintain excellence while transitioning to a more efficient structure. The overarching goal is to create a future-proof service model that meets financial requirements while continuing to provide high-quality support.

To achieve this, discussions will take place with teams to outline a proposed redesign, which will form the foundation of the recommendations within the business cases. These cases are not solely focused on cost savings but on driving efficiencies and shaping a new operating model that supports staff and students in the context of reduced income.

More details on how you are consulting with staff, students, and other key stakeholders about your proposals

All staff across the University have had the opportunity to attend a meeting with a member of the Executive Board in the immediate weeks following the announcement in February.

We have also communicated with all students, and we have met with the elected student representatives, Undeb Bangor, our Students' Union.

We have been meeting regularly with our campus trade unions, and we are committed to working closely with them in the coming months.

We have written to our key external stakeholders, and we will keep them informed as our process of delivering savings progresses.

What will happen after you have finished consulting and associated timelines (including how any consultation will shape the final plans, and when those final plans will be drafted)

At this stage, no decisions have been made, and input from colleagues is essential in shaping the outcome. Consultation across Professional Services, Schools, and subject areas is critical, and staff have been encouraged to share their views and ideas on achieving the necessary savings. Business cases for change for both the academic colleges and professional services will be considered by the Executive Board in April.

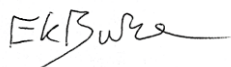
In early May, our governing body will meet to review the position reached and after then we expect to communicate our next steps soon after that meeting.

If we are needing to move forward with compulsory redundancies, we will issue a Section 188 notice and we will follow our policy for the management of change.

We are very proud of our rich history in delivering exceptional research, education and opportunities for our students and the wider region in North Wales as well as for the nation of Wales and beyond.

I am aware that the changes that we are needing to make are challenging, and we must make some difficult decisions. However, I believe that by successfully implementing our plans, we will restore the University to a stable and sustainable financial position.

Yours sincerely,



Edmund Burke

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