

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

WGDB25-26(6)44: Ymateb gan: Cadeiryddion o Prifysgolion Cymru a Phrifysgolion Cymru | Response from: Chairs of Universities Wales and Universities Wales



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

About this response

The following response is the joint submission of Universities Wales and the Chairs of Universities Wales.

Universities Wales represents the interests of universities in Wales. Our membership encompasses the Vice Chancellors of all the universities in Wales and the Open University in Wales. Our mission is to support a university education system which transforms lives through the work Welsh universities do with the people and places of Wales and the wider world.

Chairs of Universities Wales (ChUW) is the representative body for the Chairs of the governing bodies of the universities in Wales. It provides a forum for Chairs to consider and formulate a collective view on key matters that fall within the purview of their governing bodies and underpin the effective operation of the universities and of the Welsh higher education sector as a whole for the benefit of Wales and its people.

Executive Summary

Introduction

Welsh universities are national assets. Rooted in communities in Wales, our universities have an annual economic impact of £10.97 billion. They support the foundational economy, train core workers, build supply chains and generate and sustain new businesses.

More than that, they also have a tangible and transformational impact on people's lives. This impact can be seen throughout Wales' history, whether through the delivery of higher education provision that opens up new opportunities and broadens horizons, or through the research and innovation activity that shifts the way public services operate, increases productivity or delivers ground-breaking discoveries.

However, our universities face some of the most stark and challenging financial circumstances of living memory with fees and funding no longer covering the cost of teaching UK undergraduates or delivering research and innovation.

Alongside the financial environment, there are broad and systemic challenges facing the future of Welsh higher education, with a growing gap in the proportion of Welsh people who enter higher education compared to the UK as a whole. The expected occupation shifts that Wales faces in the coming decade means that we will need more people of all ages and backgrounds to move up the skills ladder. This will require a breadth of provision including flexible modes of delivery.

To secure a sustainable future for Welsh higher education, and the role our universities play in communities across Wales, **action is required now.**

The contribution of Welsh universities

- Welsh universities continue to play a vital role to play in securing future well-being and prosperity in Wales.
- New research by London Economics highlights the importance of investment in Welsh universities and estimates that the total economic impact of Welsh universities on the UK in 2021-22 was approximately £10.97 billion, and that for every £1m of public investment in universities the economy benefits by £13.1m.¹ More investment delivers considerably more return.
- This research demonstrates clear benefits for individuals, with undergraduates benefitting from a net average premium on life-time earnings compared to someone with a level 3 qualification. The gains increase further at higher levels of study.
- Higher education also has the capacity to transform lives in ways that cannot be easily captured by statistics. Our recent campaign ([here](#)) highlights the stories of real people whose lives have changed for the better as a result of going to university and who have overcome challenges, discovered their passions, and emerged with the confidence to achieve their potential.

The challenges facing Welsh universities

- At the same time, there are serious issues in Welsh education that need to be tackled. This year has seen the largest ever gap in entry rates into higher education for 18 year olds between Wales and the rest of the UK². This seems to reflect wider participation and equity challenges within post-16 education, including a relatively low proportion of young people choosing to study A levels when compared to the rest of the UK³. A key priority for the Welsh Government and Medr must be to address this participation gap and provide universities with the financially sustainable basis they need to cater for projected population growth and a major increase in demand for graduate skills in Wales (Q4).
- In addition, more investment is needed to better support and scale up the research and development base in Wales to help prevent a cycle of low-skill, low-wage and low productivity in Wales, and ensure Wales can secure a proportionate share of UK government investment. (Q2)
- However, the cost pressures faced by universities, coupled with the current position of public finances, present real and significant risks to our ability to

¹ See Q4 (Economic impact), below.

² UCAS Statistical release, Clearing Day 28, 19 September 2024 [here](#). This primarily relates to England and Northern Ireland as figures are not directly comparable with Scotland.

³ [Recent work from WCPP](#) highlighted that around 32% of young people in Wales were registered for A Levels compared to 47% in England. Only 9% of young people who were eligible for free school meals undertake A levels.

continue to support local economies, provide higher education opportunities in Wales and deliver the research and innovation that Wales needs for future prosperity.

- The current financial position for universities is not sustainable. The latest set of accounts show that expenditure has been increasing faster than income and that 5 out of 8 universities in Wales started AY 2023/24 in deficit once pension adjustments were removed. Universities were variously having to deal with a variety of growing financial challenges as they entered the current year including current assets, cash flow and liquidity, and external borrowing (discussed in Q2).
- The information we have currently suggests that the sector may report a deficit of more than £100m for the year ended 2023/24 once pension adjustments have been excluded. The amount of savings that Welsh universities will need to target in order to return to surplus by end of 2024/25 is likely to be even higher, however, due to significant new financial pressures that have arisen more recently.
- **This is the cumulative effect of a third successive year of reductions to HE funding grants including an additional cut of £20m for 2024/25 (continuing to mean significantly lower funding than for universities in other parts of the UK - see Q1), a significant shortfall in international recruitment against target in light of the visa changes which particularly impacted on key markets for Wales (potentially £70-80m), increased annual costs of the Teacher Pension Scheme (approximately £10m per annum from April 2024) and increased National Insurance employer contribution costs (initially estimated at £20m per annum from April 2025).** More generally the costs of provision (particularly energy costs) are continuing to rise faster than fee levels, despite the introduction of higher maximum fees from 2024/25.
- Universities have already taken significant steps to mitigate the growing financial pressures, including fundamentally reviewing their operating models and options - including at sector level supported by Universities Wales - and taking action to redress their cost bases. Measures taken to improve future financial sustainability include increasing income generation, making non-pay savings, and further estates rationalisation. However, these are not likely to address the short-term pressures or fully mitigate longer term challenges.
- By far the largest component of the cost base is staff costs. This inevitably means that much of this impact will fall on staff and jobs. Nearly all universities in Wales already have voluntary severance schemes in place for staff, and the reduction of more than 400 staff in Welsh universities has been reported in the media in the last year. Particularly once the new financial pressures are taken into account, it seems that the staff reductions required to generate the savings currently required by Welsh universities will easily reach into four figures.

A call to action: securing a sustainable future for Welsh universities

- Recognising the severe financial constraints for this year's budget, we would urge the Welsh Government to consider the following key opportunities for support and investment in higher education for 2025/26:
 - Align the fee that Welsh universities can charge to the recent uplift to £9,535 in England (for all UK students) and Scotland (for rest of the UK students). This will not offset the reduced income that Universities will face from the NI and Foundation fee changes.
 - Develop ambitious options for transformative additional support, through resource or capital funding, for higher education to enable universities to change their operating models or address challenges with estate. For instance, we would welcome 'invest to save' capital funding or finance where this could prevent greater costs down the line and improve sustainability.
 - Continue to work closely with universities to address the fundamental financial challenges they face and prepare for potential changes in HE fee and funding arrangements in other parts of the UK. It is essential that solutions are implemented as soon as possible to ensure higher education can operate on a sustainable basis and deliver the higher education that Wales needs for future prosperity.
 - Protect core recurrent funding for higher education for 2025/6 in the meantime. Consider:
 - the unit of resource available for teaching, including part-time and high cost subjects, given the emerging difference between the cost of provision and price
 - the total level of core funding for research and innovation, given the crucial importance of that funding in enabling Welsh universities to bring investment to Wales.
 - Seek a replacement scheme for the UK Shared Prosperity Fund that provides a better settlement for Wales and enables universities to deliver benefits to communities comparable to those achieved through EU Structural Funds.
 - Continue to support international recruitment strategies, and press for UK immigration policy that enables this or, potentially, consider whether Wales would benefit from taking a different approach to UK Government⁴.
 - Explore options for mitigating the impact of the Teachers' Pension Scheme (TPS) increases on universities and increased rates for employer National Insurance contributions (NICs).

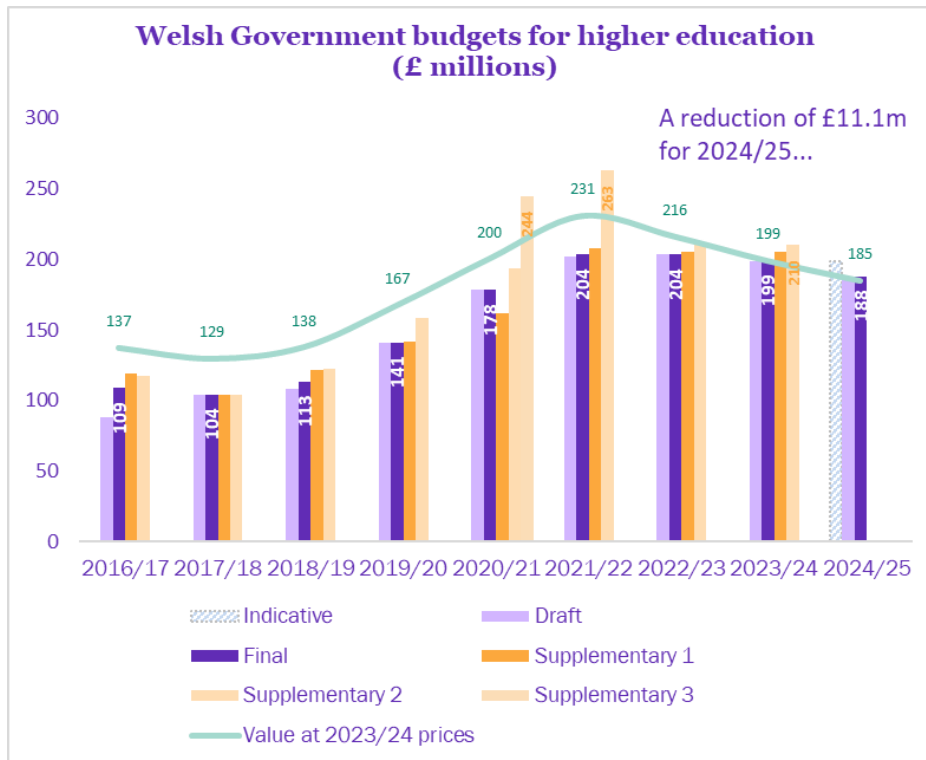
⁴ For example, between 2004 and 2008 Scotland implemented a 'Fresh Talent' post-study work visa scheme

- Ensure that Medr is sufficiently resourced to deliver its strategy during the transitional period.
- Given the links between the student support systems in the UK and the importance of cross-border flow for the sustainability of Welsh universities, changes elsewhere in the UK often require a response from Welsh Government. Welsh Government should make every possible preparation to be able to respond swiftly to changes in higher education policy in other parts of the UK, particularly given the anticipated ‘wide-scale’ reform of the system in England.

Q1: Impact of the Welsh Government’s 2024-25 Budget

1. What, in your opinion, has been the impact of the Welsh Government’s 2024-2025 Budget?

1. Welsh universities provide world-class higher education, ground-breaking research and innovation with a real-world impact. In 2024/25, Welsh universities continued to play a major role in tackling the profound and wide-ranging challenges currently faced in Wales, including cost of living crisis, the need to address climate change, demographic shifts and structural changes in the workplace and labour market. They also continued to undertake a wide range of activities that help to reduce expenditure in other essential services and for the wider public benefit.
2. The budget cut of £11m that the Welsh Government made to higher education budget in 2024/25 was the third successive cut and undoubtedly made it harder for universities to deliver their core activities. As costs have continued to rise more rapidly than income, the cumulative cuts have led to an increasingly challenging financial position (discussed further under Question 2):



- The total allocation that HEFCW received for the financial year (FY) 2024/25 in its Remit Letter from the Welsh Government in March was £198m⁵, including £5m for degree apprenticeships and £10m for capital funding. This was a significant reduction in funding compared to £215m for FY 2023/24 at the same point last year⁶ (later increased to £221m).⁷
- By the time this had been translated by HEFCW into funding allocations for universities for the academic year 2024/25, the size of the reduction was even more significant. HEFCW funding allocations for 2024/25 totalled £199m, compared to £219m for AY 2023/24 (i.e. £20m less). HEFCW's allocations included an £11m pro rata reduction to the baseline recurrent funding. It also included significant reductions to strategic investments including the regional innovation fund (-£3.4m), well-being and hardship investment previously supported by additional funding (-£2.3m), and strategic initiatives fund (-£1.4m). It also reflected the Welsh Government's removal of funding for postgraduate bursaries for new students (-£1.4m).⁸ These funding allocations will be implemented by Medr, following the dissolution of HEFCW from 1 August 2024.
- Compared to other UK countries, higher education in Wales receives comparatively low funding. Funding was increased and the gap narrowed following the Diamond

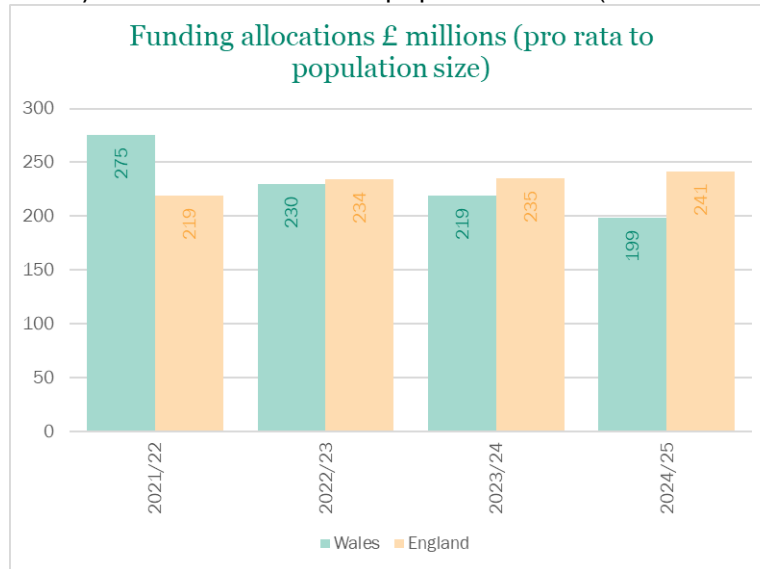
⁵ 2024-25 Remit Letter, 18th March 2024.

⁶ 2023-24 Remit Letter, 5 July 2023.

⁷ Revised 2023-24 Remit Letter 18th March 2024.

⁸ HEFCW Circular 24-13HE, HEFCW's Funding allocations for AY 2024/25, 9th July 2024.

Review, but did not reach the levels of funding recommended by that review.⁹ Welsh universities received significantly more one-off funding during COVID than their English counterparts. However, higher education funding is once again increasingly lagging behind the levels of funding seen in other UK countries. For instance, HE funding allocations for England were the equivalent of £241 m for AY 2024/25 based on relative population size (Wales = 4.7% of UK):



Note – teaching funding for Scotland is not included as not comparable due to different fee and funding system

6. Core funding for research (QR and PGR) in particular continues to lag significantly behind other parts of the UK which makes it all the more difficult to compete for other funding sources. For AY 2024/25, the funding allocations for research and innovation in Wales (£98m) were £57m lower than in England (£155m equivalent) and £86m lower than in Scotland (£184m equivalent). Teaching funding in Scotland is not directly comparable.
7. Although Welsh Government investment forms a relatively small part of universities' overall income,¹⁰ it has a significant impact on university surplus or deficit levels and is critical in enabling universities to secure their other streams. For example, without QR funding it would not be possible for universities to draw down the level of competitive research funds that they do as those funds are only intended to cover 80% of the full economic cost. Without core funding, a wide range of

⁹ The funding assumptions at 2015/16 prices, were set out in Table 6 (p.51) and Table 7 (p.68) of the Diamond Review Report (2016) [here](#). This included £310m for higher education overall, including £85m to support the cost of full-time undergraduate provision, £63m to support the cost of part-time provision, and £96m for core research and knowledge exchange. It also recommended that this was updated in line with inflation (para 9.0.6). In 2025/26 prices, the total higher education funding recommended by Diamond would be the equivalent of between £407m and £466m, depending on the inflation measure used (GDP or RPIX).

¹⁰ For instance, in 2022/23, HEFCW's direct allocations to universities totalled £155m excluding the OU (see HEFCW W23/19HE, Table 6) which comprised 7.8% of their total income of £1.983bn (HESA Finance record, opendata, 2022/23).

additional income secured through research, innovation, teaching in expensive and high-cost subjects and more would not be possible.

8. As discussed in Q2, it is imperative that the Welsh Government makes it a priority to seek a financially sustainable model for regulated universities, and prepare for potential changes in fee and funding arrangements in other parts of the UK in the lead up to the UK's comprehensive spending review in Spring 2025. It is critical to ensure that the budget for higher education for 2025-26 is protected against further reductions in the meantime.
9. In question 4, we discuss in more detail some of the key issues for higher education in Wales and the ways in which further investment may enable Welsh universities to support the economy and strategic priorities.

Q2 Preparedness for the 2025/26 financial year

2. How financially prepared is your organisation for the 2025-26 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

10. University finances largely determine the extent to which Welsh universities can contribute to current issues and challenges faced by Wales today. In Q4 we discuss what more could be done with investment in universities. The following paragraphs first discuss Welsh universities' financial position as evidenced in the latest publicly available finance data and audited accounts up to July 2023. We then look at more recent information from other sources and identify some of the key emerging issues to indicate how financially prepared universities currently are for 2025/26.
11. In summary, Universities in Wales have a proven track record for strong financial management but are currently facing severe financial pressure and the position is set to continue getting worse.

Latest audited financial position (up to July 2023)

12. The latest financial statements provide a snapshot of the finances at the end of July 2023 and show that universities in Wales started 2023/24 with some significant financial challenges with costs increasing faster than income and a downward trend in several key financial indicators.
13. Exceptional accounting adjustments for pensions in opposite directions in 2021/22 and 2022/23 mask the underlying position in the published accounts. Once the pension adjustments are excluded, however, total expenditure increased by around 8% in 2022/23.¹¹ This included an increase of 5.5% in staff costs (by far the largest component of universities' expenditure) and an increase of 12% in 'other operating expenses' with residences and catering costs reaching their highest level on record at £94m.

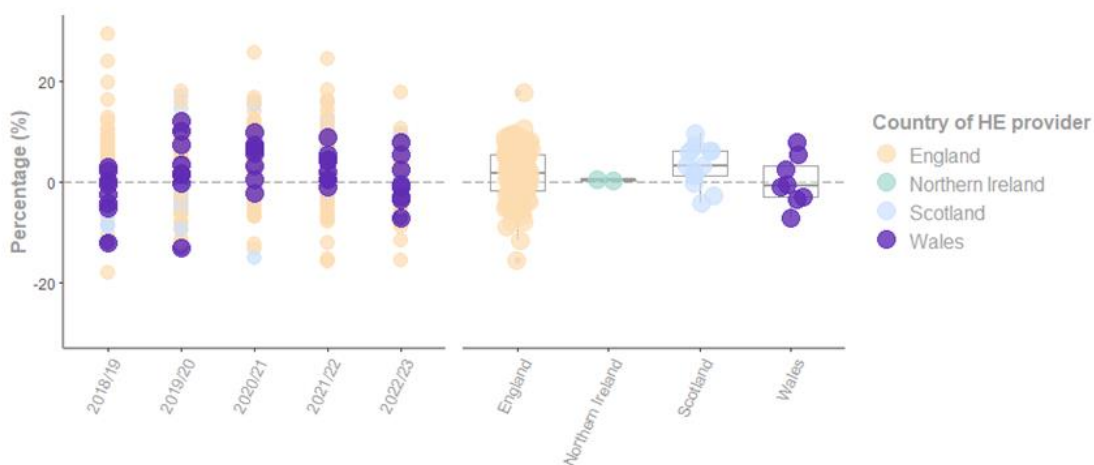
¹¹ HESA, HE Finance data 2022/23, Open data, [here](#).

14. Total income increased by 6% overall, but this was not enough to cover the increase in costs. The increased income was underpinned by increases in 'other income' (+4%) as on-campus activities returned to near pre-pandemic levels, and, in particular, a significant increase (of £50m) in international fee income.
15. The result was that **5 out of 8 universities in Wales were in deficit** at the end of 2022/23, once pension adjustments are excluded. Although there were similar reductions in surplus levels at universities across the UK, Wales had the lowest median surplus level of the four UK countries:

Surplus/(deficit) excl. pension adjustment as a % of total income

A. From 2018/19 to 2022/23:

B. 2022/23 in detail:



Source: HESA Finance Data (Open Data), Table 14

16. Looking at a range of key financial indicators as at the end of July 2023, there were clearly some areas of particular concern as universities started the current year. For instance:

- **Current assets** decreased by 7%. The median ratio of current assets to current liabilities was the lowest since 2017. Noticeably, universities in Wales also tended to have lower levels of current assets than their UK counterparts.
- **Cash flow** appeared to be a growing issue across the sector. **Net cash inflow** from operating activities fell from £217m to £129m.
- **Cash and cash equivalents** were £111m lower than 2021/22 at the end of the year.
- **Net liquidity** varied significantly by institution
- **External borrowing** also varied significantly by institution with several universities having a significantly higher level of external borrowing (as a percentage of total income) compared to the UK average, which in turn would impact on their capacity to borrow more.

Further issues and indicators of financial preparedness

17. There is no published finance data or audited accounts available for the current year (FY 2023/24) as yet. However, the following factors taken as a whole suggest that the position at the end of the current year and leading into next will be even more financially challenging:
18. **Fees.** The Welsh Government introduced legislation in February to increase maximum full-time undergraduate fees from £9,000 to £9,250 per annum, bringing the fees in line with England, from 01 August 2024. The maximum fee level had remained at the same level since 2012/13. As a result it has lost over 35% of its real-term value since its introduction due to inflation. If the value of the maximum fee had been uprated in line with inflation, it would now be £13,940 for the current academic year, AY 2024/25.¹²
19. When fully implemented the £9,250 fee could provide up to an estimated £19m in additional fee income for Welsh universities. However, in practice, it will be several years before universities will fully benefit from the maximum fee increase.
20. Based on current TRAC data, the maximum fee – even when increased to the £9,250 level – will still not be sufficient to cover the full economic cost of teaching provision.¹³ Courses for publicly funded students are currently being delivered at a loss by universities, and the position continues to get worse every year as costs continue to rise with inflation. This adds to the long-standing problem that research typically only recovers around two-thirds of its costs, relying heavily on cross-subsidy from other sources.
21. In the meantime, UK government has already announced an increase in the maximum fee for English approved fee cap providers to £9,535 per annum from August 2025.¹⁴ Fee income for Welsh universities will also be further reduced in practice by the UK government’s decision to cap student loan support for English students to £5,760 for foundation years in classroom-based subjects - which will also apply to English students who study in Wales.¹⁵

Box 1. Costs of teaching and research

The latest analysis of TRAC data by the OfS,¹⁶ confirms that courses for publicly funded students are typically being delivered at a loss by universities across the UK. This adds to the long-standing problem that research typically only recovers around two-thirds of its costs, relying heavily on cross-subsidy from other sources:

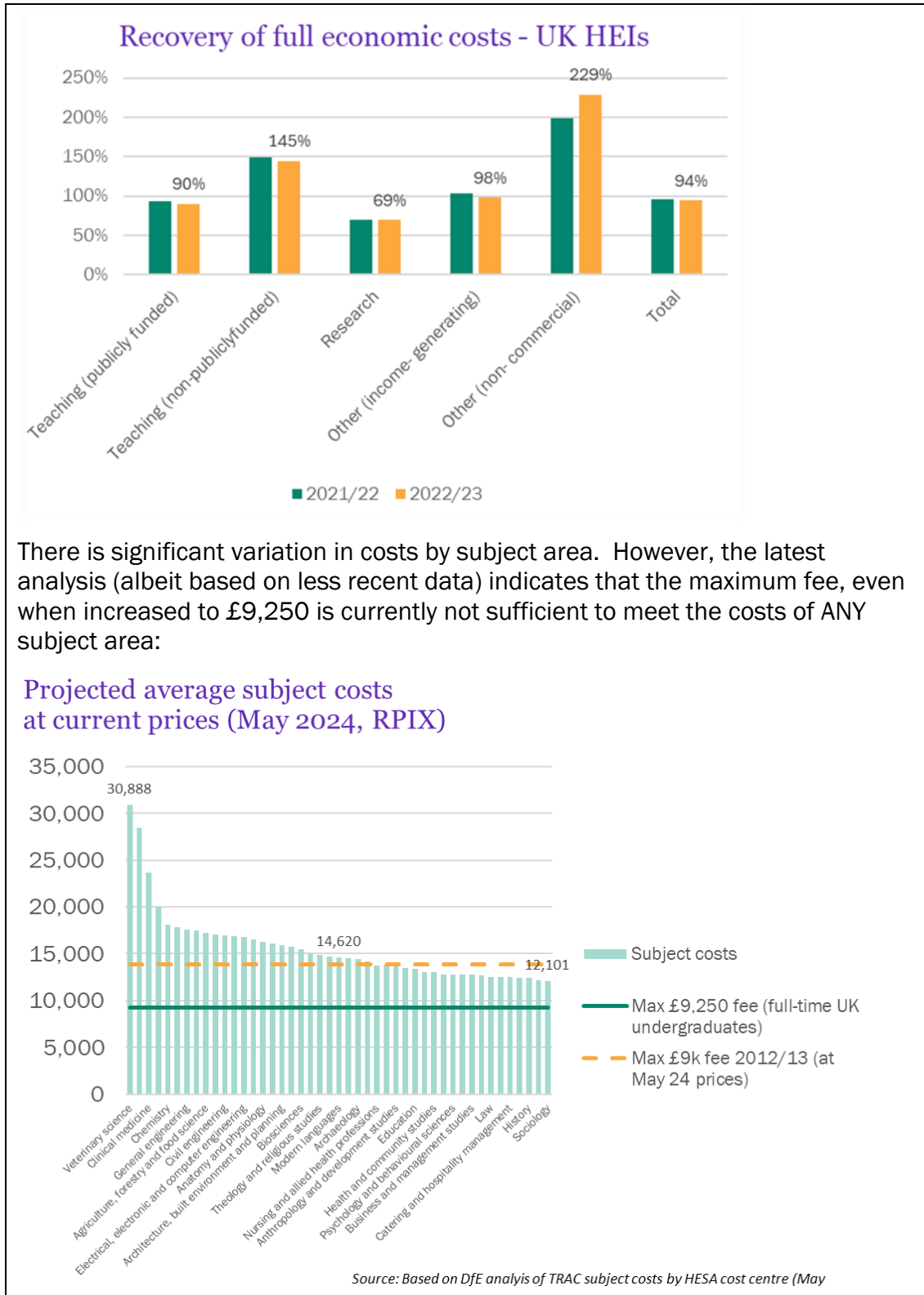
¹² OBR Economy Forecasts, RPIX inflator, updated 1st May 2024 (using Q1 as a proxy for the Academic Year e.g. 2013Q1 = AY 2012/13).

¹³ OfS, Annual TRAC 2022-23, 27 June 2024 [here](#).

¹⁴ DfE, Changes to tuition fees: 2025 to 2026 academic year, 21 Nov 2024, [here](#).

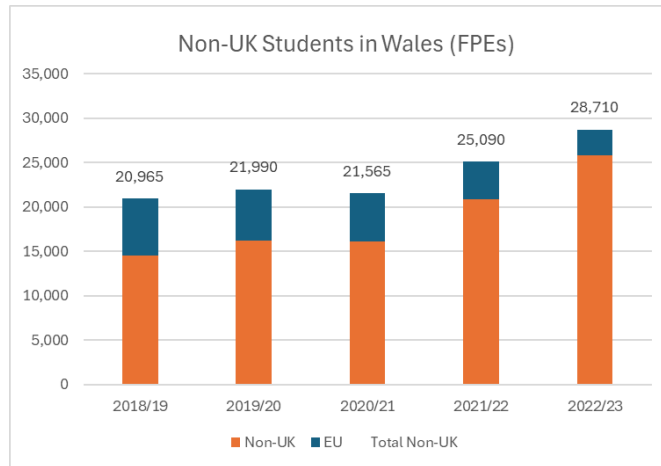
¹⁵ DfE, Tuition fees and loans for foundation years: 2025 to 2026 academic year, 21 Nov 2024, [here](#).

¹⁶ OfS, Annual TRAC 2022-23, 27 June 2024 [here](#).



22. International fee income. Universities have been increasingly reliant on fee income from international students for financial sustainability in particular. Finances in the

last two sets of financial accounts were sustained by significant increases in international students in both 2021/22 and 2022/23, particularly from postgraduate international students: ¹⁷



23. However, international recruitment in 2024 has been significantly impacted by the recent changes in the visa rules for dependents and uncertainty over the future of the graduate route, with some institutions reporting a year on year decline in international postgraduate taught students of 40-50%. A reduction of 40% against target in new international student intake across the sector, for instance, would mean a shortfall in income in the order of £70-80m from our initial estimate.
24. In the longer term, Wales still has a comparatively low market share of international students (3.8% of the UK in 2022/23) which suggests there is room for Wales to increase its market share, but the market for the UK has shrunk considerably since the latest visa policy changes.
25. **Pension cost increases, particularly TPS.** Another major issue for universities to contend with in 2024/25 will be continuing pension cost increases. For 2024, the picture has been very mixed for different schemes. On the positive side, following the 2023 revaluation, the Universities Superannuation Scheme (USS) reported a surplus for the first time which has led to decrease in employer contributions.¹⁸ The on-going high volatility of the scheme, based on Gilts rates, remains an issue for the future, however.
26. The further increases in the costs of the Teachers' Pension Scheme (TPS) in 2024, however, is currently the major area of concern on pensions. Several universities in Wales are required to provide the UK Government backed scheme. TPS employer contributions have increased dramatically since 2014 (14.1%). Employer contributions increased by a further five percentage points from 1 April 2024 as result of the SCAPE discount rate review, from 23.68% of salary to 28.68% of

¹⁷ HESA Open data – Students 2022/23, Figure 9, [here](#).

¹⁸ USS Report and Accounts 2024, [here](#). As a result of the revaluation, employer contributions fell from 21.6% to 14.5%, and deficit recovery contributions have not been required from January 2024.

salary.¹⁹ Our current estimate is that the cost in Wales is approximately £9.6m additional costs per annum from April 2024, which falls on just four universities.

27. The UK and Welsh governments have previously provided significant support for cost increases in the TPS for other sectors required to provide the scheme. In 2018 the UK government provided additional funding to cover the additional costs for the NHS and the school sector in England. The Scottish Government agreed to additional funding of £2.749m to help Scottish HEIs transition towards the costs, for the period 1 September 2019 to 30 March 2020. In its Autumn Statement in November 2023, the UK government committed to providing £5.3bn funding for the increased cost of employer contributions as a result of the 2020 valuation for centrally funded employers from April 2024.²⁰ Following receipt of its share of the funding, in October 2024, the Welsh Government allocated £11.9m to Medr for 2024/25 from the funding they received, including £8.3m for FE colleges and £3.6m for school sixth forms.²¹ However, this again did not cover universities. This means that universities have ended up by making a disproportionate contribution of the scheme's costs.
28. One of our key asks would be that the Welsh Government to explore ways in which the major impact that this will have on the four universities affected can be mitigated.
29. **Rising energy costs.** Of the many other inflationary pressures to impact on universities finance, the rise in energy costs remains a key concern. Global prices for gas, electricity, oil and other fuels spiralled in 2021 and 2022 following the pandemic and invasion of Ukraine. Energy prices have fallen since summer 2023 but are still well above pre-energy crisis levels and unit prices for gas are currently set to increase by 14% in October 2024 and electricity by 10%, i.e. are set to increase significantly higher than general inflation for the foreseeable future.²²
30. Welsh universities remain particularly exposed to increases in energy costs owning 75 sites including more than 1,500 buildings (about a third of which are residential) occupying an area of 2,366 hectares.²³ In many cases, the impact of the energy price rises is only beginning to be fully felt as contracts are renewed, and we expect future sets of accounts to reflect this.
31. Our current work with universities suggests there could still be significant opportunities efficiencies in terms of estates and premises, and that goes hand in hand with plans for greener estates and decarbonisation. However, there are low levels of liquidity and current assets, plus the high levels of external borrowing for some universities, are currently making it hard to make the necessary upfront capital investment.

¹⁹ Teachers' Pensions, Updates to contribution rates, 09.04.2024 ([here](#)).

²⁰ Autumn Statement 2023, November 2023 [here](#), further to the UK Government written statement to the House of Commons, UIN HCWS697, 30th March 2023 [here](#).

²¹ Welsh Government, 1st Supplementary Budget 2024/25, published 1st October 2024 [here](#).

²² House of Commons Library Research Briefing, Gas and electricity prices during the 'energy crisis' and beyond, 2 September 2024 [here](#).

²³ HESA Open data, Estates Management Record 2022/23 (updated July 2024), Table 1 [here](#).

32. **High cost of borrowing.** The continued high cost of borrowing is also impacting heavily on Welsh universities. Although it varies by institution, the overall level of borrowing by the Welsh university sector is already comparatively high: in Wales, borrowing is 49% of income compared to 34% for the UK as a whole.
33. The Welsh Government's initiative to make £20m in total of financial transactions capital available for loans to universities and FE in 2023/24 was very welcome, although offered at rates similar to some existing schemes rather than at a zero-rate in the end, and will play an important role in decarbonisation of estates. There may be benefits to exploring options for further financial transactions capital, particularly if the scope of the fund is extended to support, for example, general maintenance. However, our understanding is that some universities are not in a position to take on further borrowing at the moment, which is likely to put a limit on their capacity to take further advantage of such schemes.

Box 2. Why can't universities just use their reserves?

Universities 'reserves' are not unused cash or liquid assets set aside for dealing with emergencies. In accounting terms, it simply means the total 'net assets' that a university has accumulated, i.e. its total assets less its liabilities.

Most of the universities' assets are fixed assets used by the university such as land, buildings and capital equipment, and not cash or equivalents.

The majority of the assets which make up the reserves are essential for the continued operation of the university. Reducing those assets means reducing the activities, services or income streams they support, which in turn has an impact on universities' future income generation.

The value of the assets recorded in the accounts may often be considerably less than the assets would achieve at open market, due to the specialised nature of those assets: the assets are normally accounted for at original cost or value to the institution as opposed to disposal value.

In general, using up reserves to address recurrent problems with income/surplus levels is not a prudent financial management strategy. Unless the use of reserves results in the university having a more viable business it will simply mean that its assets continue to be eroded, and potentially very rapidly. Banks and lenders and charity rules typically require universities to keep certain levels of reserves. In addition, around 7% of reserves in universities are 'restricted' which means they can't be used for any other purpose.

Universities net assets (i.e. reserves) have been recovering in absolute terms after the major fall in 2018/19 and 2019/20. The days ratio of net assets (i.e. reserves) to total expenditure excluding pension adjustments, ranged from 212 to 474 days with a median of 403 days in 2022/23 in Wales. This was lower than the median in the rest of the UK including England (414), Scotland (484 days), Northern Ireland (513 days).

Box 3. Dual funding system for Research

UK universities are funded to undertake research and innovation under a dual support system. Each UK government provides **core funding for research**, distributed by its funding council (HEFCW, Research England etc). Primarily this is made up of **quality-related research funding** ('QR funding'), which is typically awarded on the basis of outcomes from the most recent national evaluation exercise – currently the Research Excellence Framework 2021 – and provides the foundations on which other projects can be built. Further funding is also allocated for postgraduate research students. There are equivalents to this in each UK country, although the methods for allocation differ.

UKRI and its constituent councils also provide **competitive funding for universities on a UK-wide basis**. QR funding is essential in enabling Welsh universities to compete for this funding. Notably, UKRI only funds 80% of the full economic cost of the projects it funds.

Innovation funding varies between country. In Wales, RWIF funding supports innovation and knowledge exchange activities. Notably, Wales did not have RWIF funding (or equivalent) between 2013 and 2019.

34. **Lack of adequate EU funding replacement.** Universities in Wales have delivered significant benefit through collaborative, large-scale research, innovation and skills projects funded by European Structural and Investment Funds (ESIF).
35. £366m in EU Structural funds were awarded for projects led by Welsh universities from 2014 to 2020.²⁴ These projects enabled universities to deliver benefits to businesses, including small and medium enterprises, the public sector and individuals.
36. The lack of an adequate replacement for EU funding is a major issue for universities. In April 2023, we identified that, as a result of the loss of ESIF funding, over 1,000 highly-skilled jobs and 60 research, skills and innovation projects in Welsh universities were at risk.²⁵ The loss of these will significantly reduce research capacity and the ability to develop and attract talent to grow the Welsh research base within Welsh universities and deliver skills for the future.
37. While the UK Shared Prosperity Fund (UKSPF) awarded £585m across 2022-25 in Wales (with £101m of this ring-fenced for Multiply)²⁶ it cannot be considered replacement funding for ESIF from a university perspective. Some of the problems we have highlighted in evidence to the Senedd is that the UKSPF has a far wider remit than ESIF and the funding methodology inhibits the ability to deliver regional

²⁴ Welsh Government, EU Structural Funds programme 2014 to 2020: approved projects, updated 18 April 2023, This figure includes a project led by HEFCW.

²⁵ Universities Wales, Post-EU regional development Funding Consultation response to the Economy, Trade and Rural Affairs Committee, 21 April 2023 [here](#).

²⁶ UK Shared Prosperity Funding Prospectus, 1 Aug 2022 [here](#).

or national joined up activities with long-term planning horizons. Key factors in this include the timescales under which local authorities have had to develop proposals, making regional or national collaboration difficult, and the short-term funding horizons making it challenging to develop long-term interventions such as KESS.

38. Similarly, the UK government's Levelling up fund, which allows each local authority to submit one bid for the fund's investment priorities per constituency wholly or partially within their boundaries, means that universities can no longer directly access these funds.
39. The future of this fund beyond 2025 is unclear, with UK Government announcing a transition year for UKSPF with a reduced level of funding (£900m down from £1.7bn).²⁷ We welcome the Minister of Finance and Welsh Language's comments that this will be a key legacy issue from the last UK government that they would like to resolve.²⁸ It remains very important that its replacement enables greater participation and access to funds by universities.
40. **Increased NI contributions (NICs).** The UK Government announced its intention to increase employer NI contributions in its Autumn Budget in October 2024.²⁹
41. Initial estimates for the impact of the changes to employer national insurance contributions are around an additional £8.4m in costs for Welsh universities as a result of the 1.2% increase and an additional £9-13m as a result of the threshold change (the exact figure will depend on how many part-time staff are caught by the threshold change). This places a provisional estimate for the total cost of the employer NI contributions for Welsh universities at around £20m per annum from April 2025 (including around £7m for AY 2024/25).
42. The Treasury has since confirmed that it will provide additional funding for Wales to cover the costs for public sector workers as defined by the Office for National Statistics (in addition to the +£1.7bn Barnett consequentials already identified).³⁰ Our understanding is that this may mean additional funding for other parts of the tertiary sector, for instance, but will not cover universities. As independent charities, universities are currently classified by the ONS for purposes of national accounts as non-profit institutions serving households (NPISH).
- 43. Current position and financial preparedness**
44. In absence of more up-to-date public information, it is not possible to provide a robust financial picture of the current position. However, overall, the information we have currently suggests that the sector may report a deficit of more than £100m for the year ended 2023/24 once pension adjustments have been excluded. The amount of savings that Welsh universities will need to target in order to return to surplus by end of 2024/25 is likely to be even higher, however, due to significant new financial pressures that have arisen more recently.

²⁷ UIN 3917, Question for Ministry of Housing, Communities and Local Government answered on 5 September 2024.

²⁸ Senedd Finance Committee, 25 September 2024, oral comment.

²⁹ HM Treasury, Autumn Budget 2024, 10 October 2024 [here](#).

³⁰ Cabinet Secretary for Finance and Welsh Language, statement in Plenary 05.11.2024, para 345 [here](#)

45. As outlined above, this is the cumulative effect of a third successive year of reductions to HE funding grants (including an additional cut of £20m for 2024/25 – see Q2 above), a significant shortfall in international recruitment against target in light of the visa changes (potentially around £85m), increased TPS pension costs (£10m) and increased NIC employer contribution costs (initially estimated at £20m). More generally the costs of provision (particularly energy costs) are continuing to rise faster than fee levels, despite the welcome introduction of higher maximum fees from 2024/25.
46. Universities have already taken significant steps to mitigate the growing financial pressures, including fundamentally reviewing their operating models and options and taking action to redress their cost bases. Measures taken to improve future financial sustainability include increasing income generation, making non-pay savings, and further estates rationalisation.
47. Universities Wales has supported institutions in exploring sector level options and will continue to help universities explore the potential for further collaboration and sharing of services. There is similarly a lot of work in this area at UK wide level to identify transformative changes that will help to ensure financial sustainability, as universities across the UK are similarly facing unprecedented levels of financial challenge³¹ - including, for instance, the recent JISC report.³² However, these are not likely to address the short-term pressures.
48. By far the largest component of the cost base is staff costs. This inevitably means that much of this impact will fall on staff and jobs. While many plans have already been initiated by universities, we are likely to see the heaviest impact over the next couple of years.
49. Nearly all universities in Wales already have voluntary severance schemes in place for staff. As widely reported in the media, the severance schemes have already led to the reduction of more than 400 staff in Welsh universities in 2023/24. We are likely to see significantly more job losses in the months ahead as the plans are implemented in full.
50. To give some idea of the scale of this, we would estimate for instance that to return to surplus from a £100m deficit would require cost savings including around 1,000 jobs in addition to £45m reductions in other costs, based on current cost profiles.³³ Particularly once the new financial pressures are taken into account, it seems that the staff reductions required to generate the savings currently required by Welsh universities will easily reach into four figures.
51. It is clear that universities cannot continue to cut their cost bases without making decisions that will have a significant impact on infrastructure necessary for the provision of higher education for students and future capacity to provide research and innovation in other ways too. Estates rationalisation, for instance, may in some

³¹ See for instance: OfS, Financial sustainability of higher education providers in England: November 2024 update, 15 November 2024, [here](#).

³² JISC, Collaboration for a Sustainable Future, 6th November 2024 [here](#).

³³ This assumes 55% of the required saving is met from staff costs (broadly in line with typical university cost profiles) and an average saving per job of £55k.

cases pose very difficult choices for universities. Universities own many historic listed buildings that form part of Wales's heritage and, in addition to providing a unique experience for students, play an important role in local communities.

52. Meanwhile, universities remain highly dependent on increases in international fee income, in particular, which is highly volatile.
53. The wider economic impact of universities' financial challenges for Wales and the UK economy is huge. The recent London Economics report, for instance, indicates that for every 1,000 jobs lost in university, we can expect a further loss of 1,720 jobs in other parts of the UK economy³⁴, most of which would be in Wales.³⁵
54. The UK government has acknowledged the challenges in the current funding system and pledged to address it in relation to England. Wales does not operate in a vacuum and, in coming up with our own solution, we will need to be prepared to respond rapidly. However, the longer that the current position is left unaddressed, the less likely that universities will be able to prevent irrevocable lasting damage.

Q3 Inflation and cost of living issues

3. What action should the Welsh Government take to:

- help households cope with inflation and cost of living issues;*
- address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?*

55. Further investment in universities will play a significant part in diverse ways in supporting vulnerable households and communities in tackling inflation and cost of living issues. More generally, research indicates that in the long-term higher education reduces poverty and inequality and brings life-changing opportunities for individuals and communities.
56. Continued investment in research and innovation should also play a part in tackling these challenges. For instance:
- Pinpointing fuel poverty. Cardiff University researchers have developed a new tool which identifies households most in need of support to heat their homes, [here](#). The unique mapping system can establish, for the first time, where targeted energy saving measures would deliver maximum reduction in waste energy usage. As of August 2021, the mapping system has been used to target and assist 3,000 vulnerable households.

³⁴London Economics, The economic impact of Welsh universities' teaching, research, and innovation, Report for Universities Wales, September 2024, p.6 [here](#).

³⁵ See for instance: Viewforth Consulting Ltd (2021), Economic impact of higher education in Wales, July 2021.

- Strengthening uptake of the Living Wage across the UK. Research from academics at Cardiff Business School has led to improvements in the working conditions of thousands of people. [here](#)
- Reforming homelessness legislation in Wales. Dr Pete Mackie's research into Welsh homelessness legislation led to the Housing (Wales) Act 2014, and has informed policy debates in Scotland, Canada, and Australia. [here](#)

57. Many of the community initiatives undertaken by Welsh universities also provide specifically targeted support for people living in urban, post-industrial and rural communities. For instance, in 2023/24:

- The North Wales 2025 Movement, a partnership including Wrexham university, has brought over 600 people and organisations together to end avoidable health and social inequalities, helping hundreds of people across North Wales.
- Working with local authorities, friends' groups, homeless charities and schools Swansea University's Centre for Heritage Research and Training (CHART) is helping to develop heritage-led regeneration, drawing on South Wales's unique position as a major preserve of the heritage of the Industrial Revolution.
- Working in partnership with Blaen y Maes Drop-in Centre in Swansea, UWTSO has provided opportunities over 60 families and 200 local community members to date to engage in family and adult learning activities from literacy and numeracy to confidence building and hosted local and national events such as the Swansea Christmas Parade and Refugee week.

Q4 Business support

4. Have Welsh Government business support policies been effective, given the economic outlook for 2025-26?

58. The extent to which the Welsh Government invests in higher education has a direct impact on the extent to which they can provide support for other businesses and the extent to which they can operate effectively themselves. In the paragraphs below we highlight some of the key issues and opportunities to support universities in 2025/26 in the delivery of objectives that are critical to the economic and social well-being of Wales.

59. Addressing the significant under-participation in higher education from Welsh students.

60. Wales currently has the lowest participation rates in higher education in the UK (excluding Scotland, whose data is not directly comparable) and the gap between Wales and other parts of the UK appears to be getting worse. As of 19 September 2024 (Day 28 of UCAS Clearing), 30.0 % of Welsh 18-year-olds were accepted to study full-time undergraduate higher education in the UK (10,430 from an

estimated population of 34,800).³⁶ The gap in entry rates between Wales (30.0%) and England (37.0%) now stands at 7.0 percentage points, the largest on record.

61. If Wales had a similar entry rate to that of Northern Ireland (39.5%), for instance, over 3,300 more Welsh 18-year-olds would have entered higher education in 2024/25. In short, more needs to be done to ensure that Welsh students have the higher education opportunities they deserve, and the economy needs.

62. It must be a top priority for government, Medr and the education sector to work together to identify and tackle the issues that currently limit Welsh people's participation in higher education and hold back individuals and the economy.

63. Meeting increasing demand for graduate skills in Wales.

64. There is a pressing need to encourage more people, of all ages and backgrounds, into higher education in line with demographic growth in Wales and to meet major increase in demand for graduate skills by 2030.

65. More than 400,000 extra graduates will be needed in Wales by 2035 in order to respond to skills gaps and workforce challenges of the future, according to the findings of a recent report by UUK.³⁷ By 2035, 95% of new jobs in Wales will be at graduate level, with 88% of UK jobs set to be at graduate level. As Welsh universities currently provide around 40,000 of graduates each year, and account for nearly three quarters of the UK graduate workforce in Wales,³⁸ this means increasing the number of graduates from Welsh universities very significantly.

Box 4. Delivering skills and boosting employment

Employment rate for people aged 16-64 plummeted across the UK immediately following the pandemic. While many other UK show signs of recovery Wales's employment rate has continued to decline. Since December 2023, Wales has had the lowest employment rate in the UK (standing at 68.9% in June 2024) and the second lowest GVA per head (£23,804).³⁹

Welsh universities are vital for employment and delivering the skills that the Welsh economy needs:⁴⁰

- More than 41,000 students graduated from universities in Wales in 2021/22, around 64% with an undergraduate qualification and 35% with a postgraduate degree.⁴¹
- Over 81% of graduates from Welsh universities in 2021/22 were employed within 15 months of graduating, and this increases to 88% when you include those who progress onto further study or training.
- The median starting salary of those who obtained a first (i.e. undergraduate) degree who entered employment was £26,990 per annum.⁴²

- Each year Welsh universities supply around 70% of the new UK graduate workforce in Wales.⁴³
- Welsh universities help to keep graduate skills in Wales. The percentage of Welsh students who were known to be in employment in Wales 15 months after graduating was 88% for those graduating from Welsh universities in 2021/22, compared to just 47% for Welsh students who studied elsewhere in the UK.⁴⁴
- Welsh universities are vital for equipping the UK's professional workforce with essential knowledge and skills they need to enter practice. Students qualifying from Welsh universities in 2021/22, for instance, included:⁴⁵
 - over 6,000 students qualified in medicine, dentistry, and other subjects allied to medicine (including nursing and healthcare);
 - nearly 2,600 students with qualifications in law;
 - over 3,000 students qualified in engineering and technology;
 - around 480 students qualified in social work;
 - around 990 graduates qualified in architecture, building and planning;
 - 1,300 finance and accounting graduates; and
 - over 1,900 students who had completed qualifications in teacher training.
- Welsh universities provide the researchers and innovators needed to tackle the foremost challenges that Wales faces today - with over 4,900 postgraduate researchers enrolled in Welsh universities in the latest year.⁴⁶ This will include, for instance, Welsh graduates who have pursued specialisms in an increasing range of diverse fields such as ecology and environmental biology, biosciences, and artificial intelligence.
- Graduates continue to expand their skills once they have left university. Around 17% of students who graduated from Welsh universities in

³⁶ UCAS Statistical release, Clearing Day 28, 19 September 2024 [here](#).

³⁷ UUK, [Jobs of the future](#), August 2023.

³⁸ See above, para 6ff (Delivering skills and employment).

³⁹ Welsh Government, Welsh Economy in Numbers, as at 30 Aug 2024 ([here](#)), based on ONS Labour Force Survey (15 Aug 2024) and ONS Regional Accounts (May 2024).

⁴⁰ Ibid.

⁴¹ Based on HESA 2021/22 graduate outcomes data, published July 2024, see [here](#).

⁴² Ibid, Figure 14.

⁴³ HESA graduate outcomes 2021/22 (accessed via HEIDI, Sept 2024).

⁴⁴ Ibid.

⁴⁵ HESA student qualifiers 2021/22 (accessed via HEIDI, Sept 2024).

⁴⁶ HESA Open data - student FPEs in 2022/23 (Figure 3, accessed [here](#) in Sept 2024).

2021/22 were undertaking further study within 15 months of leaving - often combining it with employment.⁴⁷

- Welsh universities delivered nearly 310,000 learner days of continuing professional development (CPD) and continuing education (CE) courses in 2022/23.⁴⁸

66. Preparing for the population growth in Wales.

67. A key challenge will be to cater for the projected growth in potential students from Wales and the UK. Over the next five years, between 2024 and 2029, for instance, the population of Wales is projected to increase by 3% to 3.26 million with the average age of the population continuing to increase from 43 to 44 years of age. The growth, however, will be much greater for the age groups which make up the majority of higher education students with regulated fees. Over the same five-year period period, the number Welsh 18 year olds is expected to increase by a further 9%.⁴⁹

68. Scaling up research and development base in Wales.

69. Investment in research and development is considered critical to prevent “a cycle of low-skill, low-wage and low productivity”, as identified by the Senedd’s research.⁵⁰ Research and development delivers substantial and often transformative benefits for society, but is typically not viable for individual organisations without public investment and support.

70. Wales currently produces only 2.3% of the UK’s research and development. Welsh universities are key delivery bodies for research and innovation, responsible for 37% of Wales’s total R&D activity in 2022/23. For comparison, English higher education providers accounted for only 22% of R&D performed by England.⁵¹ Investing in universities is also important for stimulating private investment in R&D. According to the UK government’s research, “public investment in R&D crowds in private investment at a ratio of around two pounds on average for each pound of government funding”.⁵²

71. New research by London Economics estimates that the total economic impact on the UK economy associated with Welsh universities’ research and knowledge exchange activities in 2021-22 was estimated to be approximately £1.98 billion, including £1.33m associated with productivity spillovers to other sectors. Of the

⁴⁷ HESA graduate outcomes 2021/22 (accessed via HEIDI, Sept 2024).

⁴⁸ HESA Open data, HE Business and Community Interaction survey 2021/22, Table 2b (accessed Sept 2024, [here](#)).

⁴⁹ ONS, National population projections (interim data): 2021-based, 30 Jan 2024 [here](#). See also StatsWales [here](#).

⁵⁰ Senedd Research, Research and Innovation in Wales, Research Briefing July 2021

⁵¹ ONS, UK gross domestic expenditure on research and development 2022, Table 5 (by country and sector of performance), 8 Aug 2024 [here](#).

⁵² HMT, Build Back Better: our plan for growth, (3 March 2021) [here](#), citing Oxford Economics (2020), ‘The relationship between public and private R&D funding’.

range of R&D activities conducted by universities, the highest economic multiplier is associated with Research Council funded R&D which is estimated at 12.7, i.e. for every £1m of Research Council funding grants obtained we can expect to result in spill-over effects to other parts of the economy of £12.7m.⁵³

72. The size of Welsh universities contribution, however, is very much limited by the size of its research base. Welsh universities employed 3.9% of the UK's research staff submitted in the recent REF 2021 - significantly lower than an expected proportion based on Wales's population size (4.7%)⁵⁴.
73. This in particular this underlines the importance of increasing core QR funding for universities. The level of QR funding is closely correlated with success in winning funding from Research Councils and other sources. For this reason, the independent Reid Review, conducted for the Welsh Government in 2018, identified that QR funding should be the highest priority in Welsh funding for science, research and innovation, reflecting the scale of benefit it delivers to Wales, both directly and through the leverage of resources from elsewhere.⁵⁵
74. Because of this comparative lack of investment in the research base in Wales, other UK countries are better able to take advantage of the UK government's major investments and opportunities.

Box 5. Research and innovation with a real impact for Wales

According to the REF2021, the quality of the research that Welsh universities deliver is not only world-class but world-leading in terms of its real-life impact.

In the most recent UK wide assessment exercise ('REF 2021'), 89% of Welsh research was considered internationally excellent or world leading in terms of 'impact'⁵⁶, measured in terms of its 'benefit to the economy, society, culture, public policy or services, health, the environment or quality of life, beyond academia'.

Recent analysis of the research submitted for the 2021 assessment concluded that Welsh universities are actively reshaping every part of society for the better. A key finding was that 'Impact in Wales' is the predominant outcome of Welsh research: 70% of the identified impact had an impact in Wales. Rooted in Wales, the benefits of research being undertaken at Welsh universities are felt worldwide. Welsh universities benefitted in particular 25 different types of groups of people and organisations, highlighting in particular children and young people,

⁵³ London Economics, The economic impact of Welsh universities' teaching, research, and innovation, Report for Universities Wales, September 2024, para 2.1.4 [here](#).

⁵⁴ REF2021 data, 22 May 2022 [here](#) (own analysis); ONS mid-year population statistics mid-2020 [here](#) - corresponding to the REF2021 July 2020 census date.

⁵⁵ Reid, Review of Government Funded Research and Innovation in Wales, 2018 [here](#).

⁵⁶ REF2021, Results and submissions data, published 12 May 2022, [here](#)

policy-makers and local communities, the elderly, women and people with disabilities.⁵⁷

Some of the characteristics of the research submitted by Welsh universities included, for instance:⁵⁸

- 94% of the Welsh university case studies involved collaboration with non-academic partners including public sector bodies, national and local government, and industrial partners in particular.
- Over half of the research reported informed policy or governance, and 42% had an economic impact.

For a wealth of specific examples which have had a real impact on Wales see the showcase REF case studies in its '[Research impact](#)' section of the Universities Wales website, including:

- How mathematical modelling saved lives during the COVID-19 pandemic. A mathematical model developed at Swansea University helped to save lives and support the NHS in Wales during the height of the Covid-19 pandemic. [here](#)
- Understanding the implications of emotional artificial intelligence. Bangor University's research on 'Emotional Artificial Intelligence' (eAI) has influenced the design and ethical application of emergent artificial intelligence technologies across the globe. [here](#)
- Boosting the Welsh food and drink industry. A partnership project between academics at Cardiff Metropolitan University and the Welsh food and drink industry has supported SMEs to develop their food science, technical and food safety skills, resulting in new jobs, new markets and a £103m increase in sales. [here](#)
- Detecting the DNA of cyberattacks. A collaboration between Professor Pete Burnap, Cardiff University, and Airbus has led to a completely novel way of detecting and preventing malicious software. [here](#)
- Towards a million Welsh speakers? Informing language policy in Wales. Research by Aberystwyth University on the revitalisation of regional or minority languages has played a key role in informing and influencing Welsh Government policy on the promotion of the Welsh language. [here](#)
- Making the Welsh language more accessible. Researchers at Bangor University have developed a range of online resources, including the software package Cysgliad with the Cysill Welsh-language grammar and spelling checker as well as the Cysgeir collection of dictionaries. which have helped to transform the use of Welsh in digital environments, promoting Welsh as a modern, forward-looking language. [here](#)
- Improving language provision for forced migrants in Wales. Research at the University of South Wales has helped to improve access to English language education for forced migrants in south Wales and informed

⁵⁷ The Learned Society of Wales, Making an Impact, A Celebration of Welsh Research, 9 Nov 2023 ([here](#))

⁵⁸ The Learned Society of Wales, The Impacts of Research from Welsh Universities, 9 Nov 2023 ([here](#))

government policy on ESOL (English for Speakers of Other Languages).
[here](#)

See Question 1 for examples relating to health and Question 4 for examples relating to building a greener economy and tackling climate change.

75. Support for other businesses and public services

76. Investment in universities can also significantly reduce the need for expenditure in other essential services, providing infrastructure, education and services underpinning the delivery of our public services in Wales. In addition to this, universities often invest their own resources that directly benefits the public sector and provides the public sector with savings: this includes costs associated with the delivery of medicine, dentistry and nursing places, provision of facilities, and support for the training and development of teachers.

Box 6. Reducing costs and underpinning the delivery of public services in Wales

Investment in universities helps to reduce the need for expenditure in other essential services.

Our universities directly and indirectly support a range of public services, including through direct investment of resource. As well as leading the UK in terms of the impact of research and innovation, Welsh universities also support public services by:

- Training public sector staff including teachers, nurses and doctors
- Providing poverty reduction programmes
- Providing access to free advice and services including law clinics
- Providing facilities to communities including sporting facilities and nurseries
- Providing arts and community centres, parks and botanic gardens

More broadly, higher education has been linked with better general health and life expectancy, and better mental health – reducing pressures on the health budget.⁵⁹ University research also makes a very considerable contribution to this area, identifying better and more effective solutions and promoting earlier detection of health problems. Recent examples of world-class research led by Welsh universities, for instance, include:

- Using the arts to improve health and wellbeing. A Wrexham University project exploring the impact of art on people’s health has helped to inform social care policies, change working practices for arts and health practitioners, and positively impact people’s health and wellbeing. [here](#)

⁵⁹ See for instance, BIS Research Paper No. 146 ([here](#)), October 2013.

- Developing new technology to diagnose and treat rare diseases. New technology developed by researchers at Swansea University has improved the diagnosis and treatment of rare diseases, opening up new approaches to patient management for health care professionals worldwide. [here](#)
- Improving the lives of people at risk of alcohol-related brain damage. Research by the University of South Wales into alcohol-related brain damage has helped to improve awareness, understanding and treatment of the condition. [here](#)
- Improving quality of life for people with advanced dementia. An innovative new product by design researchers at Cardiff Metropolitan University has been proven to enhance the quality of life for people living with advanced dementia. [here](#)
- Establishing new worldwide standards of care for prostate cancer patients. Cardiff University researchers played leading roles in major clinical trials, which improved the treatment of prostate cancer and influenced the way oncologists monitor their patients and use surgery, radiotherapy, and hormone therapy. [here](#)
- Improving quality of life for children with neurodevelopmental conditions. Products developed by the Cerebra Innovation Centre at the University of Wales Trinity Saint David are improving quality of life and increasing independence for children with neurodevelopmental conditions. [here](#)

Higher levels of higher education are associated with lower levels of crime, greater social cohesion, trust and tolerance, and more civic engagement.⁶⁰ Recent examples of world-class research led by Welsh universities that also help to prevent or reduce expenditure on essential community and social services, for instance, include:

- Measuring the effectiveness of drug and crime control policies. Research from Swansea University has highlighted the need to change how drug and crime control policies are measured, leading to changes in approach by governments and international organisations. [here](#)
- Building resilient families. A new assessment tool developed by researchers at the University of South Wales helps health visitors to assess family resilience and identify the support they need to give their children the best start in life. [here](#)
- Improving decision-making in the emergency services. Ground-breaking research by Cardiff University has improved how the emergency services think, behave and respond in emergency situations. [here](#)

⁶⁰ Ibid.

Higher education also brings greater social mobility, higher earnings, less exposure to unemployment and increased entrepreneurial activity.⁶¹ This in turn alleviates pressure on the welfare budget.

77. Universities also provide extensive support for businesses, providing access to unique expertise, services and specialist facilities.

Box 7. Providing support for businesses and SMEs

Universities provide extensive support for businesses, providing access to unique expertise, services and specialist facilities.

In 2022/23, universities in Wales provided consultancy to more than 1,100 organisations, and undertake in the region of £36m of contracted research. Over 2,500 business and external organisations used equipment and facilities provided by Welsh universities.⁶²

Over the last five years on record, from 2018/19 to 2022/23, Welsh universities provided support for the creation of over 1,747 new student start-up companies, accounting for 8% of all new student start-ups in the UK.⁶³

Universities are also instrumental in providing graduate with the skills needed by different sectors and industry, particularly where businesses could not otherwise afford the necessary investment. A recent study by JB Strategy and Data (2024) which looked at university-trained workers supplied to key sectors by Wales' universities, estimated the hidden subsidy from universities for graduates in these sectors to be £231m over and above public funding, with the subsidy highest for science, engineering and technology:⁶⁴

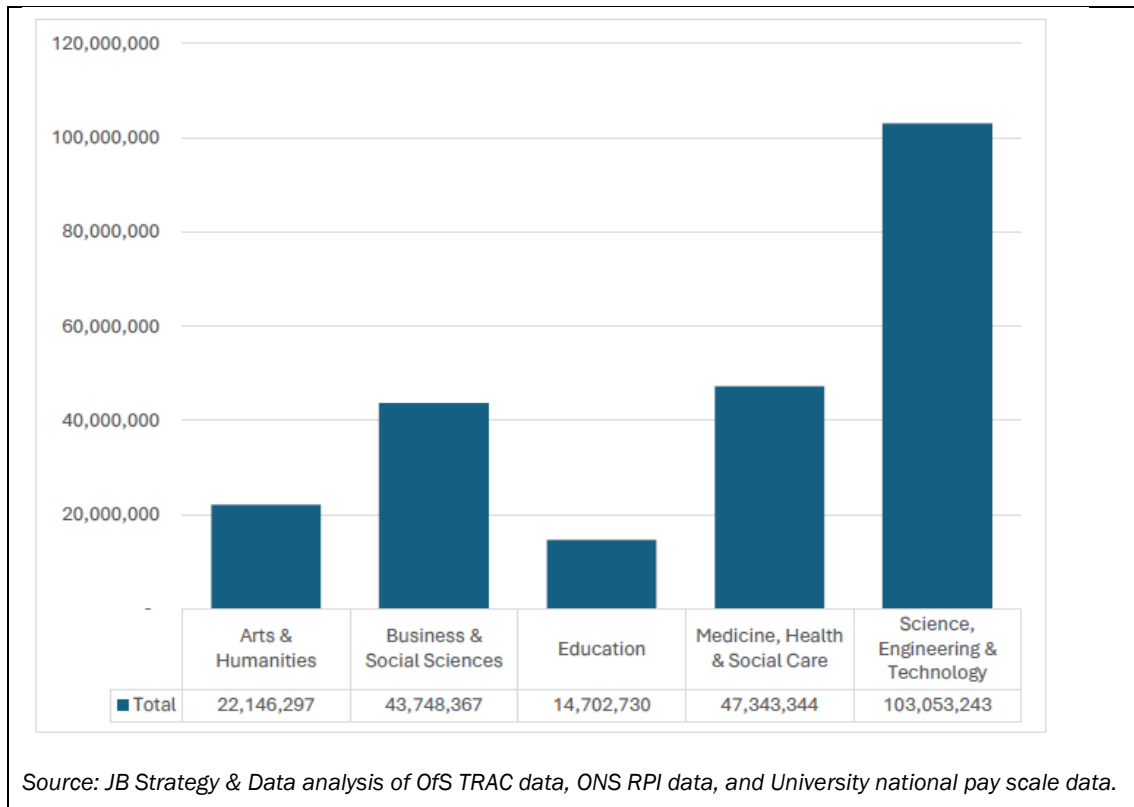
Welsh Universities' cross-subsidy for UK graduates, 2023 prices (£)

⁶¹ Ibid. Also see, the IFS study in 2021 ([here](#)) which identified that individuals eligible for Free School Meals (FSM) in year 11 who attended university are almost four times more likely to be amongst the highest 20% of earners at age 30 than those who did not.

⁶² HESA HE Business and Community interaction survey, 2022/23. Table 2a, open data [here](#).

⁶³ HESA Business and Community Interaction data 2022/23, Open data, Table4e [here](#).

⁶⁴ JB Strategy & Data, *The Social Value of Wales' Universities*, June 2024.



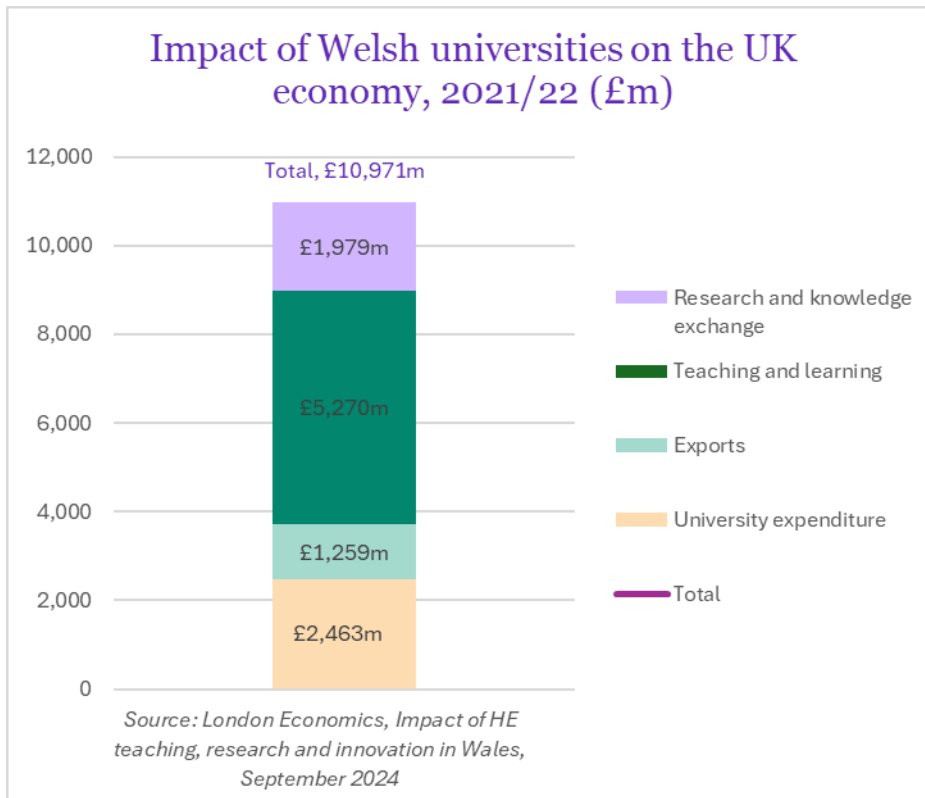
78. The wider economic impact of universities

79. Investing in universities is one of the most effective ways to boost the economy, supporting the businesses, people and communities of Wales more generally.

80. Universities also make a significant direct impact on the economy in their own right. In 2019/20, for instance, the expenditure of universities, their staff and students, and the international visitors that they attracted accounted for 4.2% (£2.8bn) of the gross value added (GVA) to the Welsh economy, and generated 4.9% (over 61,000) of all jobs in Wales.⁶⁵ New research estimates that the total economic impact of Welsh universities on the UK in 2021-22 was approximately £10.97 billion, and that for every £1m of public investment put into universities it benefits the economy by £13.1m.⁶⁶

⁶⁵ Viewforth Consulting Ltd (2021), Economic impact of higher education in Wales, July 2021.

⁶⁶ London Economics, The economic impact of Welsh universities' teaching, research, and innovation, Report for Universities Wales, September 2024 [here](#).



Q5 Building a greener economy and tackling climate change

5. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

81. Tackling climate change and its associated impacts will be one of the foremost challenges that Wales will face in coming years.
82. We think there is further scope to support universities in tackling climate change and the nature emergency. Wales is under-investing in research and development compared to other parts of the UK, and there is a strong argument for expanding and supporting Welsh universities in providing pioneering and world-class contributions to this area – particularly in the light of the absence of an appropriate replacement for the EU structural funds.
83. Universities have a key role as educators, in providing expertise for policy development, and in shaping future behaviours, through the range of engagement activities and in providing a research and evidence base.
84. Examples of world-class research in Wales that is helping to build a greener economy and tackle climate change includes for instance:

- Changing land use to reach net zero. Research on biomass crops by a team at Aberystwyth University has influenced government policy and legislation on the use of land to reach net zero. [here](#)
- Scaling-up the environmentally friendly production of Perspex®. Research by Cardiff University provided the global Perspex® industry with a cost-effective production process, which could be used at scale, delivering significant economic and environmental benefits. [here](#)
- Maximising the benefits of the UK's wind farms. Cardiff University research is helping to modernise energy transmission across the UK and Europe and push us towards the target of net zero carbon emissions. [here](#)
- Pioneering the use of hydrogen for transport and industry. Researchers at the University of South Wales have developed cost-effective, low-carbon methods of producing and recovering hydrogen. [here](#)
- Making livestock farming more sustainable. Two new clover varieties developed by researchers at Aberystwyth University reduce the environmental impact of livestock farming, while delivering economic benefits to farmers. [here](#)

85. 'Net zero, Energy capture and storage and Decarbonisation' is one of the key areas that Welsh universities are collectively focusing on for their research and innovation, coordinated by the Wales Innovation Network (WIN). Examples of the projects currently being undertaken in this area include:

- Exploring solutions to the generation, storage and application of hydrogen. The Hydrogen Alliance – led by Bangor University - has three main purposes: to review existing research and innovation activity within Welsh higher education institutions, focussing on the generation, storage and application of hydrogen; to examine collaborative activity between universities, and between universities and external partners in, or close to, Wales; to examine how research into hydrogen complements and integrates regionally with work into other low carbon energy sources. It will provide the basis for a future network which can develop a research and innovation based low-carbon ecosystem in Wales.
- Supporting Wales' marine energy and blue economy. The ERDF-funded [SEACAMS](#) project (1+2), led by Swansea University, has supported Wales's marine renewable energy (MRE) and blue economy for more than 12 years. SEACAMS2 offered vital research support to companies wanting to harness the sea's power and create a sustainable marine energy industry in Wales.
- Gathering and collating evidence for the effectiveness of coastal eco-engineering. The project, led by Aberystwyth University explored eco-engineering and biosecurity solutions for coastal adaptation to climate change. Ecostructure has produced a number of tools for coastal managers and researchers, such as GIS maps, modelling tools, and conservation resources. The next stage of research and development in this field will require larger-scale trials in collaboration with the public and private sectors.

86. There are also significant opportunities to support Welsh universities, as major organisations in their own right, in becoming greener and more efficient. There has been relatively low levels of grant support for infrastructure in Wales over many years, this means that in areas such as building maintenance and digital transformation, there are challenges that require urgent investment across several universities. In 2024, we sought to collectively explore further ‘invest to save’ opportunities that will help universities to reduce costs in the long-run and meet net-zero targets through greener projects and investments.

87. On this front, we very much welcomed the Welsh Government’s initiative to enable universities to access financial transactions capital in 2024. There may be benefits to exploring options for further financial transactions capital, particularly if the scope of the fund is extended to support, for example, general maintenance. However, our understanding is that some universities are not in a position to take on further borrowing at the moment, which is likely to put a limit on their capacity to take further advantage of such schemes.

Q6 Taxation and borrowing powers

- *6. Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?*

88. We have no comments on the use of these powers from a sector perspective. However, universities in Wales continue to provide a source of expertise and advice on the deployment of these powers. Academics from Bangor University, for instance, gave evidence to the Finance Committee in their pre-budget scrutiny session on 25 September 2024.⁶⁷

Q7.1 Supporting people living in relative poverty

- *Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?*

89. For our comments on how universities can further help tackle poverty and inflation issues in households and communities generally see under Q3 above.

90. Students from Wales currently benefit from a student support package which, unlike support provided by other parts of the UK, is uprated annually in line with the living wage. This has undoubtedly helped students to avoid struggling significantly with their living costs including accommodation during their studies, particularly where studying in the more expensive parts of the UK. It is important that Welsh Government continues to provide this support.

91. Welsh universities variously have in place additional measures to alleviate financial hardship for students. This was significantly increased following the pandemic and cost of living crisis and included e.g. increasing hardship funding and widening

⁶⁷ Welsh Parliament, Finance Committee, 25 September 2024 [here](#).

eligibility, new targeted bursaries to address cost of living with increased staffing to help promote and process applications quickly, provision of free food for those who needed it, provision of information and access to training on managing finances and providing 'shopping bags' of useful items to help students negotiate the winter months and keep costs down, mitigating catering and accommodation cost increases, and providing increased support services for health and welfare more generally. Universities are expected to continue to provide essential support in line with ongoing need.

92. In particular, supporting student mental health and well-being remains a key priority for Welsh universities. In its evidence to the Senedd's Children, Young People and Education committee on student mental health support in higher education in October 2022, Universities Wales highlighted the need for data sharing between health and education providers, and support for transitions from further to higher education, from CAMHS to adult mental health services, and for students living away from home during term-time to access GPs and NHS services – drawing on the policy recommendations developed in partnership with NUS Wales, AMOSSHE and Colleges Wales. This is potentially an area in which Medr, with its new cross-sector responsibilities, may have an important role.

Q7.2 Addressing gender inequality

- *How could the budget further address gender inequality in areas such as healthcare, skills and employment?*

93. There is significant further scope to address gender (and other) inequalities through universities.

94. There are currently glaring gender inequalities in access and participation in higher education itself. Addressing these will also help to address inequalities in employment and other areas. Specifically in relation to gender inequality, studies by the Institute of Fiscal Studies (IFS) suggest that attending university increases women's earnings by 26% at age 29.⁶⁸ Similarly, a study of graduate earnings found that all students, no matter their subject choice or background, benefit from higher education with underrepresented groups having relatively high returns from going to university.⁶⁹

95. In relation to skills, an important priority will be to address the under-representation of male students applying to higher education. Only 23.1% of Welsh 18-year-old men were accepted to study full-time undergraduate higher education, compared to 36.2% of women in 2024. This compares to 31.1% of male English 18-year-old students and 41.7% of women. Gender representation across different subjects can also vary greatly.⁷⁰

⁶⁸ See IFS, The impact of undergraduate degrees on early-career earnings, November 2018, [here](#).

⁶⁹ See e.g. IFS, The returns to undergraduate degrees by socio-economic group and ethnicity, 2021 [here](#).

⁷⁰ UCAS Daily Clearing Analysis 2024, 28 Days after Level 3 results day (19 September 2024) [here](#).

96. Universities undertake a range of measures specifically to address gender inequality, as identified in their fee and access plans.
97. Many of the causes of gender imbalance in subject choices and career paths are rooted at a much earlier stage of education, however. This is an area that can benefit from a collaborative approach, and Medr may provide further opportunities to support a cross-tertiary approach. The sector in Wales has already undertaken efforts to address this, for example through the Physics Mentoring Project which aims to increase participation of women in physics and physics-related subjects.

Q7.3 Preventative spending

- *Is the Welsh Government's approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).*
98. We think there is further room to recognise the extent to which investment in higher education prevents problems in other areas and saves public expenditure on other essential services. Investment in higher education as a whole means many wider benefits for communities and individuals further down the line.
99. Higher education has been linked with better general health, better mental health, and higher life expectancy.⁷¹ Welsh university research also plays a fundamental role in this. Recent world-class research projects that help to save the need for much greater expenditure further down the line include, for instance:
- Helping young children develop skills for a healthy life. Researchers at the University of Wales Trinity Saint David have created a programme to support the development of children's physical literacy and motor skills. [here](#)
 - Improving diagnosis and treatment of disease. Researchers at Aberystwyth University have used medical image analysis to develop new diagnostic tools and improve outcomes for patients living with conditions including MS, endometriosis and retinal disease. [here](#)
100. University education also helps to prevent problems in communities. Higher education is associated with lower levels of crime, greater social cohesion, trust and tolerance, and more civic engagement.⁷² Universities also directly support and engage with communities.
101. Higher education also brings greater social mobility, higher earnings, increased entrepreneurial activity and less exposure to unemployment.⁷³ This in turn has a significant role in reducing costs further down the line on the welfare budget.
102. In particular, more preventative spending is needed in tackling climate change and building a greener economy. As discussed more fully under Question 5, for

⁷¹ See for instance, BIS Research Paper No. 146 ([here](#)), October 2013.

⁷² Ibid.

⁷³ Ibid.

example, research and innovation activity exploring issues such as clean, sustainable energy capture and storage can help reduce future carbon emissions. Similarly, the opportunities offered by universities for people of all ages and backgrounds to access higher level skills will help address the potential economic and societal shocks of automation and technological change.

Q7.4&5 Funding decisions and documentation

How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues?

– How can the documentation provided by the Welsh Government alongside its Draft Budget be improved?

103. One of the aims of the Welsh Government in establishing the new Commission for Tertiary Education and Research will be to increase the transparency of funding decisions and information.

104. HEFCW previously had a very strong track-record in terms of its transparency and information provision and we hope will provide a good model to build on. We note that, as of date of submission, the HEFCW website was taken down following its dissolution and the launch of Medr in August 2024, and is not yet available in archived form meaning that much information that is still useful is no longer available. We understand that this is due to technical issues with the archiving arrangement, and hope that the archived website will soon be available.

Q7.6 Tackling NHS waiting lists

How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?

Q7.7&8 Public sector investment and support

Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning.

– Has there been adequate investment from the Welsh Government in basic public sector infrastructure.

105. Although universities are charities and not public sector they are subject to many of the duties and rules that apply to public sector bodies. In some cases, this can mean disparities in support. In relation to the TPS scheme in particular, where universities have inherited schemes from the public sector, it means that higher

education has not received support for the major increase in costs unlike other sectors that are part of the TPS scheme.

106. We are currently working with public sector partners on issues of joint interest on the new Social Partnership Council, established in 2024.

Q7.9 Support for young people

– *How should the Budget support young people?*

107. At the moment not enough young people in Wales are going on to higher education and gaining the skills and training that they and the economy needs. Too many are not benefiting from the life-changing benefits that higher education brings including improved employment prospects, life-term earnings and achieving their own personal ambitions. A higher priority needs to be given to encouraging participation in higher education in Wales and communicating its value.

108. As discussed more fully in Q4 above, Wales has among the lowest participation rates in higher education of any region in the UK, and the gap between Wales and England now stands at its largest ever (7.0 percentage points). 30.0% of Welsh 18-year-olds were accepted to study full-time undergraduate higher education in the UK in the 2024 UCAS cycle as at Day 28 of Clearing, compared to 37.0% of English 18-year olds.⁷⁴ This gap in participation rates compared to other UK countries/regions appears to be continuing to grow. Wales also needs to prepare for demographic growth in young people and future employment market in Wales that will require many more graduates.

109. One potential cause of the participation challenges within Wales is the relatively low proportion of Welsh young people choosing to study A Levels. Recent work from the Welsh Centre for Public Policy highlighted that 32% of young people in Wales undertake A levels compared to 47% in England⁷⁵.

110. We look forward to Medr taking a lead and working with universities, other institutions across the tertiary sector, and Welsh Government to identify and address the causes of Wales' low participation. As part of this solution, however, it will be vital to ensure that investment in higher education in Wales and its infrastructure is sufficient to enable this.

Q7.10 Evidence and data

– *How is evidence and data driving Welsh Government priority-setting and budget*

⁷⁴ UCAS, Daily Clearing Analysis 2024, as at 19 September 2024, [here](#). (10,430 Welsh 18-year old applicants were accepted from an estimated population of 34,800).

⁷⁵ <https://wcpp.org.uk/wp-content/uploads/2024/10/Expert-reflections-on-the-challenges.pdf>

allocations, and is this approach clear?

111. As we have sought to identify the causes for low participation in HE in Wales, for instance, it has become increasingly clear that Wales does not currently have all the information that it needs. There are reliable figures for the number of Welsh 18 year olds who enter higher education for instance, but information on 16-18 year olds sits across different data sets depending on the providers that they attend. We look forward to Medr taking a lead on this to allow us collectively to take a more informed and strategic approach.
112. This may also provide an opportunity for investigating the potential to significantly reduce ongoing information systems costs for the HE sector in doing so (the costs of bespoke information systems for each provider are very considerable).

Q7.11 Support for third sector organisations

- *Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and the pandemic, sufficient?*
113. For the reasons discussed in Q2 and 3 above in particular, we think that the resource for Welsh universities, who are among Wales's largest charities/third sector organisations, is currently insufficient to enable them to remain financially sustainable in the context of continued high inflation rates and cost increases. A solution to the deteriorating finances under the current fee and funding model needs to be found quickly to avoid lasting damage to the sector which impacts on students and the economy.

Q7.12 Key opportunities for investment

- *What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations Act?*
114. As identified in the questions above, investment in higher education is critical for supporting economic recovery in Wales. Universities make a very substantial contribution to the delivery across the spectrum of Wales's well-being goals, and investment in higher education also supports public services more widely, often reducing the need for expenditure in other areas.
115. As identified under Q2 and 3, the current financial position for universities remains very challenging and the impact of inflation is rapidly making it increasingly unsustainable to deliver what Wales needs.

116. Recognising the severe financial constraints for this year's budget, we would urge the Welsh Government to consider the following key opportunities for support and investment in higher education for 2025/26:

- Align the fee that Welsh universities can charge to the recent uplift to £9,535 in England (for all UK students) and Scotland (for rest of the UK students). This will not offset the reduced income that Universities will face from the NI and Foundation fee changes.
- Develop ambitious options for transformative additional support, through resource or capital funding, for higher education to enable universities to change their operating models or address challenges with estate. For instance, we would welcome 'invest to save' capital funding or finance where this could prevent greater costs down the line and improve sustainability.
- Continue to work closely with universities to address the fundamental financial challenges they face and prepare for potential changes in HE fee and funding arrangements in other parts of the UK. It is essential that solutions are implemented as soon as possible to ensure higher education can operate on a sustainable basis and deliver the higher education that Wales needs for future prosperity.
- Protect core recurrent funding for higher education for 2025/6 in the meantime. Consider:
 - the unit of resource available for teaching, including part-time and high cost subjects, given the emerging difference between the cost of provision and price:
 - the total level of core funding for research and innovation, given the crucial importance of that funding in enabling Welsh universities to bring investment to Wales.
- Seek a replacement scheme for the UK Shared Prosperity Fund that provides a better settlement for Wales and enables universities to deliver benefits to communities comparable to those achieved through EU Structural Funds. Continue to support international recruitment strategies, and press for UK immigration policy that enable this or, potentially, consider whether Wales would benefit from taking a different approach to UK Government⁷⁶.
- Explore options for mitigating the impact of the Teachers' Pension Scheme (TPS) increases on universities and increased rates for employer National Insurance contributions (NICs).
- Ensure that Medr is sufficiently resourced to deliver its strategy during the transitional period.
- Given the links between the student support systems in the UK and the importance of cross-border flow for the sustainability of Welsh universities,

⁷⁶ For example, between 2004 and 2008 Scotland implemented a 'Fresh Talent' post-study work visa scheme

make every possible preparation to be able to respond swiftly to changes in higher education policy in other parts of the UK, particularly given the anticipated 'wide-scale' reform of the system in England.