

Deputy Vice-Chancellor
Professor Elizabeth Treasure
Dirprwy Is-Ganghellor
Yr Athro Elizabeth Treasure



Cardiff University
Main Building
Park Place
Cardiff CF10 3AT
Wales UK
Tel Ffôn +44(0)29 2087 4607
Fax Ffacs +44(0)29 2087 4879
www.cardiff.ac.uk
Prifysgol Caerdydd
Prif Adeilad
Plas y Parc
Caerdydd CF10 3AT
Cymru, Y Deyrnas Gyfunol

Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Ref: ET/EK/JB

10 September 2014

Dear Sir/Madam

Welsh Government Draft Budget Proposals for 2015-16

Please find enclosed Cardiff University's response to the call for information to inform the National Assembly's scrutiny of the Welsh Government's 2015-16 draft budget proposals. The University welcomes the opportunity for engagement on the expectations of the 2015-16 budget and the consideration of the impact of the 2014-15 budget.

Cardiff University's mission is to be a world-leading, research-excellent, educationally outstanding university. With approximately 28,000 students from more than 100 countries, Cardiff is the 12th largest university in the UK in terms of student numbers with a total estimated income for 2013/14 of £460M. One of the University's objectives, as outlined in our strategic plan 'The Way Forward', is that Cardiff University will be recognised as an international university that is of benefit to Wales. In order to achieve these objectives the University needs to be operating in a sustainable and international competitive sector.

Universities in Wales are central to the country's economic future and to achieving the Welsh Government's 'over-riding priorities' of jobs and the economy, as identified in its Programme for Government. The benefits of investing in higher education go beyond the experiences of the students and institutions at which they study. Investing in higher education is critical for a buoyant economy in Wales and there is great potential at this point to drive future economic growth and the creation of opportunities and jobs through prioritising such investment. The 2013 Business Innovation and Skills (BIS) report '*The relationship between graduates and economic growth across countries*' notes that the increase in graduate skills in the UK economy between 1982 and 2005 contributed around 20% of GDP growth over this period. The Higher Education Wales June 2013 '*The Economic Impact of Higher Education in Wales*' report explored the impact of higher education on the wider economy and concluded that Welsh higher education has a significant economic importance to Wales bringing immediate benefits to the country in terms of output generated and jobs created.

Our enclosed responses to the specific questions should therefore be read in the context of the wider benefits of higher education and that more can be realised by the higher education sector if further sustainable resources were provided.

1. What, in your opinion has been the impact of the Welsh Government's 2014-15 budget?

The impact of the Welsh Government's 2014-15 budget on Cardiff University will be that the University will be able to continue to deliver its core services and contribute to the priorities of the Welsh Government. However, it is important to note that 2013-14 saw the end of a number of funding streams, including funding for widening access, innovation and engagement and the support for expensive STEM subjects. The overall University budget will therefore be under pressure in 2014-15 as it tries to maintain, where possible, the activities previously provided by these funding streams within a smaller funding allocation. Any further removal of funding for higher education in 2014-15 would pose additional complications for Welsh institutions as there is little or no capacity for absorbing further reductions without potentially damaging provision. We appreciate that difficult decisions have to be made where funding is limited and welcome the protection that the Welsh Government has been providing for research funding. Cardiff University is internationally recognised as a successful, research-intensive university; the changeable funding regime however provides an increasing challenge as the University aims to enhance its position in an increasingly competitive international stage. The continued protection of research funding is essential to maintain research excellence and sustainable investment is crucial in the development and maintenance of cutting-edge facilities and equipment.

Further investment in 2014-15 would have enabled the University to expand, support and drive forward its activities in areas such as research, STEM provision, innovation, postgraduate studies and knowledge transfer - activities which would have a significant long-term positive effect on the economy.

2. Looking at the indicative budget allocations for 2015-16, do you have any concerns from a strategic, overarching perspective, or about any specific areas?

We recognise that the Welsh Government is working with a very challenging settlement given the severe budget cuts and the likelihood that public expenditure will continue to be constrained. However, investment in higher education is critical for a buoyant economy in Wales and there is great potential at this point to drive future economic growth and the creation of opportunities and jobs through prioritising such investment.

Higher education also contributes significantly to the Welsh Government's social justice agenda. Access to a university education has always been an important springboard to better living standards in Wales for individuals and families. For many people in Wales a degree has helped to advance their careers, broaden their horizons and raise their aspirations. We firmly believe that higher learning is one the most important ways in which social mobility can be advanced.

The government's investment in student loans doesn't necessarily benefit Welsh higher education institutions as students may study anywhere in the UK. A by-product of the current tuition fee policy is that the Welsh Government is effectively funding English universities at the expense of supporting Welsh universities (estimated at £77.8M flowing to institutions outside Wales in 2014/15 HEFCW Circular W14/18HE). We have estimated that, by 2015/16 (as the number of students in the new fee regime reaches steady state), up to £91M of Welsh Government money could be flowing into English institutions per annum as a result of this policy.

We are concerned that additional resource for high-cost subjects such as Science, Technology, Engineering, Medicine and Dentistry has been removed. The support of these subject areas is essential if we are to compete at a UK, European and Global level in terms of the student experience, providing future workforce to the NHS in Wales and generating new innovative ideas that boost the economic outputs of Wales. The cost of teaching Medicine and Dentistry far exceeds the maximum new higher fee of £9,000 per annum (it is estimated that the true cost of teaching Medicine and Dentistry amounts to around £18,000 - £19,000 per full-time student per annum). For Science, Technology and Engineering in 2014/15, there is a negative funding gap with England of £1,500 per student (HEFCE Circular 2014/06). The equivalent negative funding gap with England for Medicine and Dentistry is £10,000 per student. Therefore it is clear that under the new fee regime the competitiveness of Wales for these high cost subjects is at risk.

Whilst it is essential that Welsh HEIs deliver for Wales, it is important to remember that Welsh HEIs operate within a global environment. Investment in higher education needs to be considered in the context of an increasingly competitive international environment. The Welsh sector needs to be able to compete at a UK and European level for research funds (both public and private), industry contracts and student recruitment (both home and international). A lack of investment in higher education in Wales, especially in comparison to other UK and European countries, will mean that Welsh HEIs are less able to compete. This will impact adversely on their ability to bring sources of funding into Wales and also to bring spending power into Wales. Specific issues that concern the University that could constrain its ability to compete at UK and European level are; the Welsh fee grant and the, as yet unknown, impact on Wales from the lifting of the student number cap in England. We would also reiterate the points made above about protecting investment in Research Excellence and the need to sustain this investment post-REF 2014.

3. What expectations do you have of the 2015-16 draft budget proposals? How financially prepared is your organisation for the 2015-16 financial year, and how robust is your ability to plan for future years?

The University has recently submitted financial forecasts to HEFCW and they were prepared on the assumption that there would not be any significant changes to funding over this period. Any unforeseen changes that do occur would cause significant difficulties for us and make it even more difficult to compete with our Russell group peers.

4. The Committee would like to focus on a number of specific areas in the scrutiny of the budget; do you have any specific comments on the areas identified below?
- Preparation for the Wales Bill
 - Local health board financial arrangements
 - Approach to preventative spending and how is this represented in resource allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)
 - Impact of the Welsh Government's legislative programme and whether its implementation is sufficiently resourced
 - Scrutiny of Welsh language, equalities and sustainability

With regards to the preparation for the Wales Bill we would like to highlight that any financial implications of regulatory change need to be sufficiently resourced as to not inadvertently pose financial risks to the higher education sector.

Yours sincerely



Professor Elizabeth Treasure
Deputy Vice-Chancellor

