

These responses were developed during the consultation process launched on 28 January 2025. This process is ongoing and there will be subsequent changes to the proposals between the date of submission of this document and the close of the process. This information is correct as of 21 March 2025 but will change as the process continues.

**An overview of your assessment of the financial challenges facing Cardiff University, with reference to key data that underpins your proposed changes (e.g. current and projected student numbers, take-up rates, levels of Cardiff University reserves, etc.)**

Cardiff University is not alone in facing significant financial challenges – the same factors are impacting many universities in the UK and globally.

Cardiff University is running an operating deficit: our operating deficit in 23/24 was £31.2million, and we began 24/25 forecasting a deficit of £65 million had we not acted as outlined below. This is a result of a combination of factors, not least the impact of recent high inflation on operating costs, the rise in the cost of National Insurance Contributions for the University (estimated at £7m), and failure of the level of UK tuition fee to keep pace with the cost of educating home students. We make a loss on our research activity: very little of our research activity is fully-funded even though it is critical to addressing the grand research challenges of our increasingly complex world. Each year, our pay bill rises as a result of promotions processes and the nationally-negotiated pay increase.

Simultaneously, we have experienced a sharp decline in international student numbers. This has occurred for a range of reasons:

- The previous UK Government’s rhetoric on international students has meant that the UK is now perceived as a considerably less welcoming destination for students and they are choosing other destinations which have more attractive visa regimes
- Following the pandemic, patterns of international student mobility have changed, with more students choosing to study closer to home in countries like Malaysia and Singapore, which have ambitions to be global education hubs
- The quality of universities worldwide is improving, meaning there are more options for students to remain in their home country.
- Cardiff University is struggling to compete with other, higher ranked and better recognised UK institutions, within a smaller pool of international applicants.

In recent years Cardiff’s league table position has declined, most notably in the QS World University Rankings where it fell from 154<sup>th</sup> to 186<sup>th</sup>. Improving our position in the league tables is a key strategic focus but it will take time to change our position.

The UK undergraduate market demand is showing signs of flatlining, meaning further growth here will be problematic. In recent years we have taken more students through clearing, have increased student numbers in some disciplines to compensate for difficulties recruiting in others, and have lowered tariff in some subjects, with the resulting need to accommodate larger and more academically diverse cohorts, posing challenges for both teaching and the student experience.

For a number of the subjects which we are proposing to discontinue, most notably ancient history, modern languages and translation, music, and religious studies and theology, there is a significant and sustained drop in student demand. Fewer students are choosing to study these subjects to GCSE or A Level and this means that there is likely to be continued pressure on recruitment to those courses across Wales and the UK as a whole.

The domestic postgraduate market has been shrinking for a number of years, as a result of a rise in the cost of living, a relatively buoyant employment market for graduates, and a shift in demand to more flexible types of provision and continuing professional development. We are repositioning ourselves to respond more effectively to these new demands, but these developments will take time to deliver.

We are also moving at pace to further diversify our income, notably in transnational education, the first of which will be our partnership in Kazakhstan. However, as with flexible provision and continuing professional development, these new initiatives will not generate significant income for several years.

Using our reserves is not a sustainable solution to our financial challenge. We cannot repeatedly spend more than we earn, which has been the case since 2020-21. We know that if we carry on as we are, we will run out of cash in four years' time. Reserves can only be used once and are already being reduced by running an operating deficit in consecutive years and exceptional restructuring costs.

Although we have £426m of liquid assets, much of that money is not available to be spent.

- £53m of that are our endowments, which we cannot legally spend.
- £62m is in the bond repayment fund.
- £26m committed to capital projects which are already underway.
- £144m bond proceeds remain. This must be spent on long term infrastructure that will generate returns to enable paying back of the bond.
- £100m long term reserves. Council has approved £63m draw down to cover cost of the 2024/25 operating deficit and exceptional restructuring costs.
- £41m remaining that is freely available.

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

There are two significant issues which have impacted on Cardiff University's sustainability. The first is the relative decline in the value of the tuition fee compared to the costs of teaching. We receive additional funding from Medr in relation to higher cost courses and modules, but these are tied to specific subjects and still do not fully close that gap.

The second issue is the impact of the policy of the previous UK Government in relation to international students. Due to the growth in the funding gap for teaching home students, in recent years universities across the UK have relied on recruiting international students, who make a higher financial contribution. The number of international students applying to UK institutions has been in decline since the COVID pandemic due to a number of factors, including geopolitical trends and a greater range of competitors. This has been exacerbated by the decision of the previous UK Government to prevent postgraduate students from bringing

dependents and from the attempts to abolish the graduate route visa. This created substantial challenges to international student recruitment, which has continued to decline ahead of the next academic year.

The current UK Labour government, although being more positive and welcoming in its tone towards international students, has yet to make any policy changes that will encourage more international students to choose the UK.

Cardiff University would also note that the rise in National Insurance Contributions (NIC) will increase our deficit by £7 million. Although the NIC increase is not specific to universities, it places further pressure on our finances. We estimate that the increase in tuition fees will only equate to roughly half of the National Insurance rise.

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

Cardiff University has already cut costs by reducing its non-pay budget, selling buildings, pausing academic promotions, and through two rounds of voluntary severance. We have sought to grow income with January starts for some of our programmes and by taking additional students through clearing. We are continuing to divest from our estate, and we are continuing to tighten non-pay budgets.

However, we cannot continue with annual rounds of budget cuts that demoralise our community and affect the staff and student experience. Cutting non-pay budgets also curtails our reach and reputation – we become less visible and our reputation diminishes, with a knock-on diminishing effect for Wales. We need to disinvest to reinvest in areas of core and emerging strength, to ensure we have an academically and financially sustainable institution for current and future generations.

We acknowledge that Welsh Government has provided additional financial support through its intention to further raise the tuition fee cap ahead of 2025/26 and the £18m allocated across Welsh universities in February 2025. This is capital expenditure for energy efficiency and digital transformation which we intend to use in a manner which will reduce our costs in the longer-term. It does not remove the sustained pressure on our operating costs.

**Clarification of the rationale for each of the key proposals set out in your statement of 28 January, including whether the proposal has been made strictly for financial reasons or otherwise;**

These proposals are designed to make Cardiff University both academically and financially sustainable, in line with our strategy: [Our future, together](#).

Last year we embarked on a major consultation exercise *Y Sgwrs Fawr–The Big Conversation*, to co-create that strategy. Our staff and students told us firmly that we should commit to a better future for current and subsequent generations – not just for those who work and study here, but more broadly for Cardiff, Wales and the world.

We can fulfil that mission only if we are sustainable. That means living within our means, having the financial headroom to innovate, recognising what the world needs from us and being agile enough to adapt to the challenges of a rapidly changing world.

We are taking the steps now – earlier than many other universities, and with more clarity in terms of our proposals - to ensure that we have solid foundations for an exciting future.

While we are driven by the academic ambitions of our strategy, long term financial sustainability must be part of our considerations.

In terms of the subjects initially proposed for closure (apart from nursing), there has been a sustained drop in the number of students studying these subjects at GCSE and A Level. In turn this means that the level of provision currently provided by the higher education sector as a whole is likely to reduce. It is deeply frustrating that competition law prevents universities from dealing with these scenarios in a collaborative and co-ordinated way.

With regards our nursing degrees, a number of other factors were important beyond finances including NSS scores, ability to meet recruitment targets that are externally set, and the challenges of recruiting students in competition with other local providers. Since the initial proposals were launched, we have been part of constructive conversations for the future provision of nursing which will undoubtedly be reflected in our final plans.

More widely, we have only been able to recruit to our desired levels in recent years by lowering our offers and by making extensive use of the clearing process in some of our Academic Schools. Our proposal is that Cardiff University will now ‘hold tariff’ and no longer soften our offer-making to the same extent. This is in part due to the diminishing financial advantage to increased home undergraduate student numbers but also due to the expected benefits to the student (and staff) experience with smaller, similar-tariff, cohorts. Doing so may also have a beneficial impact on other Welsh institutions who are struggling with recruitment. This in no way affects our commitment to widening participation: we will continue to work hard to recruit students who have experienced educational disadvantage and our contextual admissions policy allows us to make offers three grade below our standard offers for the most disadvantaged applicants.

### **The expected cost savings associated with each of the key proposals as set out in your statement of January 28;**

The costings underpinning the specific proposals rely on commercially confidential information. They will also change as a result of the consultation which is currently ongoing.

Taken in the round, these proposals will not completely close our financial gap but they are an important step towards financial sustainability. They will also give us headroom to invest in new activities that can generate income (such as flexible life-long learning) and extend our reach and reputation in order to fulfil our academic ambitions. We will also continue to divest from buildings where this is possible and look for other savings, which will further reduce our ongoing costs.

### **More details about what will happen after the consultation closes and associated timelines (including how the consultation responses will shape the final plans, and when those final plans will be drafted)**

The consultation has already delivered changes to the proposals. At mid-point through the consultation, we were able to further refine our proposals based on the feedback we had

received from the Cardiff University community and wider partners including Welsh Government and other higher education providers. These included:

- Reducing the expected number of job losses because of applications accepted through the earlier voluntary severance scheme and through the current voluntary redundancy scheme.
- Moved more staff out of scope.
- Continued the constructive discussions with staff, students, our recognised campus trade unions and external stakeholders on alternative proposals across a range of subjects. The outcomes of these discussions will affect the final outcomes of this process.

We will have two further review points before the consultation closes on 6<sup>th</sup> May. At both of those review points, we will be seeking to remove more people from the 'in-scope' pool based on a range of mitigations. These mitigations may come from the acceptance of aspects of alternative proposals, the uptake of voluntary redundancy or the impact of new initiatives, for example the proposed branch campus in Kazakhstan. As we have said throughout this process, compulsory redundancies remain a very last resort.

Following the close of the consultation the University Executive Board will review all the submissions made during the consultation and make final recommendations to the University's Council, who will need to approve the plans.

**Any other information that you feel is relevant to the announcement made on 28 January.**

The Academic Futures process is only one element of Cardiff University's wider strategy. While there has understandably been significant emphasis on these specific proposals, I also want to emphasise the wider vision for the future of Cardiff University, which has an emphasis on offering an excellent educational experience, generating new knowledge that tackles the big challenges, and acting as an anchor institution in our city-region.

Likewise, I know that there has been understandable concern expressed at the number of proposed job losses and the acknowledgement that Cardiff University will become a slightly smaller university. However, if the initial proposals of a reduction of 400 FTE academic jobs were to proceed, Cardiff University would remain one of the largest universities in the UK, and continue to offer one of the broadest range of subjects. Cardiff University would also continue to be a larger university than we were in 2019.

Finally, the restrictions of Competition Law have made having discussions with other providers a challenge. Legal guidance precluded us from having discussions with other providers prior to the announcement we made on 28 January. Such discussions are crucial to preserving provision at a time when university finances are under pressure and student numbers are falling. Our view is that this also undermines the Welsh Government's and Medr's desire to have a more collaborative and differentiated sector. Cardiff University would encourage the Welsh and UK Governments and the Competitions and Markets Authority to work together to address this challenge.