

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2026-27](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2026-27](#).

**WGDB26-27 07: Ymateb gan: Universities Wales and Chairs of Universities Wales |
Response from: Prifysgolion Cymru a Chadeiryddion Prifysgolion Cymru**



Universities Wales and Chairs of Universities Wales joint response to the Senedd Finance Committee's call for information on the Welsh Government's Draft budget proposals for 2026/27

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

The world around us is changing rapidly – politically, economically and socially. From the digital revolution and climate change, to rising inequality and global instability, the challenges we face are complex and urgent.

Our future prosperity depends on our ability to nurture talent, drive innovation, and equip people with the skills to thrive in a fast-moving world.

Welsh universities are not just part of the solution, they are essential to it.

Wales's universities are national assets. They are deeply embedded in the fabric of public life, transforming lives through high-quality education, world-class research, and civic engagement that reaches every part of Wales. Their **£11bn economic contribution** complements their strategic role in delivering the Welsh Government's ambitions for a more prosperous, healthier, greener, and fairer nation.

Our institutions **deliver for the whole of Wales** – training the professionals who power our public services and economy, creating and applying new knowledge, and acting as anchor institutions in their regions. However, they are facing sustained financial

pressures and growing uncertainty in student markets, which make fulfilling this vital role increasingly challenging.

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

How Welsh universities deliver Welsh Government priorities

As is set out in detail in the evidence below, universities directly contribute to multiple government objectives and policy programmes, including:

1. **Sustainable healthcare** – Training doctors, nurses, allied health professionals, pharmacists, and social workers; developing new treatments and care models through health research; working in partnership with the NHS to tackle waiting lists and improve mental healthcare services.
2. **Tackling educational inequalities** – Widening access to higher education for under-represented groups; offering flexible, part-time, distance, and work-based study to meet diverse learner needs; delivering programmes that address regional skills gaps.
3. **Economic growth and productivity** – Driving innovation through research and development; supporting local businesses and SMEs; commercialising research; attracting inward investment; generating high-value jobs; building graduate skills for priority sectors. For every £1m of public investment in universities, the economy benefits by £13.1m¹.
4. **Decarbonisation and climate action** – Leading research in renewable energy, net zero technologies, and sustainable construction; retrofitting estates to improve energy efficiency; contributing to national climate goals through skills development and research.
5. **Digital infrastructure and skills** – Delivering advanced digital skills training; supporting industry adoption of new technologies; fostering digital innovation in many sectors including healthcare, manufacturing, and creative industries.
6. **Tackling poverty and inequality** – Supporting students from low-income backgrounds through generous grant-based student support; working in communities to reduce barriers to education and improve employability.
7. **Strengthening communities** – Acting as anchor institutions in towns and cities; sustaining local economies through employment, high-value jobs, procurement, and student spending; collaborating with local authorities on regeneration projects.

¹ The economic impact of Welsh universities' teaching, research, and innovation
<https://uniswales.ac.uk/sites/default/files/2024-10/LE%20-%20Universities%20Wales%20-%20Impact%20of%20Welsh%20universities%20-%20Final%20report.pdf>

8. **Supporting the Welsh language and culture** – Providing Welsh-medium teaching and research; contributing to the Cymraeg 2050 vision; preserving and promoting Wales’s cultural heritage.
9. **International engagement** – Attracting international students and partnerships; promoting Wales as a study and research destination; building global research collaborations that address shared challenges and cement Wales’ position amongst the family of nations.

Higher education also has the capacity to **transform lives** in ways that cannot be easily captured by statistics. We have published² 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

Higher education participation rates remain a key concern, with recent data showing the largest ever gap in entry rates for 18-year-olds between Wales and the rest of the UK. 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 UK.³

It's estimated that **Wales will need 400,000 more graduates by 2035**. Tackling the decline in higher education participation in Wales could unlock the potential of thousands of people, upskilling the economy and driving social mobility.

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 a major increase in demand for graduate skills in Wales (Q4).

Universities are also facing growing financial pressures that risk undermining their ability to deliver for Wales.

10. **Six of eight universities ended 2023/24 in underlying deficit**, with a sector-wide shortfall of £77m, before additional pressures from 2024/25 recruitment shortfalls, increased employer National Insurance costs, and higher Teachers’ Pension Scheme contributions.
11. **Funding for HE in Wales has historically been significantly behind the UK average over a prolonged period**; a flat-cash settlement is effectively a further cut in real

² Transforming Lives https://uniswales.ac.uk/sites/default/files/2024-09/Transforming_Lives_Web.pdf

³ [Recent work from WCPP](#) (in October 2024) 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.

terms. Reductions in government and EU funding have been a significant contributor to the current financial challenges.⁴

12. Domestic tuition fee income is eroded by inflation, with **the maximum UK undergraduate fee still below the cost of delivery in every subject area.**
13. International student income – critical to cross-subsidising underfunded teaching and research – is **increasingly volatile** due to UK visa changes, global competition, and potential new UK-wide levies.
14. **Energy and borrowing costs remain high**, limiting investment in estates, digital infrastructure, and net zero transition.
15. Loss of EU structural funding has **reduced capacity for large-scale, collaborative research and skills programmes**, with UKSPF and Levelling Up funds not providing adequate replacements.

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

A sustainable university sector is key to unlocking business investment, productivity and growth right across Wales. With the right support, universities can continue to deliver the innovation, growth and high-level skills that Wales needs to thrive.⁵

To ensure this, we urge:

16. **Increasing core recurrent teaching funding**, ensuring adequate support for high-cost and part-time provision.
17. **Providing capital and transformation funding** to modernise estates, improve efficiency, and support net zero targets.
18. **Strengthening core research and innovation funding** to leverage UKRI and international investment into Wales.
19. **Mitigating disproportionate cost burdens** from TPS and employer NIC increases.
20. **Securing a strategic replacement** for lost EU funds, enabling universities to lead regional growth and skills programmes.
21. **Supporting international recruitment and collaboration**, and considering differentiated Welsh policy approaches where possible.

Universities have already taken significant steps to mitigate the growing financial pressures, including fundamentally reviewing their operating models and options and

⁴ In the 2023/24 accounts included a £49m reduction in HEFCW/Welsh Government grant funding - particularly for recurrent research and innovation (-£11m) and capital funding recognised in year (-£29m) which was a major contributor to the deficit level. The withdrawal of EU funding also accounted for a reduction of -£22m in 2023/24. Most recently the Welsh Government reduced the resource for HE by £11m for AY 2024/25 which was not reversed for 2025/26.

⁵ The Diamond Review of Higher Education in 2025 identified the overall level of annual funding for HE necessary to provide sustainability for universities as £310m in 2015/16, which at today's prices is the equivalent of £427m.

taking action to redress their cost bases. Measures taken to improve future financial sustainability include increasing income generation, staff reductions, making non-pay savings, and further estates rationalisation. However, these are not yet enough to address the short-term pressures or fully mitigate longer term challenges.

Welsh universities are woven into the fabric of national life – strengthening communities, driving opportunity, and shaping Wales’s future. **But without sustainable investment, there is a risk that universities’ capacity to support Wales’s ambitions – in skills, public services, and economic development – will be diminished.**

As a first step towards meeting the underlying £77m deficit and towards addressing the sustainability gap, the Welsh Government should as a minimum for 2026-2027:

- Apply an inflationary uplift in funding (including core funding) for this year and future years going forward on all the above to ensure this deficit does not grow. We would anticipate this to be broadly in line with the inflationary increase received by the Welsh Government in its budget settlement from the UK.
- Consolidate the critical £28.5m in-year funding awarded as a result of last year’s budget. This includes:
 - the £10m resource for supporting core activities and change management announced on 4th December 2024 ([here](#)) – effectively offsetting the £11m reduction in resource funding implemented in 2024/25.
 - the £18.5m capital funding as announced on 18th February 2025 ([here](#))
- Provide additional funding which can grow over time to support strategic investment made by universities

Contents

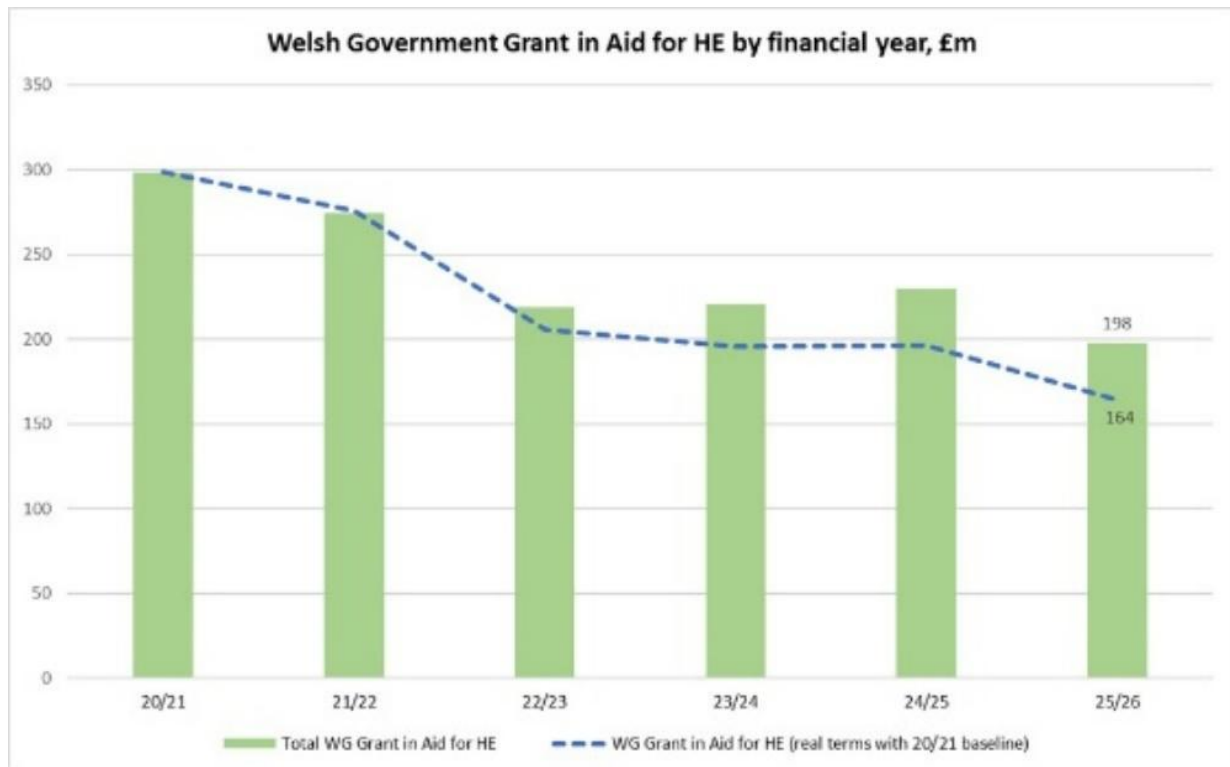
About this response.....	1
Executive Summary	1
Q1: Impact of the Welsh Government's 2025-26 Budget	7
Q2 Preparedness for the 2026/27 financial year.....	10
Q3 Inflation and cost of living issues.....	21
Q4 Business support	23
Q5 Building a greener economy and tackling climate change	35
Q6 Taxation and borrowing powers	37
Q7.1 Supporting people living in relative poverty.....	38
Q7.2 Addressing gender inequality	39
Q7.3 Preventative spending.....	41
Q7.4&5 Funding decisions and documentation.....	43
Q7.6 Tackling NHS waiting lists	44
Q7.7&8 Public sector investment and support	45
Q7.9 Support for young people.....	46
Q7.10 Evidence and data	47
Q7.11 Support for third sector organisations.....	48
Q7.12 Key opportunities for investment.....	48

Q1: Impact of the Welsh Government's 2025-26 Budget

1. What, in your opinion, has been the impact of the Welsh Government's 2025-2026 Budget?

1. Welsh universities are deeply embedded in the fabric of public life and are central to the delivery of many of the Welsh Government's objectives. Despite sustained financial pressures and rising costs, institutions continued to deliver high-impact education, research and civic engagement across Wales in 2025/26.
1. Universities train the next generation of professionals essential to Wales's public services and economy, including doctors, nurses, teachers, social workers and engineers—directly supporting priorities such as providing sustainable healthcare and tackling educational inequalities. They also create and apply new knowledge that enhances public service delivery, supports the mental health and wellbeing agenda, and fosters innovation in decarbonisation, digital infrastructure and productivity.
2. The cumulative impact of recent funding constraints—compounded in the 2025/26 budget— has made the delivery of these objectives very challenging. Welsh Government Grant in Aid for higher education has declined in real terms in each one of the last five years. So far there has been a flat cash settlement for core HE funding in 2025/26: the reduction of £11m in the Welsh Government's HE budget introduced in the previous year has not been reversed. In the absence of further in year funding, the grant-in-aid for higher education will be in effect a £32m reduction in real terms for 2025/26 ⁶.

⁶ HEFCW funding circulars, ONS GDP deflator data, 25/26 data based on WG Children, Young People and Education Committee Evidence paper on Draft Budget 2025-26 – Education Main Expenditure Group (MEG) 16/01/25, although this may be adjusted by Medr.



3. The Diamond Review of Higher Education Funding and Student Finance Arrangements in Wales noted “there is concern, particularly amongst HE sector respondents, about a large and increasing funding gap in the level of investment in higher education in Wales compared to elsewhere in the UK. It is believed that this is affecting the ability of HE institutions to invest, which in turn is making institutions in Wales less competitive and less able, therefore, to respond to Welsh Government priorities.”⁷ Diamond recommended a series of reforms that, had they been implemented in full, would have seen universities be supported with Higher Education funding of £427m in 25/26. The actual budget for 25/26 is £230m, only just over half this figure.
4. In 2014/15, part-time undergraduate funding including part-time credit based, per capita, and premia funding, plus strategic funding for the Open University in Wales, totalled £31.5m.⁸ Had this kept pace with inflation, it would have been £43.7m for

⁷ 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 (using the GDP deflator), the total HE funding recommended by Diamond would be £427m.

⁸ HEFCW Circular W15/09HE, Table 1 (restating figures for 2014/15).

2025/26.⁹ In reality, funding for 2025/26 totalled around £32.5m.¹⁰ This equates to a 26% real terms funding reduction for part-time undergraduate provision.

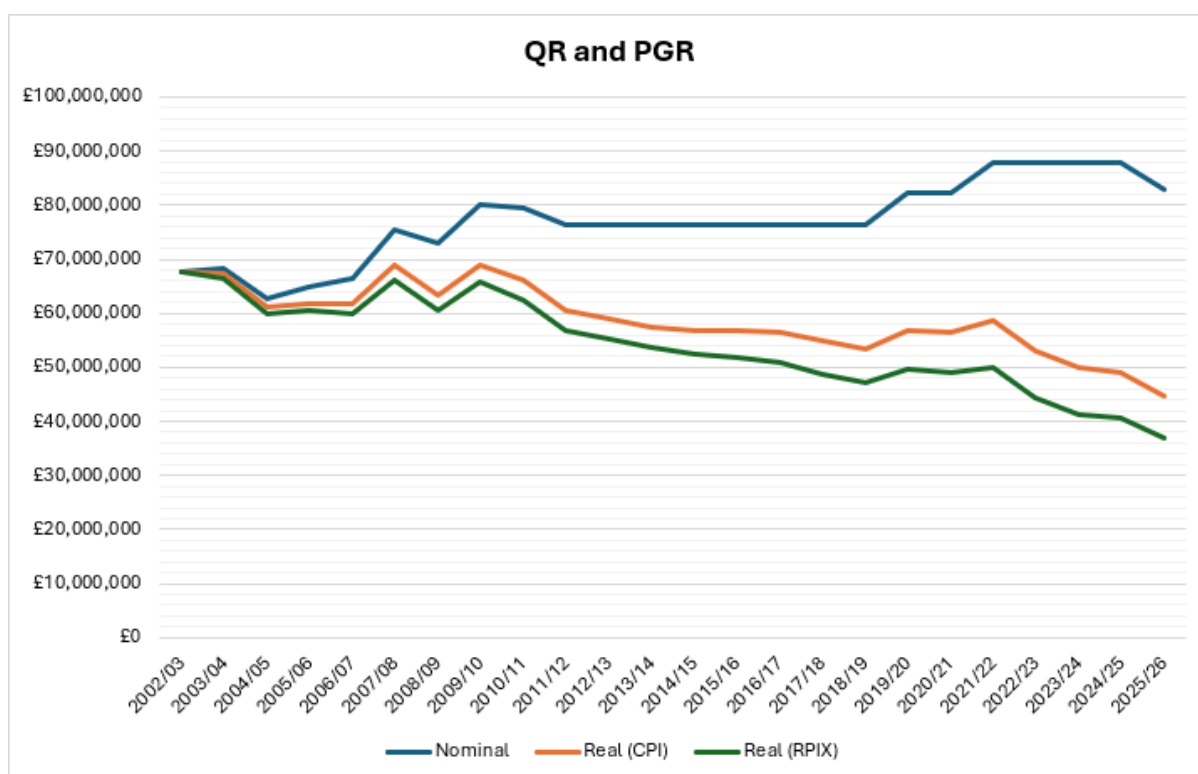
5. Core funding for research (quality research (QR) and postgraduate research student training (PGR)) in particular continues to lag significantly behind other parts of the UK which makes it all the more difficult for Welsh universities to compete for other, competitive, funding sources. For AY 25/26, the funding allocations for research and innovation in Wales (£97m) were £52m lower than in England (£150m) and £92m lower than in Scotland (£189m) on an equivalent basis pro rata to population size.
6. Although Welsh Government investment forms a relatively small part of universities' overall income,¹¹ it has a significant impact on university surplus or deficit levels and is critical in enabling universities to secure their other streams. QR funding, for example, builds capacity in research capabilities that enables universities to win competitive funding and bring it to Wales (with the associated boost in economic activity that generates). Without core funding, a wide range of additional income (and jobs in Wales) secured through research, innovation, teaching in expensive and high-cost subjects and more would not be possible.
7. As can be seen in the chart that follows, the value of QR funding provided to universities in Wales in **real terms** is less than two-thirds of the level it was in 2002/03¹².

⁹ Upated by GDP deflators, June 2025.

¹⁰ Annual funding allocation circulars (Medr/2025/06). The Medr circular does not provide a precise breakdown for PTUG funding but has essentially continued funding at the same level as 2024/25 as set out in HEFCW Circular W24/13HE with the pro rata reduction applied.

¹¹ For instance, in 2023/24, HEFCW's direct allocations to Wales' universities excluding the OU totalled £155m, which comprised 7.8% of their total income of £1.98bn (see Sta/Medr/12/2025).

¹² Richard Duffy, Cardiff Metropolitan University, from HEFCW data, and CPI (Consumer Prices Index) and RPIX (Retail Prices Index excluding mortgage interest payments) estimates produced by the Office for National Statistics (ONS). This is based on initial QR and PGR allocations as originally stated in the annual funding circulars. This does not reflect additional in-year funding in 2010/11 and 2021/22, additional mitigation funding for 2022/23 to 2024/25, or the 'pro rata reductions' applied to QR and PGR but shown as part of a separate line for 2016/17 to 2018/9 and in 2024/25.



8. In its latest corporate risk register, the DfE notes that almost half of English providers (45.2%) are forecasting deficits in 2024/25, identifying prolonged real-terms erosion of UK undergraduate full time tuition fee income as the primary cause. While a 3.1% fee uplift was announced in England in November 2024, the department has acknowledged that many institutions will need to take “increasingly bold action” to address short-, medium- and long-term financial challenges. This is a systemic challenge across the UK. As discussed in Q2. It is imperative that the Welsh Government makes it a priority to seek a financially sustainable model for Welsh universities.
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 2026/27 financial year

2. How financially prepared is your organisation for the 2026-27 financial year, how confident are you that you can 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 Wales’ issues and challenges. In Q4 we discuss what more could be achieved through 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 2024¹³. 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 2026/27.

11. Universities in Wales have a proven track record for strong financial management but are currently facing severe and ongoing financial pressure.

Latest audited financial position (up to July 2024)

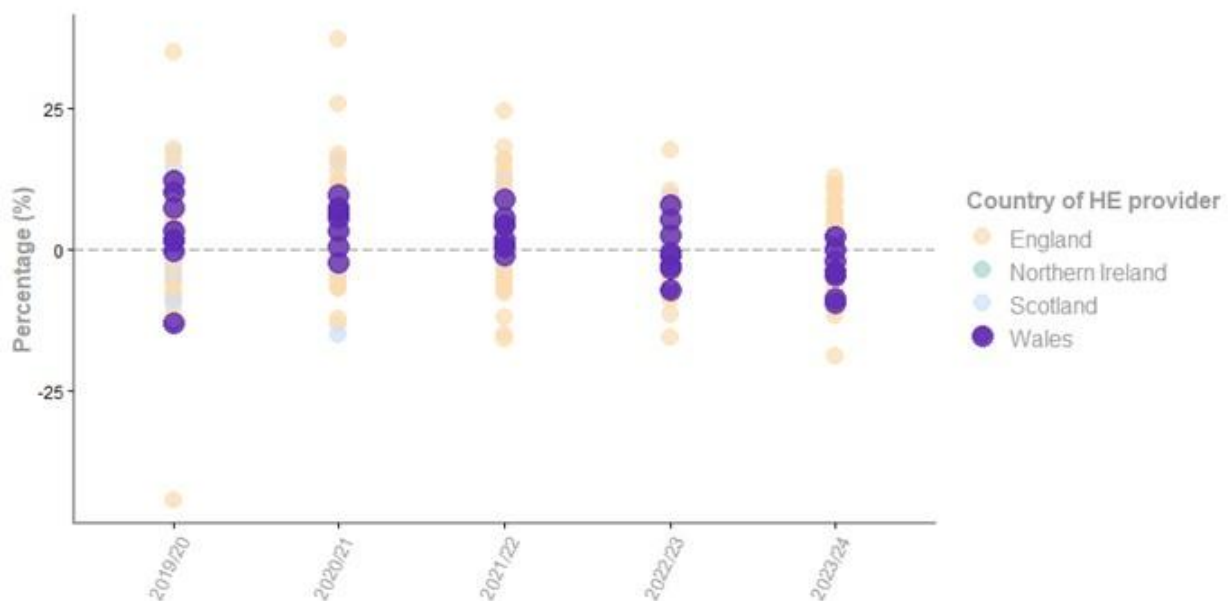
12. The total income of Welsh HE institutions was reported as £1.98bn in 2023/24, the same as in 2022/23. Overall underlying expenditure, once pension accounting adjustments had been excluded, increased by £0.1bn from £1.96bn to £2.06bn (+5%).
13. Overall, the sector **went from having an underlying operating surplus** of £20m in FY 2022/23 (once pension adjustments were excluded), **to having an underlying operating deficit** of -£77m in FY 2023/24. **Six out of eight universities in Wales (all except Wrexham University and the University of South Wales) had an underlying operating deficit as at the end of July 2024.**
14. It is important to remember that **an underlying operating surplus of zero (or breakeven) for the sector does not represent financial sustainability.** Investment in infrastructure, facilities, IT, and equipment – referred to as capital expenditure – is essential for a provider's long-term sustainability. Sector financial analysis has long held that an operating surplus is needed to support estate renewal, infrastructure investment and strategic flexibility—particularly given the need to self-fund capital programmes. The sector needs to generate surpluses to allow for assets to be replaced at current cost after accounting for historic depreciation and to finance any growth.
15. As well as replacement of assets and facilitating growth the sector is subject to increasing regulatory and policy pressure to improve their facilities. All university estates require investment, with many requiring retrofitting to meet net zero targets. Many capital works (including investment in both digital and physical infrastructure) were postponed during the pandemic to preserve liquidity, meaning significant capital expenditure is now required alongside rising maintenance costs and tightening operating margins. Capital investment in HE directly enhances the student experience by providing modern, safe, and digitally enabled learning environments that support high-quality teaching and research. Up-to-date facilities also foster wellbeing, inclusion, and employability—ensuring students gain the skills, networks and confidence needed for success beyond graduation.
16. Unlike schools and further education colleges, **HE providers in Wales do not receive significant capital funding from government.** Capital funding provided by HEFCW in 24/25 was £10m – a fraction of that required by the sector. Capital funding for HEIs

¹³ Sta/Medr/12/2025: Finances of higher education institutions <https://www.medr.cymru/en/News/sta-medr-12-2025-finances-of-higher-education-institutions-september-2023-to-august-2024/>, HESA Finance Open Data <https://www.hesa.ac.uk/data-and-analysis/finances/income>,

has been minimal for many years. This places a significant burden on institutions to self-finance capital investment—buildings, digital infrastructure, estates maintenance—in order to ensure their long term sustainability.

17. Examining the last four years' financial data, there is a clear downward trend in Wales' universities financial positions¹⁴. In 2021/22, all but one Welsh university returned an underlying operating surplus; by 2023/24 all but two Welsh universities returned an underlying operating deficit (once pension adjustments were excluded).

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



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

18. A range of key financial indicators as at the end of July 2024 show the following:
 - **Net cash inflow from operating activities** (shows whether day-to-day operations are generating enough cash to sustain the institution's core functions): The median net cash inflow has fallen in each of the last four years and became negative for the first time in 23/24. This meant that for most universities income from their core operations did not cover their costs in 2023/24.
 - **Net liquidity** (indicates how long the institution could continue to operate using only its available liquid assets, usually measured in days): Net liquidity varied

¹⁴ HESA Finance Open Data Table 14.

significantly by institution but the median net liquidity days was lower than at any point over the last four years.

- **External borrowing** (*reflects the institution's reliance on debt to finance its activities; higher percentages may indicate increased financial risk*): this 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

19. **Maximum fee:** In February 2024, the Welsh Government introduced legislation to increase the maximum full-time UK undergraduate tuition fee from £9,000 to £9,250 per year, effective from 1 August 2024. This marked the first rise in the fee cap since 2012/13 and brought Wales into alignment with the then-current fee level in England. A further increase has since been announced, with fees set to rise again in England and Wales to £9,535 from September 2025. However, in practice, it will take several years before the fee increases apply to all students.
20. The erosion of the value of the maximum fee since 2012 in real terms has had a major impact on university finances. The real value of the current £9,250 UK student fee cap was recently estimated to be now down to just £5,616 in 2012 money and predicted to fall to £5,550 by late summer¹⁵. 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.¹⁶
21. According to the Office for Students, the corresponding increase in fees to £9,535 in England if applied across all new and continuing undergraduate students in English HE institutions, could generate up to **£371m** in additional income for the English HE sector¹⁷. On a pro rata basis, using 2023 UK undergraduate entrant data¹⁸, this would equate to up to approximately **£20.7m** in additional income for Welsh universities when fully phased in (this will take a number of years).
22. The UK Government's decision to increase employer National Insurance contributions (NICs), which came into effect in April 2025, will leave Welsh universities with a combined **£18m¹⁹** additional cost in the 2025/26 academic year. This will offset the

¹⁵ Mark Corver/DataHE, June 2025 [here](#).

¹⁶ DfE, Tuition fees and loans for foundation years: 2025 to 2026 academic year, 21 Nov 2024, [here](#)

¹⁷ Times Higher Education, Three-quarters of providers heading for deficit despite fee rise, 27 May 2025, [here](#).

¹⁸ HESA, Where do HE students come from? [here](#).

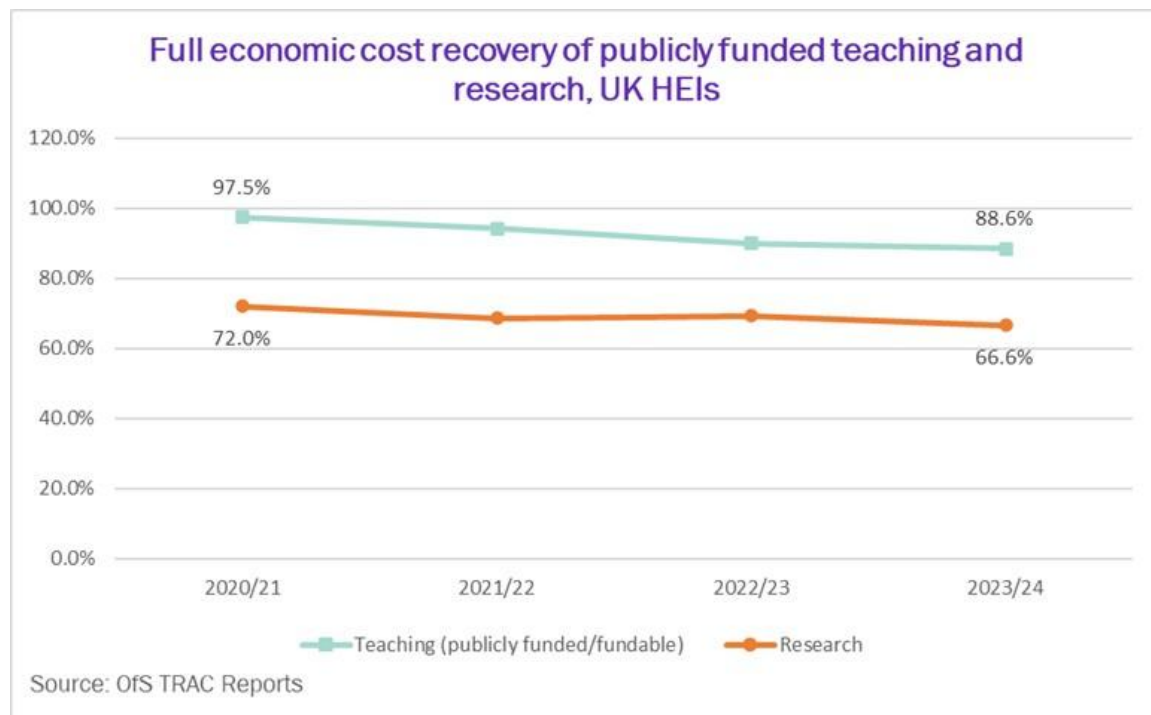
¹⁹ Business Live, Welsh universities facing a £18m annual hit from the rise in National Insurance contributions, 25 June 2025 [here](#).

increase in additional UK undergraduate tuition fee income. Other parts of the tertiary sector in Wales have received support to cover these costs, but universities have not.

23. Based on current Transparent Approach to Costing (TRAC) data, the maximum fee – even when increased to the £9,535 level – will still not be sufficient to cover the full economic cost of teaching provision.²⁰ Courses for publicly funded students are currently being delivered at a loss by universities, and the position becomes more challenging 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.

Box 1. Costs of teaching and research

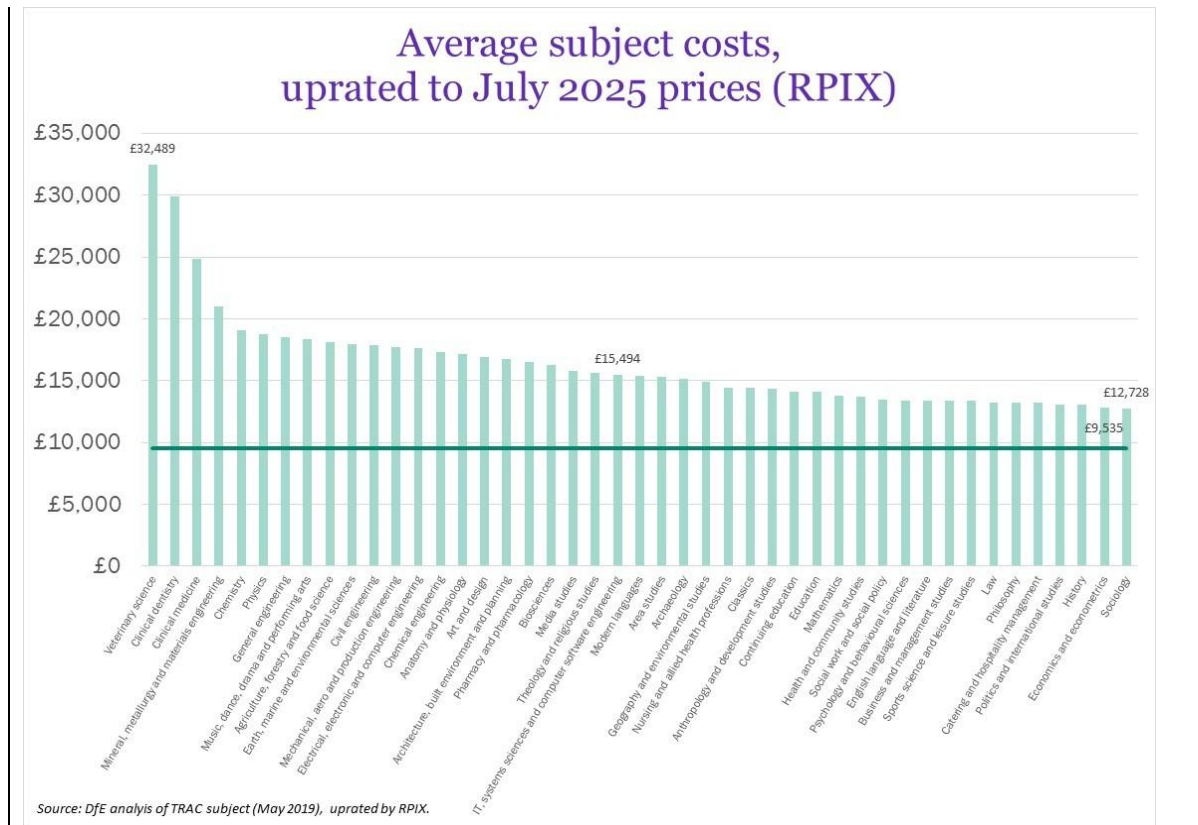
The latest analysis of TRAC data by the OfS²¹, confirms that courses for publicly funded students are typically being delivered at a loss by universities across the UK. This adds to the long-standing problem that research typically only recovers around two-thirds of its costs, relying heavily on cross-subsidy from other sources:



There is significant variation in teaching costs by subject area. However, the latest available analysis indicates that **the maximum fee, even when increased to £9,535 is currently not sufficient to meet the costs of ANY subject area:**

²⁰ See Box 1 below.

²¹ OfS, Annual TRAC 2022-23, 27 June 2024 [here](#).

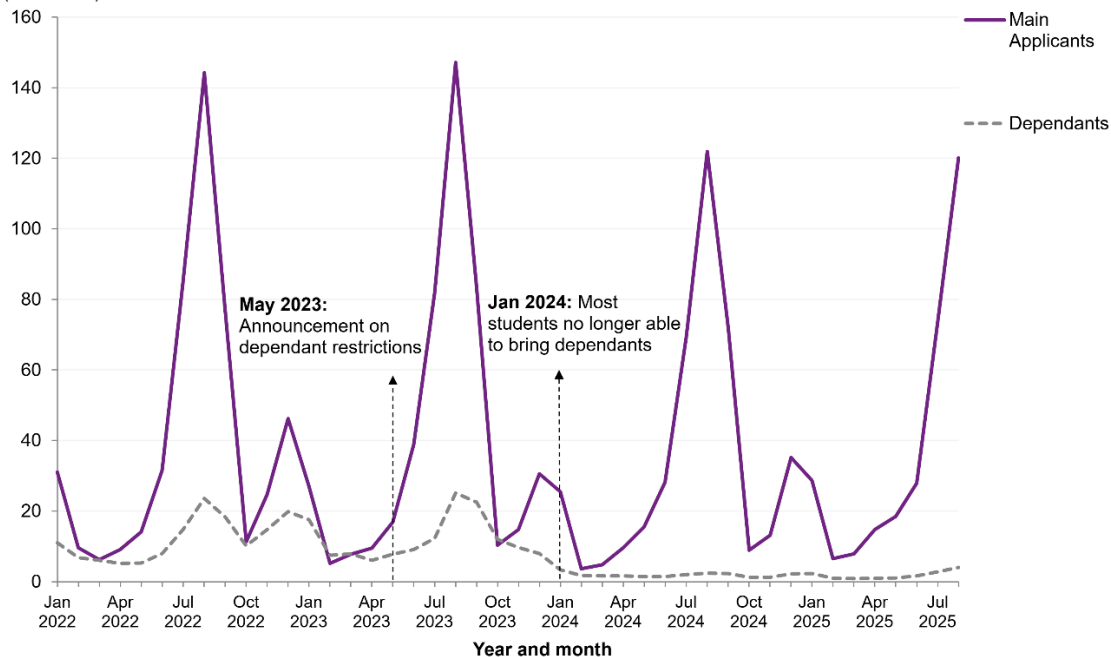


24. **International fee income:** Universities have been increasingly reliant on fee income from international students for financial sustainability in particular. Sector finances in the last three sets of institutional accounts were sustained by significant increases in international students, particularly from postgraduate international students²². However, international recruitment remains highly volatile and in 2024/25 has been significantly impacted by the recent changes in the visa rules for dependents and uncertainty over the future of the graduate route.
25. The Home Office statistics²³ show there was a 17% reduction in applications for visas to study in the UK in August 2024 compared to the previous year, following the changes for dependents. Applications as at August 2025 have not recovered. We are therefore expecting to see significant shortfalls in international income in the accounts for 2024/25 and – since this is an average – for many universities the shortfall will be considerably more.

²² HESA Open data – Students 2023/24 (and prior years), Table 6, [here](#) and institutions' financial statements.

²³ Home Office, Monthly entry clearance visa applications, August 2025, Fig 2, 11 September 2025

**Sponsored study visa
applications
(thousands)**



26. In the longer term, Wales still has a comparatively low market share of international students (3.8% of the UK in 23/24²⁴) which suggests there is room for Wales to recruit more international students, but the market has shrunk considerably since the latest visa policy changes. International recruitment may also be further affected by policy changes in the UK such as the UK Government's currently proposed levy for English providers for international students - if a similar policy were introduced in Wales this would have a significant detrimental impact on finances.²⁵
27. **Pension cost increases:** While the resolution of the Universities Superannuation Scheme (USS) dispute in 2023 brought welcome financial relief to many institutions — through both a reduction in employer contributions and the reversal of long-standing balance sheet liabilities — the on-going high volatility of the scheme, based on Gilts rates, remains an issue for the future and the further increases in the costs of the Teachers' Pension Scheme (TPS) in 2024, is currently a major area of concern.

²⁴ HESA Open data – Students 2023/24, Figure 9, [here](#).

²⁵ Home Office, Restoring control over the immigration system: white paper, 12 May 2025. The proposals are discussed in the Wonkhe article "Everything in the immigration white paper for higher education", 12 May 2025. In May 2025, the UK Home Office released a white paper outlining proposed changes to the immigration system, including the possibility of introducing a levy on university income from international students. The UK Government has stated that the 6% proposal "is based on the levy applying to English HE providers only; education policy is devolved. We will fully consult all the devolved governments on the implementation of the international student levy and work with them on proposals." (LINK: Written questions and answers - Written questions, answers and statements - UK Parliament). Further details are expected in the 2025 Autumn Budget.

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 salary.²⁶ Several universities in Wales are required by law to provide the UK Government backed scheme even though they do not currently qualify for public sector support. Our initial provisional estimate was that the cost in Wales is approximately £9.6m additional costs per annum from April 2024, falling on just four universities.

28. 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 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 2024.²⁷ 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.²⁸ The additional funding was then made part of the recurrent baseline funding for FE included in the Welsh Government's budget from 2025/26 alongside additional funding for the public sector pay award²⁹. However, this again did not cover universities.
29. On 12 February 2025, the Scottish Government announced it would provide additional funding of £5.8m to universities following an increase in the employer contributions of the Scottish Teachers' Pension Scheme from 23% to 26%³⁰. We have repeatedly called on the Welsh Government explore ways in which the major impact that TPS costs will have on the four universities affected can be mitigated.
30. **Rising energy costs:** Welsh universities continue to face sustained inflationary pressures, with energy costs remaining a notable contributor to financial strain across the sector. Institutions broadly report that the high cost of utilities compounds other operating pressures such as pay inflation, falling real-term income, and rising service costs. While not always the principal driver of financial deficits, energy costs are consistently cited by institutions³¹ as a significant factor eroding operating margins and increasing financial volatility.
31. Looking ahead, Welsh universities generally anticipate that energy costs will remain a pressure point, though some report a degree of stabilisation compared to the peak volatility of recent years. The forward outlook across the sector reflects caution, with

²⁶ Teachers' Pensions, Updates to contribution rates, 09.04.2024 ([here](#)).

²⁷ Autumn Statement 2023, November 2023 [here](#), further to the UK Government written statement to the House of Commons, UIN HCWS697, 30th March 2023 [here](#).

²⁸ Welsh Government, 1st Supplementary Budget 2024/25, published 1st October 2024 [here](#).

²⁹ Welsh Government, Draft Budget 2025/26 explanatory note; Medr 2025/06 Medr's Funding Allocations for Academic Year 2025/26 (added at a rate of an additional 2.56% for FE colleges and 3.91% for local authority schools).

³⁰ House of Commons Library, Universities and the Teachers' Pension Scheme, 21 February, 2025

³¹ Institutional annual financial reports 2023/24.

institutions continuing to factor elevated energy prices into their financial forecasts and risk assessments.

32. To mitigate these risks, institutions are deploying a range of strategic responses. Many are locked into forward purchasing agreements or hedging arrangements that provide short- to medium-term insulation against market fluctuations. Others are investing in energy efficiency initiatives—such as upgrading building insulation, installing energy monitoring systems, and transitioning to lower-emission heating sources. They explicitly link these interventions to their broader carbon reduction and sustainability goals, aligning financial resilience with environmental commitments. Estate rationalisation, including reducing the footprint of older, less efficient buildings, is also emerging as a common strategy. Collectively, these measures signal a shift toward proactive, long-term energy management to safeguard financial stability and environmental performance, although low levels of liquidity and current assets, plus the high levels of external borrowing for some universities, are currently making it hard for some universities to make the necessary upfront capital investment.
33. **High cost of borrowing:** Over the 2023/24 financial year, universities across Wales continued to face significant financial strain, with increased borrowing costs emerging as a central pressure point for some universities. Rising interest rates and the inflationary environment have elevated the cost of servicing existing loans, especially for institutions with significant capital borrowing who do not already have fixed rates. This environment has complicated efforts to invest in estates, digital infrastructure, and strategic transformation and points to limited capacity for further borrowing.

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.

Also, some reserves in universities are ‘restricted’. Restricted reserves in universities are funds that can only be used for specific purposes because they come with conditions set by the donor, grant provider, or funding body. These conditions are legally binding and typically outlined in gift agreements, grant terms, or contracts. As a result, the university is not free to use these funds for general operations or other priorities, even if it's under financial pressure.

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 251 to 466 days with a median of 407 days in 2023/24 in Wales. This was lower than the median in Scotland (471 days), Northern Ireland (580 days), but higher than England (362 days) albeit the English sector now includes many small alternative providers, with the expansion of the OfS register.

Box 3. Dual funding system for Research

UK universities are funded to undertake research and innovation under a dual support system. Each national government provides core funding for research, distributed by its funding body (Medr, 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. The value of QR funding provided to universities in Wales in real terms is less than two-thirds of the level it was in 2002/03. **QR funding is essential in enabling Welsh universities to compete for UKRI funding.**

Innovation funding varies between country. In Wales, the Research Wales Innovation Fund supports core Welsh and UK-wide policies for research and innovation. 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 2020.³² These projects enabled universities to deliver benefits to businesses, including small and medium enterprises, the public sector and individuals.

³² Welsh Government, EU Structural Funds programme 2014 to 2020: approved projects, updated 18 April 2023, This figure includes a project led by HEFCW.

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.³³ 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)³⁴ 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 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 ESF-funded Knowledge Economy Skills Scholarships funded by which supported doctoral, MPhil and research master's degree qualifications in all Welsh universities, jointly sponsored by external partners from Wales.
38. 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. The long-term future of this fund currently remains uncertain beyond 2025.
39. The UK Government has announced a transition year for the UK Shared Prosperity Fund (UKSPF) in 25/26, with a significantly reduced allocation of £900 million—down from £1.7 billion in previous years. It remains crucial that any future replacement for Levelling Up Funds or UKSPF provides a more accessible and strategic route for university participation, recognising the sector's role in regional innovation, skills development and economic transformation.
40. **Current position and financial preparedness**
The UK HE sector is already facing severe financial headwinds. Universities Wales welcomed the rise in the tuition fee limit announced by the Welsh Government in December (£21.9m). However, as is shown above, any benefit which may have been felt has been eroded by Underlying inflation and increases to National Insurance payments.
41. Recently published HESA data showed an underlying deficit for the HE sector in Wales of £77m in 23/24. This preceded more recent pressures such as the significant drop in

³³ Universities Wales, Post-EU regional development Funding Consultation response to the Economy, Trade and Rural Affairs Committee, 21 April 2023 [here](#).

³⁴ UK Shared Prosperity Funding Prospectus, 1 Aug 2022 [here](#).

autumn 2024 international recruitment (provisionally estimated ~£80m) and National Insurance increase (~£20m), indicating a very challenging position for 24/25.

42. The latest financial statements across the Welsh HE sector reveal a system under sustained financial strain, shaped by the combined effects volatile international recruitment, declining grant levels and access to EU funding, rising staff and pension costs, inflation in energy and other inputs.
43. This has meant difficult decisions for many universities, well documented in the media of the past year, in relation to their cost bases. Without further investment, the years ahead are likely to require further difficult choices, and sharper prioritisation of academic and commercial activity.

Q3 Inflation and cost of living issues

3. What action should the Welsh Government take to:

- *help households cope with 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?*
44. 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 HE reduces poverty and inequality and brings life-changing opportunities for individuals and communities.
 45. Welsh universities are positioned as key actors in tackling a range of socioeconomic challenges, from household financial pressures to the regeneration of urban, post-industrial, and rural communities. Their contribution is shaped by their dual role as centres of learning and as civic anchor institutions embedded in local economies and societies.
 46. To help households cope with the cost-of-living crisis, universities are expanding and promoting more flexible modes of study. Part-time, distance, modular, and work-based learning options enable people to gain new qualifications or upskill without the costs associated with full-time attendance, relocation, or long commutes. These routes are particularly valuable for those in employment, with caring responsibilities, or living on lower incomes.
 47. In addressing the needs of urban, post-industrial, and rural communities, universities play a central role in reducing regional inequalities. Through active participation in Regional Skills Partnerships, they work alongside employers to identify local skills gaps and align training provision with economic demand. This helps ensure that HE responds directly to the employment needs of its surrounding communities, whether in regenerating post-industrial economies or sustaining the economic viability of rural areas. By adapting delivery modes and locations, universities also make learning more accessible to those in geographically isolated areas, mitigating the impact of poor transport links and limited broadband connectivity.

48. Changes in working and learning patterns since the pandemic have opened up the possibility of re-purposing underused estate and sharing facilities in partnership with local authorities and charities. This, combined with universities' role as major employers and attractors of students and visitors, means universities have a significant impact on local economies. They not only support employment directly, but also stimulate demand for local goods and services, retain graduates in the region, and foster entrepreneurship.
49. In these ways, HE in Wales is not only a vehicle for individual opportunity, but also a strategic resource for building economic resilience, fostering social inclusion, and supporting sustainable communities.
50. Universities in Wales have also undertaken research and community engagement that directly targets specific issues of concern to the needs of people living in urban, post industrial and rural communities:
- **Aberystwyth** University, through its Cymru Wledig Local Policy and Innovation Partnership (LPIP) Rural Wales³⁵, is offering £20,000 grants for rural communities to develop locally led research projects. Each project receives support via an academic mentor and networks to drive improvements aligned with themes such as **building a regenerative economy, achieving net-zero, and enhancing wellbeing** in place.
 - The University of South Wales (USW) staged the Immersed Festival³⁶—a student-led **multimedia** event in Cardiff featuring music, film, fashion, and art under the theme 'Regeneration'. Supported by Creative Wales and Music Declares Emergency, the festival included a free skills development programme aimed at **boosting careers and resilience in the creative industries**.
51. These examples showcase how Welsh universities are:
- **Empowering rural communities** through co-produced research grants and place-based action projects.
 - **Nurturing social cohesion** via creative initiatives that celebrate diversity and support vulnerable groups.
 - **Revitalising regional campuses** by embedding vocational training and local economic development.
 - **Supporting creative and cultural regeneration**, offering skills development and promoting environmental awareness.
 - **Driving user-centred wellbeing solutions**, especially for marginalised or underserved populations.

³⁵ <https://nation.cymru/news/20000-grant-opportunity-for-rural-welsh-communities-to-drive-change/>

³⁶ <https://nation.cymru/culture/innovative-music-and-culture-festival-returns-to-wales/>

Q4 Business support

4. Have Welsh Government business support policies been effective, given the economic outlook for 2026-27?

52. While Welsh Government business support policies provide important frameworks and resources for enterprises, **the effectiveness of these policies is significantly amplified when they are connected with, and leverage, the research, innovation, and skills infrastructure embedded in Welsh universities.**
53. Across Wales, universities are not only delivering teaching and research – they are anchor institutions and economic engines, directly aligned to Welsh Government ambitions in the *Economic Mission*, *Innovation Strategy for Wales*, and the *Well-being of Future Generations Act*. Their activities span the full spectrum of business support, from incubation of start-ups to R&D partnerships with global companies, and from CPD for local SMEs to sector-shaping innovation clusters.
54. Through the **Research Wales Innovation Fund (RWIF)**, institutions have targeted investment in priority sectors such as sustainable environment, advanced manufacturing, health and wellbeing, and creative industries. Examples include:
- Wrexham Glyndŵr University's *Expertise Enterprise Hubs* linking academic expertise with regional industries, creating new products, improving processes, and growing supply chains.
 - University of Wales Trinity Saint David's *Futures Fund* and *Innovation Matrix*, providing entrepreneurs and established firms with direct access to facilities, expertise, and growth capital, alongside top-ranked graduate business support.
 - University of South Wales's *Exchange Business Hub*, which connects industry with technical facilities, specialist equipment, and consultancy, fostering spin-outs, IP commercialisation, and targeted skills development.
55. This work is not peripheral – it underpins job creation and productivity gains. Graduate start-ups, scale-ups supported through Knowledge Transfer Partnerships, and industry-led research projects generate high-value employment in local communities and across Wales. These initiatives respond directly to regional skills needs, aligning provision with *Regional Skills Partnership* priorities and Welsh Government's focus on future industries.
56. Entrepreneurial universities can play three roles in regional economic development as growth supporter, steerer, and driver. **Business support policies are most effective when they recognise universities as integral delivery partners and ensure that funding mechanisms enable sustained collaboration.** In recent years, universities have demonstrated that targeted innovation funding not only supports business resilience but also drives diversification, export potential, and the creation of high-skilled, future-proofed jobs.

- **Example 1: Nurturing student enterprise**

Swansea University's Student Enterprise Team cultivates an entrepreneurial mindset among students and graduates, equipping them with skills and experiences to move into business, freelancing, or social enterprise. In 2022/23 they engaged 17,868 students through talks, workshops, and initiatives, supported the validation of 880 ideas through test trading and mentoring, and helped 219 ventures progress through one-to-one business advice meetings. Their work has led to the establishment of numerous businesses and embedded enterprise within the curriculum, with thousands of students enrolled in enterprise-focused modules.

- **Example 2: Supporting regional business growth**

Cardiff Metropolitan University's ZERO2FIVE Food Industry Centre supports businesses to improve products, processes, and market reach. In one case, technical analysis and process adjustments extended product shelf life significantly, opening new market opportunities. The Centre also undertook an efficiency review that informed equipment investment, alleviated health concerns for the business owner, and improved product consistency. Additionally, the team provided guidance on robust traceability systems, enhancing compliance and operational resilience.

57. Looking ahead to 2026–27, with economic headwinds from global competition, demographic change, and fiscal pressures, the close integration of WG business support with university-led innovation ecosystems will be critical. Strengthening this alignment will:

- **Ensure the reach of WG support to all parts of Wales**, including rural and post-industrial areas.
- **Maximise returns on public investment** through measurable increases in GVA, employment, and skills.
- **Accelerate progress towards a more innovative, inclusive, and low-carbon economy.**

58. **Meeting increasing demand for graduate skills in Wales:** There is a pressing need to encourage more people of all ages and backgrounds into HE study, in line with demographic growth in Wales and to meet major increases in demand for graduate skills.

59. More than 400,000 extra graduates will be needed in Wales by 2035 to respond to skills gaps and workforce challenges of the future, according to the findings of a recent report by UUK³⁷. By 2035, 95% of *new* jobs in Wales will be at graduate level. As Welsh universities currently provide around 40,000 graduates each year, and account for nearly three quarters of the UK graduate workforce in Wales, this requires increasing the number of graduates from Welsh universities very significantly.

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

60. The number of young people in Wales is increasing, with the number of 18 year olds rising in the short term from 36,089 in 2024 to a forecast 39,644 in 2029³⁸. The population of Wales is also projected to increase by 2.7% from 3.19 million to 3.27 million over the same period, with increases in all adult age groups, particularly in the number of people aged 65 or older. The forecast increases in Wales's population in the short term have widespread implications across different sectors and the labour market.
61. Health and social care services in Wales are facing notable workforce shortages in several key disciplines, particularly within mental health. Pressures are acute in areas such as perinatal services, parent–infant support, children and young people's mental health, and access to psychological therapies. To address these gaps, Health Education and Improvement Wales (HEIW) and Social Care Wales have developed a multi-professional strategic workforce plan, setting out actions to improve recruitment, retention, workforce agility, and diversity.
62. Universities are playing a central role in tackling these shortages. Cardiff University, for example, has been commissioned to deliver continuing professional development in genomic medicine for NHS Wales staff, helping to close skills gaps in this rapidly advancing field. Universities are also delivering Certificates for Assistant Practitioners, providing an alternative entry route into nursing and allied roles and expanding the pipeline of qualified staff. In addition, the University of South Wales, through the Wales Institute for Digital Innovation, is equipping future health and care professionals with advanced digital skills, including AI, data science, and medical imaging, ensuring the workforce is prepared for the technological requirements of modern healthcare.
63. **The Participation Challenge:** Wales currently has the lowest HE participation rates in the UK (including Scotland, where data is not directly comparable as places are capped) and the gap between Wales and other parts of the UK appears to be getting worse. As of 11 September 2025 (Day 28 of UCAS Clearing), 29.1% of Welsh 18-year-olds were accepted to study full-time undergraduate HE in the UK (10,500 from an estimated population of 36,060)³⁹. In 2024 the comparable entry rate from Wales was 30%. So with an increasing demographic, our numbers are going backwards. The gap in entry rates between Wales (29.1%) and England (37%) now stands at 7.9 percentage points, the largest on record.
64. If Wales had a similar entry rate to that of Northern Ireland (39.6%), 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.

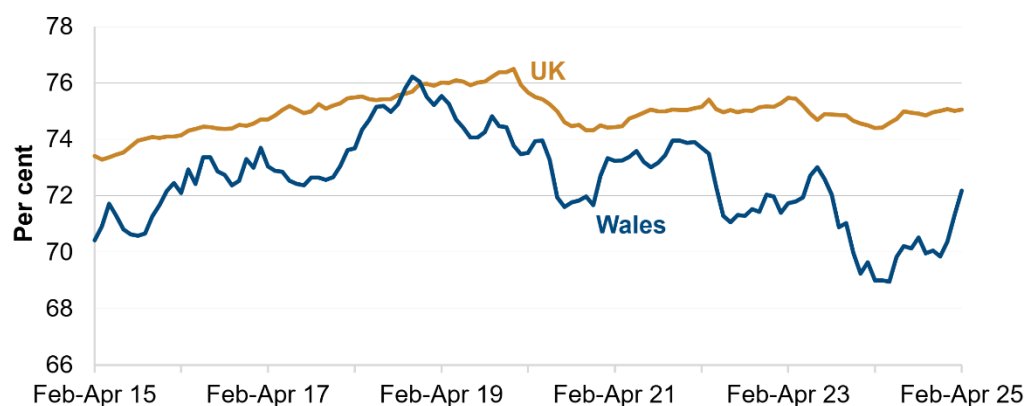
³⁸ ONS, 2022-based interim national population projections for Wales, 28 January 2025

³⁹ UCAS Statistical release, Clearing Day 28, 19 September 2024 [here](#).

65. 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 HE and hold back both individuals and the economy.

Box 4. Delivering skills and boosting employment

The employment rate in Wales for those aged 16 to 64 has generally decreased since 2018. Since the start of the coronavirus pandemic in early 2020, the rate has been more volatile, but the UK rate has remained higher than Wales⁴⁰.



Total GVA in Wales in 2023 was £81.5 billion, a decrease of 0.1% on 2022 *in real terms* and a decrease of 1.2% on 2019. This compares to an increase of 0.3% for the UK from 2022 and 2.6% from 2019.

GVA per head in Wales in 2023 was £25,742, up 7.6% on 2022 in cash terms⁴¹. GVA per head for the UK grew by 8.2%. GVA per head in Wales in 2023 was 72.2% of the UK figure, the second lowest of the UK countries and English regions. By using a comprehensive dataset encompassing nearly 15,000 universities across 78 countries, some dating back centuries, one study examines the correlation between university presence and economic growth⁴². **A 10% increase in universities per capita is linked to a 0.4% rise in future GDP per capita**, indicating the profound impact of higher education institutions on regional prosperity.

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

- More than 50,000 students graduated from universities in Wales in 2023/24, around 57% with an undergraduate qualification and 43% with a postgraduate degree⁴³.

⁴⁰ Welsh Government, Labour market overview: June 2025

⁴¹ Welsh Government, Regional gross domestic product and gross value added: 1998 to 2023, 23 June 2025

⁴² Valero, A., & Van Reenen, J. (2019). The economic impact of universities: Evidence from across the globe. *Economics of Education Review*, 68, 53-67.

⁴³ HESA, Figure 15 - HE qualifications obtained by level of qualification [here](#).

- Over 87% of 22/23 graduates from Welsh universities had progressed 15 months later to either further study, training or employment⁴⁴.
- The median starting salary of employees who had a 22/23 undergraduate degree from Wales was £27,975 per annum.
- Each year Welsh universities supply around 70% of the new UK graduate workforce in Wales.
- 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 43% for Welsh students who studied elsewhere in the UK.
- Welsh universities are vital for equipping the professional workforce with essential knowledge and skills they need to enter practice. Students qualifying from Welsh HE providers in 23/24, for instance, included:
 - Over 6,400 students qualified in medicine, dentistry, and other subjects allied to medicine (including nursing and healthcare);
 - nearly 3,000 students with qualifications in law;
 - nearly 6,300 students qualified in computing, engineering and technology;
 - around 430 students qualified in social work;
 - over 1,000 graduates qualified in architecture, building and planning; and
 - over 1,700 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 4,700 postgraduate researchers enrolled in Welsh universities in the latest year⁴⁵. 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 18% of students who graduated from Welsh universities in 22/23⁴⁶ were undertaking further study within 15 months of leaving - often combining it with employment.
- Welsh universities delivered over 539,000 learner days of continuing professional development (CPD) and continuing education (CE) courses in 23/24⁴⁷.

⁴⁴ HESA, Graduate Outcomes 2022/23: Summary Statistics, 17 July 2025

⁴⁵ HESA Open data - HE student enrolments by level of study 23/24

⁴⁶ HESA, Graduate Outcomes 2022/23: Summary Statistics, Fig.4, 17 July 2025

⁴⁷ HESA, HE Business and Community Interaction survey 2023/24, Table 2b

66. **Scaling up the research and development base in Wales.**
Investment in research and development is considered critical to prevent “a cycle of low-skill, low-wage and low productivity”, as identified by Senedd research.⁴⁸ Research and development delivers substantial and often transformative benefits for society, but is typically not viable for individual organisations without public investment and support.
67. Wales currently produces only around 2.0% of the UK’s research and development. Welsh universities are key delivery bodies for research and innovation, responsible for 39% of Wales’s total R&D activity in 2023. For comparison, English higher education providers accounted for only 22% of R&D performed by England.⁴⁹ 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”.⁵⁰
68. 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 £1.98bn, including £1.33bn associated with productivity spillovers to other sectors. Of the 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.⁵¹
69. 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%)⁵².
70. 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,

⁴⁸ Senedd Research, Research and Innovation in Wales, Research Briefing July 2021

⁴⁹ ONS, UK gross domestic expenditure on research and development 2023, Table 5 (by country and sector of performance), 15 August 2025 [here](#)

⁵⁰ 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’.

⁵¹ London Economics, The economic impact of Welsh universities’ teaching, research, and innovation, Report for Universities Wales, September 2024, para 2.1.4 [here](#).

⁵² REF2021 data, 22 May 2022 [here](#) (own analysis); ONS mid-year population statistics mid-2020 [here](#) - corresponding to the REF2021 July 2020 census date.

reflecting the scale of benefit it delivers to Wales, both directly and through the leverage of resources from elsewhere.⁵³

71. Because of this comparative lack of investment in the research base in Wales, other UK nations 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

The most recent UK research evaluation exercise, REF2021, found the quality of the research that Welsh universities deliver is not only world-class but world-leading in terms of its real-life impact. 89% of Welsh research was considered internationally excellent or world leading in terms of 'impact'⁵⁴, 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 impacts of the research were felt in Wales. In addition to the many ICS that impact across Wales in areas such as health, policing and education, **80 REF impact case studies were tagged with impacts in specific locations in Wales. These were spread across Wales, in 19 local authorities.** 25 ICS specifically referenced Cardiff as a location, 11 Swansea and seven in Gwynedd and Newport.

Rooted in Wales, the benefits of research being undertaken at Welsh universities are felt worldwide. Welsh universities benefitted many different types of groups of people and organisations, highlighting in particular children and young people, policy-makers and local communities, the elderly, women and people with disabilities.⁵⁵

Some of the characteristics of the research submitted by Welsh universities included, for instance: ⁵⁶

- 94% of the Welsh university case studies involved collaboration with nonacademic 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:

⁵³ Reid, Review of Government Funded Research and Innovation in Wales, 2018 [here](#). ⁵⁶

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

⁵⁴ REF2021, Results and submissions data, published 12 May 2022, [here](#).

⁵⁵ The Learned Society of Wales, Making an Impact, A Celebration of Welsh Research, 9 Nov 2023 ([here](#))

⁵⁶ The Learned Society of Wales, The Impacts of Research from Welsh Universities, 9 Nov 2023 ([here](#))

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

72. **Support for businesses and public services**

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 and provide the public sector with savings and capacity building: 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. Employer partnerships embedded in curricula ensure graduates have sector-specific technical and "innovation-ready" skills.

73. There are many excellent existing examples of effective collaboration between Wales' universities and both public and private bodies to:

- share assets and generate efficiencies.
- provide consultancy advice or undertake research for the external partner.
- share intellectual property either informally or through mechanism such as patents

74. **There were over 2,670 instances recorded in 23/24 of other organisations using the facilities or equipment of universities.** This is likely to be a significant undercount, representing just those captured in the data, with many partnerships operating on a more informal basis, or being part of a wider project. Examples of the support counted here may include a design company's use of high performance computing, or media

company use of a digital media suite. The estimated value of the assistance provided in terms of facilities or equipment was £8.9m.

75. **In 2023/24, Wales universities provided consultancy advice valued at £12m to over 1,120 organisations**, drawing on world class research, and the knowledge and expertise of university staff. The beneficiaries included 422 SMEs, 220 other businesses, and over 480 charities and voluntary organisations⁵⁷.
76. **Providers from all sectors commission their own research from universities. 931 research projects were undertaken for external organisations in 2023/24, with a contract value of £37.2m.** This is over and above research activity involving public funding or funded by research councils.
77. Universities in Wales have a portfolio of over 1000 active patents, reflecting the work of the university in sharing the outcomes of research activity with external partners, most commonly private companies, allowing them to exploit an invention in return for a licencing fee that can be used to fund future research.⁵⁸
78. **We can summarise some of the non-financial but high-impact value** universities bring to employers:
 - Adoption of new technologies and processes.
 - Improved workforce skills and retention through CPD.
 - Building sector resilience – e.g., creative industries, green tech, advanced manufacturing – through access to facilities, prototyping, and collaborative R&D.
79. This support *de-risks innovation* for Welsh SMEs, making WG's business support spend more effective.

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 the impact of research and innovation, Welsh universities also support public services by:

- Providing poverty reduction programmes
- Providing facilities to communities including sporting facilities and nurseries
- Providing access to free advice and services including law clinics
- Providing arts and community centres, parks and botanic gardens

⁵⁷ HESA, HE - Business and Community Interaction dataset. Table 2a [here](#)

⁵⁸ HESA, HE - Business and Community Interaction dataset, Table 4a [here](#)

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](#)
- 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](#)

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

⁶⁰ Ibid.

- 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](#)

Higher education also brings greater social mobility, higher earnings, less exposure to unemployment and increased entrepreneurial activity.⁶¹ These benefits to the individual and their families also alleviates pressure on the welfare budget.

80. 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 2023/24 universities in Wales provided consultancy to more than 930 organisations, and undertake in the region of £37m of contracted research. Over 2,670 business and external organisations used equipment and facilities provided by Welsh universities.⁶¹

Over the last five years on record, from 2019/20 to 2023/24, Welsh universities provided support for the creation of over 1,811 new student start-up companies, accounting for 8% of all new student start-ups in the UK.⁶²

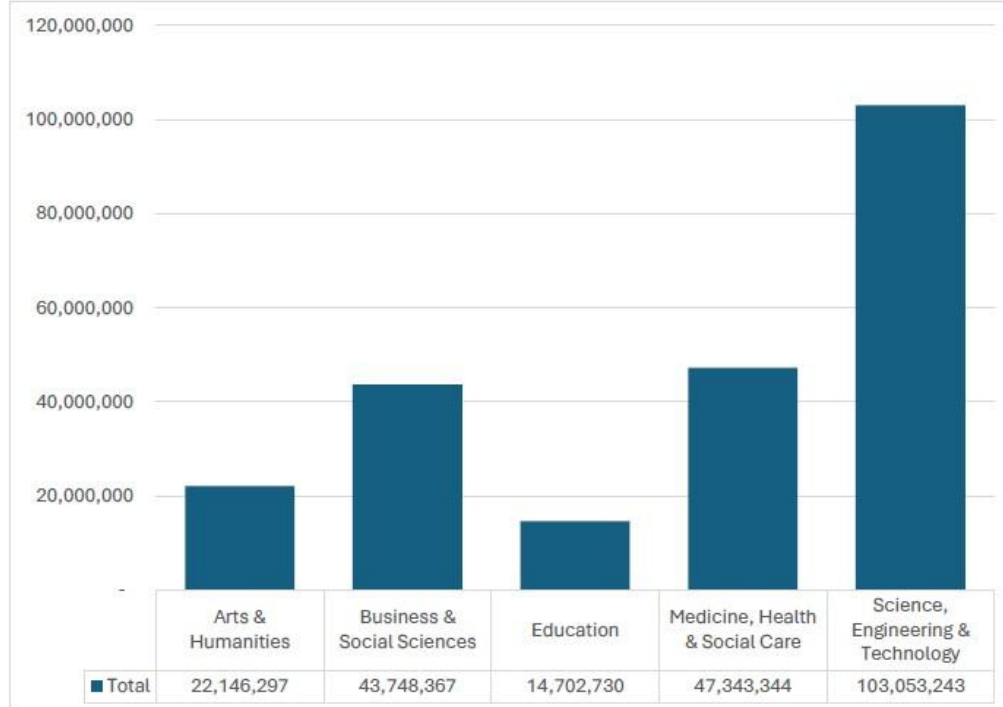
Universities are also instrumental in providing graduate with the skills needed by different sectors and industry, particularly where businesses could not otherwise afford the necessary investment. A recent study by JB Strategy and Data (2024) which looked at university-trained workers supplied to key 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:⁶³

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

⁶¹ HESA, HE - Business and Community Interaction dataset. Table 2a [here](#)

⁶² HESA, HE - Business and Community Interaction dataset, Table 4e

⁶³ JB Strategy & Data, The Social Value of Wales' Universities, June 2024.



Source: JB Strategy & Data analysis of OfS TRAC data, ONS RPI data, and University national pay scale data.

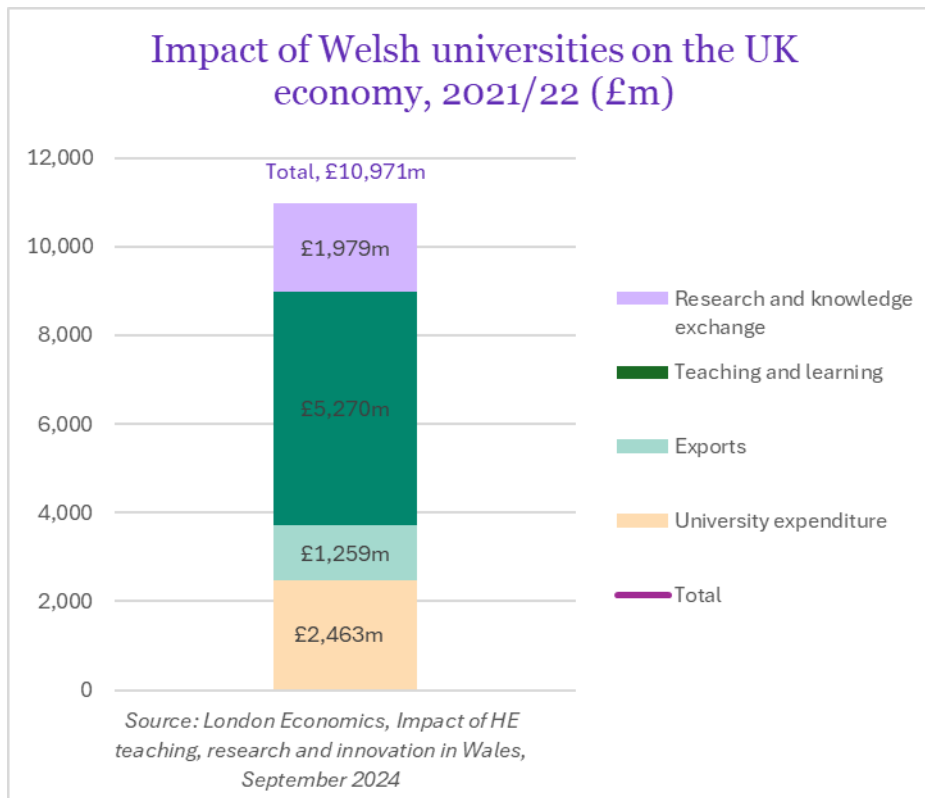
81. The economic impact of universities

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

82. 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.⁶⁴ New research estimates that the total economic impact of Welsh universities on the UK in 2021/22 was approximately £11bn, and that every £1m of public investment put into universities benefits the economy by £13.1m Through the capacity and productivity building capabilities of universities described above⁶⁵.

⁶⁴ Viewforth Consulting Ltd (2021), Economic impact of higher education in Wales, July 2021.

⁶⁵ London Economics, The economic impact of Welsh universities' teaching, research, and innovation, Report for Universities Wales, September 2024 [here](#).



83. Wales' universities:

- Anchor economic activity in all regions of Wales, providing high-value jobs where alternatives may be scarce.
- Increase business density and survival rates in their localities.
- Contribute to regeneration projects and major capital investments that act as catalysts for private sector confidence (e.g., Growth Deal projects like Wrexham's £18m investment).

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?

84. Tackling climate change and building a greener economy is not just about reducing emissions — it is about creating a Wales where people enjoy a good standard of living, sustainable jobs, healthy environments, and strong communities, in line with the Well-being of Future Generations (Wales) Act. A green economy must deliver both environmental sustainability and social wellbeing.
85. Welsh universities are central to this vision. They **provide the research, innovation, and skilled workforce that can turn ambition into reality** — from developing clean energy technologies and nature-based solutions, to training the engineers, planners, health

professionals, and entrepreneurs who will build and maintain low-carbon infrastructure and services. They combine the roles of educator, innovator, and anchor institution – developing the skills base, applied research, and partnerships that enable industry and communities to decarbonise, restore nature, and adapt to climate change.

86. To achieve the Welsh Government’s net zero and nature recovery goals, **further investment is needed to expand education and training** in:
- Low-carbon energy systems (hydrogen, wind, marine, solar, storage).
 - Sustainable construction (retrofit, modular build, low-carbon materials).
 - Circular economy design and manufacturing (product life-cycle engineering, waste valorisation).
 - Environmental data science and AI for resource optimisation and climate modelling.
 - Green finance and sustainable business leadership.
 - Nature-based solutions (habitat restoration, flood prevention, sustainable agriculture).
87. Universities are already delivering in these areas. For example, the Wales Innovation Network’s “Net Zero, Energy Capture and Storage and Decarbonisation” priority theme brings together multi-disciplinary expertise to tackle energy transition challenges. Projects such as Bangor University’s Hydrogen Alliance, Swansea’s SEACAMS marine energy programme, and Aberystwyth’s crop and livestock research is enabling climate-smart farming and bio-based manufacturing are generating commercial opportunities alongside environmental benefits.
88. Alongside technological innovation, universities are building the human capital needed for the green transition. They offer industry-aligned training in renewable energy systems, sustainable construction, environmental data science, green finance, nature-based solutions, and circular economy design. Programmes are co-developed with employers and Regional Skills Partnerships to meet emerging demand, while entrepreneurship support and Knowledge Transfer Partnerships help SMEs to adopt low-carbon technologies and develop new products. This integrated approach – combining skills, research, and business support – positions Welsh universities as essential partners in delivering a greener economy that creates high-quality jobs and spreads prosperity across all regions of Wales.
89. Universities are themselves significant economic actors and have been reshaping their own business models to reduce environmental impact and build resilience. This includes:
- Investing in digital transformation to cut travel, optimise space use, and reduce energy consumption.
 - Delivering energy efficiency upgrades and exploring low-carbon heat networks.
 - Increasing the use of renewable generation on campus.
 - Embedding sustainability criteria into procurement, directing spend towards Welsh SMEs in the foundational economy.
90. However, decades of underfunding have led to under-investment in infrastructure meaning that many universities face significant backlogs in maintenance and efficiency improvements. **Without targeted capital investment, opportunities to accelerate carbon reduction and reduce long-term operating costs will be lost.**

91. **A thriving green economy requires more than technology — it needs public engagement, behaviour change, and equitable access to the benefits of decarbonisation.**
Universities contribute here through community partnerships, cultural engagement, and applied research that supports healthier, more resilient lifestyles. This includes working with local authorities, businesses, and the third sector to design climate-resilient policies and places, and ensure that green jobs are accessible to people in all parts of Wales.
92. There are also significant opportunities to provide capital funding for Welsh universities, as major organisations in their own right, to address their underfunding in capital and 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.
93. By scaling up and adequately funding university-led R&D in green technologies and infrastructure, Wales can strengthen its competitive advantage in global low-carbon and green tech while ensuring that prosperity and wellbeing are shared across the nation.
94. 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?

95. Considerable constraints are placed on the Welsh Government in this regard. The limits placed on the Welsh Government’s budget management tools and borrowing powers have remained unchanged in cash terms since they were set in December 2016. Inflation since that time has reduced the real value of these limits. The current overall capital borrowing limit for Wales is £1 billion; adjusting this in line with inflation since 2016/17 would have increased the Welsh Government’s borrowing capacity by more than £343 million.
96. The 2024 UK Labour Manifesto stated that the Welsh Fiscal Framework is “out of date”. The Statement of Funding Policy, issued and owned by HM Treasury, outlines that the Scottish Government’s borrowing and budget management powers increase in line with inflation. The Welsh Government does not currently have an equivalent inflationary adjustment.

97. The current system of occasional, ad-hoc flexibilities afforded to the Welsh Government in terms of reserve limits and drawdowns – at the Treasury’s discretion – is inadequate for a democratically elected government with substantial tax and spending powers.
98. Universities in Wales continue to provide a source of expertise and advice on the deployment of these powers. The Wales Governance Centre’s Wales Fiscal Analysis (WFA) is an ongoing research project seeking to foster and stimulate knowledge of the public finances of Wales. Through rigorous analysis, WFA responds to fiscal events and generates research on all aspects of Government expenditure in Wales⁶⁶.

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?

99. For additional comments on how universities can further help tackle poverty and inflation issues in households and communities, see Q3 above.
100. 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.⁶⁷
101. Universities spend a considerable portion of their budget supporting students who are from deprived backgrounds of marginalised. These spends are under considerable pressure given the other pressures on university budgets described above.
102. Welsh universities invest significant sums from their tuition fee income into targeted bursaries, hardship funds, and scholarships for students from low-income households. These schemes are designed to reduce the financial barriers to accessing and completing HE, and can include direct cash bursaries, grants to cover essential study costs, and targeted awards for specific groups such as care leavers, estranged students, and those from low-participation areas.
103. To ensure that students are aware of the financial help available, universities provide **dedicated student money advice services** offering one-to-one guidance on managing finances, applying for student loans, and accessing additional support. These teams attend open days and applicant events, provide online resources, and run induction sessions. Tailored assistance is available throughout the academic year for students experiencing financial difficulties, including signposting to relevant internal and external support.
104. Universities also commit to **long-term outreach programmes with schools and colleges in deprived areas**. These activities can include aspiration-raising visits, subject taster

⁶⁶ Thinking Wales - Meddwl Cymru, Spending Review 2025 – the implications for Wales
12 June 2025 [here](#).

⁶⁷ 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](#).

sessions, mentoring, and advice on university applications. Initiatives often target learners from year 9 onwards, building confidence and familiarity with HE pathways, and are developed in **partnership with schools, local authorities, and third-sector organisations.**

105. Once students from deprived backgrounds enter HE, targeted transition and retention support is offered to help them succeed. This includes tailored induction programmes, peer mentoring, and study skills workshops. Many institutions run “first-year experience” programmes, academic coaching, and personal tutoring schemes to ensure these students have the academic and wellbeing support needed to remain engaged and achieve their goals.
106. Recognising that students from deprived backgrounds may face barriers in accessing technology and learning materials, **universities operate digital connectivity bursaries, laptop loan schemes, and subsidised software access.** These measures ensure that no student is disadvantaged in engaging with online or blended learning and can fully participate in coursework and research activities.
107. Wellbeing and pastoral care services are also a key focus. Universities provide counselling, mental health advisers, wellbeing workshops, and referral routes to external agencies for students who may face additional pressures linked to deprivation, such as caring responsibilities or housing instability. **Dedicated student support teams ensure early identification and intervention for students at risk of disengagement.**
108. To support strong graduate outcomes, universities deliver targeted employability programmes for students from disadvantaged backgrounds. These can include paid internships, employability bursaries to cover travel or equipment costs for placements, and dedicated careers advice. **Alumni mentoring schemes are also used to connect students with role models from similar backgrounds, helping to build both skills and confidence** in entering the labour market.
109. 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?*

110. Welsh universities play a central role in tackling gender inequality in healthcare, education, training, and employment. Their work aligns with Welsh Government priorities for an inclusive workforce and the Well-being of Future Generations (Wales) Act goal of **a more equal Wales**. Universities address imbalances through targeted recruitment, tailored support, and influencing workforce policy, ensuring that opportunities across education, and in healthcare and related sectors, are accessible to all genders. University outreach work emphasises the opportunities available to all.
111. 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
112. 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 HE, 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
113. Targeted outreach initiatives aim to increase the participation of underrepresented genders in specific healthcare professions. For example, recruitment campaigns and school engagement programmes encourage men to enter nursing, midwifery, and mental health care, while promoting pathways for women into medical engineering, digital health, and advanced clinical specialisms. These activities are often delivered in partnership with NHS Wales and professional bodies.
114. Financial support is provided through scholarships and bursaries to address gender imbalances in healthcare skills. Universities have established awards for women entering male-dominated healthcare technologies and for men training in care-related roles, reducing financial barriers to study and encouraging diversity across the sector.
115. In course design and delivery, Welsh universities embed gender equity in training and professional preparation. This includes **integrating gender-sensitive case studies, clinical scenarios, and placement opportunities into curricula, ensuring students are equipped to recognise and address bias** in patient care, workplace cultures, and leadership. Interprofessional learning frequently includes a focus on gender dynamics in health outcomes and workforce participation.
116. Career progression for women in healthcare research and leadership is supported through mentoring schemes, leadership training, and structured return-to-research programmes after career breaks. Wales' universities hold Athena Swan awards and take specific measures to increase female representation at senior academic and clinical levels, particularly in medical and life sciences faculties.

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](#).

117. Flexible learning pathways, such as part-time routes, blended learning, and block-release placements, have been developed to support **learners with caring responsibilities**, which helps to retain more women in training and employment. These arrangements also broaden participation among mature learners, enabling a more diverse healthcare workforce.
118. University research has also addressed gender inequality directly, including studies on workplace culture in the NHS, gender differences in health service access, and the recognition of women's symptoms in conditions such as cardiovascular disease. The outcomes of this research have informed NHS Wales workforce planning, training frameworks, and national health strategies.
119. Universities work closely with Health Education and Improvement Wales (HEIW), Social Care Wales, and NHS boards to align recruitment, training, and retention strategies with diversity and gender balance goals. These collaborations contribute to national workforce plans that set specific targets for representation across healthcare roles, helping to ensure that the future workforce reflects the diversity of Wales.

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).

120. **Investment in university-led research, innovation, and skills development directly supports the Well-being of Future Generations (Wales) Act by promoting a prosperous, resilient, and more equal Wales.** This approach shifts the focus to building the capabilities, infrastructure, and workforce needed to address the challenges facing society in Wales.
121. There is considerable scope to recognise the extent to which investment in higher education prevents problems in other areas and reduces public expenditure on essential services. Higher education benefits communities and individuals in ways that deliver measurable savings to health, welfare, and public safety budgets over the long term⁷⁰. This includes enabling people to live healthier, longer lives; improving employment prospects and economic resilience; and reducing crime and anti-social behaviour.
122. Higher education is associated with better general health, better mental health, and higher life expectancy⁷¹. Welsh university research makes a fundamental contribution in these areas. For example, the **Cardiff Model for Violence Prevention**, developed by Professor Jonathan Shepherd at Cardiff University, uses anonymised A&E data to identify patterns in violent incidents. This information is shared with police and local

⁷⁰ The Resolution Foundation and the Policy Institute at King's College London, Are universities still worth it?, January 2025

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

authorities to target prevention measures, significantly reducing violent crime in Cardiff. By preventing incidents before they occur, the model reduces demand on emergency services, the NHS, and the criminal justice system, and has been adopted internationally.

123. Universities are also delivering targeted preventative health interventions. Bangor University's **Centre for Ageing and Dementia Research** runs community-based falls prevention programmes, including tailored exercise classes and home safety interventions for older people, reducing the risk of injury, hospital admissions, and long-term care costs. 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**, helping to establish healthy habits early in life. Aberystwyth University has applied medical image analysis to develop new **diagnostic tools for conditions such as multiple sclerosis, endometriosis, and retinal disease, enabling earlier interventions and better patient outcomes**.
124. Climate change is another area where preventative investment in universities has high returns. As discussed under Question 5, research into clean, sustainable energy generation, storage, and distribution – including hydrogen, marine energy, and energy efficiency – can significantly reduce future carbon emissions. This not only mitigates the scale of future adaptation costs but also protects communities from climate-related harm and supports the transition to a greener economy.
125. Universities also play a **preventative role in economic resilience**. By equipping people of all ages and backgrounds with higher-level skills, they reduce the risk of unemployment and underemployment caused by automation, digitalisation, and industrial change. Lifelong learning opportunities, degree apprenticeships, and flexible upskilling programmes enable workers to adapt to evolving sectors, avoiding the economic and social costs of skills gaps. This, in turn, contributes to **greater social mobility, higher earnings, increased entrepreneurial activity, and less exposure to unemployment** – reducing long-term pressure on welfare budgets.
126. In public health more broadly, **universities train the majority of Wales' health and social care workforce, ensuring access to well-qualified professionals**. At the same time, their **research into early diagnosis, healthy ageing, and mental health intervention helps prevent conditions from escalating**, improving population health while reducing future treatment costs.
127. Finally, universities act as anchor institutions that support community cohesion and resilience. They provide cultural, sporting, and educational facilities, engage in widening participation to improve access to opportunity, and deliver outreach that tackles inequality at its root. Preventative spending in this context strengthens the social fabric, reduces the likelihood of future demand for remedial public services, and builds a Wales that is more inclusive, healthy, and economically secure. **By targeting investment at universities, the Welsh Government can simultaneously advance economic prosperity, social well-being, and environmental sustainability – reducing pressures on future budgets while improving quality of life.**

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?

128. Welsh universities are facing some of the most pressing, difficult financial circumstances in recent memory. Costs are rising faster than income and international student numbers are falling following changes to the student visa rule. Institutions are having to make difficult decisions to manage their budgets.
129. Transparency in Welsh Government funding decisions is essential because the allocation of public resources has significant downstream effects on multiple sectors that HE underpins. **Universities in Wales are central to delivering on national priorities in health, education, skills, innovation, climate change, and community well-being.** Funding decisions in one area can influence the capacity of universities to deliver in many others – for example, a change in research funding can affect business innovation, skills pipelines, and public health outcomes simultaneously.
130. Clear and accessible explanations of funding choices would help decision-makers, partners, and the public to understand how investment in HE translates into tangible societal benefits. This includes the creation of high-value jobs, the training of key public service professionals, advances in low-carbon technologies, and preventative health interventions. **By showing how resources allocated to universities contribute to cross-cutting policy goals – from economic growth to the Well-being of Future Generations Act’s national well-being objectives – government can strengthen public trust and make the case for long-term, strategic investment.**
131. Improving the documentation provided alongside the Draft Budget could involve mapping spending allocations to measurable impacts across different sectors. For example, linking HE funding to its contribution to GVA growth, skills supply for the NHS, R&D for the green economy, or community outreach that tackles inequality. Presenting this in a consistent, easy-to-interpret format would allow stakeholders to see not only the immediate budget lines but also the **broader value generated for Wales.**
132. Greater transparency would also facilitate more effective collaboration between government and the HE sector. **When universities have clarity on funding rationales, constraints, and priorities, they can better align their own strategies to maximise shared outcomes.** In turn, this ensures that public funds achieve maximum impact, supporting Wales’ economic resilience, social cohesion, and environmental sustainability.
133. In addition to this being important for the Welsh Government it is important that Medr carries on HEFCW’s previously very strong track-record and continues to make improvements in the transparency and consistency of information across the tertiary education sector and maintains consistently good practice in terms of consultation and engagement with the sector. In terms of HE, the most obvious things that would help at the moment are the restoration of HEFCW website which 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 have previously expressed our hope that the archived website would soon be available. Even more transparency on funding allocations would be welcomed – the information is detailed but it is still not possible to directly compare allocations with previous years due to the decision to treat all tertiary education together, and lack of published final figures for the complete HE programme expenditure for AY 2024/25 and final remit/grant letter to Medr confirming final allocations for FY 2024/25, and decision to publish ‘core’ and strategic funding allocations separately. Similarly, we look forward to the Board agendas and meeting summaries becoming publicly 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?

134. **Universities in Wales play a critical role in supplying the skilled workforce that underpins the delivery of NHS services.** By training new entrants in key clinical and allied health disciplines, universities help ensure the health service has the capacity to meet patient demand and reduce waiting times. This includes large-scale provision in nursing, midwifery, and other subjects allied to medicine, alongside dentistry, pharmacy, medicine, and biomedical sciences – all of which are essential to delivering timely diagnosis, treatment, and ongoing care.
135. The contribution is not limited to initial qualification programmes. Universities also deliver a wide range of continuing professional development (CPD) opportunities to **upskill existing NHS staff**, enabling them to **take on new roles, adopt innovative treatments, and work more efficiently**. This includes advanced practice training for nurses, specialist skills in areas such as endoscopy or mental health care, and leadership development for health service managers. By supporting staff progression, **universities help create the flexible, multi-skilled teams that are essential to tackling backlogs**.
136. Welsh universities also train professionals in critical diagnostic and technical areas where shortages can be a bottleneck for patient pathways – such as radiography, medical imaging, physiotherapy, occupational therapy, and clinical laboratory sciences. **Expanding the pipeline in these fields is particularly important as the NHS increasingly relies on advanced diagnostics⁷² and multidisciplinary rehabilitation⁷³ to shorten recovery times and free up hospital capacity.**

⁷² Independent review of diagnostic services for NHS England, Diagnostics: Recovery and Renewal, October 2020

⁷³ NHS Voices, Rehab, reablement and recovery, 5 February 2021

137. **Widening access to health professions** is another key part of the sector's impact. Universities actively recruit students from a broad range of backgrounds, including those from under-represented communities and mature learners seeking career changes into health roles. This not only increases the overall pool of trained professionals, but also **strengthens the cultural and linguistic competence of the health workforce** – supporting services in rural areas and in Welsh-speaking communities.
138. Together, these efforts make a sustained contribution to NHS capacity, helping to address the staffing levels and skills mix that are critical to reducing waiting lists. By combining initial training, workforce upskilling, and targeted recruitment from diverse backgrounds, **universities provide the people and expertise needed to deliver faster, safer, and more accessible healthcare for the people of Wales.**

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?

139. While universities are not formally part of the public sector, Welsh universities generate a large proportion of the skilled workforce that underpins the delivery of public services, from the NHS and social care to education, environmental management, and law enforcement. They also serve as a reservoir of expertise, policy insight, and problem-solving capacity that public bodies can draw upon to address emerging challenges. In this way, strengthening HE capacity directly supports the long-term capability and resilience of the public sector.
140. Beyond producing graduates, universities are a source of shared infrastructure for public sector partners. Specialist laboratories, clinical simulation centres, digital innovation hubs, and advanced testing facilities—often funded through public investment—are regularly used by health boards, local authorities, and emergency services. This shared capital equipment allows **public sector organisations to access cutting-edge technology and expertise without the need for duplicated investment**, improving efficiency and speeding up innovation.
141. Universities also act as a catalyst for forward-looking workforce planning in the public sector. Through continuous professional development (CPD) programmes, short courses, and postgraduate training, they help public sector employees acquire new skills in areas such as **digital transformation, advanced diagnostics, sustainable procurement, and data-driven decision-making**. This targeted upskilling not only **supports day-to-day operational effectiveness but also builds the adaptive capacity needed for future challenges**, whether in healthcare, education, local government, environmental management, or public safety.
142. Finally, universities contribute to a culture of innovation in the public sector by embedding research-based approaches, evaluation methods, and knowledge-sharing practices. They act as **conveners between government, industry, and civil society**,

helping public bodies to adopt evidence-led strategies and pilot new service models. The ideas, intellectual property, and collaborative networks generated through university research often translate into practical efficiencies—**reducing costs, improving service quality, and enabling public services to meet rising demand** within constrained budgets. Investment in universities therefore delivers a dual benefit: enhancing the sector’s own outputs, and strengthening the capabilities, infrastructure, and innovation potential of the public sector.

Q7.9 Support for young people

– *How should the Budget support young people?*

143. 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 HE in Wales and communicating its value.**
144. UCAS data highlights that Wales continues to face some of the lowest HE participation rates in the UK, with just **32.5% of Welsh 18-year-olds** applying to university by June 2025, compared to **41.2% across the UK**. This masks significant regional variation: **in Torfaen, only 16.9% of 18-year-olds entered university in 2024**, while in **Blaenau Gwent and Rhymney** the figure was **18.9%** – less than half the rate in **Cardiff North (47.9%)** and far below the 51.5% seen in London⁷⁴. These disparities suggest that for many young people, particularly in the south Wales valleys, university can feel geographically and socially distant, which can limit aspiration and participation.
145. 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. **There is a strong case for targeted investment in outreach and improving local university provision where possible.** Such measures could help bridge the gap between aspiration and opportunity, ensuring that more young people benefit from the life-changing personal, social, and economic advantages that higher education brings.
146. **Closing the participation gap between Wales and the rest of the UK would deliver significant long-term benefits for the Welsh economy and public services.** A higher proportion of graduates in the workforce is linked to stronger economic growth, higher productivity, and greater innovation. **Increasing the share of young people who enter HE would help Wales address current and future skills shortages in critical areas such as healthcare, teaching, digital industries, engineering, and the green economy – sectors**

⁷⁴ BBC Wales News, University applications from Wales fall again, 12 August 2025

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

that are central to delivering the Welsh Government's economic and well-being objectives.

147. The benefits extend beyond the labour market. **Graduates are more likely to be engaged in civic life, to volunteer, and to experience better health outcomes, reducing future pressures on public services. They are also more likely to start businesses, create jobs, and contribute to local regeneration.** Investing in measures that raise participation in HE is therefore not simply a matter of fairness or opportunity; it is an economic and social strategy that strengthens Wales' capacity to thrive in the decades ahead.

Q7.10 Evidence and data

– How is evidence and data driving Welsh Government priority-setting and budget allocations, and is this approach clear?

148. 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.
149. The creation of Medr, as the national body responsible for funding and regulating higher education, research, further education, sixth forms, and adult learning in Wales, offers a **significant opportunity to strengthen the evidence base for Welsh Government decision-making.** Its integrated remit, which combines responsibility for research with oversight of the broader post-16 education and skills system, means **it is well placed to provide comprehensive insights into how investment in different parts of the system can deliver on national priorities.** This includes tracking the impact of funding on skills pipelines, research and innovation outputs, and contributions to key sectors of the economy and public services.
150. To maximise this potential, **it will be important that Medr's research and analytical capacity generates robust, timely, and relevant data that can directly inform priority-setting and budget allocations.** This means not only identifying where resources are most needed, but also evidencing where investment delivers the greatest long-term value for Wales – whether in terms of economic growth, social well-being, environmental sustainability, or the delivery of public services. **By embedding this kind of evidence-led approach, Medr can help ensure that funding decisions are both transparent and strategically targeted to deliver the maximum benefit for people and communities across Wales.**

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 additional costs following increases to National Insurance Contributions, sufficient?*

151. For the reasons discussed above, Welsh universities, who are among Wales's largest charities/third sector organisations, currently face significant financial challenges and further support is needed to address the underlying deficit and sustainability issues, as discussed in detail in Question 2.
152. The increased NICs contributions for universities have contributed to these challenges, as discussed in more detail in Question 2. The additional income from the increase in undergraduate tuition fees for UK students at Welsh universities from September 2025 has already been cancelled out by the additional costs faced by the sector in National Insurance payments. The key issue for universities is that other tertiary education providers have received additional funding to offset these increases from the government but not universities.

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?*

153. A key opportunity for investment lies in harnessing the strengths of Welsh universities as **drivers of economic growth, innovation, and public service improvement**. Universities in Wales deliver world-leading research, underpin major industrial clusters (such as semiconductors, hydrogen, and nuclear), and support thousands of start-ups, yet remain underfunded compared to counterparts in other UK nations.
154. **Universities are essential to the sustainability and quality of public services**, supplying the skilled workforce, research breakthroughs, and innovations that improve efficiency and outcomes in areas such as health, education, and social care.
155. They also act as **long-term partners to government and public bodies, helping to address skills gaps, modernise services, and respond rapidly to emerging societal challenges**.
156. Strategic investment – particularly through long-term, stable funding for research, innovation, and skills – would deliver high returns for the Welsh economy, with every **£1m of public investment generating over £13m in economic impact**.
157. The creation of Medr offers an important mechanism for aligning investment decisions with robust, timely evidence. Its research and intelligence function should be supported to generate actionable insights that inform Welsh Government priority setting and budget allocations. Investment decisions informed by this evidence can help address

the widening participation gap in post-16 education, meet the forecast need for over 400,000 new graduates in Wales by 2035, and ensure the country is equipped to meet the skills demands of a net-zero, knowledge-based economy. By investing in universities as **regional anchors, research powerhouses, and gateways to opportunity**, the Welsh Government can better deliver the well-being goals of the Future Generations Act.

158. As highlighted in our executive summary, as a first step towards meeting the underlying £77m deficit and towards addressing the sustainability gap, the Welsh Government should as a minimum for 2026-2027:

- Apply an inflationary uplift in funding (including core funding) for this year and future years going forward on all the above to ensure this deficit does not grow. We would anticipate this to be broadly in line with the inflationary increase received by the Welsh Government in its budget settlement from the UK.
- Consolidate the critical £28.5m in-year funding awarded as a result of last year's budget. This includes:
 - the £10m resource for supporting core activities and change management announced on 4th December 2024 ([here](#)) – effectively offsetting the £11m reduction in resource funding implemented in 2024/25.
 - the £18.5m capital funding as announced on 18th February 2025 ([here](#))
- Provide additional funding which can grow over time to support strategic investment made by universities