

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

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

WGDB\_26-27 18 Ymateb gan: Df]Zng[ c`A Yhcdc`]Hb`7UyfXnXX`|Response from: `7UfX]ZZA Yhcdc`]Hb`I b]j Yfg]lm`

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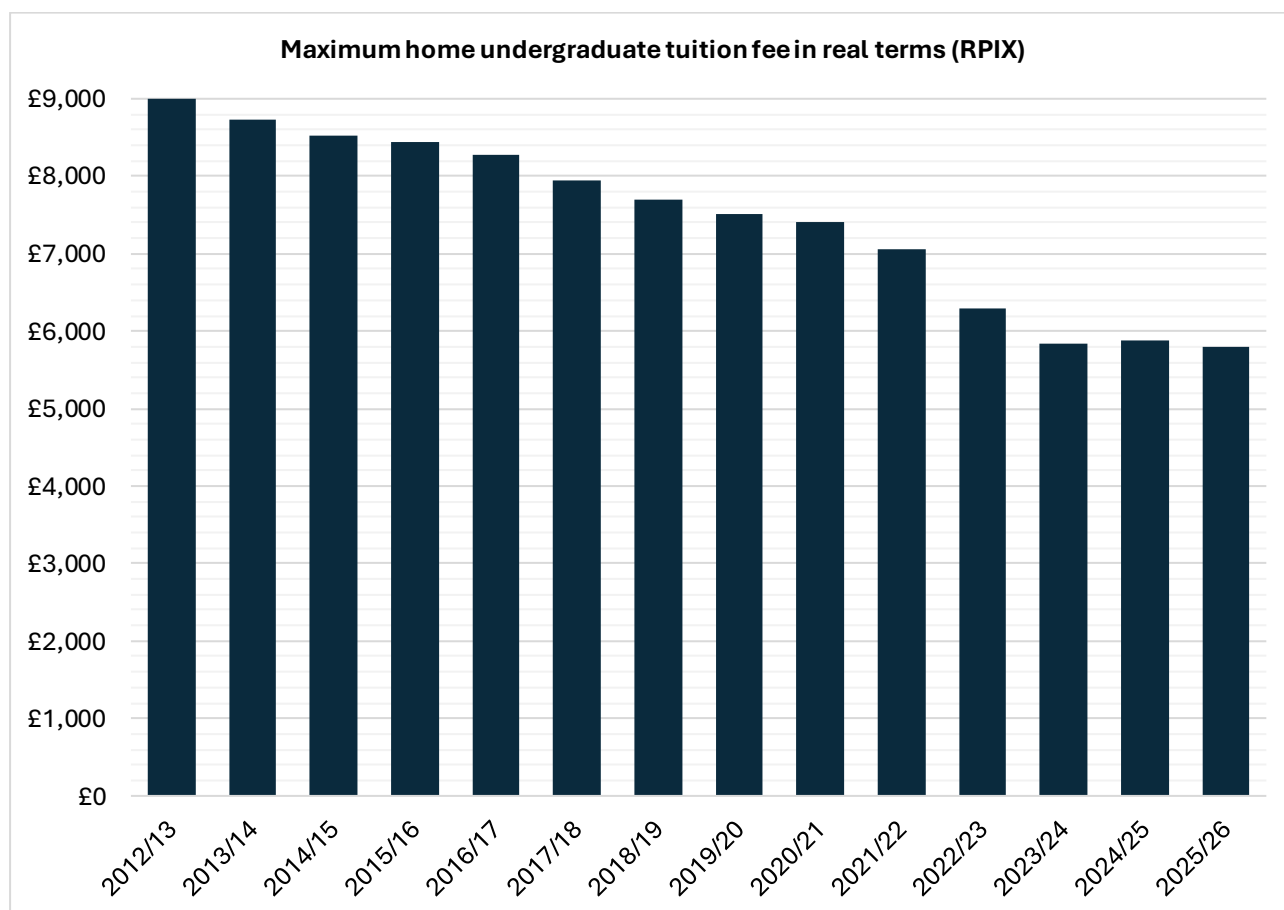
- i. Many of the arguments in this submission were made by Cardiff Metropolitan University in evidence to last year's budget process and the Senedd's Children, Young People and Education Committee inquiry into the sector's challenges.<sup>1 2</sup> Universities continue to face challenges due to increased costs, a fall in international recruitment and reduced public funding.
- ii. The Minister for Further and Higher Education made two welcome policy decisions in the last budget: increasing the maximum fee for home undergraduates and allocating an extra £18.5m of capital.<sup>3 4</sup> Despite that action, pressures meant the University still needed to run voluntary severance schemes in and move to formal consultation.
- iii. Ultimately, no compulsory job losses materialised, but the staff body is smaller after the rounds of voluntary exits. Other cost controls will continue, and pressures will recur without a shift in funding policy. Many of the means to relieve the pressures are reserved to Westminster: a fee cap largely determined by appetites in England and immigration policy.
- iv. Of the matters within its control, Welsh Government could:
  - Commit to match any increases in the maximum fee for undergraduates implemented or promised in England, giving room for review of the system.
  - Increase the budgets for Medr and Health Education and Improvement Wales, allowing better funding for degree apprenticeships, the Research Wales Innovation Fund and healthcare workforce courses.

## **1. Background**

- 1.1 Universities are experiencing unprecedented levels of financial challenge, brought about in large part by an unindexed full-time undergraduate tuition fee that increased by just £535 since 2012. Assuming no further increases, the fee will drop to c. £5,200 in real terms by the end of the decade (based on OBR data).<sup>5</sup>
- 1.2 The Diamond review, which led to the current funding model said, “inflationary pressures should be shared between the student (through the Tuition Fee Loan and Maintenance Loan) and the state (through the Maintenance Grant and HEFCW learning and teaching grants)”.<sup>6</sup>
- 1.3 Instead, inflationary pressures for providers were alleviated primarily via the uncapped fees of postgraduate and international students. The last UK Government undid that approach by abolishing visas for dependants of postgraduates on taught programmes and increasing visa costs and the Immigration Healthcare Surcharge.<sup>7 8 9</sup>
- 1.4 Other UK factors have hurt sustainability. The Autumn Budget increased employers' contributions to National Insurance and employer contributions to the Teachers' Pension Scheme also rose (up from 23.6% to 28.6%).<sup>10 11</sup> English students also now have reduced access to loans for foundation year courses, with borrowing capped at £5,760 for classroom-based subjects.<sup>12</sup> A higher fee for such courses is unviable due to cross-border recruitment, so the University cut fees at the expense of further income.

## 2. Maximum tuition fee

2.1 Welsh Government has raised the maximum fee in both 2024/25 and 2025/26, but this will not recover the sustained loss of real terms value since fees went to £9,000.



2.2 With inflation having cooled, annual increases would be less significant than would have been the case at the start of the decade (adding c. £200–£300 per annum). However, the cross-border recruitment of students means Wales cannot realistically exceed the maximum fee in England (c. 40% of undergraduates in Wales are from England).<sup>13</sup> This has left Welsh universities eagerly awaiting the outcome of UK Government’s white paper for England’s post-16 sector.

**2.3 Having equalised the fee in the last two years, Welsh Government should commit to match any further funding increases in England (fee or otherwise).**

## 3. Degree apprenticeships and health courses (fee equivalents)

3.1 A degree apprentice studies for their academic qualification while working with an employer, gaining real-world experience in their chosen career path. The funding to institutions is administered by Medr, covering the fee equivalent for each student. This has been allocated from the economy budget, with the latest allocation at £9.41m.<sup>14</sup>

3.2 Demand for these courses continues to outstrip supply considerably. The University has had to turn away applicants at late notice, leading to difficulties for partnership organisations. The issues have been noted by the Senedd’s Economy, Trade and Rural

Affairs Committee, which has called for a review of how to fund and expand degree apprenticeships.<sup>15</sup> Reconsideration of the costing and funding was also a recommendation of Dr Hefin David's report for Welsh Government on transitions to employment.<sup>16</sup>

- 3.3 Furthermore, the increase in the maximum fee to £9,250 and then £9,535 did not apply to degree apprenticeships; the regulatory change only applied to those courses covered by tuition fees. That means the budget for degree apprenticeships is too small to meet existing demand, let alone ensure the courses are funded at the same level as other undergraduate courses (£9,535 per head) without a reduction in places.
- 3.4 As with degree apprenticeships, HEIW covers a fee-equivalent for healthcare workforce courses. Again, the fee changes have not been applied to these courses in either 2023/24 or 2024/25.
- 3.5 Increasing the allocation for degree apprenticeships would let Medr fund them at the maximum fee cap and/or increase places. An uplift to the HEIW budget would allow its undergraduate courses to be funded at the same level as others: the maximum, plus associated premia from Medr.**

#### **4. Research Wales Innovation Fund (RWIF)**

- 4.1 As covered many times before, Wales has lost access to the EU regional development funding that supported research and innovation in Welsh universities.<sup>17</sup> The University recovered relatively well via UK Government's replacement—the Shared Prosperity Fund—but this scheme is ending. The spending review confirmed that the fund will be replaced, but details are still to be announced.<sup>18</sup>
- 4.2 The Welsh Government innovation strategy recognises the difficult context and puts an emphasis on attracting more funds from UK-wide sources, primarily UKRI.<sup>19</sup> The only devolved fund targeted at innovation within higher education is RWIF. A key aspect of RWIF is that it rewards institutions that bring money into Wales, being allocated in line with income from UK-wide sources, as well as consultancy, contract and collaborative research, CPD provision, IP, spin-outs and start-ups.
- 4.3 With Welsh Government wanting to incentivise greater UKRI grant capture, putting more resource in RWIF would pay dividends. The Medr allocation for RWIF has been stuck at £15m per annum for five years, despite the recommended amount being £25m.<sup>20</sup>
- 4.4 Had the fund been £25m since its introduction as a pilot in 2019/20, the sector would have had an additional c. £79m (this also includes the £3.3m consequential that came in 2023/24 because of extra innovation funding in England).

#### **Allocations for RWIF compared to Reid recommendation (£25m)**

<b>Year</b>	<b>Allocation</b>	<b>Shortfall (£m)</b>
2019/20	£7,500,000	£17,500,000
2020/21	£10,500,000	£14,500,000
2021/22	£15,000,000	£10,000,000
2022/23	£15,000,000	£10,000,000
2023/24	£18,500,000	£7,500,000

2024/25	£15,000,000	£10,000,000
2025/26	£14,155,650	£10,844,350
<i>Total</i>	<i>£120,655,650</i>	<i>£79,344,350</i>

4.5 This has happened against a backdrop of growing investment in other parts of the UK. While Medr is having to manage recent cuts to the higher education grant, Research England is allocating more than £2.8bn in capital and revenue to research and innovation.<sup>21</sup> The equivalent total that Medr can afford for 2025/25 is c. £100m, which is below a 'Barnettised' share.<sup>22 23</sup>

**4.6 Given the growing gap with the rest of the UK, the loss of structural funds, the urgent need to attract more UKRI funding and Welsh Government's desire to see greater research impact, additional funding (ring-fenced if necessary) should be allocated to Medr to allow it to move RWIF closer to £25m.**

<sup>1</sup> Cardiff Metropolitan University. 2024. [Cardiff Metropolitan University response to the Senedd Finance Committee's inquiry into the Welsh Government Draft Budget 2025–26](#). Cardiff: Senedd Cymru.

<sup>2</sup> Langford, R. 2025. [Response from Cardiff Metropolitan University - 9 April 2025](#). Cardiff: Senedd Cymru.

<sup>3</sup> Howells, V. 2024. [Written Statement: Financial support for higher education students in the 2025/26 academic year and tuition fee limits](#). Cardiff: Welsh Government.

<sup>4</sup> Welsh Government. 2025. [£19 million to support the higher education sector](#). Cardiff: Welsh Government.

<sup>5</sup> Office for Budget Responsibility. 2025. [Inflation](#). London: Office for Budget Responsibility.

<sup>6</sup> Diamond, I. 2016. [The Review of Higher Education Funding and Student Finance Arrangements in Wales: Final Report](#). Cardiff: Welsh Government.

<sup>7</sup> UK Government. 2023. [NHS staff receive pay rise](#). London: UK Government.

<sup>8</sup> UK Government. 2024. [Visa fees transparency data](#). London: UK Government.

<sup>9</sup> UK Government. 2023. [Changes to student visa route will reduce net migration](#). London: UK Government.

<sup>10</sup> Universities & Colleges Employers Association. 2024. [UCEA response to the Budget](#). London: Universities & Colleges Employers Association.

<sup>11</sup> Lewis, J., Mirza-Davies, J. and Cunningham, S. 2025. [Universities and the Teachers' Pension Scheme](#). London: UK Parliament.

<sup>12</sup> UK Government. 2025. [Higher education tuition fees for foundation years](#). London: UK Government.

<sup>13</sup> Higher Education Statistics Agency. 2025. [Who's studying in HE?](#). Cheltenham: Higher Education Statistics Agency.

<sup>14</sup> Medr. 2025. [Medr's Funding Allocations for Academic Year 2025/26](#). Cardiff: Medr.

<sup>15</sup> Welsh Parliament Economy, Trade and Rural Affairs Committee. 2025. [Apprenticeship pathways](#). Cardiff: Senedd Cymru.

<sup>16</sup> David, H. 2023. [Transitions to Employment: A Report for the Welsh Government](#). Cardiff: Welsh Government.

<sup>17</sup> Universities Wales. 2023. [Universities sound the alarm for research, innovation and skills in Wales](#). Cardiff: Universities Wales.

<sup>18</sup> UK Government. 2025. [Spending Review 2025](#). London: UK Government.

<sup>19</sup> Welsh Government. 2023. [Innovation strategy for Wales](#). Cardiff: Welsh Government.

<sup>20</sup> Reid, G. 2018. [Review of Government Funded Research and Innovation in Wales](#). Cardiff: Welsh Government.

<sup>21</sup> UKRI. 2025. [Research England funding budgets 2025 to 2026](#). Swindon: UKRI.

<sup>22</sup> Medr. 2025. [Medr's Funding Allocations for Academic Year 2025/26](#). Cardiff: Medr.

<sup>23</sup> Medr. 2025. [Higher Education Research Capital \(HERC\) Fund 2025-26](#). Cardiff: Medr.