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Simon Thomas AM
Chair, Finance Committee
National Assembly for Wales
Cardiff Bay,
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seneddfinance@assembly.wales

11 May 2018

Ref: CR/

Dear Mr Thomas,

Inquiry into preparations for replacing EU funding for Wales

On behalf of Cardiff University, please find below a response to the [inquiry](#) by the Finance Committee into preparations for replacing EU funding for Wales.

Cardiff University is an ambitious and innovative university with a bold and strategic vision located in a beautiful and thriving capital city. Our world-leading research was ranked 5th amongst UK universities in the 2014 Research Excellence Framework for quality and 2nd for impact. We provide an educationally outstanding experience for our students. Driven by creativity and curiosity, we strive to fulfil our social, cultural and economic obligations to Cardiff, Wales, and the world.

Our ambition is to be among the top 100 universities in the world and top 20 in the UK. Our [new strategy](#) sets out our strategic direction and focus on research, innovation, education and students, international and civic mission.

We have 31,595 students enrolled, representing over 130 countries, including from the EU. We have a world-leading research community with a strong and broad research base; our research contract awards have a total value of over £530m. We have won seven Queen's Anniversary Prizes and our researchers include two Nobel Prize winners.

Over the last few months, colleagues and I have read with interest the Welsh Government's Brexit papers on trade policy and regional investment. I welcome the Welsh Government proactive engagement with some of the major challenges facing our economy in light of the decision to leave the European Union.



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Overview

Support for higher education will be crucial if Wales and the UK are to make a success of Brexit. By securing an effective post-Brexit settlement, universities can continue to make a vital contribution to a successful, dynamic and internationally competitive country and continue to attract international talent.

Cardiff University is a key driver of economic and social prosperity in Wales. We are a global, outward-looking university with links to more than 100 countries, and we have a strong sense of civic mission. A 2016 report by London Economics¹ found that Cardiff University contributes nearly £3bn to the UK economy, with the University's contribution to the Welsh economy approximately £2.2bn in 2014-15. Generating £6.36 for every £1 it spends, Cardiff is positioned as a top five university within the 2014 Research Excellence Framework; our research tackles challenges of global significance while our students receive a student experience that is ranked among the best in the UK.

Whilst we welcome the progress that has been made to date by the UK Government on the transition deal, there is much which has yet to be negotiated. Those negotiations will be complex and there is a strong possibility that any agreement on Horizon 2020 and Erasmus+ will remain dependent on other matters being satisfactorily concluded as part of a package, which could delay matters such that we once more find ourselves under time pressure ahead of the effective full withdrawal from 2021. The university sector really needs to have such matters resolved a good 18 months ahead of time – in other words by mid-2019 at the latest – if we are not to be faced with another cliff-edge or at least a gap between the end of Horizon 2020 and Erasmus+ and their successor programmes. Bridging such a gap would be difficult and sub-optimal, and it could mean that we would find it difficult to engage with the successor programmes adequately when we do have access. On top of that are the related matters such as clinical trials and the data protection framework which could have a material effect on research. There is good will on both sides to address and resolve all these questions, and it does look now as if we should have sufficient time to do so, but much depends on the big issues being resolved during the course of the next six months or so.

The response below covers the following areas:

- 1) External Affairs Committee inquiry recommendations
- 2) Urgent clarification on replacement of European Structural and Investment Fund (ESIF)
- 3) Research funding, collaboration and networks
- 4) Status of EU students and staff
- 5) Erasmus+ and Student mobility
- 6) Cardiff City Region Deals

External Affairs Committee inquiry recommendations

We note the recent report² of the External Affairs Committee into Wales' future relationship with the EU, and we strongly welcome the following findings:

- **Recommendation 6.** We recommend that the Welsh Government seeks clarity from the UK Government on the timescales for moving to a future immigration system at the earliest opportunity in order to provide businesses and public sector bodies with much needed certainty on the recruitment issues that they may face in the future.
- **Recommendation 10.** If no agreement on Horizon 2020 and any successor programmes is reached between the UK Government and the EU, we recommend

¹ London Economics (2016) [The economic and social impact of Cardiff University: 2014-15 update](#), London: London Economics.

² National Assembly for Wales: External Affairs and Additional Legislation Committee (2018) [Wales' Future Relationship with Europe: part one - a view from Wales](#), Cardiff: National Assembly for Wales.

that the Welsh Government explores ways in which it could provide continued support for Welsh institutions to collaborate with European counterparts after Brexit.

- **Recommendation 11.** We recommend that the Welsh Government explores the potential for a new international student mobility programme after Brexit, and reports back to the Committee within six months.
- **Recommendation 12.** We recommend that the Welsh Government maps all existing EU networks, across all sectors, in which Welsh organisations play a role. The results of this mapping exercise should be published by June 2018.
- **Recommendation 13.** Following publication of the results of this mapping exercise, the Welsh Government should consult with stakeholders on the importance of these different networks, their benefits to Wales and which networks should be prioritised for access after Brexit. The consultation should be concluded by autumn 2018.
- **Recommendation 14.** We recommend that, based on the results of the consultation, the Welsh Government should set out plans for investing in Welsh participation in these networks, and consider the funding opportunities and implications for Welsh civil society to continue to collaborate with partners in key networks
- **Recommendation 17.** We recommend that the Welsh Government explores the opportunities for both governmental and non-governmental organisations in Wales to effectively engage with the EU and its institutions after Brexit.

We strongly urge the Finance Committee to consider endorsing and amplifying these recommendations as part of your own inquiry.

Urgent clarification on replacement of European Structural and Investment Fund (ESIF)

Wales receives almost **£2 billion in regional policy funding** which is used to support economic development in some of our poorest areas. The vote to for the UK to leave the European Union has left uncertainty over future programmes that involve EU funding.

Universities in Wales receive a significant amount of funding from European Structural Funds³, and this continues to provide vital investment and funding for projects and infrastructure that contribute towards economic and social growth in Wales. European Structural and Investment Funds have also played an important role in both innovation funding in Wales⁴, and private investment in research and development. High quality research and innovation are the bedrocks of a growth economy, and have knock-on benefits for all communities across Wales.

Urgent clarification is sought about how these funds will be sustained or replaced at a devolved level following the UK's withdrawal from the EU so that Welsh universities can continue to deliver the maximum economic and social impact in communities across Wales.

Should the UK look to establish a new regional development fund, such as the UK Shared Prosperity Fund in place of ESIF, it is imperative it allocates funding appropriately and on a similar needs-based system if it is to help rebalance the economy.

³ Around £240 million awarded to date to Welsh universities for the period 2014-2020, according to the Welsh Government [list of Approved Projects 2014-2020](#).

⁴ A key driver of innovation activity in England is the Higher Education Innovation Fund and, similarly, in Scotland the University Innovation Fund. There is no equivalent fund in Wales. £160m innovation funding is currently provided in England with a recent additional increase of £160m funding for knowledge exchange.

Research funding, collaboration and networks

Security is sought over the UK's continued access to and influence over Horizon 2020 and future EU research and innovation programmes focused on excellence, including FP9. Should such access prove to be impossible, a replacement scheme that will support collaborative international research must be secured.

Cardiff University believes that the overall level of spending on research and development needs to be maintained at least at current levels to preserve the capacity of UK science and research, and to maintain the UK's position as a world leader in this field. Research and innovation are global pursuits, reliant on ideas and people that are mobile across borders. It is not only the funds provided by the EU but also the networks and facilities made available to researchers. Continued collaboration in international networks is paramount if the UK is to maintain its standing as a leader in science and technology, and drive forward a culture of innovation.

If the UK Government secures continued access to Horizon 2020 and future EU research and innovation programmes such as the 9th Framework Programme (FP9), it will be important to ensure that we can continue to exert influence on the research programme and funding mechanisms.

If the UK Government cannot secure continued access, the government should make provision through uplift to the national science and research budget equivalent to the amount secured from Horizon 2020, recognising the UK as an existing net beneficiary from EU research programmes. The Government should consider building on existing mechanisms, such as the targeted Global Challenges Research Fund and the Newton Fund.

In the event that the UK no longer participates in European research funding mechanisms post-Brexit, the Government should ask UK Research and Innovation (UKRI) to propose alternative mechanisms such as an International Research Council in partnership with other leading countries with a substantial advanced science base.

If sufficient access to funding cannot be negotiated, or alternative long-term funding cannot be found, then we will lose not only a major and irreplaceable funding stream, but the equally important opportunities to engage in international research collaboration. Such collaboration is critical to excellent science and any reduction could cause lasting harm to the UK research effort.

The total value of future research income to Cardiff University from live FP7 and Horizon 2020 projects awarded up to 30 April 2017 amounts to £26.9m, with further applications to Horizon 2020 in the pipeline to the value of £18m. ERDF projects are worth an additional £39m with a further £7.5m of projects pending contract. An estimated further £10m of grant funding is currently in early stages of business planning. One significant recipient of this funding is the Cardiff University Brain Research Imaging Centre. Our other EU-led collaborative initiatives are supporting our researchers in upwards of 80 Horizon 2020 projects. Together with our remaining FP7 projects, these cover topics ranging from developing the next generation of renewable energy connectivity through to research into diabetes.

Status of EU students and staff

It is important to keep EU student numbers high in Wales, not just for universities in Wales, where they make up 4 per cent of all students, but also because they bring

diversity to our student body and support the local economy. A recent Universities Wales report⁵ found:

- The off-campus expenditure of students from the rest of the EU generated over £110 million of output in the UK (of which £83 million was in Wales).
- 934 full time equivalent jobs were generated in the UK (692 in Wales).
- EU students generated over £51 million of UK GVA (£37 million in Wales).

At Cardiff University, 16% of our academic staff and 5% of our students are EU nationals (10% of our research students are EU nationals). Our international students contributed £217m to the economy in 2014/15⁶. They are a long-term asset to cultural and trading partnerships of the UK. Many members of the public do not see students as migrants⁷, and a policy of cutting international students to reduce net migration does not therefore address concern about immigration.

Cardiff University are concerned that, **without mitigating action such as an EU scholarship or bursary, the worst-case scenario could see Wales lose 80-90 per cent of its current EU undergraduate students.**

We note the First Minister's recent announcement⁸ of a £50m EU Transition Fund to provide a "*combination of financial support and loan funding, and will support the provision of technical, commercial, export-related and sectoral-specific advice for businesses*". In addition, the fund will be designed to help "*employers retain and continue to attract EU nationals, who make a crucial contribution to Wales*". We believe there is a strong case for Welsh Government to provide dedicated support the form of bursaries or scholarships for undergraduate, postgraduate and research students from the EU post-Brexit.

- In the case of **undergraduates post-Brexit**, EU students stand to lose access to the student loan company and face a sharp rise in fees as they will be classified as international students. Currently, around 90 per cent of EU undergraduate students applying to study at a Welsh university are eligible for a loan. In addition, under the Diamond package being introduced for entry in 2018/19, EU students are no longer eligible for a tuition fee grant to mitigate the cost of their fees (this is worth £4,954 to continuing students), and nor are they eligible for the means-tested maintenance grants available to Welsh domiciled students. As a result they will have to pay the full £9,000 fee for the first time in 2018/19 although they will continue to be eligible for a loan through the Student Loan Company to cover their fees while the UK remains in the EU.

Undergraduate applications by EU students to Welsh universities have started to fall after reaching a high of 8,000 in 2016. For entry in 2017, 7,580 students from the EU applied to study at a Welsh University. This was a drop of 420 students or 5.3% on 2016. This contrasts with figures for the UK where a dip in applications for entry in 2017 appears to have been followed by a

⁵ Universities Wales (2018) [The Economic Impact of Higher Education in Wales](#), Cardiff: Universities Wales.

⁶ London Economics (2016) [The economic and social impact of Cardiff University: 2014-15 update](#), London: London Economics.

⁷ ComRes (2017) [UUK poll on British public's perceptions of international students](#), London: ComRes.

⁸ Welsh Government (2018) [£50m fund to help prepare Wales for Brexit](#), Wales: Welsh Government

recovery in 2018.⁹ For entry in 2017 the number of EU students applying to UK universities fell by 7 per cent, the first drop in almost a decade.

Scotland has already extended its pledge of free university tuition for EU students to the 2019-20 cohort. The move was announced on the 1 February. Scotland was able to do this as it has its own arrangements, separate from the Students Loans Company that covers England, NI and Wales.¹⁰

- In the case of **postgraduates post-Brexit**, this is an area also undergoing change as a result of the Diamond measures. By 2019/20, the full Diamond package will have been introduced. Postgraduate students normally resident in Wales will be eligible for a £1,000 grant and then up to £17,000 in either a grant or a loan - depending on means testing. Full details are not yet available, but it is supposed to be the same as for UG, ie. £9K (notional fee) loan + £1K grant + £8K (notional maintenance) loan/grant. It is not yet clear whether EU students would be eligible for the notional maintenance grants. UG students do not get maintenance grants but it is more difficult for those PGT students who have been living in Wales/UK for three years.

The arrangements will be administered by Student Finance Wales on behalf of the SLC. Post-Brexit, EU students will lose access to the SLC meaning that they will have to find all their living costs and their fees without any of the support they currently have from the Welsh Government.

Erasmus+ and Student mobility

Early assurance is needed on the continued access to Erasmus+, but if this should prove impossible or undesirable, a replacement Welsh or UK scheme that will allow our students to study, work and volunteer abroad must be secured.

In 2015/16, 18% of the University's home undergraduate students at Cardiff were internationally mobile¹¹. Many of these participated in the Erasmus+ programme, supporting the enhancement of students' personal development, inter-cultural understanding and linguistic abilities, as well many of the transferable skills sought by employers.

We believe that Brexit offers an opportunity to create a new international outward mobility programme that could replicate and perhaps improve upon the most successful elements of the Erasmus+. This would allow universities to continue valuable collaboration with EU partners and support compulsory periods abroad for modern language students, in addition to supporting wider internationalisation of education in Wales and the UK.

Cardiff City Region Deals

Assurances from both UK and Welsh Governments are needed on the EU funding component of the Cardiff City Deal, specifically the allocation of £106m of funding for the development of the Cardiff Capital Region Metro from the European Regional Development Fund.

⁹ Busby, E. (2018) "[Number of EU students applying to UK universities surges despite Brexit fears](#)", *Independent*, 5th February 2018.

¹⁰ Grove, J. (2018) "[Scotland confirms free tuition for EU students in 2019-20](#)", *Times Higher Education*, 1st February 2018.

¹¹ Internationally mobile are defined as home students who have studied, worked or volunteered abroad for at least a month during their time at Cardiff.

Cardiff University is involved in the Cardiff Capital Region City Deal, a £1.2bn agreement by UK Government, Welsh Government and the 10 local authorities of south-east Wales. It seeks to improve productivity and drive innovation. It expects to create 25,000 jobs throughout the region and attract £4bn worth of private sector investment.

We welcomed the joint commitment by the Secretary of State for Wales and the Cardiff Capital Region City Deal Joint Cabinet to ensure the programme for the region is successfully delivered and in full. UK Government has already announced a £50m investment to help develop the compound semiconductor (CS) technology of the future as part of the UK Government's City Deal investment. The University and Cardiff-based CS specialist IQE will spearhead the UK national 'catapult'. The 10 councils have recently agreed a £38m investment in a new state-of-the-art foundry for CS technologies, further supporting the development of a CS cluster in Wales.

The University's involvement is expected to go much further. The City Deal foresees the potential for investment in other areas in which the University is able to offer expertise, such as software development and cyber security, public service innovation, energy and resources, the creative sector, health and wellbeing, and the development of Cardiff Capital Region.

We are, therefore, seeking assurances from both UK and Welsh Governments on the status of the EU funding component of the City Deal, specifically the ERDF funding in pipeline projects, which includes approved funding for compound semiconductor investment and business support, and the allocation of the agreed £106m for the development of the Cardiff Capital Region Metro from the ERDF.

Conclusion

Cardiff University is committed to working with partners to navigate the best course for Wales and the rest of country as the United Kingdom exits the European Union.

Though the UK's exit from the EU will bring challenges, we are committed to seeking opportunities in the new world context. We want to continue to form productive collaborations across Europe and across the world.

I look forward to seeing the Committee's final report, and would be more than happy to contribute towards any discussions you may have on the points raised above. If you require any further information, please do not hesitate to contact me.

Yours sincerely,



Professor Colin Riordan
Vice-Chancellor