

The huge financial crisis facing Welsh universities requires a national conversation to ensure they survive

Can Wales afford four professional rugby regions or sustain 22 local authorities serving a population of just over three million in the face of significant budgetary cuts? These are well-worn questions, but whether there are three regions or four, the prospect of again dusting off previous [Welsh Government](#) maps and proposals for local government reorganisation is not on the agenda.

But what about Wales' eight universities? With many facing significant financial deficits, collectively spiralling north of £100m, voluntary redundancy rounds, and no guarantees that compulsory rounds will not follow, there is an urgent need for a national discussion on the purpose of Welsh universities.

Whether the outcome involves full-blown mergers, faculty closures where there is little added value, or the creation of new centres of excellence across universities and shared services, this national conversation needs to be instigated by the Welsh Government.

While private entities the role of our universities as major employers, centres of research and development, and drivers of spending from 150,000 students, is too important to the Welsh economy for the Welsh Government to bury its head in the sand—even if it doesn't have the financial resources to provide additional funding.

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Latest research from Universities Wales, the representative body for Welsh universities, and carried out by London Economics, shows that the annual impact of Welsh universities on the UK economy from teaching, research, and innovation activities, is estimated at under £11bn per year.

Data from the Higher Education Statistics Agency for 2022-23 shows a total student population in Wales of 154,000 (including the Open University), of which 19,720 were postgraduate. The number of foreign students was nearly 29,000, of which, following Brexit, only around 10% were from the [European Union](#). The staff number was just under 11,000, with [Cardiff University](#) the largest employer at more than 3,300.

Student spending alone in Wales, whether on accommodation, leisure and entertainment, or a late-night taxi, is substantial. The only positive, and this is a moot point, from a permanent decline in student numbers, is that it could encourage private landlords to bring much-needed housing stock onto the market for purchase.

Welsh universities are being guarded about projected deficits for 2024/25, as well as details on new student enrolments, both domestic and international. However, no good news is expected when the final figures from UCAS are crunched. There has been a precipitous fall in international students, in particular, with a softening in domestic student numbers as well.

Like many UK universities, Welsh higher education institutions had focused on chasing the lucrative foreign student market. However, the competition for foreign students – especially postgraduates, who are the most lucrative – is global. UK and Welsh institutions competing against countries like France,

Canada, and the US for students from locations such as China, India, and, more recently, Nigeria – although numbers of overseas students from the African country have reduced on the back of its ongoing economic difficulties.

The overseas market has become more challenging after the former Tory Westminster administration's decision in January to end visa rights for family members of postgraduate students. The new [Labour](#) government under Sir Keir Starmer has no plans to reverse the policy.

Even a relatively small drop in foreign students can significantly impact the cash flow of universities, which, even with favourable business rate reliefs, have significant staff and operational costs. Running physical campuses is expensive. For foreign students, the tuition fee cap of £9,250, which applies to domestic students (following a modest rise of £250 from the start of this academic year), does not apply.

Even if domestic tuition fees are allowed to rise in line with inflation, it will not be a financial saviour for universities. With growing concerns about graduates being unable to find employment commensurate with their degrees, an inflation-linked tuition model could deter young people from attending university.

Welsh universities do have significant liquid reserves (available cash), and there is no current suggestion that any are facing imminent insolvency. However, dipping into reserves is not a sustainable model if student numbers continue to decline.

[Cardiff](#) University, has just closed its voluntary redundancy scheme as part of measures to address a £30m shortfall. [Bangor](#) University last week that it is facing a £9m deficit on a 7% fall in UK undergraduates compared to last year and a calamitous 50% drop in postgraduate international students.

[Aberystwyth](#) University, which announced a £15m deficit back in the spring, has instigated two voluntary redundancy rounds, with the latest closing last month. [Swansea](#) University has confirmed that since launching a voluntary redundancy round earlier this year, which remains open, nearly 240 staff members have left the institution. Cardiff Metropolitan University also has a voluntary scheme.

The University of South Wales recently confirmed it is facing an increased deficit of £23m. It has reserves, but they are not expecting a return to the glory days of foreign student numbers anytime soon. Its vice-chancellor, Ben Calvert, said in a video update to staff: “We suspect that we may be 40 to 50% lower in our international student recruitment than last year. That’s a £20m to £23m challenge. It’s a significant income hit, and we don’t expect that to recover to previous levels because we are not expecting the Labour Government to reverse any of those policy changes. Therefore, our forecasts mean the institution will get smaller.”

The University of Wales Trinity Saint David (UWTSD) has also launched a voluntary redundancy scheme, although it has stressed that it is not university-wide.

In a statement, UWTSD said: “Educating students is the core mission of UWTSD. The University has over 16,720 students taught across six campuses and supported by around 1,635 members of staff. Our recent annual business planning review highlighted the need to renew our focus on our core mission of delivering education. While UWTSD has no plans to implement a university-wide voluntary redundancy scheme for all staff, it is not immune to the challenges facing the sector and will be looking to reshape its staffing arrangements.

“The university has begun this work and initiated its usual process to engage in dialogue with its recognised trade unions and affected staff, who have been provided with an opportunity to take voluntary redundancy. We do not have a target number

for take-up of the VR offer, and each application will be carefully reviewed on its own merits.”



Professor Wendy Larner has been appointed as the new Vice Chancellor of Cardiff university becoming the university's first female Vice-Chancellor in its 140-year history. Pic Jared Gray MUST CREDIT (Image: Jared Gray)

Wendy Larner, vice-chancellor of Cardiff University, highlighted in a recent staff update that eating into reserves isn't a viable long-term solution. She said: "Despite a small but welcome increase in tuition fees in Wales (£250), very little has changed over the last 12 months. Public finances remain tight, and other spending areas, understandably, remain a higher priority for our politicians. Cardiff is one of many universities adopting measures to mitigate financial pressures. We are facing a £30m operating deficit for the 2023/24 financial year.

“Had we not taken action mid-year, that deficit would have been far worse. While we are not in immediate financial difficulty -our reserves will cushion us in the short term -we cannot continue to use these reserves to cover operating costs. In short, we need to return to the point where our costs are lower than our income, and we are trying to do so within a broken funding system.”

It was not so long about that Cardiff was confident enough to raise more than £300m in bonds to expand its campus. Its innovation focused Spark campus building is now seeing administrative staff being moved into it from other university buildings as part of a rationalisation of its property estate – a far cry from its original purpose, but needs must.

The Welsh Government has said it hasn't been approached by any Welsh university seeking financial assistance. In a clarification letter to Llywydd Elin Jones, following comments in the Senedd, Minister for Further and Higher Education Vikki Howells said: “I would like to reiterate my statement in the chamber that we do not believe any Welsh institution is at risk of failure.” She added that the Welsh Government is looking at a “transition fund” for the sector, though it is at a very exploratory stage.

The last thing the cash-strapped Welsh Government wants, despite providing annual grant aid to universities of around £200m, is to provide financial lifelines to them. However, what exactly does the Welsh Government mean by “transition”? If it is to get off the sidelines, it needs to curate a new model for universities with buy-in from all stakeholders – not just the government and universities, but students and businesses.

We have seen university mergers in Wales before. However, the three-way merger driven by then Education Minister Leighton Andrews between the universities of Glamorgan, [Newport](#), and Cardiff Metropolitan only succeeded in combining Glamorgan and

Newport to create the University of South Wales. Cardiff Metropolitan, despite considerable political pressure, refused to give up its independence. It was a half-baked merger plan with no real thought beyond some notion of economies of scale, and no consideration of how it would boost the sector or create a research-rich university.

Size is not everything in education; the reality was that it was more of a takeover by Glamorgan of Newport, leaving Wales' third-largest city today with little in the way of a physical campus presence and the economic upside that brings from significant staff and student numbers.

The latest figures from the Higher Education Statistics Authority show that Aberystwyth University has the fewest liquidity days at 30 (there are English universities with fewer). Cardiff has 276 days, and the University of South Wales the most at 353.

For unrestricted reserves as a percentage of total income, Aberystwyth had the lowest rate at 48.2%. However, it is understood that its deficit has not widened since the spring. Its international student cohort is also more geographically spread and less dependent, like many other Welsh universities, on single locations such as Nigeria, China and India.

What would happen if a Welsh university became insolvent? In England, the Office for Students would have a role in finding alternatives for impacted students, but it wouldn't be easy. In Wales, it is not clear who would be responsible in the event of a university failure. It would be prudent to have a 'Welsh manual' in place, even if hopefully never needed.

Direct grant funding for universities in Wales now comes through the new body Medr, which has taken over the role of the former Higher Education Funding Council for Wales (HEFCW), but with added responsibilities for colleges. This year, its direct funding to universities is around £200m, and it

regularly assesses their financial viability.

Medr stated: “We will continue the institutional risk review process previously undertaken by HEFCW for universities and regulated further education colleges in 2024-25, although we will consider whether any immediate changes are required. The current inherited institutional risk review process is expected to remain in place until Medr’s new regulatory arrangements are implemented.

“We engage regularly with Welsh universities, both formally – through data returns- and informally, through frequent meetings with university finance directors. The last institutional risk review was undertaken by HEFCW in late spring/early summer of 2024, with previous reviews conducted in autumn 2023 and spring 2023.”

When asked to provide details on the number of risk letters issued to Welsh universities since 2022, triennial visits, and details on any decisions on raising or lowering the risk rating of any institution, it said: “In 2020, HEFCW published its decision to take a risk-based approach to institutional assurance as a result of the pandemic and its transition to Medr. This allowed HEFCW to continue engaging with providers outside the formal framework of triennial institutional visits, though one visit was undertaken in 2022 and another in 2023.

“HEFCW also increased its engagement, requests for assurance, and requests for information in some areas depending on potential risks identified. This was informed by the institutional risk review (IRR). IRR letters continued to be sent to regulated institutions until HEFCW’s dissolution. Medr does not provide confidential or commercially sensitive information about individual institutions as part of our institutional risk review process.”

There can be a sustainable and brighter future for

universities in Wales, but they cannot continue, as Cardiff's vice-chancellor rightly concludes, by merely raiding reserves and 'salami slicing' budgets.

The national conversation needs to build on strengths, while being honest about areas that are no longer viable. Cardiff, as the leading institution in Wales, can do more to secure lucrative research council funding and other sources of innovation funding. There is potential for one aligned business [school](#) across Wales.

One area where savings can be made is through a shared services approach higher education institutions.

Our universities can and should do more in terms of graduate entrepreneurship and spinout businesses. Swansea has the potential to become a leading university aligned to the skills and research needs of the renewables sector, Bangor can build on its marine expertise, with Aberystwyth becoming a centre of excellence in learning in areas like Celtic studies.

Agreeing on a new sustainable model for the sector won't be easy and may require closures in some areas. However, Wales urgently needs to engage in that conversation in the spirit of 'better to act than to be acted upon.'