



CYMDEITHAS DDYSGEDIG CYMRU THE LEARNED SOCIETY OF WALES

Response to the Senedd Finance Committee's inquiry into the Welsh Government draft budget 2023–24 18 November 2022

1. The Learned Society of Wales is the national academy for arts and sciences. Our Fellowship brings together experts from across all academic fields and beyond. We use this collective knowledge to promote research, inspire learning, and provide independent policy advice.
2. We welcome the opportunity to submit information to the Senedd's Finance and Children, Young People and Education Committees in advance of Welsh Government tabling its draft 2023-24 budget proposals later this year.
3. We appreciate that high inflation, the cost-of-living crisis, and tightened budgets necessitate difficult funding decisions, but research, development and innovation funding is not a luxury – it is a proven lever for economic growth and the activities it supports contribute to finding solutions for the significant challenges that society faces.
4. Higher education institutions are a crucial part of the research ecosystem of Wales. In 2019, Welsh higher education contributed 41% of Wales' investment in R&D, and 3.6% of UK higher education R&D expenditure. The institutions have a crucial role in delivering the ambitions of the UK R&D Roadmap, and the forthcoming Innovation Strategy for Wales, including bringing together industry and others to develop and deliver regionally based excellence-driven innovation, skills training, and knowledge creation.
5. In addition to creating tens of thousands of jobs and stimulating substantial economic activity across the country, the Higher Education sector contributes to the wider enrichment of culture and civil society and is a significant driver of social mobility by reducing inequality. Research from Welsh universities generates ideas and inventions which make a difference to people's lives in Wales, the UK and the rest of the world – from addressing climate change, reducing emissions and increasing sustainability and resilience, to tackling urgent health issues and the issues posed by an ageing population. The REF2021 exercise found that 89% of the research impact case studies submitted from Wales has an impact that is world-leading or internationally excellent.¹ In the spring of 2023, the Society will be publishing an in-depth analysis of the research impacts.
6. Welsh Government's budget for 2023-24 should recognise the vital importance of Quality Related funding (QR). The QR block grant is a basic building block for research activity across all disciplines and is part of the crucial 'dual support' system enabling universities and researchers to compete to access large grants from UK (and, association to Horizon permitting, European Research Councils). It is the investment that ensures that Welsh universities have the capacity and agility to compete with universities across the UK for a share of research investment from UK Research and Innovation (UKRI). This potential source of funding, that would bring funding back to Wales, is growing.

¹ Research impact is 'an effect on, change or benefit to the economy, society, culture, public policy or services, health, the environment or quality of life, beyond academia'.

7. The UK government has committed to protecting the growth of research and innovation investment. HM Treasury's Autumn Statement 2022 saw the UK Government recommit to investing £20 billion a year by 2024-25 in Research and Development activity, representing an increase in spending of 35% from the 2021-22 levels. UKRI budget allocations for 2023-24 to 2024-25 totals in excess of £17.2 billion. In 2020-21, UKRI invested £125 million in the Welsh research and innovation sector, roughly 1.4% of the total allocation.² It is therefore it is crucial that sufficient levels of funding are invested by the Welsh Government to ensure competitiveness.
8. Core funding allocations in the Welsh sector have lagged behind the rest of the UK in the past. Additional one-off funding in 2021-22 saw Wales catch up with other nations, but in 2022-23, QR and the Research Wales Innovation Fund have seen no real-terms uplift, and remain at £81.7 million and £15 million respectively. In England, Research England has increased the QR budget by 10% for the current financial year, and has confirmed a further 10% rise for 2023-24; the Higher Education Innovation Fund (HEIF) has also increased by 13% in 2022-23. Higher Education research in Wales needs to remain competitive with that in England, in order to draw down funding from UK-wide funding rounds.
9. The continuing uncertainty regarding the replacement of EU funding, including structural funds is a major concern for Higher Education in Wales. Structural funds have supported the development of research capacity from a comparatively low base – in terms of both talent and infrastructure – and have increased Wales's collaborative potential. The UK Shared Prosperity fund does not as yet offer an equivalent replacement programme of funding, and the lack of progress on association to Horizon further adds to the funding insecurity. This makes core funding even more crucial to help maintain Wales's research base.
10. **Welsh Government must ensure that competitive levels of core QR and innovation funding are provided to facilitate the sector to secure additional investment to further develop Wales' research capacity and research impact.**

We would be pleased to speak further about our response. Please contact [REDACTED] Policy and Public Affairs Manager

²<https://public.tableau.com/app/profile/uk.research.and.innovation.ukri/viz/GeographicalDistributionofUKRISpendin2019-20and2020-21/UKRISpend>