

Overview

- i. Cardiff University is an ambitious and innovative university with a bold and strategic vision. 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, the UK, and wider world.
- ii. We would encourage the Finance Committee, as well as others in the Senedd, to scrutinise the extent to which the Welsh Government's draft budget for 2022–23 supports research and innovation. The matter covers several priority areas that the committee identified in its call for information for this inquiry, namely the post-EU support needed for businesses, economic growth and 'building back better'.¹
- iii. Specifically, the committee should consider the extent to which the draft budget allows the Welsh Government to deliver the unfulfilled recommendations of the Diamond and Reid reviews.^{2 3} The extra £2.5bn per annum from the UK Government's Comprehensive Spending Review provides space for these recommendations to now be implemented at pace.

1. How do you think Welsh Government priorities for 2022-23 should change to respond to COVID-19?

- 1.1 The economic effects of the COVID-19 pandemic, as well as the inequalities it exposed, make it essential that the Welsh Government boosts the capacity for research and innovation in Wales. An immediate priority should be implementation of the unfulfilled recommendations of the Diamond and Reid reviews:
 - Maintaining quality related (QR) research funding to preserve academic autonomy.⁴
 - Increasing HEFCW's innovation and engagement funding to £25m per annum (it is currently £15m).⁵
 - Creating a £30m Future of Wales Fund, rewarding institutions that attract investment into Wales.
 - Establishing a £35m St David's Investment Fund for innovation competitions and hubs.
- 1.2 The Fifth Senedd's Economy, Infrastructure and Skills Committee supported the implementation of these recommendations as a matter of urgency in its legacy report.⁶ Despite accepting the committee's request in principle, the Welsh Government's response was unclear as to whether it would proceed in full.⁷ The response, as well as other statements, pointed to the UK Government's plans for post-EU regional development funding as casting doubt on Reid implementation.^{8 9 10}
- 1.3 However, this should not be the case – Reid clearly included spending commitments for the Welsh Government with and without control of replacement EU funds; it was a £176.75m total with control and £241.75m without.¹¹ Given current trends in Westminster, we advocate that the £176.75m be delivered.

¹ Welsh Parliament Finance Committee. 2021. [A call for information – Welsh Government Draft Budget proposals for 2022-23](#). Cardiff: Senedd Cymru.

² Diamond, I. 2016. [The Review of Higher Education Funding and Student Finance Arrangement in Wales](#). Cardiff: Welsh Government.

³ Reid, G. 2018. [Review of Government Funded Research and Innovation in Wales](#). Cardiff: Welsh Government.

⁴ Russell Group. 2021. [Underpinning our world class research base: the importance of 'QR' funding](#). London: Russell Group.

⁵ Higher Education Funding Council for Wales. 2021. [HEFCW's Funding Allocations 2021/22](#). Caerphilly: Higher Education Funding Council for Wales.

⁶ Welsh Parliament Economy, Infrastructure and Skills Committee. 2021. [Long-term recovery from COVID-19](#). Cardiff: Senedd Cymru.

⁷ Welsh Government. 2021. [Welsh Government response to the Economy Infrastructure and Skills Committee Long-term recovery from COVID-19](#). Cardiff: Senedd Cymru.

⁸ Ibid. p. 7.

⁹ Senedd Cymru. [W082855 \(e\)](#). Cardiff: Senedd Cymru.

¹⁰ McIntyre, F. 2021. [Welsh government 'committed' to Reid R&D review](#). London: Research Professional.

¹¹ [Review of Government Funded Research and Innovation in Wales](#). p. 64.

- 1.4 The Welsh Government's response also stated that "HEFCW is working with Universities Wales on a further coordination initiative to aid capture of competitive funding".¹² It is true that HEFCW and Universities Wales are collaborating on such matters, with Professor Reid having produced an entirely separate report on how Welsh universities can best make use of their strengths.¹³ However, Reid's work for Universities Wales in no way obviates or negates the implementation of the Welsh Government-commissioned and -backed Reid review.
- 1.5 The Minister for the Economy repeated the claim regarding EU funding and the Reid review in plenary on 19 October 2021, indicating that universities now accept that the UK Government's plans for regional development funding mean that the "headline from the Reid review is going to need to be pared back".¹⁴ We want to confirm that Reid provided two sets of spending recommendations, one if the Welsh Government had full control of replacement funding and one without. We would expect the latter now to be implemented, especially given the new headroom in the Welsh Government's budget.
- 1.6 We believe that the 2021 Comprehensive Spending Review provides the Welsh Government with sufficient resource to fulfil the recommendations. The UK Government issued a press release promoting the review and concomitant budget as delivering "the largest annual funding settlement to Wales since devolution".¹⁵ This is based on £18bn per year for the Welsh Government, which is a figure boosted by £2.5bn each year because of the Budget. Before the Spending Review, the Wales Governance Centre said there was an improved fiscal outlook.¹⁶ After its publication, the Centre portrayed it as a boost to the Welsh budget and demonstration of the importance of tax devolution.¹⁷ This new headroom allows the Welsh Government to fully implement the recommendations of the Reid review.
- 1.7 The First Minister recently issued a written statement regarding the Welsh Government's five priorities for research, development and innovation.¹⁸ They are to:
- Ensure Wales has a fair share of available research, development and innovation funding, with the Welsh Government working "to secure funding levels at least equivalent to those [Wales] received historically, via the European Union" and "to address historic underfunding from both competitive and non-competitive UK investment sources".¹⁹
 - Deploying research, development and innovation capacity with a focus on climate change, environmental recovery and decarbonisation.
 - Building research, development and innovation capacity in health and life sciences, while ensuring Wales is a full partner in delivering the UK Life Sciences Vision.
 - Cross-government innovation strategy with a particular focus on impact.
 - Next phase of Sêr Cymru.
- 1.8 While much of this is to be welcomed, the exact wording of the first priority is a cause for concern. It again signals the end to the Welsh Government's ambitions to deliver all of Professor Reid's recommendations on research and innovation in Wales. The new focus is only to help Wales reach levels of R&D it used to achieve via the EU. It should be noted that the Reid review was commissioned before the UK left the EU, meaning the uplifts Professor Reid recommended were needed before regional development funding ceased. Setting a target to returning to EU levels is insufficient.
- 1.9 As to the amount required, we believe the Welsh Government is still c. £63.5m per year short of its accepted Reid commitments.

¹² Welsh Government response to the Economy Infrastructure and Skills Committee Long-term recovery from COVID-19. p. 7.

¹³ Reid, G. 2020. *Strength in Diversity: Exploring opportunities for collaboration in research and innovation between universities in Wales*. Cardiff: Universities Wales.

¹⁴ Senedd Cymru. 2021. *Statement by the Minister for Economy: Moving the Welsh Economy Forward*. Cardiff: Senedd Cymru.

¹⁵ UK Government. 2021. *Record £18 billion a year for Wales in Budget*. London: UK Government.

¹⁶ Ifan, G. 2021. *Welsh Budget Update: Outlook ahead of Spending Review 2021*. Cardiff: Wales Governance Centre.

¹⁷ Ifan, G. and Siôn, C. 2021. *UK Government Budget and Spending Review 2021: Implications for Wales*. Cardiff: Wales Governance Centre.

¹⁸ Drakeford, M. 2021. *Written Statement: Five priorities for research, development and innovation*. Cardiff: Welsh Government.

¹⁹ Ibid.

Table 1: Difference between Reid recommendations and current allocations

Stream	Reid (£m) ²⁰	2021/22 allocation (£m) ²¹	Difference (£m)
QR	71	81.7	10.7
Postgraduate research	8.75	6.2	-2.55
Sêr Cymru	6	5.7 ²²	-0.3
HEFCW innovation and engagement	25	15	-10
Learned Society of Wales	1	0	-1
Future of Wales Fund	30	0	-30
Welsh Government innovation	10	4.7 ²³	-5.3
Innovation hubs	10	0	-10
Innovation competitions	15	0	-15
Total	176.75	113.3	-63.45

1.10 It is not possible to model institutional shortfalls for each funding stream (e.g., innovation competitions) but the following provides a guide:

Table 2: Difference between Reid recommendations and current allocations for HE

University	HEFCW innovation and engagement (£m)		Future of Wales Fund (£m)		Difference (£m)
	Reid	2021/22 allocation ²⁴	Reid	2021/22 allocation ²⁵	
Aberystwyth	2.83	1.70	2.72	0	-3.85
Bangor	3.53	2.12	2.76	0	-4.16
Cardiff	4.07	2.44	15.32	0	-16.92
Cardiff Met	2.30	1.38	0.32	0	-1.25
Glyndŵr	1.82	1.09	0.08	0	-0.81
OU Wales	0.9	0.54	0	0	-0.33
Swansea	4.45	2.67	8.01	0	-9.81
USW	2.10	1.26	0.74	0	-1.61
UWTSD	2.98	1.79	0.04	0	-1.24
Total	25	15	30	0	-40

2. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on any of the areas identified, particularly in light of the COVID-19 situation and how these should be reflected in the 2022-23 budget?

- How resources should be targeted to support economic recovery and what sectors in particular need to be prioritised.
- To what extent alleviating climate change should be prioritised in supporting economic recovery.
- How resources should be prioritised to address the pressures felt in sectors that need to “catch-up”, such as Health and Education.
- Welsh Government policies to reduce poverty and gender inequality.
- Approach to preventative spending and how is this represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).
- Sustainability of public services, innovation and service transformation.
- How evidence is driving Welsh Government priority setting and budget allocations.
- How the Welsh Government should use taxation powers and borrowing.
- What specific support is needed in the budget for businesses, economic growth and agriculture, related to post EU transition.

²⁰ Ibid.

²¹ All figures from HEFCW 2021/22 allocations, unless otherwise stated.

²² Welsh Government. 2020. [Welsh Government Draft Budget 2021-22: Ministers' written evidence to Senedd scrutiny committees on allocations within each MEG](#). Cardiff: Welsh Government.

²³ Total of lines marked “innovation” in the Welsh Government’s budget. See: Welsh Government. 2021. [Final Budget 2021 to 2022](#). Cardiff: Welsh Government.

²⁴ Calculated *pro rata*.

²⁵ Calculated by dividing £30m in accordance with average share of Wales’s last five years’ research income. See: Higher Education Statistics Agency. [What is the income of HE providers?](#). Cheltenham: Higher Education Statistics Agency.

- **What are the key opportunities for Government investment to support 'building back better' (i.e. supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations Act)?**
- 2.1 Implementing the Reid recommendations, as outlined in previous section, is the kind of support that is needed for businesses and economic growth post-EU, as well as a means of 'building back better'. Wales's research base was critical in supporting the nation's response to COVID-19 and will be vital in preparations for future pandemics and crises – a point that the Chief Medical Officer recognised when examining lessons from the pandemic.²⁶ A similar argument was made by the Fifth Senedd's Cross-Party Group on Medical Research, who called for the Reid review to be fully implemented to support Welsh research in achieving its potential.²⁷
 - 2.2 Research and innovation funding is also a form of preventative spending – investing in fundamental research now will deliver the kind of future economic growth and social innovations that reduce pressures on the Welsh Government's budget. For example, the University has three projects underway in Abercynon, Llanelli and Brecon that focus on 'social prescribing'. All three are intended to tackle mental health challenges, which is one of the key healthcare challenges. The projects are intrinsically valuable, but also have benefits that could be considered 'preventative' e.g., reducing demand and costs. Another example is the University's work with the Cardiff Capital Region in designing and delivering the Innovation Challenge Fund programme. The first challenge underway is simulation technology health care training, which is seeking innovations from the private sector.²⁸
 - 2.3 Efforts are also underway to establish a Data Nation Accelerator and a Net Zero Wales R&D consortium (the latter is led by both Cardiff and Swansea University). These are the kind of initiatives that should be prioritised post-COVID, ensuring Wales is both resilient and keeping pace with the ambitions outlined in both the net zero strategy and the recent co-operation agreement between Welsh Labour and Plaid Cymru.^{29 30}

²⁶ Atherton, F. 2021. [Protecting our Health: our response in Wales to the first phase of COVID-19](#). Cardiff: Welsh Government.

²⁷ British Heart Foundation. 2021. [The Cross Party Group on Medical Research](#). London: British Heart Foundation.

²⁸ Cardiff Capital Region. 2021. [CCR introduces inaugural £400k Innovation Challenge Fund for simulation technology health care training](#). Cardiff: Cardiff Capital Region.

²⁹ Welsh Government. 2021. [Net Zero Wales](#). Cardiff: Welsh Government.

³⁰ Welsh Government. 2021. [The Co-operation Agreement: 2021](#). Cardiff: Welsh Government.