

Tŷ Afon, Ffordd Bedwas
Bedwas, Caerffili,
CF83 8WT

029 2085 9696

Tŷ Afon, Bedwas Road
Bedwas, Caerphilly
CF83 8WT

www.hefcw.ac.uk

Cyngor Cyllido Addysg
Uwch Cymru
Higher Education Funding
Council for Wales

hefcw

28 April 2022

Peredur Owen Griffiths MS
Chair, Finance Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

Senedd Cymru / Welsh Parliament
Y Pwyllgor Cyllid / Finance Committee
Trefniadau ariannu ar ôl gadael yr UE / Post-EU funding
arrangements
PEU 06 Cyngor Cyllido Addysg Uwch Cymru / Higher Education
Funding Council for Wales

Dear Mr Griffiths

Consultation: Post-EU funding arrangements

HEFCW welcomes the opportunity to respond to the Finance Committee's inquiry into funding following the UK's exit from the EU. Our response is from the perspective of our role as the public body operating between Welsh Government and higher education providers. We regulate and provide funding for higher education teaching and research, and apply our influence and expertise to help deliver Welsh Government priorities for higher education that also have wider societal and economic benefits.

Background

European Investment and Structural Funds administered by the Wales European Funding Office (WEFO) have been central in supporting research and innovation in universities in Wales, underpinning activity ranging from capital provision (buildings and equipment); access to specialist facilities and expertise for SMEs; collaborative research; provision of specialist training; and graduate work experience. Wales received over £2bn from structural funds since 2000, with universities the third largest recipient of this total.

The loss of access to these funds therefore has significant consequences for the future of research and innovation in Wales, with a knock-on impact on the economic prosperity and social wellbeing to which research and innovation are critical. Association with various EU funding programmes has led to significant research and societal impact and strong, established research collaborations. We need to build on these successes, further develop these collaborations and protect and expand on all that has been achieved over recent decades. Our response below focuses on the implications for research and innovation in universities of what is currently known about post-EU funding arrangements. We have provided links to other documents which provide additional information, context and evidence.

Mr Rob Humphreys
Cadeirydd | Chair

Dr David Blaney
Prif Weithredwr | Chief Executive



Our response is framed in the context of our recently published refreshed [Research and Innovation: The Vision for Wales](#). The Vision was updated in February 2022 to recognise the changes in the external environment since its original publication in 2019, including increasing clarity over the place of funding for research and innovation in UK post-Brexit policy decisions. The Vision sets out short-term goals, medium-term milestones and long-term ambitions for maintaining and excellent research base that supports innovation that boosts productivity, is global in perspective, collaborative and has a strong sense of place. HEFCW's first [annual report against the Vision](#) sets out the progress that has been made towards achieving this, including a series of indicators which compare the performance of universities in Wales to the rest of the UK. While significant progress has been made since 2019, our response to the areas of interest of the Committee's inquiry below highlights potential challenges to maintaining this momentum and ongoing delivery of the Vision for the benefit of Wales.

Progress in establishing and delivering replacement funds for EU structural funds, including the UK Shared Prosperity Fund; the Community Renewal Fund; and the Levelling Up Fund

As further framing to progress in establishing these funds, we would note that the Welsh Government's Regional Investment in Wales Framework was launched in November 2020, to guide decision making following the UK's departure from the EU. [HEFCW's response](#) to the consultation on the Framework supported the idea of strategic co-ordination at a national level which the Framework seeks to achieve. We welcomed the focus on investment in skills development to build a high value modern economy which is diverse and inclusive, but encouraged further recognition of the valuable contribution higher education providers in Wales make to community-based activities through their strong focus on place. We also highlighted that a strong research and innovation base should underpin each of the four key priority areas for investment and that it was essential that research and innovation capacity, including expert staff resources, was not lost to Wales in the period of transition to post-Brexit arrangements.

The Levelling Up white paper includes a national mission on research and development (R&D), which undertakes to increase public investment in R&D outside the greater south east region of England by at least 40 per cent by 2030, with a commitment from the Department for Business, Energy and Industrial Strategy to invest at least 55 per cent of their domestic R&D funding outside the region by 2024-25. Other UK government departments have also undertaken to spread their research funding more widely across the nation. This will bring opportunities for research and innovation in Wales.

However, these funds will be allocated primarily on a competitive basis, and therefore our universities need to be able to compete effectively in order to secure a significant return for Wales. HEFCW will continue to work with the higher education sector and colleagues in Welsh Government to support researchers in this transition towards a reconfigured funding landscape, as requested in our recent [remit letter for 2022-23](#). We are clear that the excellence needed to achieve success in competitive grant schemes needs to be underpinned by a strong and sustainable research and innovation base, supported by consistent levels of core funding, which [HEFCW allocates](#) via its QR (Quality Related) and Research Wales Innovation Fund streams.

In contrast, the UK Shared Prosperity Fund makes very limited reference to the role of research and innovation, and of higher education more generally, in delivering the UK Government's commitment to level up all parts of the UK. This is disappointing, as EU funding has previously enabled Wales to develop strong partnerships and a broad range of international research operations that have successfully addressed many key societal challenges, such as climate change, food security, carbon reduction and promoting the circular economy. Moreover, Wales was not selected for a new innovation accelerator, which are due to attract £100m investment as part of the Levelling Up agenda.

How the funding proposed for Wales and funding received via continued UK participation in EU programmes compares to the funding received while the UK was a member of the EU

The Trade and Co-operation Agreement between the EU and the UK on their future relationship was agreed at the end of 2020. This confirmed UK participation in most of the Horizon Europe programme but also that the UK would not participate in the next Erasmus mobility programme. Horizon Europe, the new European research and innovation programme, officially started on 1 January 2021, but as yet the UK's association to the programme, which is necessary to enable full participation, has not been agreed. While the UK Government has announced a guarantee for successful applications made to Horizon Europe agreed by 31 December 2022, which provides welcome security of funding, UK researchers are increasingly finding that European partners are less willing to involve them in collaborations because of the uncertainty about the UK's position in the programme in the longer term. As well as potential loss of grant income for the UK, this has a wider impact on the relationships, collaborations and networks which are crucial to successful research and innovation.

Attracting and retaining research and innovation talent is crucial. There is an urgent need to retain the expertise currently connected to EU-funded research and innovation projects in Wales and provide an opportunity to build on that capacity, ensure that it is maintained and develops further. Previously, EU programmes such as the European Research Council and Marie Skłodowska-Curie Actions have enabled international world class researchers to relocate to, and conduct their research in the UK. Should association to Horizon Europe and hence continued access to these schemes not be achieved, any UK replacement would have to ensure they are perceived on par with the EU schemes in terms of reputation and prestige, or the UK will be unable to attract the very best researchers to apply.

Sêr Cymru has been a successful multi-million pound funding programme bringing scientific talent into research posts in Wales, focussing on three challenge areas: life sciences and health; low carbon, energy and environment; and advanced engineering and materials. Funding from EU structural funds and Horizon 2020, with match funding provided by Welsh universities, Welsh Government and HEFCW for Research Chairs, National Research Networks and early to mid-career researchers has attracted talent into Wales. Discussion is ongoing regarding the long term future of this scheme.

The allocation by Welsh Government of £65m over five years to 2027 for the Taith mobility scheme as an alternative to Erasmus is very welcome, in particular the support for both inward and outward mobility for researchers as well as students.

The mechanisms and structures being established to administer those funds in Wales, the roles of those involved, in particular the Welsh and UK Governments, and the consequent impact on accountability arrangements

Devolved responsibilities for research and innovation in Wales and the UK Government's responsibility to the devolved regions can often overlap. Clarity and cooperation is key to identifying synergies and opportunities for collaboration while avoiding duplication. We have previously supported the UK Government's commitment in its [R&D Roadmap](#) to work more closely with the devolved administrations, UK Research and Innovation (UKRI), other funders and representatives of local bodies to deepen the relationships between national and devolved bodies and local areas to better inform the development and delivery of both national, devolved and local economic growth plans. We have also welcomed the commitment to review the geographical balance of decision-makers and advisory boards. We recommended early engagement and collaboration with devolved nations in any new funding strategies and/or potential funding streams, so that nations like Wales with a strong need to increase research and innovation activity can be a part of shaping solutions and align them with devolved priorities. Recognition that local economies in different parts of the UK require different solutions is vital, such as the high proportion of SMEs within Wales.

Large scientific facilities and research centres can reinforce regional inequalities where there is a risk that the economic benefits of knowledge spillover are highly localised. Capital investment to create state-of-the-art facilities, labs and equipment is a draw for the most talented researchers to carry out world-class research. It will be crucial therefore that the implementation of the findings of Sir Paul Nurse's independent review of the Research, Development and Innovation Organisational Landscape is supported by an advisory and governance structure that adequately reflects all parts of the UK.

Collaboration and partnership is central to both the impact achieved from EU funding for research and innovation, and to enabling the Welsh research base to compete successfully in the reconfigured UK funding landscape. Following Professor Graeme Reid's report for Universities Wales, [Strength in Diversity](#), HEFCW has provided funding to enable the creation of the Wales Innovation Network (WIN). Through WIN, universities will seek to build on their diversity to create partnerships with each other and with public authorities, businesses and charities which offer additional competitive strength.

HEFCW's *Vision* identifies "continued engagement with European and international structures, working with Welsh Higher Education Brussels [WHEB] and adapting to the changing research and innovation context" as a key ongoing goal. WHEB has promoted Welsh research excellence, supported Welsh universities to access EU networks and collaborative opportunities, and brokered strategic international relationships. Such 'national/regional office' infrastructure is invaluable in supporting international collaborations and enabling access to new international collaborative opportunities.

The amount of legacy funding that Wales is due to receive following the UK's exit from the EU and associated with EU structural fund programmes

We have no comment to make on this point.

Our response has focused on the implications of the UK's exit from the EU for the funding of research and innovation. However, we also wish to bring to the Committee's attention that HEFCW has recently published a consultation on proposed arrangements for HEFCW to allocate funding to continue [to support the employability of students from groups under-represented in higher education](#), currently provided through the European Social Fund (ESF) funded GO Wales: Achieve through Work Experience programme. It is intended that this new scheme will be funded from HEFCW's grant-in-aid from Welsh Government at a scale of £2m per year, subject to HEFCW's overall budget, and the creation of the [Commission for Tertiary Education and Research](#).

Contact details

For any queries relating to this response, including requests for underpinning data, please contact Harriet Barnes, Director of Policy and Funding,

[REDACTED]

Yours sincerely



David Blaney