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Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Paul Davies MS
Chair
Economy, Transport and Rural Affairs Committee

26 June 2024

Dear Paul,

Thank you for your letter of 7 May, and for providing me with a copy of the Economy, Trade and Rural Affairs Committee report on Research and Development. I am grateful for the Committee's work on this and attach the Welsh Government's response to the individual recommendations.

Yours sincerely,

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Cabinet Secretary for Economy, Energy and Welsh Language

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Written Response by the Welsh Government to the Economy, Trade and Rural Affairs Committee's report entitled *Research and Development*

Recommendation 1 - The Welsh Government should carry out, or commission, a review into the level of Quality Related funding provided to Welsh institutions, to determine the amount required for them to best carry out research and compete for external funding. The review should take the Diamond and Reid reviews into account and consider equivalent funding levels in England, Scotland and Northern Ireland.

Response: Reject

The Welsh Government has passed legislation to establish the Commission for Tertiary Education and Research (CTER). The Commission has a statutory duty to promote research and innovation. We have also issued a Statement of Strategic Priorities which the Commission is expected to achieve over the next five years. These include:

- promote collaboration to drive excellence in research and innovation, and develop measures for research performance so that outputs meet the country's needs;
- Develop a culture of innovation and engage in mission-based collaboration with business, industry investors and government that contributes to the economy and society.

The Commission will be responsible for the distribution of Quality Related (QR) funding, including associated enhancements linked to the Research Excellence Framework (REF). CTER becomes operational in August 2024 and will submit its Strategic Plan to Government in December 2024. CTER also has the ability to undertake analysis, and make a case to Welsh Ministers for additional funding, including QR.

Recommendation 2 - The Welsh Government should undertake more analysis of the spread of R&D funding across Wales in order to fully understand the national picture, and look at fostering partnerships or other specific funding initiatives outside the areas where successful innovation clusters already exist.

Response: Accept

There is a data sharing agreement in place between Innovate UK and Welsh Government which enables us to access data, over and above that which is in the public domain, on applications submitted for RD&I funding. Using this, and other datasets, we are planning to undertake further analysis on the regional spread of funding, as part of our review and evaluation activities for our Innovation Strategy, Wales Innovates.

We already have a collaborative plan with Innovate UK, aimed at leveraging increased RD&I funding into Wales, through strengthening our investment propositions. An example of joint working is a specific funding initiative for launchpads in South West and Mid and North regions, which are aimed at supporting, and further developing, clusters of small and medium enterprises in the areas of Net Zero and Agri-Food. The Welsh Government supported the development of these proposals, that were led in region by Local Authority, Academic and regional actors, such as City and Growth Deals.

Recommendation 3 - The Welsh Government should work with partners on a communications plan to highlight the impacts and benefits of publicly-funded research and innovation to a wider range of audiences in Wales, to raise awareness of how business and academia are collaborating on major innovation challenges and increase engagement and participation in R&D, starting with schools but reaching a range of audiences creatively.

Response: Accept

Improving communication on the opportunities for innovation, and the benefits was a key theme from the engagement and consultation for Wales Innovates, our innovation strategy. We will develop a communications plan, in partnership with the wider ecosystem, to further raise awareness of the impacts and benefits of publicly-funded research and innovation in Wales.

Recommendation 4 - The Welsh Government should look at what further support can be provided to SMEs: including to help them with the UKRI bidding application process, address issues relating to procurement and match funding; and to clearly signpost all the various funding streams and the help available to access them.

Response: Partially Accept

Welsh Governments Innovation Team provides one to one, and one to many support to SMEs and other organisations in Wales to raise awareness of, and develop proposals to, relevant UKRI funding competitions. Support includes identifying collaborative partners, match funding opportunities, developing strong proposals and, where required, providing letters of support. We accept that further support could be provided and will be considering ways in which we can expand and further raise awareness of the support on offer.

We partially accept the recommendation to address issues relating to procurement and match funding. All UK public authorities, including UK and Welsh Government, are required to ensure their funding complies with the terms of the Subsidy Control Act 2022. Funding for RD&I is subject to the maximum limits of the relevant subsidy compliance pathways currently in place. We will review our approach to match funding, and potential options for greater flexibility, however the regulation of subsidies in the UK is currently a reserved matter.

The procurement landscape in Wales has changed following the introduction of three pieces of legislation that affect the way public procurement will be undertaken in Wales. These are:

- The Procurement Act 2023 (The Act)
- The Social Partnership and Public Procurement (Wales) Act 2023 (SPPP Act)
- The Health Service Procurement (Wales) Act 2024 (HSP Act)

The Procurement Act includes provisions to support SMEs, including:

- A specific duty on contracting authorities to consider how to reduce and remove the barriers that SMEs may face when trying to access public procurement opportunities. These barriers can include over-complicated tender processes and the requirement to submit documents multiple times, and SMEs can sometimes find themselves at a disadvantage when competing against larger firms with dedicated bid-writing resource and more experience in public sector procurement.
- The new rules have been simplified and are less bureaucratic than the existing Regulations, making public sector contracts more accessible to small businesses and voluntary and community groups.
- Furthermore, the new central digital platform will provide SMEs with additional notice on planned procurement activity and will enable them to identify and manage procurement opportunities from across the UK and countries with which the UK has trade agreements.

Furthermore, the Welsh Procurement Policy Statement, which applies to all public sector bodies in Wales, many of which support local SMEs and social enterprises through bidding processes and building resilient local supply chains.