



THE LEARNED SOCIETY OF WALES CYMDEITHAS DDYSGEDIG CYMRU

THE NATIONAL ACADEMY — CELEBRATING SCHOLARSHIP AND SERVING THE NATION
YR ACADEMI GENEDLAETHOL — YN DATHLU YSGOLHEICTOD A GWASANAETHU'R GENEDL

Response to National Assembly Committees' call for information – Welsh Government Draft Budget proposals, 2020-21

The Learned Society of Wales welcomes the opportunity to submit information to the National Assembly Committees, in advance of Welsh Government tabling its draft 2020-21 budget proposals later this year.

As we have previously noted in submissions to the Assembly, the Higher Education (HE) sector is of vital importance to Wales. In addition to creating tens of thousands of jobs and stimulating substantial economic activity across the country, it contributes to the wider enrichment of culture and civil society and is a significant driver of social mobility by reducing inequality. In 2015-16, Welsh universities generated output equivalent to 4.8% of Wales's total GVA. HE, research and development are also key drivers for Wales achieving international success. Our eight universities contribute significantly to the UK research base, and Wales has a strong track record of world-leading research.

In order to promote such successes and opportunities, strong, indigenous growth of Welsh Government investment is essential. This builds on Government's acknowledgement in its Economic Action Plan that research and development are the "engine of economic growth and social progress" and require investment.

The Society welcomes the recent positive developments in Wales's HE sector, particularly the implementation of Sir Ian Diamond's recommendations on student financing, which has helped to reduce the funding gap between universities in Wales and England. It is also positive that Welsh Government provided HEFCW with an additional £6.6m of funding for research activity in 2018-19; and we welcome the news that HEFCW will be launching a new Research Wales Innovation Fund from 2020-21, which should incentivise external grant capture in line with the recommendations of the Reid Review.

However, the additional funding so far released by Welsh Government does not come close to meeting the £30m per year Future of Wales Fund recommended by Reid as a necessary enhancement to quality-related research (QR) funding in Wales. We also remain concerned that the financial benefits of the 'Diamond dividend' are not yet being realised fully by the HE sector, as the funds concerned are not hypothecated for HE. With other nations of the UK moving on apace to increase their QR allocations (see recommendation 1 below), Wales is continuing to fall behind.

The sector is therefore currently fragile. At undergraduate level, there is a heavy dependence on recruitment in an intensively competitive environment. At the level of research and innovation, Wales makes contributions of international excellence but struggles at the competitive funding level and relies significantly on EU structural funds. There is uncertainty surrounding the proposed replacement of the latter in the form of the UK Shared Prosperity Fund.

We therefore make the following recommendations to the Committees:

1. Welsh Government's budget for 2020-21 should recognise the vital importance of quality-related research (QR) funding, which provides the foundations on which the competitive, project-based funding streams from other sources depend. In England, the UK government has increased real-terms spending on QR by 2.3% in 2019-20, and the Universities Minister recently announced plans for a further increase. Wales needs to remain competitive with England. **As a minimum, therefore, Welsh Government must maintain real-terms spending levels on QR in line with the recommendations of both the Diamond and Reid Reviews.**
2. Welsh Government should also ensure that Welsh spending on all Research and Development (R&D) keeps pace with that in other parts of the UK. The UK Government has set a target for spending 2.4% of GDP on R&D by 2027, with a future target of 3%. Wales spends just 1.05% on R&D, with figures for Business Enterprise R&D being particularly low (0.64% of GDP compared with a UK average of 1.12%). **The budget for 2020-21 must therefore allocate sufficient funds to invest in R&D, helping to ensure that Wales is competitive and mitigating some of the potential loss in available funding due to Brexit.**
3. Brexit will also make it vital to safeguard Wales's access to European research cooperation and the movement of staff and students. While this is not strictly a budgetary issue, it has important financial implications, as any reduction in access will lead to reduced funding for Higher Education (HE) and R&D. **We therefore ask the Committees to keep these related issues under scrutiny, and to ensure that Welsh Government continues to press the UK Government for clarity and assurance on these matters.**
4. It is also important that Government budget decisions take full account of Wales's distinctive cultural assets within HE. This entails ensuring sustainable Welsh language provision through the Coleg Cymraeg Cenedlaethol; supporting Wales Studies across all academic disciplines (i.e. the intellectual exploration and understanding of all things relating to Wales and its relations with the wider world), and ensuring that Wales retains the capacity to publish its own academic research and books. **The 2020-21 budget should therefore ensure sufficient expenditure on these areas through the Higher Education Funding Council for Wales, the Welsh Language Division and other relevant strands of Government expenditure.**