

Economy, Infrastructure & Skills Committee – ‘Research and Innovation in Wales’ (April 2019) – Welsh Government Response to the Recommendations

<p><u>Recommendation 1</u></p>	
<p>The Welsh Government should consider setting its own target for investment in research and [innovation] investment in Wales, bearing in mind the OECD average of 2.4 per cent.</p>	
<p>As part of delivering the UK Industrial strategy, the UK Government set 2.4 per cent of GDP for R&D spend (based on the current OECD average), as a UK-wide average target to be achieved by 2027. To achieve this target of 2.4 per cent, the total UK R&D investment need to rise to around £60bn, which is more than double current investment levels.</p> <p>A similar exercise by the UK Government in 2004 to secure a target of 2.5 per cent by 2014 was never achieved for several reasons and the UK in 2018 has a current baseline research intensity of 1.7 per cent. There are no specific targets for the devolved nations or English regions and it is important to bear in mind the considerable, wide variation in research intensity that already exists between and within UK nations. Wales’ percentage of R&I investment, as a proportion of R&D, is estimated by the ONS to be around 1.05 per cent - considerably below the current UK average. The majority of funding and associated decision levers for delivering this UK target largely sit outside Wales and so remain outside the control of Welsh Government. Therefore, while the Welsh Government welcomes the ambition to increase the UK target of research intensity for all the reasons laid out in the Industrial strategy, the Welsh Government’s main focus centres on securing replacement funding for EU Structural Funds as outlined in the recent <i>Securing Wales’ Future</i> publication <i>Wales: Protecting research and innovation after EU exit</i>. However, we will take this recommendation into consideration as we continue to work on the draft vision for the new Commission for Tertiary Education and Research.</p>	<p>Reject</p>
<p>Financial Implications: None.</p>	
<p><u>Recommendation 2</u></p>	
<p>Despite the Welsh Government’s claims that it has a vision for research and innovation, it is clear that those in the post-compulsory education sector are not aware of it. The Welsh Government should work with stakeholders – including Further Education – to agree and communicate a vision for all research and innovation activity in Wales. This all-Wales vision should build on the vision developed by HEFCWs, recognising and encompassing business activity which occurs beyond universities.</p>	
<p>There are many challenges and opportunities ahead and there is a need to work with all relevant stakeholders – including HEFCW and Further Education – to agree and communicate a wider vision for all research and innovation activity in Wales, building on the Government’s economic and education strategies, and HEFCW remit letters. In taking this forward, it will</p>	<p>Accept</p>

<p>need to also capture the significant contribution of industry, which occurs beyond universities.</p>	
<p>Financial Implications: Financial implications will be considered when future approach is being developed.</p>	
<p><u>Recommendation 3</u></p>	
<p>Without seeing a concrete proposal, it is difficult to reach a firm conclusion. However, the legislation establishing Research and Innovation Wales (RIW) should enshrine the arms-length principle while ensuring that Ministers remain accountable to the National Assembly for Wales. It should also empower RIW to influence sector activity and adapt to wider changes in the sector over time without further detailed legislation being required.</p>	
<p>The Post-Compulsory Education & Training (PCET) White Paper and subsequent Consultation Paper described three modes of funding by and through which Welsh Ministers will have different levels of intervention. The three funding mechanisms are:</p> <ul style="list-style-type: none"> a. unhypothecated funding to Commission for Tertiary Education and Research (CTER), b. themed hypothecated but not directed funding, c. directed funding for specific projects. <p>In this manner, Welsh Ministers will have different levels of ‘arms length’ interaction with the research and innovation communities. This will enshrine the ‘arms length’ principle for a significant part of the funding and closer involvement by Ministers to allow Ministerial priorities to be addressed more closely for other parts of funding.</p>	<p>Accept</p>
<p>Financial Implications: None, for this response on the principle. PCET/ CTER planning, referred to above, will establish the actual cost of the model selected.</p>	
<p><u>Recommendation 4</u></p>	
<p>The Welsh Government should protect and enshrine the Haldane Principle and Dual Funding System within the Post-compulsory Education, Training and Research (PCETR) legislation in the same manner as it has been enshrined in the UK Higher Education and Research Act 2017.</p>	
<p>The Welsh Government has always sought to observe and protect the Haldane Principle and this is addressed, within the PCET White Paper, in a similar way to that described in the Higher Education and Research Act (HERA) 2017 and UKRI Framework Document 2018.</p> <p>The Haldane principle applies to science and research which the Welsh government funds through HEFCW. It does not apply to any research budgets of government departments, which are used to fund research to support their departmental policies and objectives. Although all governments need to take a view on the overall level of funding to research, recognising</p>	<p>Accept</p>

<p>the strategic importance of research to our future growth, prosperity, culture and heritage, Welsh Government Ministers do not decide which individual projects should be funded nor which researchers should receive the money.</p> <p>The Dual Funding mechanism is also a principle adopted in the HERA 2017 for the UK Research Councils and Research England and relates to the balance between unencumbered Research England funding (Quality-related Research funding QR, HE Innovation and Engagement Funding HEIF and other related funding) and encumbered Research Councils funding.</p> <p>The manner in which the three funding methods described for the RIW are planned are described in Recommendation 3.</p>	
<p>Financial Implications: None.</p>	
<p><u>Recommendation 5</u></p>	
<p>The debate regarding the balance between public funding for basic research and for applied research is extremely complex and dynamic. As Research and Innovation Wales (RIW) will be made up of individuals immersed in these debates, it will be far better placed than the Welsh Government to decide how to allocate its funding. The remit of RIW, as established in the forthcoming Post-compulsory Education, Training and Research Bill, should reflect this.</p>	
<p>This is as intended, notwithstanding the provision for Ministers encumbering and directing funding (as illustrated in the response to Recommendation 3).</p>	<p>Accept</p>
<p>Financial Implications: None.</p>	
<p><u>Recommendation 6</u></p>	
<p>To increase its influence over investment decisions made in London, Welsh research and innovation needs to be better woven into the fabric of UK level discussions and be more visible. The Welsh Government should review whether the mid-level post it has created in response to Professor Reid’s report has sufficient gravitas to drive this effort.</p>	
<p>Arrangements have been put in place involving a refresh of the London Office and the appointment of a permanent staff member in London with sufficient seniority coupled with regular attendance in London by senior officials, such as Professor Peter Halligan, the Chief Scientific Adviser for Wales (CSAW) and Huw Morris, Director of SHELL.</p> <p>It is important that the presence in London is viewed in terms of what it needs to deliver. There are several routes into the UK Government from many different Welsh Government sources in relation to the R&I agenda. The point of establishing the Research Innovation Strategic Engagement (RISE) Group is to coordinate this activity across the different portfolio interests (see also response to Recommendation 8).</p> <p>While it is too early to formally evaluate, we are open to it being reviewed in due course.</p>	<p>Accept in principle</p>
<p>Financial Implications: None. Any additional costs, arising from any review,</p>	

will be drawn from existing programme budgets.	
<u>Recommendation 7</u>	
If the final remit and scope of Research and Innovation Wales (RIW) includes organisations outside the post-compulsory education sector such as NHS Trusts, technology organisations and businesses, then the Welsh Government could consider the case for making RIW independent of the proposed Commission for Tertiary Education and Research (CTER), an organisation which will primarily be a strategy planning body for post-16 education.	
This option has been previously considered, at the time of feedback to the Hazelkorn report. It was rejected in favour of the Hazelkorn recommendation, that research interests should be included in the PCET (now CTER) body. The Reid Review did not conflict with this recommendation.	Reject
Financial Implications: None.	
<u>Recommendation 8</u>	
The Welsh Government should review its internal structures for supporting research and innovation early in 2020, to ensure that the joint working the Minister for Education has talked about is happening and effective – both at Ministerial and official level.	
<p>We are happy to review arrangements, although progress has been made in establishing more robust mechanisms. At Official level, the RISE Group is making progress in this direction although it is early in its development. The membership of the RISE Group represents a mixed portfolio encompassing several Ministerial interests. As the relationship between RISE members develops, the mirroring of this at a Ministerial level can be a future consideration.</p> <p>A further mechanism is the Science Strategy Network (SSN). Senior Welsh Government officials, whose work or policy responsibilities have a scientific facet (social sciences as well as the physical and natural sciences) meet regularly to share information, discuss common problems and approaches and arrange collaborative activity, when this makes sense.</p> <p>As well as internal mechanisms, the Welsh Government benefits indirectly by the advice provided to the Chief Scientific Adviser for Wales, Professor Peter Halligan, by his ‘Wales Science and Innovation Advisory Council’. This small but extremely distinguished group of advisers are providing him with their insight and extensive experience in the works of academic research, industry requirements and public policy formation in research and innovation in Wales, the wider UK and beyond.</p>	Accept
Financial Implications: Any costs can be met within existing Departmental Running Costs.	
<u>Recommendation 9</u>	
Higher education and industry stated that the absence of Innovation	

<p>and Engagement Funding significantly limited the ability of universities in Wales to engage and collaborate with business. The Committee fully supports HEFCW's aim to reinstate this funding, and the Welsh Government should provide the funding necessary to achieve this in full, as a matter of urgency.</p>	
<p>As recommended by the Diamond Review, HEFCW are planning to reintroduce this funding in 2020/21. HEFCW are seeking stakeholder views on the proposed requirements including the model of delivery and funding metrics.</p>	<p>Accept</p>
<p>Financial Implications: The cost will be drawn from existing programme budgets, deployed through the funding allocated via grant-in-aid to HEFCW, as an arm's length body.</p>	
<p><u>Recommendation 10</u></p>	
<p>Considering the fundamental importance of research and innovation to Welsh prosperity, the Welsh Government should provide the funding to allow HEFCW to achieve its aim of implementing the remaining recommendations of the Reid Review, including creating the Future of Wales and St David's Funds, in full, as a matter of urgency. Waiting for additional funding to become available as a result of the reforms of student funding risks seeing Welsh Universities fall behind their rivals.</p>	
<p>The relevant recommendation from the Reid Review was for Welsh Government to 'create a single overarching brand for its innovation activities: the St David's Investment Fund', not to provide funding for HEFCW. Therefore we cannot accept this recommendation.</p>	<p>Reject</p>
<p>Financial Implications: None.</p>	
<p><u>Recommendation 11</u></p>	
<p>If the Future of Wales Fund is intended to incentivise the winning of external funding, particularly from UKRI, it would be consistent for this fund to be available to all bodies eligible to bid for UKRI funding, including National Museum Wales.</p>	
<p>It is the intention, in principle, that bodies such as National Museum Wales could be eligible for such funding, so long as they meet the relevant criteria, set for recipient bodies and achieve an appropriate level of R&I performance (for example as measured by REF or other criteria).</p>	<p>Accept</p>
<p>Financial Implications: None, from this recommendation.</p>	