

Senedd Cymru | Welsh Parliament

Y Pwyllgor Cyllid | Finance Committee

Cyllideb Ddrafft Llywodraeth Cymru 2025-26 | Welsh Government Draft Budget 2025-26

Ymateb gan Learned Society of Wales, | Evidence from Learned Society of Wales,

1. What, in your opinion, has been the impact of the Welsh Government's 2024-2025 Budget?

Please outline your reasons for your answer to question 1 (we would be grateful if you could keep your answer to around 500 words).

The Learned Society of Wales is Wales' National Academy for Sciences, Arts and Humanities. Our charitable purpose, and the principle on which we are founded, is the advancement of knowledge, and the power of research and innovation to benefit Wales' economy and society. National Academies are an independent and a political route for experts to support evidence-based policymaking, on key issues such as climate change, health, and the economy. We represent Wales in the international science and research community, positioning Wales as a knowledge economy that values evidence-based decision-making. We support the science, arts and humanities communities in Wales through advocacy, grants, and connectivity.

While the Learned Society of Wales does not represent universities, we recognise them as the key drivers of research and the advancement of knowledge, which is our charitable purpose. Wales continues to allocate proportionally less unhypothecated funding than England for research. Coupled with the loss of ERDF funds (particularly impactful for Wales), the UK-wide decline in international student applications, and the real-terms decline in tuition income, Welsh universities and research organisations are facing a multi-level financial crisis. Without a strong foundation of core research, Wales cannot reach its potential in applied research and innovation, which are crucial to growth.

Wales is poised to take an ambitious and collaborative approach to grant capture from outside Wales e.g. through the establishment of the Wales Innovation Network. However, in order to see success in competitive international funding, the baseline investment needs to be sufficient to keep pace with the rest of the UK.

Continued funding limitations could endanger the impressive progress made by Welsh research institutions, and risks limiting the quality, integrity and inclusiveness of Wales' research and innovation.

Trust in research, science and evidence is intrinsically linked to trust in democracy. With trusted research more important than ever, Wales needs to maintain and strengthen its research and evidence base and place its knowledge and research institutions on solid footing to combat the rise of disinformation and harmful discourse.

2. How financially prepared is your organisation for the 2025-26 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

Please outline your reasons for your answer to question 2 (we would be grateful if you could keep your answer to around 500 words).

3. What action should the Welsh Government take to:

- help households cope with inflation and cost of living issues;
- address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?

(We would be grateful if you could keep your answer to around 500 words).

Research, innovation and development can support everyday change for local communities as well as developments in big tech. (See more on inclusive innovation for everyday life: <https://www.learnedsociety.wales/inclusive-innovation-for-wales/>). Researchers have long been concerned with issues such as housing, communities, and the economy. With an increased focus on civic mission, Welsh universities have a huge role to play in supporting people living in urban, post-industrial and rural communities. However, the challenging financial context for universities puts this important work at risk.

4. Have Welsh Government business support policies been effective, given the economic outlook for 2025-26?

(We would be grateful if you could keep your answer to around 500 words).

5. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

(We would be grateful if you could keep your answer to around 500 words).

Significant investment in research and innovation is required to tackle the climate emergency and achieve Net Zero, particularly during a time of financial crisis for Wales' universities.

6. Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?

(We would be grateful if you could keep your answer to around 500 words).

7. The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?

Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?

(We would be grateful if you could keep your answer to around 500 words).

How could the budget further address gender inequality in areas such as healthcare, skills and employment?

(We would be grateful if you could keep your answer to around 500 words).

Women's health is under-researched: targeted investment is needed in health sciences to address this entrenched inequality.

<https://www.nature.com/immersive/d41586-023-01475-2/index.html>

<https://executive.nhs.wales/functions/networks-and-planning/womens-health/womens-health-documents/womens-health-in-wales/>

Is the Welsh Government's approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).

(We would be grateful if you could keep your answer to around 500 words).

Preventative spending is needed in the research sector, especially during a time of crisis for Wales's universities. Underinvestment in research is a false economy, resulting in missed opportunities for cost saving and increased efficiencies across

the public sector (especially the NHS), as well as opportunities for much-needed economic growth through innovation.

The particularly challenging financial situation currently faced by Wales' universities risks jeopardising the significant contribution that research and innovation makes to much-needed economic growth. Every £1 invested in Welsh Universities returns £13 for the public (<https://uniswales.ac.uk/welsh-universities-boost-growth-and-productivity-across-uk>). The less investment in university research through Medr, the lower the returns for the Welsh public. It is crucial for the Committee to note the UK Government's recent decision to protect core research funding and place universities on firmer footing, recognising that a strong foundation of core research is key to building economic growth through innovation. We strongly encourage the Welsh Government to take this opportunity to bring unhypothecated funding for research in Wales up to the same proportion as England and place universities on firmer footing, supporting their ability to drive innovation and grow the local economies in their regions across Wales.

How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues?

(We would be grateful if you could keep your answer to around 500 words).

How can the documentation provided by the Welsh Government alongside its Draft Budget be improved?

(We would be grateful if you could keep your answer to around 500 words).

How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?

(We would be grateful if you could keep your answer to around 500 words).

Bringing together leading clinicians, academics, and businesspeople, LSW and HTW identified eight key changes needed to create a thriving MedTech Innovation ecosystem in Wales that will drive inward investment, NHS cost savings, and improved health outcomes for patients:

1. **FAIL FAST:** A modern health service needs systems that manage failure as a necessary part of the innovation process, rather than punishing it.
2. **A FRONT DOOR FOR INNOVATION:** Innovative clinicians and researchers need to know where to bring a good idea at the early stage, signposting resources, opportunities, risks, and next steps.

3. **LONG-TERM JOINED-UP FUNDING:** Shared national capabilities create cost savings as well as more ambitious and competitive innovation. Long-term funding also supports talent retention.
4. **INNOVATION-WISE GOVERNANCE:** Increased familiarity with health service legislation would increase confidence in risks and new approaches. Streamlined governance lays the path for innovation
5. **JOB SECURITY FOSTERS INNOVATION:** Permanent contracts for early-career researchers promotes talent retention and allows research teams to collaborate agilely with industry. Institutions need long-term funding to create long-term posts.
6. **TIME TO INNOVATE:** The insights and ideas of clinicians are crucial for innovation. Time for innovation needs to be protected through job descriptions and objectives.
7. **INDUSTRY LITERACY:** Academics and clinicians need good knowledge of how industry operates. The valuable support that they offer to business needs to be formally recognised.
8. **BUILDING TRUST:** Staff and patient attitudes have a significant impact on adoption. Lack of trust can result in public sector duplication and cost inefficiencies.

<https://www.learnedsociety.wales/medtech-innovation-for-wales/>

Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning.

(We would be grateful if you could keep your answer to around 500 words).

Bringing together leading academics, policymakers and businesspeople, LSW identified four obstacles that are preventing innovation in the Welsh public sector:

1. The public sector remains reluctant to take risks: outdated regulatory and evaluation systems are at odds with ambitious legislature.
2. Inflexible funding schemes and application procedures restrict participation and stifle innovation.
3. There is a persistent misconception that big tech is the sole driver of growth, and a reluctance to embrace a more inclusive version of innovation that includes public, social, and “mundane” innovation that improves everyday life.

4. Resource limitations prompt organisations to retreat to business as usual. Innovation incentives are therefore most needed at times of scarcity.

Source and more detail: <https://www.learnedsociety.wales/inclusive-innovation-for-wales/>

Has there been adequate investment from the Welsh Government in basic public sector infrastructure.

(We would be grateful if you could keep your answer to around 500 words).

In the research sector, national capabilities and infrastructures would create cost savings and efficiencies, compared to smaller grants duplicated across institutions. This approach would also increase Wales's competitiveness for significant UK and international funding.

How should the Budget support young people?

(We would be grateful if you could keep your answer to around 500 words).

The education that Wales offers to its young people is underpinned by a foundation of research. The Wellbeing of Future Generations Act obliges us to consider the impact of an undereducated public and an underpowered knowledge and research system in an age of disinformation.

How is evidence and data driving Welsh Government priority-setting and budget allocations, and is this approach clear?

(We would be grateful if you could keep your answer to around 500 words).

As Wales' National Academy, the Learned Society of Wales is an underutilised national resource for evidence and expertise to support priority-setting and policymaking. LSW welcomes approaches from any Welsh Government department or Senedd committee to utilise our community of 700+ independent experts to facilitate evidence-based decision-making.

Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and the pandemic, sufficient?

(We would be grateful if you could keep your answer to around 500 words).

The Learned Society of Wales is an independent charity which is partly funded by Medr (formally HEFCW). In 2016, the Diamond Review outlined an increase in Welsh Government funding for LSW as Wales' National Academy that would align

with the levels of funding received by the Royal Society of Edinburgh from the Scottish Government. “The LSW should receive funding of £1m per annum, directed through HEFCW against a set of objectives agreed between the LSW and HEFCW, taking into account important future challenges and priorities for the Welsh Government.” The recommendations were accepted by Welsh Government. However, the trajectory of this increase has been adversely impacted by challenging settlements for Medr: eight years after the review, LSW receives £316,000 from Medr, short of the recommended £1m, which limits the society’s capacity to serve Wales in a way that parallels its equivalents in Edinburgh, Dublin, and London.

What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations (Wales) Act 2015?

(We would be grateful if you could keep your answer to around 500 words).

Research is crucial for long-term progress for the economy, our health and wellbeing, and for equality. To tackle the challenges facing Wales today and in its long-term future – the climate emergency, inequalities, economic growth – we need research and innovation to find and test new solutions.

Research from London Economics shows that every £1 invested in Welsh Universities returns £13 for the public. Research and innovation is therefore a necessary investment for long-term economic growth, rather than a cost. Read more: <https://uniswales.ac.uk/welsh-universities-boost-growth-and-productivity-across-uk>

The CaSE “Public Attitudes to R&D: Regional Analysis” report from February 2024 found that 71% of people in Wales think it is important for Wales to carry out a lot of R&D (UK average 70%). People in Wales are among the most keen of all UK regions to see politicians pay more attention to science and innovation (61% compared to UK average 56%). Only 23% agreed with the statement “R&D should not be funded by taxpayers” (UK average 24%).

<https://www.sciencecampaign.org.uk/analysis-and-publications/detail/public-attitudes-to-rd-regional-analysis/>

Research funding in the UK is provided via the ‘dual support system’ which includes two separate but intertwined funding streams; Competitive project funding from external sources, and funding provided by the national funding bodies (Medr in Wales). The funding from bodies such as UKRI, charities, industry or other government agencies is for defined, time-limited research projects and is highly competitive amongst all UK institutions. Recent reporting from Universities UK shows universities are running a deficit on this project-specific grant funding: intended to cover up to 80% of the full economic cost (fEC) of research, in reality it covers only

69.3% on average (<https://www.universitiesuk.ac.uk/what-we-do/policy-and-research/publications/opportunity-growth-and-partnership>). The devolved research funding provided by funding bodies such as Medr and Research England provides a source of un-hypothecated funding to enable institutions to invest in the underpinning infrastructure needed to support bids for competitive funds. This includes QR (quality-related) funding, and a number of development funds that are not available in Wales such as the Research England Development fund (RED). It is therefore the investment that ensures that Welsh universities have the capacity and agility to compete with universities across the UK for a share of research investment from external sources.

As forthcoming figures from Medr outline, Wales currently receives significantly less funding than English and Scottish universities from these devolved pots. With the establishment of Medr and the Wales Innovation Network, Wales is poised to take an ambitious and collaborative approach to grant capture from outside Wales, but in order to see success in competitive international funding, the baseline investment needs to be sufficient to keep pace with the rest of the UK. Underinvestment in research is therefore a false economy, resulting in missed opportunities for equitable economic growth through innovation. Following the creation of Medr, alongside the Welsh Government's budget settlement, now is a unique moment in time to not just address immediate issues but to also invest in ambitious new approaches to the tertiary and research system in Wales, ensuring that current and future generations are equipped with a solid knowledge and research system to solve local and global challenges.