

For discussion

The Reid Review of Government Funded Research and Innovation in Wales

Agenda: 16
HEFCW/18/58

Disclosable

12/07/2018

1 Issue

- 1.1 This paper summarises the outcomes of the Reid Review of Government Funded Research and Innovation in Wales and invites the Council to offer any initial observations.

2 Corporate Planning Implications / Rationale for paper

- 2.1 The Welsh Government invited Professor Graeme Reid to undertake a review of its funding for Research and Innovation. The report was published in June 2018. It makes significant recommendations about the level of resource and funding arrangements which are required for a successful and competitive research and innovation base in universities in Wales.

3 Recommendations

- 3.1 Members are invited to reflect on the outcomes of the review and offer any initial observations.

4 Timing for decisions

- 4.1 There are no immediate decisions arising from his paper.

5 Members' interests

- 5.1 Professor Robin Williams was a member of the Advisory Panel for the Review.

6 Further information

- 6.1 Contact Linda Tiller (029 2085 9715; linda.tiller@hefcw.ac.uk).

7 Review of Government Funding for Research and Innovation in Wales

- 7.1 In April 2017, the Welsh Government invited Professor Graeme Reid to lead a review to look at the strengths, gaps and future potential to sustain and grow strong research and innovation activity in Wales.
- 7.2 Professor Reid is Chair of Science and Research Policy at University College London and was previously a senior civil servant in the Treasury, the Cabinet Office and the Department for Business, Innovation and Science (BIS). His work on the review was supported by an independent advisory panel.
- 7.3 During the course of the review, Professor Reid undertook an extensive programme of engagement and consultation in which HEFCW participated as follows:
- We submitted a response to a call for written evidence in June 2017
 - HEFCW staff and Council members participated in several oral evidence sessions with Professor Reid and his panel
 - Professor Reid presented his emerging findings to HEFCW's Research, Innovation and Engagement Committee in autumn 2017.

Outcomes of the Review

- 7.4 The Welsh Government published Graeme Reid's report – *Review of Government Funded Research and Innovation in Wales* – on 6 June 2018. It was launched at a UK-wide Science and Innovation Conference in London the following day, at which Graeme Reid and Julie James, Leader of the House and former Minister for Skills and Science, were both speakers. The report can be accessed [here](#).
- 7.5 The review considered the current performance and resourcing of the research and innovation base in Wales and the changes that are underway in the wider research funding landscape, namely:
- The loss of European Structural Investment Funds (ESIF). ESIF has provided substantial investment for the research base in Wales, but will no longer be available after Brexit.
 - The significant increase in funding for research and innovation which was announced in the Westminster Government's Industrial Strategy and which is being made available through UK Research and Innovation on a competitive basis.
- 7.6 A key conclusion of the review was that there are substantial opportunities for Wales to win additional research and innovation funding from the increased UKRI budget, but that this will only be possible if the sector is adequately resourced to compete effectively with the rest of the UK.
- 7.7 The report makes three recommendations:
- Recommendation 1: The Welsh Government should establish a new Welsh Research and Innovation London Office in order to increase the visibility and influence of Welsh research.*
- 7.8 The report notes that the creation of UKRI, its rising budget and the uncertainties associated with Brexit will shift the balance of opportunities for

research and innovation funding from the EU towards the UK. It therefore recommended that the Welsh Government should establish an office in London to increase the visibility of Welsh research and innovation outside Wales and identify and promote funding opportunities.

Recommendation 2: The Welsh Government should strengthen the Welsh research base and enable Welsh researchers to attract a greater share of UK-wide funding by implementing Diamond's recommendation for QR funding and creating an additional Future of Wales Fund specifically to incentivise Welsh researchers to win funding from outside Wales.

7.9 Sir Ian Diamond's earlier review of student fees and funding in Wales had previously recommended:

- That QR funding should be protected at £71 million per annum in real terms from 2016 onwards
- That funding for innovation and engagement should be re-instated at £25 million per annum.

7.10 In his report, Graeme Reid stated that he strongly endorsed these recommendations and noted that the Welsh Government has already accepted them. He additionally recommended:

- That, once QR funding reaches the levels proposed by Diamond, a new funding stream – the Future of Wales Fund – should be created. This should be allocated to universities in proportion to the amount of additional research funding they secure in competitions from outside Wales in order to incentivise and reward those who attract investment into Wales from elsewhere. The review recommended that this funding should amount to £30 million per annum, and emphasised that this needs to be additional funding, ie not at the expense of QR.
- That the innovation and engagement funding of £25 million per annum should all be distributed to universities on the basis of performance metrics. Professor Diamond had recommended that part of this funding should be used to support a small number of hubs and a competitive scheme for institutions and businesses. Graeme Reid, however, advised that, in view of the subsequent changes to the research and innovation and wider political landscapes, it would be more effective to allocate this funding entirely on the basis of performance metrics. This would incentivise universities to attract the highest levels of external income through collaborations with businesses and other partners. The review also recommended that, over time, Further Education Colleges should become eligible for the innovation and engagement funding as well.

7.11 Graeme Reid also supported Ian Diamond's concept of hubs and competitions, and addressed that issue under his third recommendation.

Recommendation 3: The Welsh Government should increase the visibility, coherence and impact of research and innovation in Wales by creating a single overarching brand for its innovation activities: the St David's Investment Fund. This

should be worth some £35 million yearly in the first instance, but with the potential to grow to £100 million yearly or more post-Brexit.

7.12 Graeme Reid noted that, although there are many exciting business innovation initiatives across Wales he had found it difficult to identify an overall innovation narrative. His proposal to establish the St David's Investment Fund is intended to consolidate the planning and presentation of support for innovation in business and the public sector from across Welsh Government and public bodies in Wales.

7.13 The St David's Investment Fund would:

- Be underpinned by a new productivity roadmap and a coherent description of all public sector investment in business innovation in Wales.
- Create three industry-led hubs in the first instance. Each would aim to raise around £5m - £10 million annually together with other partners including City Deals, Sector Deals, Catapult Centres, the UK Research Partnership Investment Fund and Innovate UK. The Welsh Government would have a key catalytic role in the establishment of the hubs, but would not necessarily be the largest source of funds.
- Run pilot competitions for time-limited projects that advance progress towards the goals in the productivity road map. These should usually operate as public-private partnerships that respond to specific opportunities such as the proposed nuclear power and aerospace initiatives in North Wales and opportunities in the semiconductor, renewable energy or life sciences sectors in South Wales.

Welsh Government Response

7.14 Julie James, Leader of the House and Chief Whip, issued a [written statement](#) on behalf of the Welsh Government on 6 June 2018 to coincide with the publication of the report. The statement welcomed the report as providing a clear but sophisticated analysis of current and future challenges in Wales and across the UK. It went on to say:

“We agree that, working across sectors, Government can do more to increase the visibility and influence of Welsh research. We accept all the recommendations in principle, and we will immediately take forward the recommendation on a dedicated London presence to promote Welsh Research and Innovation.

The other two recommendations relate to future resources, beyond existing budgets. We welcome the direction of travel set out in these recommendations, having already committed to accept, in principle, the relevant recommendations from the Diamond Review. We recognise, however, that policy and funding decisions from the newly-formed UK Research and Innovation (UKRI) are still emerging and we remain committed to influencing and responding to these changes on behalf of Wales and Welsh research and innovation.”

The Council is invited to reflect on the outcomes of the Reid Review and offer any initial observations.

8 Financial Implications

- 8.1 There are no immediate financial implications arising from this paper. However, the review makes significant recommendations about the future level of resource and funding mechanisms required for a successful and competitive research and innovation base in Wales.

9 Communications implications

- 9.1 There are no communications implications arising from this paper.

10 Diversity and Equal Opportunity Implications

- 10.1 This paper has no direct implications for age, disability, marital/civil partnership, maternity/pregnancy, race, religion or belief, sex, sexual orientation, any other protected characteristic or Welsh Language.

11 Risk

Risk	Action to address risk
There is a risk that universities in Wales will be unable to compete to secure research and innovation funding from the increased UKRI budget. This would damage the standing of the institutions and limit their ability to contribute to economic development and social wellbeing in Wales.	The recommendations in the review are intended to ensure that universities in Wales are adequately resourced to compete effectively and take advantage of the new circumstances.
There is a risk that the Welsh Government may not be able to fully implement the recommendations.	We will continue to work closely with the Welsh Government on this issue.