CYMDEITHAS DDYSGEDIG CYMRU
THE LEARNED SOCIETY OF WALES

Senedd Finance Committee Consultation: Welsh Government Draft Budget proposals for 2026-27

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Purpose of the consultation

The Committees of the Senedd are seeking information to inform their scrutiny of the Welsh Government's 2026-27 Draft Budget proposals. We are interested in exploring expectations of the 2026-27 budget, including financial readiness for the 2026-27 financial year and the impact of the 2025-26 budget.

The Finance Committee looks at the Welsh Government's budget from a strategic, overarching perspective. We also work with the other Senedd Committees to ensure that proposals for specific departments, or cabinet portfolios are considered in detail.

The Committee asks for views on the specific questions included in the consultation letter (PDF, 336KB) and any general views in relation to the draft budget.

1. **What, in your opinion, has been the impact of the Welsh Government's 2025-2026 Budget?**

In a challenging fiscal context, the Welsh Government's 2025-2026 Budget has succeeded in averting a number of short-term risks, and met its ambitious targets to reduce NHS waiting lists. But, as highlighted in the Finance Committee Summary Engagement Report, some longer-term risks have been less well addressed.

The crisis posed by an unsustainable university funding system became headline news this year, though voices close to the sector (including the Learned Society of Wales) have been warning the Senedd and Government for several years. The immediate impacts of the crisis are well understood by the committee and the Government: course closures mean that Wales is facing skills gaps, while a reduction in student support staff risks impacts for student wellbeing, and access to university for underserved groups.

However, the longer-term impacts are less well understood, and are critical for the prosperity of Wales. The instability caused by the current crisis has already seen, and continues to risk, leading talent being forced to relocate outside Wales. The research and innovation function of universities is rarely recognised in public debates, yet it plays a vital and irreplaceable role in Wales's economy: not only directly, but also through social and environmental progress which saves money in the long-term. Many of the priorities highlighted in the engagement report are underpinned by research and innovation:

- The Creative Industries have been boosted through innovation and UK funding spearheaded by universities, for example Clwstwr and Media Cymru in South Wales. The Wales Arts and Humanities Alliance (a Wales Innovation Network programme) is driving forward new Welsh consortia to attract more funding to grow the Creative Economy in Wales.
- The drive for warmer, greener homes require science, research, development and innovation to ensure change is effective and achieves the greatest energy saving possible for every pound invested. For example, a cross-border collaboration in Design research funded by UKRI grant funding and Welsh Government core funding, is supporting local authorities in South Wales to retrofit existing council house stock: Fit for the future: remodelling homes to push beyond net zero.

- Wales's transition to sustainable, home-grown energy needs place-sensitive science and research from Welsh universities and innovation organisations to succeed. Wales currently has world-leading experts in renewable energy working hard on projects including industry collaborations for tidal energy development in North Wales.
- Innovation in the Health Service is key for a long-term view, particularly vital when funding is a challenge. The Learned Society of Wales and Health Technology Wales jointly held a forum of experts to make recommendations for innovation in the Health Service, particularly with regards to Medical Technologies. Read the brief recommendations here: MedTech Innovation for Wales.

The higher education, research and innovation system is currently supporting significant progress across all of these areas, but lack of core funding from Welsh Government damages the universities' ability to compete for major external funding (such as from UKRI and the EU).

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[1]. 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.

[1] Opportunity, growth and partnership: a blueprint for change – Universities UK, 2024.

As figures from Medr outline, Wales consistently receives significantly less funding than English and Scottish universities from these devolved pots.

2. **How financially prepared is your organisation for the 2026-27 financial year, how confident are you that you can deliver planned objectives, and how robust is your ability to plan for future years?**

The Learned Society of Wales has a stable financial footing for the immediate future, proportionate to the current size of the charity. However, with 29% of our funding coming from universities, and a further 18% from our fellows, many of whom are employed by universities, there is a risk that Wales's National Academy could be impacted in the longer term.

The Learned Society of Wales is Wales' National Academy for Sciences, Arts and Humanities. Our charitable purpose is the advancement of knowledge, and the power of research and innovation to benefit Wales' economy and society. National Academies are a route for leading experts to support evidence-based policymaking. We support the science, arts and humanities communities in Wales through capacity-building and grants for early-career researchers. We also represent Wales in the international science and research community, positioning Wales as a knowledge economy that values evidence-based decision-making.

The current fiscal context has undoubtedly had a negative impact on LSW's ability to grow and leverage the full potential of our community of over 700 civic, academic, and business leaders seeking to give back to Wales. In 2016, the Diamond Review recommended 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 from Welsh Government: eight years after the review, LSW will receive £356,980 in 25/26 from Medr, far short of the recommended £1m (equivalent to £1.38m in 2025), which limits the society's capacity to serve Wales in a way that parallels its equivalents in Edinburgh, Dublin, and London.

3. **What action should the Welsh Government take to: – help households cope with 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?**

Research, innovation and development can support everyday change for local communities, not just developments in big tech (see Inclusive Innovation for Wales - The Learned Society of Wales).

Researchers have long been concerned with issues such as housing, communities, and the economy (see examples under question 1). With an increased focus on civic mission encouraged by Medr, Welsh universities have a vital role to play in supporting people living in urban, post-industrial and rural communities. For example, the UKRI-funded Rural Wales Local Policy Innovation Partnership brings universities and civic actors together in a shared mission to develop an economy for rural Wales that delivers social justice for current and future generations on a healthy planet in which citizens are actively engaged in their communities.

However, the challenging financial context for universities not only stymies growth but puts future important work like this at risk, with cuts not only affecting academic staff, but also professional staff with responsibility for local, civic, and community partnerships. Wales's ability to capture these significant research and innovation grants from outside of Wales is damaged by successive budgets that underfund universities compared to Scotland and England.

4. **Have Welsh Government business support policies been effective, given the economic outlook for 2026-27?**

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?**

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

Examples are given in answer to question 1, but there are hundreds more initiatives underway in Welsh universities to address the climate crisis. These developments in science and research are driven not by profit but for public benefit, and they are endangered by the financial unsustainability of the sector.

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

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

Women's health is a recognised priority for Welsh Government, and this must include meaningful investment in research. Women's health is chronically under-researched[2], so targeted investment is needed in health sciences research to address this entrenched inequality.[3] The current level of core research funding for universities in Wales (significantly proportionally lower than Scotland and England) jeopardises progress for Women's Health research.

   - 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).

[2] Women's health research lacks funding – these charts show how – Nature, 2023.
[3] Women's Health in Wales – NHS Wales, 2022.

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.

- How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues?
- How can the documentation provided by the Welsh Government alongside its Draft Budget be improved?
- 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?

As mentioned under question 1, LSW experts report that a thriving MedTech Innovation ecosystem in Wales will drive inward investment, NHS cost savings, and improved health outcomes for patients. Read the brief recommendations here: 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?

The committee's Summary Engagement Report mentioned the opportunities posed by artificial intelligence for efficiency. We would recommend consulting experts to ensure that these changes are carried out with full understanding of both the risks and the most cutting-edge opportunities. In its unique role as an independent knowledge convenor, the Learned Society of Wales gathered experts from across disciplines and sectors to produce a briefing which outlines what to look for in a reliable AI tool, and considerations for policymakers in this area: AI and Wales.

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

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?

Young researchers are among the most severely impacted by cuts in the research sector. The higher education crisis is endangering Wales's talent pipeline for excellent research and science.

- How is evidence and data driving Welsh Government priority-setting and budget allocations, and is this approach clear?
- 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 additional costs following increases to National Insurance Contributions, sufficient?
- 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

Underinvestment in universities and research is a short-term saving that causes long-term damage for future generations of people all over Wales – whether they attend university or not.

- Every £1 invested in Welsh Universities returns £13 for the public.[4]
- At a time when trust in politicians is decreasing, trust in science remains high, with a massive 77% of people in Wales expressing trust in scientists.[5]
- 71% of people in Wales think it is important for Wales to carry out a lot of R&D (UK average 70%).[6]

[4] The economic impact of higher education in Wales.
[5] More in common, Shattered Britain, 2025.
[6] Public Attitudes to R&D: Regional Analysis.

- 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%).[7]
- Only 23% agreed with the statement “R&D should not be funded by taxpayers” (UK average 24%).[8]

With the establishment of Medr and the Wales Innovation Network, alongside a National Academy fostering talent at multiple career stages, 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.

[7] Public Attitudes to R&D: Regional Analysis.
[8] Public Attitudes to R&D: Regional Analysis.