



Department for  
Business, Energy  
& Industrial Strategy

# UKRI FRAMEWORK DOCUMENT

May 2018

# Contents

Acronyms	4
1. Introduction	5
2. Purpose of UK Research and Innovation	6
Powers and duties of UK Research and Innovation	6
Aims of UK Research and Innovation	7
3. Partnership principles between BEIS and UK Research and Innovation	8
BEIS and UK Research and Innovation partnership principles	8
Haldane principle	9
Dual support, balanced funding, and devolved funding	9
BEIS sponsorship role in relation to UK Research and Innovation	10
Communications and announcements	12
Contact and engagement between BEIS and UK Research and Innovation	13
BEIS attendance at UK Research and Innovation meetings	14
Dispute resolution	14
Powers to give Directions and Guidance	15
4. BEIS accountability for UK Research and Innovation	16
Ministerial accountability and overarching responsibilities	16
BEIS accounting officer's accountabilities and responsibilities as PAO	16
PAO responsibilities to UK Research and Innovation CEO as delegated accounting officer	17
PAO modes of intervention	17
5. Responsibilities of UK Research and Innovation's CEO as accounting officer	18
General	18
UKRI CEO responsibilities in accounting to parliament	18
Responsibilities of the CEO to BEIS	19
CEO (as accounting officer): responsibility for assurance and control	20
CEO (as delegated accounting officer) responsibilities to the PAO	20
UK Research and Innovation CEO role in engaging with UK Research and Innovation board	21
6. UK Research and Innovation internal governance	22
UK Research and Innovation internal governance structure	22

7. The UK Research and Innovation board	24
Audit, Risk, Assurance and Performance Committee (ARAPC)	25
Nomination and Remuneration Committee	25
Role of the Secretary of State in relation to the UK Research and Innovation Board	26
The UK Research and Innovation chair's personal responsibilities	27
Individual board members' responsibilities	29
8. UK Research and Innovation Councils	30
Delegation of functions from the board to Councils	31
Role of the executive chairs and internal delegations from the CEO and the board	32
Senior Independent Member and Innovation Champion (Innovate UK)	32
UK Research and Innovation Executive Committee	33
9. Review of Boards and Committees	34
10. Public Appointments to UK Research and Innovation and Council members	35
Composition of the UK Research and Innovation board	35
Composition of UK Research and Innovation Councils	36
Executive chairs of UK Research and Innovation	36
Performance Appraisals	36
11. Devolution, and relationships with other bodies	38
Devolution and the devolved administrations	38
Joint-working between UK Research and Innovation and the Office for Students	39
Working with other bodies	39
Arrangements where UKRI delivers programmes on behalf of BEIS	39
Engagement with other government departments	39
12. UKRI budgeting and reporting cycle	40
Budgeting and reporting cycle	40
Research and innovation strategy	40
Council strategic delivery plans	40
Multi-year budget allocations and advice	41
Corporate Plan	41
Budgeting procedures	42
Annual report and accounts	42
13. Internal and external audit	44
Internal audit	44

External audit _____	44
Right of access _____	45
14. Finance, risk and assurance: management and financial responsibilities _____	46
‘Managing Public Money’ and other government-wide corporate guidance and instructions _____	46
Grant-in-aid and any ring-fenced grants _____	47
UK Research and Innovation reporting performance to BEIS _____	47
UK Research and Innovation providing monitoring information to BEIS _____	48
Delegated authorities _____	48
UK Shared Business Services (UK SBS) _____	50
Risk management _____	50
Regularity and Propriety _____	51
15. Staff _____	52
Broad responsibilities for staff _____	52
Staff costs _____	52
Pay and conditions of service _____	53
Pensions, redundancy and compensation _____	53
Modern Slavery _____	54
16. Review of UK Research and Innovation and winding-up arrangements _____	55
Arrangements in the event that UKRI is wound up _____	55
Signatures _____	56
Appendix 1: Compliance with government-wide corporate guidance and instructions _	57
Appendix 2: Written Ministerial Statement on “The Haldane Principle” _____	60

# Acronyms

The following is a list of acronyms used throughout this document:

Acronym	Explanation
<b>APC</b>	Advanced Propulsion Centre
<b>ATI</b>	Aerospace Technology Institute
<b>ARAPC</b>	Audit, Risk, Assurance and Performance Committee
<b>BEIS</b>	Department for Business, Energy and Industrial Strategy
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Finance Officer
<b>C&amp;AG</b>	Comptroller and Auditor General
<b>FreM</b>	Government Financial reporting manual
<b>HEIF</b>	Higher Education Innovation Funding
<b>HEFCE</b>	Higher Education Funding Council for England
<b>HER Act</b>	Higher Education and Research Act 2017
<b>IAA</b>	Impact Acceleration Accounts
<b>IP</b>	Intellectual property
<b>IPA</b>	Infrastructure and Projects Authority
<b>NAO</b>	National Audit Office
<b>NGO</b>	Non-governmental organisation
<b>NDPB</b>	Non-departmental public body
<b>PAC</b>	Public Accounts Committee
<b>PAO</b>	Principal accounting officer
<b>PSIAS</b>	Public Sector Internal Audit Standards
<b>PSREs</b>	Public sector research organisations
<b>UKRI</b>	United Kingdom Research and Innovation
<b>UK SBS</b>	UK Shared Business Services

# 1. Introduction

1. This framework document has been written by the Department for Business, Energy and Industrial Strategy (BEIS) in consultation with United Kingdom Research and Innovation (UKRI). The framework document sets out the broad parameters within which UKRI will operate but does not convey any legal powers or responsibilities. Legislative provisions shall take precedence over any part of this document. Significant variations to this document shall be cleared with HM Treasury as appropriate.
2. This framework document is critical to defining the relationship between BEIS and UKRI. It is subject to, and complements:
  - (a) legal and regulatory requirements, in particular the Higher Education and Research Act (HER Act)
  - (b) delegation, accounting officer and annual allocations letters from BEIS
  - (c) ‘Managing Public Money’<sup>1</sup>, and
  - (d) other instructions/rules issued to government departments by the Cabinet Office and HM Treasury.
3. UKRI has its own internal governance framework, which will work with, and be informed by, this framework document, the HER Act and other relevant policies and guidance.
4. This framework document will be reviewed as part of each tailored review (see paragraph 16.1), or at any other time when it is necessary to do so, and particularly if changes are sought by the Secretary of State for BEIS or the UKRI chair and Chief Executive Officer (CEO) in the light of experiences gleaned through UKRI’s operations, changes in circumstance or changes in government policy. A light-touch review will also take place annually to ensure the continued relevance of the framework document provisions.
5. The framework document is signed by BEIS and UKRI. Copies of the document and any subsequent amendments will be published and placed in the Libraries of both Houses of Parliament. An electronic version is available on the UKRI website.
6. References in this document to the Secretary of State mean the Secretary of State for BEIS. In practice he or she may empower another BEIS minister or a senior BEIS official to act on his or her behalf. The Secretary of State is the minister with formal responsibility for UKRI. Day-to-day ministerial oversight is delegated to the Minister of State for Universities, Science Research and Innovation (the Science Minister).

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<sup>1</sup> ‘Managing Public Money’, published on GOV.UK, July 2013.

## 2. Purpose of UK Research and Innovation

1. UK Research and Innovation is a non-departmental public body sponsored by BEIS and was established by the HER Act 2017. It has been set up by bringing together the seven research councils, Innovate UK, and the research and knowledge exchange functions of the Higher Education Funding Council for England (HEFCE).<sup>2</sup>
2. UKRI's main purpose is to invest in and facilitate research and innovation activities across the United Kingdom, and, through Research England, directly support higher education providers in England to carry out research and knowledge exchange activities.

### Powers and duties of UK Research and Innovation

3. UKRI's powers and duties stem from parts 3 and 4 and schedule 9 of the HER Act.
4. UKRI's statutory powers, or functions, are detailed in section 93 of the HER Act and permit it to:
  - (a) carry out research into science, technology, humanities and new ideas
  - (b) facilitate, encourage and support research into science, technology, humanities and new ideas
  - (c) facilitate, encourage and support the development and exploitation of science, technology and new ideas
  - (d) facilitate, encourage and support knowledge exchange in relation to science, technology, humanities and new ideas
  - (e) collect, disseminate and advance knowledge in and in connection with science, technology, humanities and new ideas
  - (f) promote awareness and understanding of science, technology, humanities and new ideas
  - (g) provide advice on any matter relating to any of its functions, and
  - (h) promote awareness and understanding of its activities.
5. As required by the HER Act, UKRI must have regard to using its resources in the most effective, efficient and economical way with due regard to any other guidance issued to it by BEIS.

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<sup>2</sup> HEFCE closed in March 2018. Its remaining functions are now being taken forward by the Office for Students, also created through the HER Act.

### Aims of UK Research and Innovation

6. UKRI's aims are to work with its partners to ensure that world-leading research and innovation continues to grow and flourish in the UK. It will support and help to connect the best researchers and businesses. It will invest every pound of taxpayers' money wisely in a way that generates excellent outcomes and ultimately impact for citizens, in the UK and across the world. UKRI will:
  - (a) Push the frontiers of human knowledge and understanding
  - (b) Deliver economic impact
  - (c) Create social and cultural impact by supporting society to become enriched, healthier, more resilient and sustainable.
  
7. The Secretary of State has agreed that, in alignment with the mission statement, the strategic objectives of UKRI are to:
  - (a) be the unified voice for continued strengthening of the UK research and innovation system, nationally and internationally
  - (b) lead on the development and delivery of a coherent national research and innovation strategy which maximises the advancement of knowledge, economic and societal impact, based on more and better evidence and data
  - (c) ensure better prioritisation of resources, especially for the best interdisciplinary and cross-cutting research, as well as longer term investment in research infrastructure
  - (d) maximise the impact of Innovate UK in supporting business-led innovation
  - (e) promote stronger commercialisation, business and policy links, and wider societal engagement with publicly funded research<sup>3</sup>
  - (f) nurture and improve the talent pipeline for research and innovation
  - (g) champion equality, diversity and inclusion across the research and innovation sector, and support a healthy and high-integrity culture
  - (h) deliver a simpler, well-functioning research and innovation ecosystem which is easier to use and helps build collaborative partnerships between end-users, including universities, researchers, charities, communities, businesses, NGOs and international organisations
  - (i) be a great place to work, which inspires, engages and learns from its people, and
  - (j) deliver a step-change in administrative efficiency, including through combining corporate functions.

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<sup>3</sup> UKRI encourages, supports and incentivises commercialisation of research through various programmes, including for example HEIF (Higher Education Innovation Funding) and Impact Acceleration Accounts (IAAs). To a lesser extent UKRI also supports commercialisation of research directly through its own IP (Intellectual Property) portfolio.

## 3. Partnership principles between BEIS and UK Research and Innovation

### BEIS and UK Research and Innovation partnership principles

1. BEIS and UK Research and Innovation will have an open, honest and trust-based partnership supported by the principles set out in the 'Partnerships between Departments and ALBs: Code of Good Practice'.<sup>4</sup> This partnership will be based on clear accountability, mutual understanding of strategic aims and objectives, and recognition of the unique capabilities each organisation brings so as to add greater collective value.
2. As such, both parties will commit to:
  - (a) working together with clearly designated roles between organisations, without duplication of effort
  - (b) keeping each other informed of any significant issues and concerns
  - (c) maintaining a focus on what is needed to deliver policy outcomes
  - (d) supporting and challenging each other on developing policy and practice
  - (e) maintaining open and honest communication and dialogue, in particular when addressing issues or emerging risks, including sharing information with each other wherever possible
  - (f) ensuring proportionate oversight at a departmental level and within UKRI, tailored to reflect different levels of risk in UKRI's activities
  - (g) using best endeavours to resolve issues and respond to requests as quickly as possible, and
  - (h) acting at all times in line with values of integrity, honesty, objectivity and impartiality.

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<sup>4</sup> 'Partnerships between departments and Arm's Length bodies: Code of Practice', published on GOV.UK, February 2017.

The **four principles** are **purpose** (partnerships work well when the purpose, objectives and roles are mutually understood), **assurance** (partnerships work well when departments adopt a proportionate approach to assurance and share a mutual understanding of risk), **value** (partnerships work well when departments and arm's length bodies share skills and experience to enhance their impact and deliver more effectively), **engagement** (partnerships work well when relationships are open, honest, constructive and based on trust).

## Haldane principle

3. In engaging with UKRI, BEIS will have regard to the Haldane principle as set out in a written ministerial statement from the Science Minister on 20 December 2010 (included as Appendix 2). The HER Act defines more precisely how the Haldane principle will apply with respect to UKRI. For the science and humanities councils (see chapter 8), section 103 sets out that the Haldane principle is the principle that decisions on individual research proposals are best taken following an evaluation of the quality and likely impact of the proposals (such as a peer review process). Section 97 provides equivalent measures for the activities of Research England. Strategic, long term decision making requires input from both subject matter experts and central government, as explained in the written ministerial statement. This includes investment in large capital infrastructure and research treaties. The Haldane principle does not apply to the government's funding of innovation and the activities of Innovate UK.
4. This does not impact upon the Secretary of State's overall powers and responsibilities for research and innovation policy or accountability to parliament, consistent with 'Managing Public Money' and the Haldane Principle. The Secretary of State still takes decisions about overall strategic priorities (for example on major programmes such as the Industrial Strategy Challenge Fund) and overall budgets on advice from UKRI, approves the overall strategy and corporate plan for UKRI, and takes specific spending decisions if those are above delegated limits or have significant policy implications.
5. The Secretary of State may also ask UKRI to manage additional investment programmes. The governance arrangements for these programmes will be agreed with the UKRI board, ensure that the accounting officer responsibilities of the UKRI CEO can be achieved and be consistent with the HER Act.

## Dual support, balanced funding, and devolved funding

6. The Secretary of State will also take into account the balanced funding principle, as set out in the HER Act, when determining allocations to the two components of the dual support system (see box 1).

#### **Box 1: Dual support, balanced funding and devolved funding**

**Dual support, balanced funding:** The dual support system combines funding administered by the science and humanities councils, with core research for English higher education providers funding administered by Research England. Protection for dual support is complemented by the introduction of the balanced funding principle in the HER Act. This new principle requires the Secretary of State to carefully consider the split in funding between the two sides of the dual support system, taking advice from UKRI.

**Devolved considerations:** Research England's allocation is determined by the Secretary of State. The Barnett Formula is applied to all changes in BEIS budgets and the block grants for the devolved administrations will be adjusted accordingly. It is a matter for each devolved administration to decide how or if it makes equivalent grants (funded from the block grant) to its higher education providers to support research or knowledge exchange.

### BEIS sponsorship role in relation to UK Research and Innovation

7. The framework document outlines UKRI's roles and responsibilities to the department, which are summarised in box 2. This section sets out the complementary sponsorship role held by BEIS.
8. The Business and Science Group in BEIS is responsible for sponsorship of UKRI and a number of other public sector research organisations (PSREs). It will be the primary central government point of contact for UKRI and will maintain an effective two-way relationship: championing UKRI within government, and supporting and challenging UKRI to deliver effectively. As such the BEIS sponsorship role will involve:
  - (a) informing UKRI of relevant government policy and guidance in a timely manner
  - (b) engaging closely with UKRI on wider policy developments and cross-government priorities impacting on, or affected by, the work of UKRI
  - (c) presenting UKRI's advice when making recommendations to the Secretary of State for BEIS on the allocation of funding to the UKRI Councils, including funding held centrally by UKRI, within its overall public expenditure provision, reflecting any advice provided by UKRI (see chapter 12)
  - (d) advising the Secretary of State for BEIS on appropriate performance targets for UKRI
  - (e) advising the Secretary of State on matters which require the Secretary of State's approval

- (f) liaising regularly with UKRI officials to monitor and review UKRI's performance against targets, financial performance against plans, and expenditure against its budgetary allocations
- (g) acting on any significant problems within UKRI in a timely fashion, whether financial or otherwise
- (h) advising the Secretary of State on how well UKRI is achieving its objectives and whether it is delivering value for money
- (i) advising the Secretary of State on appointments and remuneration, including performance related pay for the UKRI CEO, Chief Finance Officer (CFO) and executive chairs, and issuing appointment letters for all public appointments on behalf of the Secretary of State
- (j) being sufficiently well informed about the UKRI's activities to be able to offer advice on any issue for which the Secretary of State may be held to account
- (k) being aware of when UKRI activities constitute novel, contentious or repercussive arrangements under 'Managing Public Money' rules, or exceed UKRI's delegated authority
- (l) supporting UKRI in its transition from several precursor bodies into one coherent and fully operational organisation and in developing and maintaining a new type of sponsor-relationship, and
- (m) continuing to provide effective sponsorship support, advice and guidance on matters of business to ensure efficient operations, including: managing approvals for business cases in a timely and efficient manner, championing UKRI's cause with others in the UK and internationally, and issuing delegation letters in a timely fashion to ensure efficient and effective delivery.

#### **Box 2: UK Research and Innovation's role**

UK Research and Innovation's role is set out throughout this document. This includes:

- (i) using resources in an economic, efficient and economical way (paragraph 2.5)
- (ii) responding to or complying with any guidance from BEIS, and complying with any directions from the Secretary of State (paragraphs 3.23-3.28)
- (iii) providing updates and reporting on progress and the delivery of objectives, and any changes likely to impact on delivery or agreed allocation (paragraphs 5.4, 7.2, 7.7, 12.18, 12.27, 14.8)
- (iv) conducting all activity with regularity, propriety and probity, including complying with 'Managing Public Money' and other corporate governance guidance delegations from BEIS, and rules around novel and contentious activities (chapters 5 and 14, and paragraph 8.11)
- (v) reporting performance, management information and other financial information to BEIS (paragraphs 5.4-5.5 and 14.5-14.8)
- (vi) ensuring that plans, policies and actions support BEIS's wider strategic aims and priorities, and take into account wider public sector goals (paragraphs 5.4, 7.21, 12.14)
- (vii) working closely and collaboratively with other bodies including devolved funding bodies, the Office for Students, and other bodies in the research and innovation landscape, and providing updates to BEIS on engagement with other government departments (chapter 11)
- (viii) when requested by ministers, considering the wider research and innovation landscape when providing advice to BEIS on the allocation of funding (paragraph 12.12)
- (ix) ensuring risks are captured, escalated and communicated speedily and effectively (throughout the document, in particular paragraphs 14.19-14.22), and
- (x) having responsibility for the recruitment, retention and motivation of staff (chapter 15).

## Communications and announcements

9. UKRI will work to achieve effective communications impact from the work it funds, working closely with BEIS where there are opportunities for ministerial involvement in announcements. In particular:
  - (a) UKRI will provide ministers with the opportunity to be involved, if they wish, in all significant funding and public appointment announcements

- (b) UKRI will provide BEIS with advance sight of announcements involving funding commitments to enable effective joint planning, and
  - (c) UKRI will put in place an effective branding strategy to ensure that, where initiatives have benefitted from government funding, that fact is properly acknowledged and communicated.
10. It is an important principle, supported by both UKRI and BEIS, that the conclusions of publicly-funded research can always be communicated independently, freely and objectively, without political restriction.

## Contact and engagement between BEIS and UK Research and Innovation

11. The director for science, research and innovation within the Business and Science Group in BEIS is the primary contact for the discharge of responsibilities of UKRI. The director and his/her team also support the Permanent Secretary as Principal Accounting Officer (PAO) on his/her responsibilities toward UKRI.
12. Within BEIS, the UKRI sponsorship team and relevant policy teams within the Business and Science Group will maintain a close working relationship with their counterparts in UKRI on all issues. The sponsorship function will be based on a transparent, fair, rational and well-understood model of working in partnership, tailored towards the complexities of UKRI. It will ensure that there are effective and efficient department processes and systems to support governance activities. This includes implementing a BEIS-wide policy to establish four levels of sponsorship within the department. The director for science, research and innovation in BEIS is the policy sponsor and the main point of contact for UKRI within BEIS. This director and his/her team will undertake the day to day relationship management and will be responsible for overall coordination between these levels of sponsorship.
13. There will also be three other sponsor roles within the department:
- (a) a ministerial champion – providing ministerial oversight and support for key priorities. This will be the minister responsible for this policy area (identified in paragraph 1.6 as the Science Minister)
  - (b) a policy champion – accountable for the overall relationship (identified as the director general for the BEIS Business and Science Group), and
  - (c) a corporate governance sponsor – working with policy sponsors on governance-related issues (identified as the deputy director for partnerships in BEIS).<sup>5</sup>

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<sup>5</sup> Including, for example, public appointments, tailored reviews, performance management, risk and assurance, classifications and delegations and broader work relating to public bodies reform with Cabinet Office.

14. In addition to routine and policy lead contact between BEIS and UKRI staff, a minimum number of formal meetings will take place:
  - (a) BEIS Permanent Secretary, the director general for the Business and Science Group, and the UKRI CEO and/or chair to meet every quarter
  - (b) UKRI CEO and the director general for the BEIS Business and Science Group to meet every month, and
  - (c) a quarterly progress and performance meeting between the CEO, CFO and strategy director for UKRI, and the director general for the BEIS Business and Science Group, director for science, research and innovation and BEIS finance deputy director.
15. Professional lines of engagement will also be maintained between UKRI and their counterparts within BEIS on a regular basis.

### BEIS attendance at UK Research and Innovation meetings

16. The HER Act states that the Secretary of State, or a BEIS official representing the Secretary of State, has a right of attendance to meetings of the board and any of UKRI's committees alongside access to any papers, with the exception of the Executive Committee. The Secretary of State will usually delegate this right to a senior BEIS official. BEIS will commit to attending meetings regularly whenever this would aid deliberations or help to provide assurance to the department and UKRI.
17. The Executive Committee may, as part of determining its own and any sub-committees' procedure, choose to invite either the Secretary of State or a representative to attend such meetings, with access to the papers.

### Dispute resolution

18. BEIS and UKRI will take a pragmatic and issue-based approach to dispute resolution.
19. This framework document and other governance documents and guidance should be used as a reference point for agreement between the two parties. A resolution should be agreed upon in a timely manner and in such a way that any potential disruption to on-going projects or operations is limited as much as possible.
20. Parties should endeavour to identify emerging issues as early as possible, and to communicate these to each other through the most appropriate route of engagement. This could include routine sponsorship meetings for more day-to-day issues, or direct conversations between the senior management for more urgent matters. Parties will ensure they come to a shared understanding of risk and take action accordingly.

21. Both parties will agree clear routes of escalation for addressing both routine issues and urgent matters arising. In the first instance, issues should be escalated within the organisation at a working level and in a timely manner. Where this does not resolve the dispute, the issue should be escalated within BEIS to the relevant director and subsequently to the director general for the Business and Science Group, Permanent Secretary as the PAO and ultimately to the Secretary of State. Within UKRI, the issue should be escalated within the organisation at working level, then to the relevant director and/or committee chair, and ultimately to the CEO as accounting officer and/or the UKRI chair (as appropriate).
22. Once the dispute is resolved, both parties should endeavour to learn the lessons from this process, and guidance should be recorded and communicated within each organisation to aid future deliberations.

### Powers to give Directions and Guidance

23. The HER Act provides the Secretary of State with power to give directions to UKRI. This power will be exercised proportionately, for example, in response to serious financial management issues where the four accounting officer standards of regularity, propriety, value for money or feasibility are in question for any particular initiative.
24. Any direction from the Secretary of State must comply with the HER Act provisions on directions relating to Research England's functions.
25. UKRI should also comply, or respond if they cannot comply, with any guidance falling short of a direction from the Secretary of State.
26. In issuing directions or guidance, the Secretary of State will have regard to the issues outlined in paragraph 7.19.
27. In line with 'Corporate Governance in Central Government Departments: Code of Good Practice'<sup>6</sup> the CEO should inform the board at the next meeting of all ministerial directions, and arrange for the existence of any direction to be published as soon as possible, and no later than in the governance statement of the next Annual Report and Accounts.
28. Both parties should endeavour to learn the lessons from this process following the issuance of a ministerial direction.

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<sup>6</sup> 'Corporate governance in central government departments: code of good practice', published on GOV.UK, 2017.

## 4. BEIS accountability for UK Research and Innovation

### Ministerial accountability and overarching responsibilities

1. The Secretary of State will be accountable to Parliament for UK Research and Innovation business and retains the publicly accountable role for overarching policy.
2. Specific responsibilities of the Secretary of State to the UKRI board are set out in paragraphs 7.16-7.20 below. The Secretary of State will also be responsible for public appointments to UKRI, as set out in chapter 10.

### BEIS accounting officer's accountabilities and responsibilities as PAO

3. The PAO of BEIS (the Permanent Secretary) has designated the UKRI CEO as UKRI's accounting officer. The respective responsibilities of the PAO and accounting officers for partner organisations (such as UKRI) are set out in Chapter 3 of 'Managing Public Money' and sent separately to the accounting officer on appointment.
4. The PAO is accountable to parliament for the issue of any grant-in-aid to UKRI. The PAO is also responsible for advising the responsible minister on:
  - (a) an appropriate framework of objectives and targets for UKRI with regard to BEIS's wider strategic aims and priorities
  - (b) an appropriate budget for UKRI with regard to BEIS's overall public expenditure priorities, and
  - (c) how well UKRI is achieving its strategic objectives and whether it is delivering value for money.
5. The PAO is also responsible for ensuring arrangements are in place in order to:
  - (a) monitor UKRI's activities
  - (b) address significant problems in UKRI, making such interventions as are judged necessary
  - (c) be aware of, and respond to, risks to both BEIS and UKRI's objectives and activities
  - (d) inform UKRI of relevant government policy in a timely manner, and

- (e) bring concerns regarding the activities of UKRI to the full UKRI board and, as appropriate, to the BEIS Departmental Board for discussion and resolution.

### PAO responsibilities to UK Research and Innovation CEO as delegated accounting officer

- 6. The PAO and his/her supporting officials will support the CEO of UKRI in discharging his/her delegated accounting officer responsibilities, including by:
  - (a) meeting regularly to discuss performance, issues and risks (see also chapter 3)
  - (b) providing advice and guidance in line with 'Managing Public Money'
  - (c) maintaining clear and open lines of communication between BEIS officials and UKRI
  - (d) disseminating updates to public sector corporate governance guidance in a timely manner, and
  - (e) ensuring arrangements are in place for training on accounting officer responsibility.

### PAO modes of intervention

- 7. The PAO has responsibility to ensure that the UKRI CEO fulfils his/her delegated accounting officer responsibilities. The PAO will use appropriate mechanisms to exercise this control. In extremis, this may include withdrawal of the delegated accounting officer responsibilities. However, the PAO may intervene, for example, through:
  - (a) negotiations on the corporate plan
  - (b) the ability to withdraw or change delegated authorities whilst respecting the Haldane principle (see paragraphs 3.3-3.5)
  - (c) the ability to advise the Secretary of State to exercise his/her right to remove board members (whether actively or by not renewing appointments)
  - (d) attaching conditions to grants (complying with the HER Act provisions relating to terms and conditions of grants for Research England's activity)
  - (e) placing a requirement on UKRI to report financial or other data and provide assurance on appropriate use of funds more regularly, and
  - (f) contributing to the annual performance appraisal of the UKRI chair and/or CEO.

## 5. Responsibilities of UK Research and Innovation's CEO as accounting officer

### General

1. The CEO, as accounting officer, is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of UK Research and Innovation. In addition, he or she should ensure that UKRI is collectively managed on the basis of the standards of governance, decision-making and financial management that are set out in Box 3.1 of 'Managing Public Money'.
2. The CEO general responsibilities will include the following:
  - (a) to develop dialogue and partnerships with UKRI's research, business and other user communities and related national and international organizations to inform the development of strategy
  - (b) to develop proposals for the UKRI Strategy and to lead the implementation of a programme of work to deliver UKRI's agreed plans
  - (c) together with the chair:
    - (i) promoting the effective recruitment, retention and development of staff and the effective, efficient and economic use of resources and
    - (ii) representing the views of UKRI to the general public.

### UKRI CEO responsibilities in accounting to parliament

3. Accountabilities include:
  - (a) signing the accounts and ensuring that proper records are kept relating to the accounts. Accounts should be properly prepared and presented in accordance with any directions issued by the Secretary of State
  - (b) preparing and signing a governance statement covering corporate governance, risk management and assurance of any local responsibilities, for inclusion in the annual report and accounts
  - (c) providing information to the PAO for the departmental 'Accounting Officer System Statement' and providing a forward-looking yearly statement on UKRI's accounting system with the governance statement
  - (d) ensuring that effective procedures for handling complaints about UKRI are established and made widely known within UKRI

- (e) acting in accordance with the terms of this document, 'Managing Public Money' and other instructions and guidance issued from time to time by BEIS, HM Treasury and the Cabinet Office
- (f) giving evidence, normally with the PAO, when summoned before the Public Accounts Committee (PAC) on UKRI's stewardship of public funds
- (g) ensuring that all public funding made available to UKRI and any approved income or other receipts are used for the purpose intended by parliament, and that such monies, together with assets, equipment and staff, are used economically, efficiently and effectively, and
- (h) ensuring that adequate internal management and financial controls are maintained, including effective measures against fraud and theft.

## Responsibilities of the CEO to BEIS

4. The UKRI CEO has particular responsibilities to BEIS which include:

- (a) establishing, in agreement with BEIS, UKRI's corporate plans. In doing so, the CEO should have regard to BEIS's wider strategic aims (including those to boost earning potential and productivity<sup>7</sup>) and other policies,<sup>8</sup> as well as mutually agreed priorities, also taking into account wider public sector goals (for example in relation to Civil Service diversity, efficiency, digital, as communicated to UKRI by BEIS, Cabinet Office or HM Treasury)
- (b) ensuring UKRI adheres to ministerial budget allocations
- (c) ensuring that Council executive chairs receive an annual performance appraisal (see paragraphs 10.15-10.17)
- (d) informing BEIS of progress in helping to achieve government objectives and in demonstrating how resources are being used to achieve those objectives
- (e) ensuring that timely forecasts and monitoring information on performance and finance are provided to BEIS. This involves BEIS being notified promptly if over or under spends are likely and that corrective action is taken, and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to BEIS in a timely fashion
- (f) maintaining a comprehensive system of internal delegated authorities which is notified to all staff, together with a system for regularly reviewing compliance with these delegations, and
- (g) ensuring that appropriate personnel management policies are maintained.

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<sup>7</sup> Objectives of the government's Industrial Strategy, see 'Industrial Strategy: building a Britain fit for the future', published on GOV.UK, November 2017.

<sup>8</sup> For example, 'Good work: a response to the Taylor Review of modern working practices', published on GOV.UK, February 2018.

5. The CEO will ensure information necessary for effective monitoring of performance is supplied both to the UKRI board and to BEIS in a timely manner (see also chapter 14).

### CEO (as accounting officer): responsibility for assurance and control

6. The UKRI board will delegate responsibility for the oversight and control of operational issues to the CEO. The BEIS Permanent Secretary as PAO will delegate appropriate financial authority to the UKRI accounting officer (the UKRI CEO). The CEO will establish a system of controls and assurance that ensure that his/her accounting officer responsibilities are fulfilled. As such the CEO will be able to demonstrate to the PAO that UKRI has an effective assurance framework which facilitates clear accountability and efficient decision-making.

### CEO (as delegated accounting officer) responsibilities to the PAO

7. The CEO will ensure that the BEIS Permanent Secretary is assured on the discharge of his/her delegated accounting officer responsibilities, including by:
  - (a) providing an accounting officer assessment<sup>9</sup> ahead of major or potentially contentious investments
  - (b) ensuring that BEIS officials are aware of emerging material risks and issues in a timely manner
  - (c) being open and transparent about internal operational processes and procedures
  - (d) escalating problems in a manner appropriate to its magnitude
  - (e) ensuring guidance from the PAO is disseminated amongst UKRI as appropriate, and
  - (f) maintaining clear and open lines of communication between UKRI staff and BEIS officials.

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<sup>9</sup> 'Accounting officer assessments: guidance', published on GOV.UK, September 2017.

## UK Research and Innovation CEO role in engaging with UK Research and Innovation board

8. The UKRI CEO is responsible for:

- (a) advising the UKRI board on the discharge of UKRI's responsibilities as set out in this document, in the HER Act and in any other relevant instructions and guidance that may be issued from time to time
- (b) advising the UKRI board on UKRI's performance compared with its aims and objectives
- (c) ensuring that financial considerations are taken fully into account by the UKRI board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed
- (d) taking action as set out in paragraph 3.8.6 of 'Managing Public Money' if the UKRI board, or the chair, is contemplating a course of action involving a transaction which the UKRI CEO considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility, or is unethical, and
- (e) working with the chair and the board to advise the Secretary of State on the case for investment in research and innovation at decision points such as Spending Reviews, and to advise on funding allocations to UKRI Councils and cross-cutting funds.

## 6. UK Research and Innovation internal governance

### UK Research and Innovation internal governance structure

1. UK Research and Innovation is comprised of a board, nine Councils that are overseen by the board, and a strategic and corporate centre. The Councils and the strategic and corporate centre are coordinated by the Executive Committee, which is led by the CEO.
2. The board will be made up of the chair, CEO, CFO and 9-12 independent members (see chapter 10). The board will be supported as a minimum by an Audit, Risk, Assurance and Performance Committee (ARAPC) and a Nomination and Remuneration Committee (see paragraphs 7.8-7.10 and 7.11-7.15 respectively).
3. The UKRI Councils are statutory entities, established by the HER Act, which will deliver against their specific discipline focus as described in chapter 8. The Councils will each be led by an executive chair, and supported by up to 12 independent members. Each executive chair is a senior member of UKRI staff, and is line-managed by the UKRI CEO (UKRI's accounting officer, see chapter 5). The executive chairs will be delegated financial authority from the CEO to make commitments on behalf of his/her Council (see paragraph 8.11).
4. The Executive Committee of UKRI is also established by the HER Act. The Executive Committee is described in paragraphs 8.14-8.15, and as a minimum its membership consists of the 9 executive chairs, the UKRI CEO and the UKRI CFO.

Figure 1:

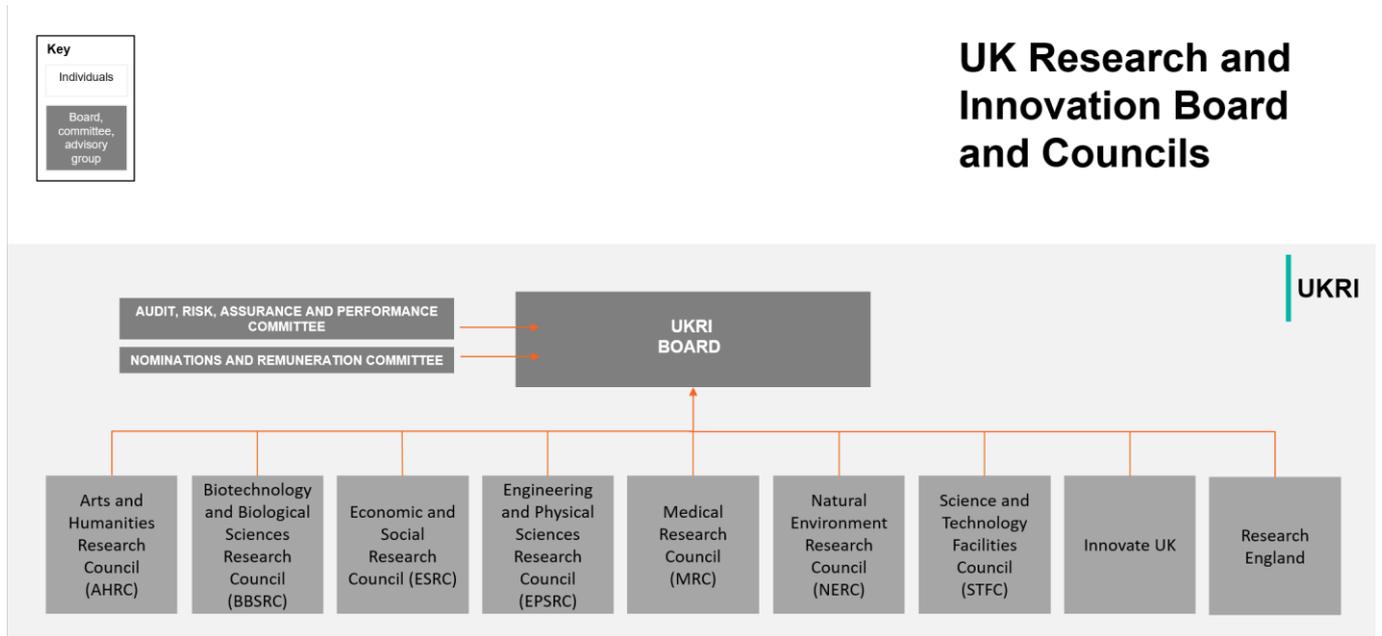
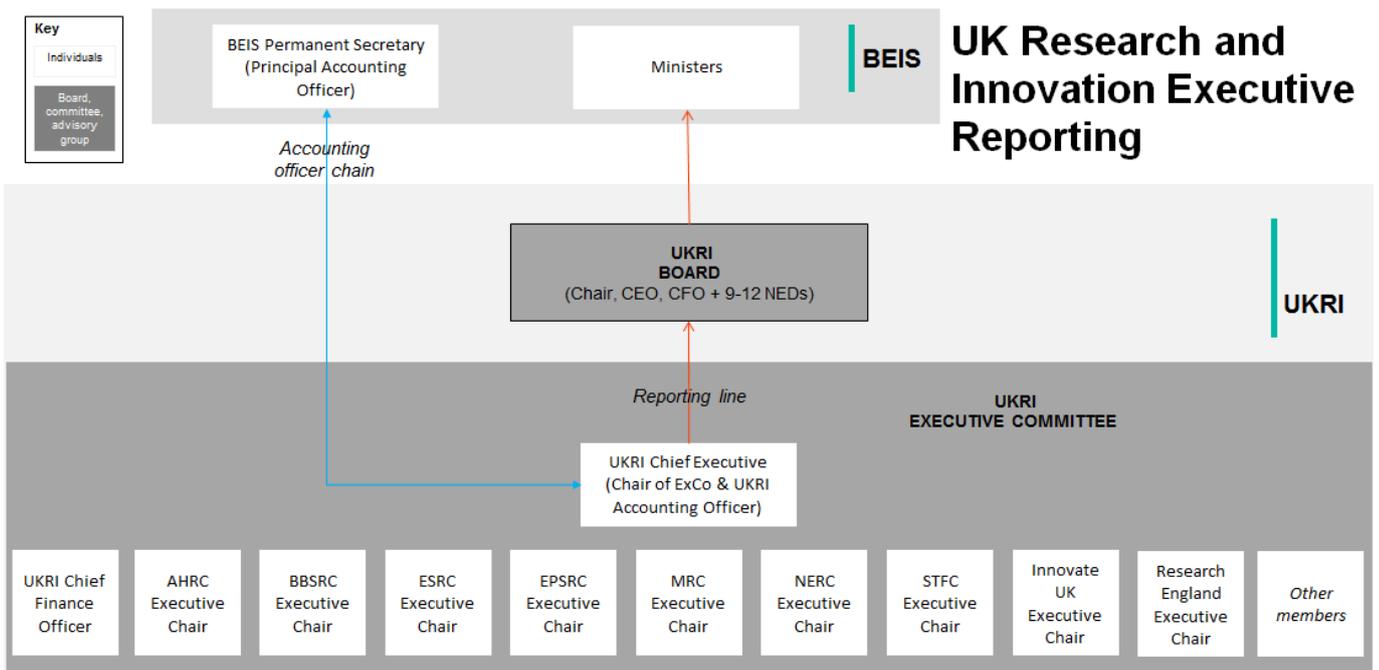


Figure 2:



## 7. The UK Research and Innovation board

1. The UK Research and Innovation board (the board) is responsible for ensuring that UKRI achieves its strategic objectives (see chapter 2) and is accountable to the Secretary of State. The board will consist of the UKRI chair, CEO, CFO and 9-12 independent members (see chapter 10).
2. As set out in the HER Act, and if asked to by the Secretary of State, the board will be responsible for the development of the UKRI Strategy and will present it to the Secretary of State for approval. The board will ensure that the Secretary of State is kept informed of changes likely to impact on the strategic direction of UKRI or on the attainability of its targets.
3. The board is also responsible for advising the Secretary of State on strategic priorities, the balance of funding between research disciplines and the appropriate balance of dual support funding (see paragraph 3.6) or any other issue where the Secretary of State requests advice.
4. The board should ensure that effective arrangements are in place to provide assurance on risk management, governance, health and safety and internal control.
5. The board will adhere to terms of reference agreed by the Secretary of State and the UKRI chair, which should be reviewed regularly in accordance with chapter 9, below.
6. The board will establish an Audit, Risk, Assurance and Performance Committee (ARAPC) and a Nominations and Remunerations Committee. As outlined below, the board is expected to assure itself of the effectiveness of the internal control and risk management systems through the ARAPC.
7. The board is specifically responsible for:
  - (a) establishing and taking forward the strategic aims and objectives of UKRI consistent with its overall strategic direction and within the policy and resources framework determined by the Secretary of State
  - (b) ensuring that the Secretary of State is kept informed of any changes which are likely to impact on the strategic direction of the board or on the attainability of its targets, and determining the steps needed to deal with such changes
  - (c) ensuring that any statutory or administrative requirements for the use of public funds are complied with. This means that the board operates within the limits of its statutory authority and any delegated authority agreed with BEIS, and in accordance with any other conditions relating to the use of

public funds and that, in reaching decisions, the board takes into account guidance issued by BEIS

- (d) ensuring that the board receives and reviews regular financial information concerning the management of UKRI, is informed in a timely manner about any concerns about the activities of UKRI, and provides positive assurance to the department that appropriate action has been taken on such concerns, and
- (e) demonstrating high standards of corporate governance at all times, including by using the UKRI's independent ARAPC to help the board address important financial and other risks.

### Audit, Risk, Assurance and Performance Committee (ARAPC)

- 8. The UKRI ARAPC is a formal sub-committee of the board. It is responsible for supporting the board and accounting officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment, performance information and the integrity of financial statements. The ARAPC will provide oversight and independent challenge regarding the implementation of policies and processes developed by UKRI. While the ARAPC will have an oversight role, the UKRI Executive Committee will have responsibility for day-to-day operational issues.
- 9. The ARAPC will adhere to terms of reference agreed between BEIS and UKRI and will be reviewed regularly in accordance with chapter 9, below.
- 10. The ARAPC should consist of 6-10 members, with at least two individuals from the board. The ARAPC chair and deputy chair must be board members. The chair of the ARAPC is approved by the Secretary of State and will also be an independent member of the board. The balance of independent members should reflect the skills and experience required by the ARAPC to fulfil its duties.

### Nomination and Remuneration Committee

- 11. The Nomination and Remuneration Committee will support the board in determining the composition and effectiveness of the Councils and the remuneration of the executive members of the board, executive chairs and other senior managers.
- 12. The roles and responsibilities of the Nomination and Remuneration Committee, including with regard to seeking Secretary of State approval for remuneration proposals, will be established in terms of reference to be agreed between BEIS and UKRI and will be reviewed regularly in accordance with chapter 9, below.
- 13. BEIS will require assurance that remuneration proposals from the Nomination and Remuneration Committee comply with the latest public sector pay policy and

guidance applicable to non-departmental public bodies (NDPBs), which may be updated annually, including on:

- (a) Senior pay and reward<sup>10</sup>
  - (b) Civil Service pay<sup>11</sup>
  - (c) Public sector pay and terms<sup>12</sup>
14. BEIS will inform UKRI of relevant public sector pay policy and guidance in a timely manner.
15. The Nomination and Remuneration Committee will be composed of a minimum of three independent board members, one of whom will be the UKRI chair. No individual shall be involved in any decisions as to his or her own remuneration.

### Role of the Secretary of State in relation to the UK Research and Innovation Board

16. The HER Act sets out specific roles for the Secretary of State in relation to the board, including the following:
- (a) As set out in chapter 12, the Secretary of State may ask the board to oversee the development of the UKRI Strategy, and to present it to the Secretary of State for approval
  - (b) The board is responsible for providing specific advice to the Secretary of State on his/her request. The Secretary of State must consider any advice from the board regarding the allocation of funding in relation to UKRI functions (see chapter 12), and
  - (c) The Secretary of State may provide grants to UKRI and terms and conditions in relation to such grants (see chapter 12). The board is responsible for advising the Secretary of State on strategic priorities, the balance of funding between research disciplines and the appropriate balance of dual support funding (see paragraph 3.6), or any other issue where the Secretary of State requests advice.
17. The Secretary of State has a power of direction with regard to the allocation or expenditure of grants received from parliament. The HER Act places specific restriction on the use of directions with regard to block funding for higher education providers allocated by Research England. (On the power to give directions and guidance, See paragraphs 3.23 -3.28).

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<sup>10</sup> Senior Civil Service pay and reward packages, 'Guidance for approval for senior pay', published on GOV.UK, February 2018'.

<sup>11</sup> 'Civil Service pay guidance 2017 to 2018', published on GOV.UK, April 2017.

<sup>12</sup> 'Public sector pay and terms: guidance note', published on GOV.UK, February 2016.

18. The Secretary of State may also provide guidance falling short of a direction (see paragraphs 3.23 -3.28).
19. The Secretary of State will have regard to the Haldane principle, the balanced funding principle and any advice relating to financial allocations provided by the board when making funding allocations to UKRI, issuing terms and conditions of grants or providing guidance and directions to UKRI.<sup>13</sup>
20. The Secretary of State has an obligation to ensure that the board has a balance of skills appropriate to directing UKRI's business, as set out in the 'Government Code of Good Practice for Corporate Governance' and in line with the HER Act, through making ministerial appointments to the board.

### The UK Research and Innovation chair's personal responsibilities

21. The UKRI chair is responsible to the Secretary of State. Communications between the board and the Secretary of State should normally be through the chair. He or she is responsible for ensuring that policies and actions support the Secretary of State's wider strategic policies and that its affairs are conducted with probity. Where appropriate, these policies and actions should be clearly communicated and disseminated throughout UKRI.
22. Whilst the chair is formally responsible to the Secretary of State, he or she should work closely with the director general for the BEIS Business and Science Group as his or her normal point of contact.
23. The chair, with the CEO, should meet the Secretary of State together with the director general for the BEIS Business and Science Group at least annually to discuss strategy, priorities and delivery performance. The chair should also meet regularly with the director general for the BEIS Business and Science Group to ensure that he or she is informed of the department's views on all relevant research and operational policies and other matters relating to the work of UKRI, and to give the chair and CEO the opportunity to brief the director general on UKRI matters.
24. In addition, the UKRI chair has the following leadership responsibilities:
  - (a) formulating UKRI's strategy, whilst complying with relevant legislation
  - (b) ensuring that the board, in reaching decisions, takes proper account of guidance provided by the Secretary of State or BEIS (see also paragraphs 3.23-3.28)
  - (c) promoting the efficient and effective use of staff and other resources

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<sup>13</sup> On the Haldane principle see paragraphs 3.3-3.5, the HER Act and appendix 2; on the balanced funding principle see paragraph 3.6, the Higher Education white paper and the HER Act; on the provision of advice and budgeting procedures see chapter 12; on guidance and directions see paragraphs 3.23-3.28.

- (d) delivering high standards of regularity and propriety, and
- (e) representing the views of the board to the general public.

25. The chair's responsibilities specific to the requirements of UKRI are set out in his or her agreed terms and conditions of public appointment. The chair also has an obligation to ensure that:

- (a) the board and its members are functioning effectively as a strategic decision making body and are providing appropriate levels of support and challenge to the executive, and that the performance of the board is evaluated regularly (see chapter 9)
- (b) board members are fully briefed on their terms of appointment, duties, rights and responsibilities
- (c) he or she, together with the other UKRI board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice
- (d) members of the board receive annual performance appraisals (see paragraphs 10.15-10.17)
- (e) he or she can advise the Secretary of State on the performance of individual board members when being considered for re-appointment
- (f) the Secretary of State is advised of UKRI's needs when board or executive chair vacancies arise, to ensure that the board has a balance of skills appropriate to directing UKRI business, as set out in the 'Code of Good Practice on Corporate Governance' and the HER Act, taking advice from the CEO
- (g) there are board terms of reference in place setting out the role and responsibilities of the board consistent with the 'Code of Good Practice for Corporate Governance', and
- (h) a code of practice for board members, consistent with the Cabinet Office 'Code of Conduct for Board Members of Public Bodies', is in place and maintained.<sup>14</sup>

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<sup>14</sup> 'Code of conduct for board members of public bodies', published on GOV.UK, June 2011.

### Individual board members' responsibilities

26. Board members' responsibilities specific to the requirements of UKRI are set out in their agreed terms and conditions of public appointment. Furthermore, individual board members should:
- (a) comply at all times with the 'Code of Conduct for Board Members of Public Bodies' and with the rules relating to the use of public funds and to conflicts of interest
  - (b) not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations
  - (c) comply with the board's rules on the acceptance of gifts and hospitality, and of business appointments, and
  - (d) act in good faith and in the best interests of UKRI.

## 8. UK Research and Innovation Councils

1. The UK Research and Innovation Councils (the Councils) are seven science and humanities councils, Innovate UK and Research England. As set out in the HER Act, the Councils will be responsible for both advising the board and making decisions on scientific, research and innovation matters in their discipline specific area.

Council of UK Research and Innovation <sup>15</sup>	Field of activity
Arts and Humanities Research Council (AHRC)	Arts and humanities
Biotechnology and Biological Sciences Research Council (BBSRC)	Biotechnology and biological sciences
Economic and Social Research Council (ESRC)	Social sciences
Engineering and Physical Sciences Research Council (EPSRC)	Engineering and physical sciences
Medical Research Council (MRC)	Medicine and biomedicine aimed at improving human health
Natural Environment Research Council (NERC)	Environmental and related sciences
Science and Technology Facilities Council (STFC)	Astronomy, particle physics, space science, nuclear physics and provision and operation of research facilities in relation to any area of activity specified in the column
Innovate UK	Business-led innovation
Research England	Supports English higher education providers to deliver research and knowledge exchange

<sup>15</sup> This table is adapted from the HER Act. Under the Act, the Secretary of State may add, omit or change the names of the research councils by secondary legislation in the form of regulations passed by an affirmative resolution. However, the regulations may not omit or change the names of Research England or Innovate UK. The HER Act places a duty on the Secretary of State to consult about any such regulations, although this duty can be delegated to UK Research and Innovation.

2. As described in chapter 10, each Council will consist of 5-12 independent (ordinary) members and an executive chair.
3. The responsibilities of the UKRI Councils include:
  - (a) the leadership of their specific research domain, including prioritisation of budgets and the development of delivery plans
  - (b) ensuring the future supply of skilled researchers and other specialists essential to the sustainability of the UK's research and innovation capacity, and
  - (c) engaging with their community to develop ideas, raise awareness and disseminate strategic outputs.
4. The ordinary members of the Council will:
  - (a) support and challenge the executive chair to ensure the effective delivery of the Council's mission. In particular, they should:
    - (i) provide guidance, advice and make recommendations as appropriate on research, knowledge exchange, training and innovation to the executive chair and, if required, to the board. Where relevant this will include ensuring that the UK receives greatest possible benefit from its involvement in major international programmes
    - (ii) contribute to the development and implementation of the UKRI Strategy (see chapter 12), and
    - (iii) provide leadership in the development and delivery of the Council's strategic delivery plan (see chapter 12).
  - (b) prioritise funding distribution between the disciplines within each Councils field of activity, and
  - (c) encourage collaborative working across the UKRI Councils, and the wider research innovation and business community, in order to foster strategic relationships.
5. Each Council will agree terms of reference which will outline specific responsibilities within their discipline areas, and which will be reviewed regularly in accordance with chapter 9, below.

### Delegation of functions from the board to Councils

6. The board will delegate responsibility for decision making to each Council in relation to their discipline area, as required by the HER Act. In delegating functions, the board will adopt a principle of subsidiarity, so that functions are delegated to Councils wherever it is effective to do so. The HER Act requires the board to consider the overall effectiveness, efficiency and economy of UKRI when delegating functions (see paragraph 2.5).

7. The board will delegate authority to individual Councils through a range of methods including the commissioning and approval of strategic delivery plans (see chapter 12), budget allocation letters and delegation letters.

### **Research England**

8. In accordance with its remit (see also paragraph 11.1), Research England shall be delegated the following responsibilities by the board:
  - (a) Research England will be responsible for decision-making in respect of its delegated budget
  - (b) Research England will operate on behalf of UKRI on institutionally-focused policy and funding issues regarding research and knowledge exchange in English higher education providers, working closely with devolved funding bodies
  - (c) when required by UKRI, Research England will work co-operatively with the devolved funding bodies to allocate funds available across the UK, and
  - (d) Research England will evaluate its own policy and funding programmes, engaging with the devolved administrations and devolved funding bodies to gather a UK-wide view of higher education sector-related policy issues.

### **Role of the executive chairs and internal delegations from the CEO and the board**

9. Executive chairs will be responsible for the development and approval of their Council strategic delivery plans and will be responsible for delivery against the plans.
10. Executive chairs will also undertake cross-cutting activity on behalf of UKRI as a whole, reporting to the CEO.
11. Executive chairs will be delegated authority for managing budgets by the CEO through a system of delegations. As described in paragraph 5.6, the CEO will establish a system of controls and assurance to ensure his or her accounting officer responsibilities under 'Managing Public Money' are fulfilled.

### **Senior Independent Member and Innovation Champion (Innovate UK)**

12. One member of each Council will be appointed as Senior Independent Member, whose role will be both to support the executive chair and to assure the chair and the board of the effective operation of the Council. They will also provide a route to escalate problems and concerns from within the Council independently to the chair and the board.

13. As set out in paragraph 10.12, one member of the board is designated by the Secretary of State as the Innovation Champion. The Innovation Champion's role is to lead in promoting and championing innovation and business interests. They will provide strategic support to the Innovate UK executive chair and will also act as the Senior Independent Member for the Innovate UK Council.

### UK Research and Innovation Executive Committee

14. The UKRI Executive Committee will provide strategic advice to the board and will act as the day-to-day coordinating body for UKRI operations. It will provide leadership to the organisation including across the collective activities of the individual Councils to ensure strategic and operational coordination and collaboration.
15. The Committee will consist of the CEO, who is to be its chair, the CFO, the executive chair of each of the Councils, and such other members as the CEO may appoint.

## 9. Review of Boards and Committees

1. The board, Councils, Executive Committee and their immediate sub-committees should be evaluated internally on an annual basis, and there should be independent input at least once every three years. Evaluations should be in line with any guidance issued by BEIS or other public sector guidance. This includes the ‘Corporate Governance in Central Government Departments: Code of Good Practice’ and the corresponding ‘Guidance Note’<sup>16</sup>, which sets out that board effectiveness evaluations should:
  - (a) include the board, its committees and its individual members, and
  - (b) be incorporated in the normal line management appraisals of the executive board members, and any other appraisal processes that are in place for board members.
2. These reviews should be coordinated by the relevant secretariat in consultation with the chair. For Councils, this should also be in consultation with the Senior Independent Member. The outcome of these reviews should inform the annual governance statement.
3. The internal governance of UK Research and Innovation in relation to BEIS will be reviewed after the first year of operation as part of the transformation programme to establish the new organisation, and through BEIS tailored reviews (see paragraph 16.1) as and when they are scheduled.

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<sup>16</sup> ‘Corporate governance in central government departments: code of good practice – guidance note’, published on GOV.UK, 2017.

## 10. Public Appointments to UK Research and Innovation and Council members

1. The HER Act specifies which appointments to UK Research and Innovation are public appointments.
2. For all public appointments, the 'Governance Code' must be adhered to.<sup>17</sup>
3. BEIS is responsible for managing the process of making public appointments to UKRI in an efficient and effective manner.
4. BEIS will advise the Secretary of State on all public appointments to UKRI and will manage the process of making such appointments in accordance with the above Governance Code and the provisions laid down in the HER Act. This includes advice on role specifications, remuneration, and the composition of recruitment panels.
5. BEIS will work with UKRI on the public appointments process in a timely, efficient and effective manner. This includes taking into consideration advice and recommendations from UKRI when seeking ministerial and cross-government approvals through an agreed way of working with the Nominations and Remuneration Committee.
6. BEIS will provide advice to UKRI on relevant guidance or regulations issued by BEIS or wider government relating to remuneration, including pay, pensions and expenses (see also paragraph 7.14).
7. UKRI will provide advice and recommendations to BEIS on remuneration for ministerial appointees including expense arrangements. This advice will detail the way in which such expense arrangements are in line with 'Managing Public Money' requirements on the handling of public funds. BEIS will remain responsible and accountable for advising ministers on all elements of the remuneration package for ministerial appointees including expense arrangements.

### Composition of the UK Research and Innovation board

8. The Secretary of State will appoint the UKRI chair, CEO, CFO, and at least 9 but no more than 12 other independent board members, to ensure that executive members are supported and constructively challenged in their role (see also chapter 7 about the UKRI board and board member roles and responsibilities).

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<sup>17</sup> 'Governance Code for Public Appointments', published on GOV.UK, December 2016. Published by the Minister for the Cabinet Office in line with the Public Appointments Order in Council 2016, and regulated by the Commissioner for Public Appointments.

9. The CEO, CFO and the 9-12 independent members will be appointed by the Secretary of State in consultation with the UKRI chair.
10. In appointing the board, the Secretary of State will take account of the diverse needs of the organisation as set out in the HER Act (Schedule 9) so that the board members (between them) have experience across UKRI's portfolio.
11. One independent member of the board will be appointed to take up the role of chair of the ARAPC (see paragraphs 7.8-7.10). Independent members typically serve terms between 2-4 years.
12. As per the commitment within the Higher Education and Research white paper,<sup>18</sup> one member of the UKRI board is designated by the Secretary of State as the UKRI Innovation Champion (see paragraphs 8.12-8.13).

### Composition of UK Research and Innovation Councils

13. The HER Act specifies that each UKRI Council will consist of between 5 and 12 independent members and an executive chair. The executive chairs will be appointed by the Secretary of State and the 12 independent members will be appointed by the board on the recommendation of the relevant executive chair. In addition, the Secretary of State has the option to appoint one member to each of the UKRI Councils (see also chapter 8 about the roles and responsibilities of the UKRI Councils). Government officials such as Departmental Chief Scientists may be asked to attend Councils on a personal basis.

### Executive chairs of UK Research and Innovation

14. The Secretary of State will appoint 9 executive chairs of the UKRI Councils (in line with the requirements set out in chapter 10). These appointments are made in consultation with the UKRI CEO taking account of the necessary experience for each particular Council.

### Performance Appraisals

15. Public appointees to UKRI should be subject to annual performance appraisals. For independent board members, this will form part of the evaluations described in chapter 9. Other appointees will be evaluated in the following manner:
  - (a) the director general for the BEIS Business and Science Group will be responsible for the performance appraisal of the UKRI chair, and will seek and represent the views of BEIS ministers and the Permanent Secretary during this process

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<sup>18</sup> 'Higher education: success as a knowledge economy- white paper', published on GOV.UK, May 2016.

- (c) the UKRI chair will be responsible for the performance appraisals of the CEO and CFO, liaising closely with BEIS, and
  - (d) the UKRI CEO will be responsible for the performance appraisals of the Council executive chairs, liaising closely with BEIS.
- 16. UKRI performance management and internal appraisal processes should align with BEIS guidance for the appraisal of independent and executive leaders of partner organisations, with any significant variances discussed via the sponsor team (see chapter 3) and agreed in writing between BEIS and UKRI.
- 17. There is no automatic presumption of reappointment for public appointees. Ministers will make decisions based on merit, in accordance with the ‘Governance Code on Public Appointments’<sup>19</sup> and will not agree a reappointment or extension of term in office without written evidence of satisfactory performance appraisal.

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<sup>19</sup> ‘Governance Code for Public Appointments’, published on GOV.UK, December 2016.

# 11. Devolution, and relationships with other bodies

## Devolution and the devolved administrations

1. UK Research and Innovation has a UK-wide remit in respect of the science and humanities councils and Innovate UK. Research England's primary focus is confined to English higher education providers. However, Research England should cooperate with its devolved counterparts where it is more efficient and effective to do so, for example in delivery of any cross-UK assessment of research quality. Research England may also carry out UK-wide activity if explicitly authorised by the UKRI board.
2. BEIS will regularly engage with the devolved administrations on UKRI's priorities, including with respect to how UKRI and the devolved funding bodies can most effectively work together to support the UK's research and innovation base. This will include engagement through the UK Funders of Research and Innovation Group.
3. Complementing this will be several types of engagement:
  - (a) UKRI will engage as closely as possible with the devolved funding bodies to ensure a collaborative and coherent approach. However, decisions on reserved matters are for UKRI and UK government ministers
  - (b) on matters where UKRI's focus is England-only, Research England will work in partnership with the devolved funding bodies, and
  - (c) on matters where UKRI's focus is UK-wide and where the higher education systems of all four nations are affected, UKRI will engage with the devolved funding bodies, consulting with the Research England executive.
4. In coming to a decision on research or innovation funding that will have a significant impact on higher education providers or on the higher education sector more broadly, UKRI should draw on wider information on institutional strategy from Research England (internally), the Office for Students or relevant devolved funding bodies.

### Joint-working between UK Research and Innovation and the Office for Students

5. The HER Act makes provision for joint working between UKRI and the Office for Students, and places associated duties on these bodies to reflect the need for a collaborative approach between the research and teaching agenda. The Secretary of State may require UKRI to cooperate with the Office for Students on specific issues, as set out in the HER Act.
6. A collaboration agreement between the two organisations will set out the details of how they will work together, including any formal structures for regular engagement and information sharing agreements. This will include ensuring that the Office for Students is consulted on the priorities and approach for investing the teaching element of Higher Education Innovation Funding (HEIF) allocated by Research England.
7. Close collaboration between BEIS and the Department for Education, as the respective sponsoring departments of UKRI and the Office for Students, will help to ensure governance arrangements are aligned where appropriate.

### Working with other bodies

8. UKRI should work closely and collaboratively with other bodies in the wider research and innovation landscape on areas of shared interest to maximise the benefit to research and innovation. UKRI will delegate to Councils, as part of UKRI, authority to make agreements with other such bodies. UKRI may also form more general agreements as required.

### Arrangements where UKRI delivers programmes on behalf of BEIS

9. UKRI may be asked to deliver programmes on behalf of BEIS, where BEIS is responsible for budgets and funding decisions, and UKRI is responsible for monitoring and administering financial support, for example the Advanced Propulsion Centre (APC) or the Aerospace Technology Institute (ATI). Where UKRI is asked to deliver such programmes, BEIS and UKRI will discuss and agree respective roles and responsibilities in advance of the new programme going live.

### Engagement with other government departments

10. UKRI will engage with other government departments as a matter of routine. UKRI should provide updates to BEIS on such engagement.

## 12. UKRI budgeting and reporting cycle

### Budgeting and reporting cycle

1. UK Research and Innovation will operate on a multi-year cycle for strategy, budgeting and delivery (the precise timing of which will be subject to the parliamentary cycle). This will be kept live through annual adjustments and updates to the corporate plan.
2. The UKRI board will be responsible for preparing an annual report and accounts for each financial year (see paragraphs 12.25–12.27 below).
3. UKRI will also engage with BEIS, as appropriate to all BEIS partner organisations, on the BEIS ‘Single Departmental Plan’.

### UKRI Strategy

4. The Secretary of State may commission from the board a research and innovation strategy ('The UKRI Strategy'), which will set out how UKRI will meet the strategic objectives and vision (detailed in chapter 2) and other key priorities over the coming years. The details of the strategy, including timing and sign-off, are set out in the HER Act.
5. The board will oversee the development of the UKRI Strategy and will engage the board on critical challenges or policy context to be considered within it (see also chapter 12). In line with the HER Act, the Secretary of State will approve the UKRI Strategy.

### Council strategic delivery plans

6. The board will commission each Council to produce a strategic delivery plan.
7. These will set how each Council will exercise UKRI’s functions to contribute to the delivery of UKRI’s strategic objectives in respect of their fields of activity.
8. Each Council will submit its strategic delivery plan to the board for approval. The board will ensure consistency, coherence and coordination between all of the Councils’ strategic delivery plans, the activities of the corporate centre and the UKRI Strategy.
9. Once agreed, the plans provide the mechanisms by which the board formally delegates its functions to the Councils, as required by the HER Act.
10. Detail of the approvals process, timing and publication of these plans is included in section 100 of the HER Act.

### Multi-year budget allocations and advice

11. The Secretary of State will make budget allocations for UKRI and each of its 9 Councils for a multi-year period, taking advice from the board on strategic priorities and on the balance of funding between disciplines (see also paragraph 3.6).
12. The board should consider the wider research and innovation landscape in providing any advice to the Secretary of State on the allocation of funding. BEIS may also from time to time invite the board to provide advice on the funding BEIS provides across the research and innovation landscape through its research and innovation budget or other matters relevant to the research and innovation landscape. When providing such advice, the board should consult with any relevant bodies to ensure their expertise and interests are properly reflected.

### Corporate Plan

13. UKRI will also develop a multi-year corporate plan which sets out how it will deliver against the UKRI Strategy.
14. UKRI will agree with BEIS the issues to be addressed in the plan and the timetable for its preparation. The plan will reflect UKRI's statutory and/or other duties, powers and strategic objectives and, within these, the priorities set from time to time by the Secretary of State (including decisions taken on policy and resources in the light of wider public expenditure decisions). The plan will demonstrate how UKRI contributes to the achievement of BEIS's priorities and will set out the size, structure, costs and benefits of the body.
15. The corporate plan will be updated annually, at which point UKRI will expand upon the details where necessary. The update will include key targets and milestones for the year immediately ahead and will be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by BEIS.
16. UKRI and BEIS will work together in a close and collaborative way to develop the plan and review progress.
17. The following matters should be included in the plan:
  - (a) important objectives and associated key performance targets for the forward years, and the strategy for achieving those objectives
  - (b) clear ongoing strategy to ensure the efficiency of operational expenditure so that funding priorities are maximised
  - (c) key non-financial performance targets
  - (d) alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast, and

- (e) other matters as agreed between BEIS and UKRI.
- 18. UKRI should report progress in delivery against corporate plan targets (see chapter 14).
- 19. UKRI will submit the multi-year corporate plan, and subsequent annual updates, to BEIS for agreement according to a timeframe agreed with the BEIS sponsors (see chapter 3 on BEIS-UKRI partnership principles). The Secretary of State will approve each corporate plan and annual update.

### Budgeting procedures

- 20. The corporate plan will be updated each year, in light of decisions by BEIS and any advice received from UKRI. Both BEIS and UKRI will work to an agreed annual cycle of activity and make every effort to conclude changes in advance of the new financial year.
- 21. Each year BEIS will send to UKRI a formal statement (grant letter or allocation letter) of the annual budgetary provision allocated by BEIS in the light of competing priorities across the department, net grant funding provision and any specific condition applied to income and expenditure, alongside a statement of any planned change in policies affecting UKRI.
- 22. When making grants to UKRI, the Secretary of State may provide terms and conditions relating to that grant. When making grants or setting terms and conditions relating to any grants, the Secretary of State will have regard to the factors outlined in paragraph 7.16: the Haldane principle, the balanced funding principle, and any advice provided by the board.
- 23. UKRI's approved updated corporate plan will take account both of approved funding provision and any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any departmental funding and/or other income over the year.
- 24. BEIS reserves the right, in exceptional circumstances, to vary UKRI funding in the event of a general issue (for example, an emergency budget in the event of an economic shock) or specific issue such as serious systemic contravention of an accounting officer duty.

### Annual report and accounts

- 25. The board must publish an annual report of its activities together with its audited accounts after the end of each financial year. UKRI shall provide BEIS its finalised audited accounts by a date notified by BEIS to UKRI each year in order for the accounts to be consolidated within BEIS.

26. The annual report must:
- (a) cover any corporate, subsidiary or joint ventures under its control
  - (b) comply with HM Treasury's 'Government Financial Reporting Manual'<sup>20</sup> (FreM)
  - (c) outline UKRI's main activities and performance during the previous financial year, including an assessment of how its achievements compare against its strategic objectives and the UKRI Strategy for that period, and key elements of the activities and expenditure of the UKRI Councils
  - (d) set out in summary form forward plans
  - (e) include a statement specifying how UKRI has cooperated with the Office for Students during that year
  - (f) include a statement setting out the work UKRI has undertaken to foster and support international collaboration, and
  - (g) include details of the activities, supply chains and actions it is taking to adhere to the Modern Slavery Act 2015.
27. Information on performance against key financial targets is within the scope of the audit and should be included in the notes to the accounts. The report and accounts shall be laid in parliament and made available on UKRI's website, in accordance with the guidance in the FReM. A draft of the report should be submitted to the department according to a timeframe agreed with the BEIS sponsors (see chapter 3 on BEIS-UKRI partnership principles) before the proposed publication date, in order for the Secretary of State to approve the report. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the department as well as the above manual.

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<sup>20</sup> 'Guidance on annual reports and accounts', published on GOV.UK, December 2017

# 13. Internal and external audit

## Internal audit

1. UK Research and Innovation will:
  - (a) establish and maintain arrangements for internal audit in accordance with HM Treasury's Public Sector Internal Audit Standards (PSIAS)<sup>21</sup>
  - (b) ensure BEIS is satisfied with the competence and qualifications of the lead individual responsible for internal audit and the requirements for approving appointments in accordance with PSIAS
  - (c) ensure that the internal audit team have complete access to all relevant records held by the organisation
  - (d) set up an ARAPC (see paragraphs 7.8-7.10) in accordance with the 'Code of Good Practice for Corporate Governance' and the 'Audit and Risk Assurance Committee Handbook'
  - (e) forward the audit strategy, periodic audit plans and annual audit report, including the opinion of the lead individual responsible for internal audit in UKRI on risk management, control and governance as soon as possible to BEIS according to a timeframe agreed with the BEIS sponsors (see chapter 3 on BEIS-UKRI partnership principles), and
  - (f) keep records of, prepare and forward to the department an annual report on fraud and theft suffered by UKRI and notify BEIS of any unusual or major incidents as soon as possible, in line with BEIS guidance and best practice.
2. The internal audit service has a right of access to all documents, including where the service is contracted out.
3. The lead individual responsible for internal audit should be periodically invited to attend UKRI board meetings, where key issues are discussed relating to governance, risk management processes or controls.

## External audit

4. As set out in the HER Act, UKRI must send a copy of each statement of accounts to the Secretary of State and the Comptroller and Auditor General (C&AG) before the end of August following the financial year to which the statement relates. However, accounts should normally be laid pre-summer parliamentary recess to aid parliamentary transparency and support BEIS consolidation.

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<sup>21</sup> 'Public Sector Internal Audit Standards', published on GOV.UK, August 2017.

5. The C&AG will examine, certify and report on each statement of accounts, and send a copy of each report and certified statement to the Secretary of State. The Secretary of State must lay before parliament a copy of each such report and certified statement.
6. In the event that UKRI sets up and controls subsidiary companies, UKRI will (in the light of the provisions in the Companies Act 2006) ensure that the C&AG is appointed auditor of those company subsidiaries that it controls and/or for which the accounts are consolidated within its own accounts. UKRI shall discuss with BEIS the procedures for appointing the C&AG as auditor of the companies.
7. The C&AG:
  - (a) will consult BEIS and UKRI on whom – the National Audit Office (NAO) or a commercial auditor – shall undertake the audit(s) on his or her behalf, though the final decision rests with the C&AG
  - (b) has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, that are held by another party in receipt of payments or grants from UKRI
  - (c) will share with BEIS information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the department's responsibilities in relation to financial systems within UKRI, and
  - (d) will, where asked, provide departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.
8. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which UKRI has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, UKRI shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients, contractors and sub-contractors as may be required for these examinations, and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies. (See also paragraphs 12.25-12.27 on annual reports and accounts).

### Right of access

9. BEIS has the right of access to all UKRI records and personnel for any purpose including, for example, assurance audits and operational investigations, subject to any applicable legislation, including data protection legislation, or confidential commercial considerations where they apply.

## 14. Finance, risk and assurance: management and financial responsibilities

### ‘Managing Public Money’ and other government-wide corporate guidance and instructions

1. Unless agreed by BEIS and, as necessary, HM Treasury, UK Research and Innovation shall follow the principles, rules, guidance and advice in ‘Managing Public Money’, referring any difficulties or potential bids for exceptions to the Business and Science team in BEIS in the first instance. Once the budget has been approved by BEIS and, subject to the Secretary of State’s instructions in allocation letters, UKRI shall have authority to incur expenditure approved in the budget without further reference to BEIS, on the following conditions:<sup>22</sup>
  - (a) UKRI shall comply with its delegations which shall not be altered without the prior agreement of BEIS
  - (b) UKRI shall comply with ‘Managing Public Money’ regarding the value-for-money, feasibility, regularity and propriety of spending, including with respect to novel, contentious or repercussive proposals, engaging with BEIS sponsors early on interpretation of ‘Managing Public Money’ rules (see also paragraph 14.11)
  - (c) UKRI may only establish subsidiary organisations in accordance with terms and conditions specified by the Secretary of State (as set out in the HER Act). The establishment of such subsidiaries will be considered “novel” under ‘Managing Public Money’ rules, unless pertaining to a previously agreed scheme, and will require BEIS and HM Treasury agreement
  - (d) inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed, and
  - (e) UKRI shall provide BEIS with such information about its operations, performance, individual projects or other expenditure as BEIS may reasonably require.

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<sup>22</sup> A list of guidance and instructions with which UKRI should comply is in Appendix I. UKRI also has a duty as a public body to keep abreast of changes to government operational policy and legal requirements.

## Grant-in-aid and any ring-fenced grants

2. Any grant-in-aid provided by BEIS for the year in question will be voted in BEIS's Supply Estimate and be subject to parliamentary control.
3. The grant-in-aid will normally be paid in monthly instalments on the basis of written applications showing evidence of need. UKRI will comply with the general principle that there is no payment in advance of need. Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds will be kept to a minimum level consistent with the efficient operation of UKRI. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, BEIS will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.
4. In the event that BEIS provides UKRI separate grants for specific (ring-fenced) purposes, it would issue the grant in accordance to profiles agreed within the business case or provide justification for a different basis. UKRI would provide evidence that the grant was used for the purposes authorised by BEIS. UKRI shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year.

## UK Research and Innovation reporting performance to BEIS

5. UKRI will operate management information and accounting systems that enable it to review its financial and non-financial performance against the budgets and targets set out in the corporate plan in a timely and effective manner. This information should be shared with BEIS and monitored against priorities set out in the corporate plan, the UKRI Strategy and the strategic objectives (see chapter 2).
6. UKRI will inform BEIS of any changes that make achievement of objectives more difficult. It will report financial and non-financial performance regularly, including performance in helping to deliver ministers' policies, key risks and the achievement of key objectives, in accordance with a schedule agreed between BEIS and UKRI.
7. UKRI's performance will be formally reviewed by BEIS quarterly (see paragraph 3.14)

## UK Research and Innovation providing monitoring information to BEIS

8. As a minimum, UKRI shall provide BEIS with information monthly that will enable the department satisfactorily to monitor:
  - (a) UKRI's cash management
  - (b) its draw-down of grant-in-aid
  - (c) any decisions that impact upon allocations agreed with the Secretary of State or any in-year investment decisions
  - (d) forecast outturn by resource headings
  - (e) reporting against policy ringfences, and
  - (f) other areas of reporting requiring monthly reporting.
9. Further reporting of corporate information will be provided on a schedule agreed with the BEIS sponsors.
10. UKRI will also assist BEIS in responding to Cabinet Office or HM Treasury requests for information on areas of its performance and expenditure.

## Delegated authorities

11. UKRI's delegated authorities will be communicated to the UKRI CEO as accounting officer. UKRI shall obtain BEIS's prior written approval before:
  - (a) entering into any undertaking which incurs expenditure that falls outside the delegations or which is not provided for in UKRI's annual budget as approved by BEIS
  - (b) incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications
  - (c) making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by BEIS
  - (d) making any change of policy or practice which has wider financial implications that might prove repercussive, or which might significantly affect the future level of resources required, or
  - (e) carrying out policies that go against the principles, rules, guidance and advice in 'Managing Public Money'.

### **“Novel and contentious” activities**

12. There is no formal definition of “novel and contentious”, although ‘Managing Public Money’ provides guidance with respect to interpretation. In practice whether something is considered novel or contentious will vary from case to case and should involve early and close engagement with the BEIS sponsor team. Being novel or contentious in itself does not mean a proposal should not be undertaken, but it will require careful consideration and escalation to BEIS, and HM Treasury, to ensure mutual understanding of risk.
13. In general, a novel proposal could be considered as new activity that cannot easily be compared to existing activity already undertaken by an organisation. A contentious proposal would describe an activity where there is reason to believe one or more of the accounting officer standards are in question. The accounting officer standards are regularity, propriety, value for money and feasibility, and should be assessed through an accounting officer assessment<sup>23</sup> whenever concerns around whether a proposal is ‘novel and contentious’ arise.
14. In the context of UKRI’s activities, funding for research and innovation in general is not classified as novel or contentious. However, from time to time exceptions may arise. A good example would be dual use research of concern (DURC),<sup>24</sup> and UKRI is expected to keep the potential wider impacts of the research it funds under review.
15. The administrative mechanisms used to implement research and innovation funding fall within the scope of the accounting officer standards. In this context, novelty is about activity that would be novel for UKRI to undertake, for example, unusual schemes or the use of novel administrative techniques or alternate legal structures. This applies to spending and to any other set of arrangements that have financial implications (for example pay, remuneration and recruitment, disclosure, conflict of interest or entering into contractual arrangements).
16. Areas that are potentially contentious relate to activity that may be considered controversial both within government, for example on policy grounds or financial management considerations, or publicly, for example issues that might raise public or parliamentary concerns.
17. Furthermore, all proposals and existing activity should be periodically assessed for appropriateness and be able to withstand public scrutiny.

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<sup>23</sup> ‘Accounting officer assessments: guidance’, published on GOV.UK, September 2017.

<sup>24</sup> This is life sciences research that could be reasonably anticipated to provide knowledge, information, products, or technologies that could be directly misapplied to pose a significant threat with broad potential consequences to public health and safety.

## UK Shared Business Services (UK SBS)

18. UK SBS is a company wholly owned by its public sector customers and shareholders: BEIS and UKRI. It is a recognised government Shared Service provider. The company provides a range of efficient transactional and specialist services to support the delivery of effective corporate services.

## Risk management

19. UKRI will ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and should develop a risk management strategy, in accordance with 'Management of Risk: Principles and Concepts' (the 'Orange Book').<sup>25</sup>
20. In keeping with both organisations' commitment to a policy of transparency and openness between BEIS and UKRI, UKRI will ensure that BEIS is informed at the earliest appropriate time of any emerging issues and risks.
21. UKRI will establish processes to ensure that it is cognisant of risks that it is exposed to and which it exposes others to, and that these risks are captured, escalated and communicated speedily and effectively. UKRI will establish processes to monitor and report to BEIS, according to a schedule agreed with the BEIS sponsor team, on:
- (a) major projects identified and agreed with BEIS in line with BEIS and the Infrastructure and Projects Authority (IPA) requirements and guidance, and
  - (b) major risks, including operational, financial and reputational risks.
22. As part of its approach to risk management and information assurance UKRI should ensure the robustness of its cyber security to protect itself against data breaches, service disruption, loss and reputational damage. The level of provision should be proportionate to UKRI's size and the level of risk it carries in terms of cyber vulnerability.<sup>26</sup>

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<sup>25</sup> 'Orange Book: Management of Risk-Principles and Concepts', published on GOV.UK, May 2013.

<sup>26</sup> As a minimum, UKRI should take steps to ensure it has basic cyber security controls in place. These should be at least at the level set out in the 'Cyber Essentials scheme', details about which are available on GOV.UK and the Cyber Essentials website. A range of relevant government advice and guidance can be found on GOV.UK.

## Regularity and Propriety

23. UKRI will ensure that all its activities are in line with the guidance in 'Managing Public Money' around regularity and propriety.
24. UKRI should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with HM Treasury's guidance on tackling fraud.<sup>27</sup> It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant-in-aid.
25. UKRI will maintain a register of interests for board members of UKRI and Council members that is published annually.
26. UKRI will establish a gift and hospitality policy based on the principle of transparency, ensuring this is published on its website.
27. UKRI will maintain a record of all entertainment given or received by senior members.
28. UKRI shall at all times be mindful of public perceptions around the appropriate use of public money.

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<sup>27</sup> 'Tackling Internal Fraud', available on [nationalarchives.gov.uk](http://nationalarchives.gov.uk), January 2011.

## 15. Staff

### Broad responsibilities for staff

1. Within the arrangements approved by the Secretary of State and HM Treasury, UK Research and Innovation will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:
  - (a) the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued and appointment and advancement is based on merit. There is no discrimination on grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, or sexual orientation
  - (b) the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness
  - (c) the performance of its staff at all levels is satisfactorily appraised and UKRI performance measurement systems are reviewed from time to time
  - (d) staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve UKRI's objectives
  - (e) proper consultation with staff takes place on key issues affecting them
  - (f) adequate grievance and disciplinary procedures are in place
  - (g) whistle-blowing policy and procedures are in place, which are consistent with the Public Interest Disclosure Act, and aligned with BEIS policy and procedures, and
  - (h) a code of conduct for staff is in place based on the Cabinet Office's Model Code for Staff of Executive Non-departmental Public Bodies.<sup>28</sup>

### Staff costs

2. Subject to its delegated authorities, UKRI will ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them.

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<sup>28</sup> Annex A to Chapter 5 of 'Public Bodies: A Guide for Departments', published on GOV.UK, 2006.

## Pay and conditions of service

3. UKRI staff are subject to levels of remuneration and terms and conditions of service (including pensions) within the general pay structure approved by BEIS and the Treasury, and in line with HER Act requirements. UKRI must also comply with the latest public sector pay policy and guidance applicable to non-departmental public bodies (NDPBs) (see paragraph 7.14). UKRI has no delegated power to amend these terms and conditions without agreement from BEIS.
4. If Civil Service terms and conditions of service apply to the rates of pay and non-pay allowances paid to the staff and to any other party entitled to payment in respect of travel expenses or other allowances, payment shall be made in accordance with the 'Civil Service Management Code' except where prior approval has been given by BEIS to vary such rates.
5. Staff terms and conditions should be set out in a publicly accessible place which should be provided to BEIS together with subsequent amendments.
6. UKRI will operate a performance-related pay scheme that will form part of the general pay structure approved by BEIS and HM Treasury.
7. The travel expenses of board members will be tied to the rates allowed to senior staff of UKRI. Reasonable actual costs will be reimbursed.
8. UKRI will comply with the EU Directive on contract workers – the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations.

## Pensions, redundancy and compensation

9. UKRI staff recruited from 1<sup>st</sup> April 2018 will be eligible for a pension provided by the Civil Service pension arrangements. Staff recruited into an MRC Institute will be provided with access to the Medical Research Pension scheme.
10. All staff that transfer on 1<sup>st</sup> April 2018 will retain access to their existing pension scheme including the Research Council Pension Scheme, UKAEA, Civil Service and Merchant Navy pension schemes.
11. UKRI will comply with the provisions in the Pensions Act 2008 and other relevant legislation, and automatically enrol employees who are not currently saving for their retirement into a pension arrangement.
12. Any proposal by UKRI to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of BEIS, and any exit payments must be made in line with the Civil Service Compensation Scheme. Proposals on severance must comply with the rules in chapter 4 of 'Managing Public Money'.

## Modern Slavery

13. UKRI shall comply with its obligations under the Modern Slavery Act 2015, committing to preventing slavery and human trafficking in all its activities and ensuring as far as possible that supply chains are free from slavery and human trafficking.

## 16. Review of UK Research and Innovation and winding-up arrangements

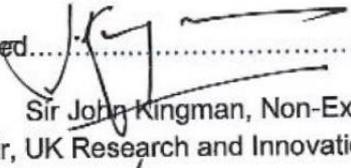
1. UK Research and Innovation will be subject to a tailored review at least once in the lifetime of a parliament, with the first tailored review expected to take place 18-24 months after the launch of UKRI. An important part of all tailored reviews is to examine the body's governance arrangements. This framework document should be reviewed as part of that process.
2. Tailored reviews should be carried out independently of both UKRI and its BEIS policy sponsors.

### Arrangements in the event that UKRI is wound up

3. BEIS will put in place arrangements to ensure the orderly winding up of UKRI. In particular it should ensure that the assets and liabilities of UKRI are passed to any successor organisation and accounted for properly. In the event that there is no successor organisation, the assets and liabilities should revert to BEIS. To this end, BEIS will:
  - (a) ensure that procedures are in place in UKRI to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body
  - (b) specify the basis for the valuation and accounting treatment of UKRI's assets and liabilities
  - (c) ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit, and that for non-Crown bodies funds are in place to pay for such audits. It shall be for the C&AG to lay the final accounts in parliament, together with his or her report on the accounts, and
  - (d) arrange for the most appropriate person to sign the closing accounts. In the event that another organisation takes on the role, responsibilities, assets and liabilities of UKRI, the accounting officer of the succeeding organisation should sign the closing accounts. In the event that BEIS inherits the role, responsibilities, assets and liabilities, BEIS's PAO should sign.
4. UKRI will provide BEIS with full details of all agreements where UKRI or its successors have a right to share in the financial gains of developers. It should also pass to BEIS details of any other forms of claw-back due to UKRI.

# Signatures

Signed on behalf of UK Research and Innovation and the Department for Business, Energy and Industrial Strategy by the following:

Signed  .....  
Sir John Kingman, Non-Executive  
Chair, UK Research and Innovation

Signed  .....  
Professor Sir Mark Walport, Chief  
Executive Officer, UK Research and  
Innovation

  
Signed .....  
Rt Hon Greg Clark MP, Secretary of  
State for Business, Energy and Industrial  
Strategy

  
Signed .....  
Alex Chisholm, Permanent  
Secretary for the Department for Business,  
Energy and Industrial Strategy

# Appendix 1: Compliance with government-wide corporate guidance and instructions

UK Research and Innovation shall comply with the following general legislation, guidance documents and instructions:

## **Corporate Governance**

- This framework document
- [Corporate Governance Code for Central Government Departments \(relevant to Arm's Length Bodies\) and supporting guidance](#),
- [Code of conduct for Board members of Public Bodies](#),
- [Code of practice for partnerships between Departments and Arms' Length Bodies](#),

## **Financial Management and Reporting**

- [Managing Public Money \(MPM\)](#),
- [Fees and Charges Guide, Chapter 6 of Managing Public Money](#),
- [Departmental Banking: A Manual for Government Departments, annex 5.6 of Managing Public Money](#),
- [Government Financial Reporting Manual \(FReM\) – updated annually](#),
- [Relevant Dear Accounting Officer \(DAO\) letters](#),
- [Regularity, Propriety and Value for Money](#),
- [Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts](#).

## **Management of Risk**

- Management of Risk,
  - [Management of risk-Principles and Concepts](#)
  - [Management of risk in government: guidance](#)
- [Public Sector Internal Audit Standards](#),

- [Guidance on audit, risk assurance and fraud \(see links at bottom of webpage\)](#),
- [HM Treasury approval processes for Major Projects above delegated limits](#),
- The government cyber-security strategy and cyber security guidance
  - [National cyber-security strategy 2016 to 2021](#)
  - [Cyber security guidance for business](#)

### **Commercial Management**

Government procurement policy and Cabinet Office spending controls will normally apply unless exemptions have been formally agreed.

- [Procurement Policy Notes](#),
- [Cabinet Office spending controls](#),
- [Transparency in supply chains - a practical guide](#),

### **Public Appointments**

The following are relevant where public bodies participate in public appointments processes.

- [Guidance from the Commissioner for Public Appointments](#),
- [Governance Code on Public Appointments](#),
- [Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees](#),

### **Staff and Remuneration**

- [HM Treasury guidance on senior pay and reward](#),
- [Civil service pay guidance \(updated annually\)](#),
- [Public sector pay and terms](#),
- [Whistleblowing guidance and code of practice](#),
- [The Equalities Act 2010](#),
- Other generally relevant employment law.

## General

- Freedom of Information Act guidance and instructions,
  - [Freedom of Information Act 2000](#)
  - [Guide to Freedom of Information](#)
- [The Parliamentary and Health Service Ombudsman's Principles of Good Administration](#),
- Other relevant instructions and guidance issued by the central departments (Cabinet Office and HM Treasury)
- Specific instructions and guidance issued to partner organisations by BEIS
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the government and relevant to UKRI.

**UKRI should also be mindful of the following wider public policy priorities and initiatives which are relevant and/or helpful to public bodies in the BEIS Group:**

- [Guidance from the Public Bodies team in Cabinet Office](#),
- [The civil service diversity and inclusion strategy](#),
- [The government response to the Taylor review on modern working practices \(published by BEIS\)](#),
- [Guidance produced by the Infrastructure and Projects Authority \(IPA\) on management of major projects](#),
- [The Government Digital Service](#),
- The Government Fraud, Error, Debt and Grant Efficiency function,
  - [Fraud, Error, Debt and Grants function](#)
  - [Grants standards: guidance](#).
- [Code of practice for Official Statistics](#) (although UKRI is not a producer of official statistics, the code may nevertheless be a useful guide),
- [Production of Accounting Officer System Statements](#) (AOSS are produced by departments with input from Partner Organisations).

## Appendix 2: Written Ministerial Statement on “The Haldane Principle”

House of Commons, Monday 20 December 2010: **Haldane Principle**

**The Minister for Universities and Science (Mr David Willetts):** The Haldane principle means that decisions on individual research proposals are best taken by researchers themselves through peer review. This involves evaluating the quality, excellence and likely impact of science and research programmes. Prioritisation of an individual research council's spending within its allocation is not a decision for ministers. The coalition government support this principle as vital for the protection of academic independence and excellence. We all benefit from its application in the UK.

Over the years there has been some uncertainty over the interpretation of the Haldane principle. After consulting senior figures in the science and research community, the government now offer this further clarification.

This statement on the Haldane principle applies to science and research which the government funds through the research councils and national academies. HEFCE\* has statutory independence<sup>(1)</sup>. The Haldane principle does not apply to the research budgets of government departments, which are used to fund research to support their departmental policies and objectives. That said, departments work closely with the research councils to ensure that the research they fund is aligned with that funded by the science and research base and delivers maximum value to the taxpayer. More generally, research councils need to ensure that the views of those with an interest in the potential outcomes of the research are sought when setting their overall priorities.

The government do, however, need to take a view on the overall level of funding to science and research and have decided to protect and to ring fence the science and research budget for the next four years. This decision is evidence that the government recognise the strategic importance of science and research to our future growth, prosperity, culture and heritage.

There are areas where ministers should have no input: ministers should not decide which individual projects should be funded nor which researchers should receive the money. This has been key to the international success of British science.

At the other end of the spectrum there are decisions that ultimately must be for ministers, albeit informed by external advice. These include the overall size of the funding for science and research and its distribution between the research councils, the national academies and higher education research funding.

In addition, every government will have some key national strategic priorities such as addressing the challenges of an ageing population, energy supply or climate change.

The research base has an important role to play in addressing such priorities and the research councils, with the support of independent advice, have proposed research programmes to tackle them. It is also appropriate for ministers to ask research councils to consider how best they can contribute to these priorities, without crowding out other areas of their missions. But it is for the research councils to decide on the specific projects and people to fund within these priorities, free from ministerial interference.

Similarly, ministers have a legitimate role in decisions that involve long-term and large scale commitments of national significance. These include the construction of large research facilities, where ministers have to approve business cases, and involvement in international research treaties. Public funding from the research councils for both these categories of research spending must be dedicated to supporting excellent research, irrespective of its geographical location. In many cases the location will be an obvious decision, given clusters of relevant research capability. Ministerial views on such business cases should be formed with the aid of advice from the research councils.

It is important that ministers, where they are involved in making strategic decisions on the funding of research, take account of advice from a wide variety of expert sources including academia and industry, both nationally and internationally.

The government recognise the contribution to our national life and to the UK economy made by research and teaching in the full range of disciplines including physical sciences, social sciences, life sciences, environmental sciences, engineering and the arts and humanities.

The government value the multiplicity and variety of sources of funding from the public, private and charitable sectors. These contribute to the provision of a rich and diverse environment supporting the research community across all disciplines.

Overall, excellence is and must remain the driver of funding decisions, and it is only by funding excellent research that the maximum benefits will be secured for the nation.

(<sup>1</sup>) The Further and Higher Education Act 1992 states that the Secretary of State may not attach terms and conditions on grants to HEFCE which are framed by reference to: particular courses of study, programmes of research, the criteria for the selection and appointment of academic staff or the admission of students.

(\* ) *HEFCE was closed in March 2018. In line with the HER Act, its functions were split between the Office for Students, and Research England (a Council of UK Research and Innovation).*



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