



House of Commons  
Science and Technology  
Committee

---

**Setting up UK  
Research & Innovation:  
Government Response  
to the Committee's  
Eighth Report**

---

**Seventh Special Report of  
Session 2016–17**

*Ordered by the House of Commons  
to be printed 1 March 2017*

## Science and Technology Committee

The Science and Technology Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Government Office for Science and associated public bodies.

### Current membership

[Stephen Metcalfe MP](#) (*Conservative, South Basildon and East Thurrock*) (Chair)

[Dr Roberta Blackman-Woods MP](#) (*Labour, City of Durham*)

[Victoria Borwick MP](#) (*Conservative, Kensington*)

[Stella Creasy MP](#) (*Labour (Co-op), Walthamstow*)

[Jim Dowd MP](#) (*Labour, Lewisham West and Penge*)

[Chris Green MP](#) (*Conservative, Bolton West*)

[Dr Tania Mathias MP](#) (*Conservative, Twickenham*)

[Carol Monaghan MP](#) (*Scottish National Party, Glasgow North West*)

[Graham Stringer MP](#) (*Labour, Blackley and Broughton*)

[Derek Thomas MP](#) (*Conservative, St Ives*)

[Matt Warman MP](#) (*Conservative, Boston and Skegness*)

### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

Committee reports are published on the Committee's website at [www.parliament.uk/science](http://www.parliament.uk/science) and in print by Order of the House.

Evidence relating to this report is published on the relevant [inquiry page](#) of the Committee's website.

### Committee staff

The current staff of the Committee are: Simon Fiander (Clerk); Marsha David (Second Clerk); Sean Kinsey (Second Clerk); Dr Elizabeth Rough (Committee Specialist); Martin Smith (Committee Specialist); Amy Vistuer (Senior Committee Assistant); Julie Storey (Committee Assistant); and Shagufta Hailes (Media Officer).

### Contacts

All correspondence should be addressed to the Clerk of the Science and Technology Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 2793; the Committee's email address is [scitechcom@parliament.uk](mailto:scitechcom@parliament.uk)

## Seventh Special Report

---

On 13 December 2016 we published our Eighth Report of Session 2016–17, [Setting up UK Research & Innovation](#) [HC 671]. On 27 February 2017 we received the Government's response to the Report, which is appended below.

## Appendix: Government Response

---

### Introduction

The UK's research and innovation systems are world leading. The existing landscape and the bodies within it have evolved over many years and delivered enormous success and benefit to the UK economy and our wider wellbeing. However, the challenges facing the world are complex, and increasingly require multi- or inter-disciplinary approaches and increased collaboration across traditional boundaries and organisations.

To help build on these successes and to help meet these challenges, the Government announced at Spending Review 2015 that we would take forward the recommendations of the Nurse Review to create a single non-departmental public body, UK Research and Innovation (UKRI), operating at arm's length from Government. UKRI brings together the seven Research Councils, Innovate UK and HEFCE's research funding and knowledge exchange functions, in Research England, to form a single research and innovation funding body. UKRI will catalyse a more strategic, agile and interdisciplinary approach to addressing global challenges.

We are also putting the UK's strengths in science, research and innovation at the heart of our industrial strategy. The success of UKRI is essential to delivering the change we need to put the UK, and its businesses, at the forefront of innovation, developing new products and addressing the challenges of the future.

The Government has consistently demonstrated that we are strongly committed to science and innovation. We protected the science budget in real terms at its 2015/16 level of £4.7bn for the rest of the Parliament at Spending Review 2015. To maintain our global leadership position, we have announced a further £4.7 billion by 2021 in R&D funding—the largest increase by any government since 1979. By the end of this Parliament, the Government will invest an additional £2 billion a year in research and innovation, including a new Industrial Strategy Challenge Fund—which will be overseen by UKRI once it is established.

### Recommendations

#### Recommendation 1

*Provisions in the Higher Education and Research Bill for maintaining a 'reasonable balance' between the two funding streams of 'dual support' are necessary measures because these spending streams will be placed within the oversight of the same organisation. The Government's assurances on this are welcome, but the science and research community is rightly worried that the widely recognised benefits of the dual support research funding system, and an appropriate balance between the two allocations, could be vulnerable*

*over the years ahead under different ministers. To help allay any concerns about this, the Government should ensure that UKRI disaggregates its spending under the two funding streams in its annual reporting, to demonstrate the maintenance of this essential safeguard. If the Government, in the future, should see a need for adjusting the spending division, it should bring forward proposals for doing so and explain its rationale in a public consultation.*

For the first time, the Higher Education and Research Bill proposes protecting in law the dual support research funding system in England.

Within UK Research and Innovation (UKRI), Government is committed to maintaining separate budgets for UK-wide competitive project funding and the England only research funding, which is largely allocated on a block grant basis. The Secretary of State will continue to allocate the Councils' budgets separately through an annual grant letter to UKRI. The Government has tabled an amendment to the Higher Education and Research Bill committing to publish these allocations—and where appropriate, multi-year financial allocations will continue. The allocations of the Research Councils on the one hand and Research England on the other will, as now, make up the dual support system in England.

These complementary funding routes underpin the UK's position as a world-class research power. However, funding from Government made up two thirds of universities' research budgets in 2014/15, with other funders including business and charities making up the remainder. These funding flows are dynamic with the balance between them changing over recent decades as the research base evolves, and there is no formula or set proportion for the balance of funding across the two parts of dual support. Allocation mechanisms must be sufficiently flexible for governments to respond to the circumstances of the day.

When considering what the balance of funding should be, as now, the Secretary of State will consider issues such as the strategic priorities of the research base, research capability, and other research facilities supported through the UKRI budget. UKRI's Board will have an explicit role in advising the Secretary of State on the balance of funding across research disciplines and on the balance of dual support.

UKRI is a single legal entity which will produce a single annual report and accounts. However, each Council will contribute to this process, setting out their objectives, expenditure and key achievements, so the disaggregation of the different parts of the dual support system will be clearly demonstrated.

## **Recommendation 2**

*In creating the OfS and UKRI, the Government will divide responsibilities at departmental level between the DfE and BEIS. Revising Jo Johnson's role to be a minister in both of those departments is a necessary consequence of these changes, and he will have a critical responsibility to prevent the split remits of university teaching and university research creating sub-optimal policy-making. The Government is having to create and develop processes and guidelines to facilitate and replicate the close relationship between research and teaching that currently already exists in our universities. The Government should produce those guidelines as a priority to help reduce uncertainty, and work with UKRI and OfS to develop appropriate processes for monitoring how well joint working operates in practice. It should also require the two new organisations to include progress against the seven identified cooperation areas in their annual reporting.*

We recognise the importance of ensuring close links between teaching and research at all levels. The Bill provides safeguards to protect joint-working, cooperation and sharing of information between the OfS and UKRI, ensuring that the links between teaching and research currently offered by HEFCE are maintained.

An emphasis on working together will run through the leadership and management of the Office for Students (OfS) and UKRI supported by a legal framework that will be sufficiently flexible to deal effectively with areas of shared interest. There will be a memorandum of understanding between OfS and UKRI setting out the details of how they will work together, including formal structures for engagement and information sharing agreements, and they will each report on areas of joint working in their annual reports. This will build on existing relationships between HEFCE and RCUK / the Research Councils, who currently cooperate and work jointly at all levels on many of the policy issues listed below, and whose joint investments are underpinned by their own agreements.

A framework document<sup>1</sup> will also be developed for each organisation with its partner Department, ensuring a consistent approach to joint working. The specific content of these key documents will be developed with careful consideration and input from both Government and the new organisations and will be published once complete.

The appointment of a minister with responsibility for universities across DfE and BEIS is critically important for ensuring that joined-up approach to teaching and research policy. This is reflected in both Departments, where governance arrangements have been established facilitating collaboration between Senior Civil Servants from each Department. This ensures that the creation of OfS and UKRI, and relevant policies, are being underpinned by cohesive and effective joint-working.

The Bill requires OfS to oversee the financial stability of the Higher Education sector, while UKRI will need to take a view on the health of the research base. This will require monitoring and information sharing in a number of key areas. As this report points out, we have published a factsheet, *Joint working between OfS and UKRI*<sup>2</sup>, which outlines how the two organisations will work together, including specific areas where collaboration will be expected. We expect that in preparing their annual reports such key areas will be addressed.

### **Recommendation 3**

*Research councils working within UKRI could help deliver the multi-disciplinary research work that policy-making increasingly needs. It appears to be an essential prerequisite for the new Global Challenge Research Fund. The creation of UKRI could make it easier for the Government to communicate its strategic vision for publicly-funded research, and provide a mechanism for the research community to inform and influence Government. Whether such a two-way dialogue is effective will depend on how well a ‘revamped’ and ‘strengthened’ Council for Science and Technology balances the different perspectives while protecting the Haldane principle.*

---

1 Framework Documents are the overarching governing documents for all NDPBs as set out in Managing Public Money guidance. They incorporate the information previously included in management statements and financial memoranda.

2 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/568909/UKRI\\_OFs\\_joint\\_working\\_factsheet.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/568909/UKRI_OFs_joint_working_factsheet.pdf)

*To make that more likely, and to give stakeholders confidence that the CST is fulfilling its role, the Government should publish the minutes of the CST's deliberations on UKRI's strategy and priorities.*

The Council for Science and Technology (CST) is appointed by, and reports to, the Prime Minister, and supports the government as a whole with advice on the issues relating to science and technology.

The Government has introduced a number of changes to the Council's membership and terms of reference to strengthen its role.

- Its membership now includes, ex officio, the Chair of UKRI, and senior officials from BEIS and HM Treasury in an observer capacity.
- The terms of reference were revised following the Nurse Review, building additional links to Ministers across government, including the Science Minister and nominated Ministers from the Cabinet Office, HM Treasury, and DExEU. The revised terms are available at:

<https://www.gov.uk/government/organisations/council-for-science-and-technology/about/terms-of-reference>

The Council is an advisory body, working in support of the whole of government. It would not be appropriate for the Council to have any supervisory or scrutiny role in relation to UKRI, which would cut across the role of the UKRI Board and their lines of accountability to Ministers and to Parliament. It will however be open to BEIS Ministers and to UKRI itself to request advice on issues relevant to its work. It is expected, for instance, that CST will be well placed to offer advice to inform UKRI's deliberations on new and emerging areas for potential funding. The Government expects that any such advice from CST will be published.

#### **Recommendation 4**

*The continued separation of the budgets for Innovate UK and the research bodies within UKRI will help prevent the science budget being used to bolster Innovate UK's budget, and will help entrench Innovate UK's distinct business focus. The Government's aim in bringing Innovate UK into the new UKRI organisation is to produce a closer, more joined-up, link between research and innovation, to help ensure that research with economic potential is commercialised. There could be, on the other hand, a risk that research priorities and funding will be excessively influenced by the proximity of Innovate UK and the research councils and Research England within UKRI, so that basic research without immediately apparent commercial potential is not given sufficient weight. The CST should be charged with proactively monitoring the linkages between UKRI's innovation and research work, and should report publicly on its assessment of the sustainability of the balance of applied and basic research. Our recommendation above on the need for separate transparent reporting on spending via the two dual support streams should be applied similarly for reporting Innovate UK spending.*



As set out above, BEIS Ministers and UKRI will be able to request advice from CST on issues relevant to its work. In this regard UKRI will be able to draw on the expertise and challenge of CST on the important question of how to maintain linkages and a complementary approach spanning research and innovation.

The government does not feel that an explicit commitment to distinguish between basic and applied research is helpful due to the varying methodologies used across funders. Alternatively, we will recommend that the UKRI Board take steps to ensure appropriate mechanisms are in place for monitoring performance of research and innovation at the various stages of the funding cycle. As part of its role in overseeing a strategic approach to Research and Innovation investment, UKRI should consider the balance of blue skies and applied research as well as business-led innovation mechanisms and government will hold UKRI to account on this.

When UKRI is established multi-year financial allocations will continue where appropriate. The Secretary of State will continue to allocate the Councils' budgets separately through an annual grant letter to UKRI, which will clearly delineate the funding allocated to all the Councils individually including Research England and Innovate UK.

UKRI will produce a single annual report and accounts. All nine Councils will contribute to this process, setting out their objectives, expenditure and key achievements. The annual expenditure of each Council and activity on joint programmes between Councils, including between Innovate UK and the other Councils of UKRI on innovation-focused activities, will therefore be transparent.

As part of the UKRI Board, there will be a specialist role to be known as the 'Innovation Champion'. The Innovation Champion will lead on promoting and championing innovation and business interests across UKRI and will provide strategic support to the Innovate UK Executive Chair. The post holder will also sit on the Council of Innovate UK.

### **Recommendation 5**

*The UKRI interim Chair expects the incoming CEO to formulate a final structure for the organisation. That structure will need to balance the need to produce a coherent and strategically-oriented research and innovation body with the need to encourage the expertise embedded in the nine individual 'councils' to be heard. The structure will, as we have indicated in the Chapters above, also have to continue to protect the dual support funding system, guard the close relationship between research and teaching, and facilitate an effective (and Haldane compliant) two-way dialogue between the research and innovation communities and the Government.*

High level details of the organisational design and governance for UKRI are set out in the Higher Education and Research Bill factsheet: UKRI Vision, Principles & Governance<sup>3</sup>. No decisions have been taken as yet on the detailed organisational design and governance for UKRI, as it is right that we don't pre-empt the course of Primary Legislation or the views of the new CEO and Board.

However, the Government has made clear in the White Paper and through the Higher Education and Research Bill that UKRI will build on, and protect, the strengths and

3 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/559210/Higher\\_Education\\_and\\_Research\\_Bill-UKRI\\_Vision\\_Factsheet.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/559210/Higher_Education_and_Research_Bill-UKRI_Vision_Factsheet.pdf)

values of the current system. Government is fully committed to the Haldane principle and the fundamental tenet that funding decisions should be taken by experts in their relevant areas is reflected in the design of UKRI, and has tabled an amendment to enshrine it in law for the first time. We are providing a framework in legislation that protects the dual support system, and retains the identities of all nine existing bodies while facilitating a more strategic, agile and interdisciplinary approach to addressing global challenges and driving the commercialisation of discoveries.

A key objective for UKRI in both the short and long term will be to attract and retain the best talent within the organisation. In doing this it will ensure that the leadership and expertise within the nine individual councils is respected and nurtured.

### **Recommendation 6**

*UKRI will bring together UK-wide and England-only funding responsibilities. University research funding will remain a mostly devolved matter, outside UKRI's remit. This will inevitably weaken UKRI's strategic role in setting UK-wide research priorities. The Government's stated objective of protecting the balance of 'dual support' funding at least for the current Spending Review period will help minimise the consequences of these risks. If the Higher Education and Research Bill remains as currently amended, the Government will have to exercise its obligation to appoint UKRI board members with experience of the devolved nations with great care, to minimise the disconnect between UKRI's UK-wide and England-only remits.*

The Government will seek the highest quality individuals with a broad range of experience for the UKRI Board, irrespective of where they are based, with backgrounds from across the research community, higher education institutes, industry and the public and third sectors across the UK nations and internationally.

A robust recruitment process is in place to ensure the experience of the UKRI Board is adequately balanced to reflect the diverse range of activities which will be undertaken by UKRI following the best practice for public appointments established by the Cabinet Office and overseen by the Office of the Commissioner for Public Appointments (OCPA). We recognise the importance of UKRI Board members having the experience of the research and innovation systems in the Devolved Administrations and to demonstrate this tabled an amendment to the Higher Education and Research Bill in November before the Bill left the House of Commons.

The recruitment of the UKRI Board began on 9 January 2017<sup>4</sup>. To encourage the very best pool of applicants with the highest level of relevant skills and experience, the roles are being advertised both nationally and internationally.

### **Recommendation 7**

*In order to maintain the UK's position at the forefront of scientific research it is vital that the reorganisation of the UK research landscape delivers measurable benefits in return for the inevitable disruption caused by the proposed restructuring. To achieve this, the board and CEO of UKRI must command confidence from the research community by defining their measures of success, demonstrating UKRI's effectiveness in achieving this, and by showing*

4 <https://publicappointments.cabinetoffice.gov.uk/appointment/ukri-board-members/>



*willingness to adapt, renew and revise their approach if success on these terms is not realised. The Government should set out in its response to our report the metrics it proposes to use to monitor the success of UKRI and the changes to the research, science and innovation landscape. We intend to ask the incoming CEO about their priorities and their assessment of the relevant success indicators. We also intend to continue to monitor the creation of UKRI and its early operation, to ensure that the issues we have raised in our report continue to be addressed. The Government should set out in its response to our report the metrics it proposes to use to monitor the success of UKRI and the changes to the research, science and innovation landscape.*

It will be appropriate to develop specific metrics to monitor the success of UKRI in concert with ministers and the CEO of UKRI, once the CEO and UKRI board are in post. Stakeholders from the research community are also likely to have views on measures of success for UKRI.

The ‘Case for Creation of UK Research and Innovation<sup>5</sup>’ sets out the benefits of UKRI, of which any forthcoming success indicators will take account:

- a greater focus and capacity to deliver on cross-cutting issues that are outside the core remits of the current funding bodies, such as multi- and inter-disciplinary research, enabling the system to respond rapidly and effectively to current and future challenges;
- improved collaboration between the research base and the commercialisation of discoveries in the business community, ensuring that research outcomes can be fully exploited for the benefit of the UK;
- better mechanisms for the sharing of expertise and best practice—for example, around management of major projects and large capital investment—driving up the effectiveness of decision-making; and
- improved quality of evidence on the UK’s research and innovation landscape through the pooling of multiple datasets and information sources, underpinning effective funding decisions.

In addition to the above, UKRI will produce a Research and Innovation Strategy, which will identify qualitative and quantitative objectives for which UKRI will be accountable; including the requirement to invest in research ‘excellence’, as is currently the case.

---

5 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/527803/bis-16-291-ukri-case-for-creation.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/527803/bis-16-291-ukri-case-for-creation.pdf)