



Department  
for Education



Department for  
Business, Energy  
& Industrial Strategy

# **Higher Education and Research Bill:**

## **UKRI Vision, Principles & Governance**

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# UKRI Vision, Principles & Governance

This document sets out the rationale and ambition for the research and innovation reforms enabled through the Higher Education and Research Bill, it describes the core principles of dual support funding that will be enshrined in legislation, it sets out how the Haldane principle is embedded at the heart of the reforms and outlines the governance structures that will enable UK Research and Innovation to fulfil this vision.

## Introduction

Science, research and innovation are key strengths of the UK; vital underpinning elements of our economy and national wellbeing. The UK research and innovation system is world-leading, but there is an opportunity to make it even more effective. The purpose of Part 3 of the Higher Education and Research Bill is to put in place the legal powers and safeguards that will enable government to protect the UK's status as a full-spectrum scientific power in the future. The proposals put before parliament will be to create *UK Research and Innovation* (UKRI), a strong, agile and joined up funder of research and innovation for the UK.

Now, more than ever, as these communities face new challenges, we need a strong and unified voice to represent the interests of the research and innovation community across government, across Europe and around the world.

## Vision

### The role of UK Research and Innovation (UKRI)

The 2010 coalition government asked Sir Paul Nurse to conduct a review of the Research Councils, and the incoming conservative government made a manifesto commitment to implement his recommendations. The Nurse Review recognised that the UK research and innovation system is world-leading, but that there is an opportunity to make it even more effective. It spelled out the gaps we need to fill:

- a lack of strategic join-up between the disciplines and between the research base and policy-makers;
- a fragmented approach to investment, that lacks the capability to address multi- and inter-disciplinary research as effectively as we might; and an
- historic weakness at driving commercialisation, with a need for a smoother pathway for innovation.

Currently, the public research and innovation funding landscape consists of nine different non-departmental Public Bodies (NDPBs), each with an individual remit, and only able to fund research in the precise way set out by legislation. As discussed in the [UKRI](#)

[Business Case](#), these legal limits mean that a new single body will be necessary to address the gaps outlined by Sir Paul, and also allow additional benefits of integration.

UKRI will build on, and protect, the strengths and values of the current system, while creating a strong and unified voice, acting across disciplines. The Bill transfers to UKRI the roles, functions and responsibilities of the seven Research Councils, Innovate UK and the research and knowledge exchange functions of HEFCE. The Bill protects and maintains their remits and autonomy by establishing nine statutory councils within UKRI: the seven discipline research councils, alongside Innovate UK and a new Council – Research England.

The Bill provisions protect and retain 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. It will enable integrated and strategic leadership of UK research and innovation funding, making sure that we invest every pound wisely.

#### **These reforms will deliver:**

- a strengthened strategic approach to future challenges and a maximisation of the value and benefit from government's investment of over £6 billion per annum in research and innovation;
- a greater focus 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;
- a strengthened, unified voice for the UK's research and innovation funding system, facilitating the dialogue with government and partners on the global stage;
- a smoother pathway for innovation, enabling improved collaboration between businesses and researchers and better alignment of research outputs with business needs, driving commercialisation and impact and ensuring that knowledge and expertise is fully exploited for the benefit of the whole country;
- 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;
- more time for research and innovation leaders to focus on strategic leadership through the centralisation of back and middle office functions and the reduction of administrative responsibilities;
- 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; and
- the removal of unnecessary duplication across the research funding landscape while ensuring clear governance and spans of control, resulting in a simple, easier and more agile system that will benefit researchers.

## Principles

These principles apply to the money government makes available to fund research by Universities and institutes. It does not apply to money spent directly by government departments to inform policy, or investments through Innovate UK. The government's White Paper: [Success as a Knowledge Economy](#) makes clear the government's intention to administer hypothecated funding to each of the nine constituent parts of UKRI. [Indicative allocations](#) until 2020 were published after the spending review.

### The Haldane Principle

The Haldane Principle originates in a 1918 report on the machinery of government and was restated in 2010 through a Written Ministerial Statement by the Universities and Science Minister David Willetts ([Hansard](#)). The key concept developed since 1918 is 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 and ensuring subsidiarity in decision making. It is accepted that there must be ministerial input into high level allocations between research themes, for national infrastructure and broader sector sustainability but that more granular decisions, for example the awarding of grants to specific research activities, should not be taken by Ministers or central government.

### How is it expressed in the Bill

Government is fully committed to the principle that funding decisions should be taken by experts in their relevant areas and we have ensured this is reflected in the design of UKRI. The principle runs through the measures in Part 3 of the Bill:

- UKRI will be established as an arm's length body independent of Whitehall;
- UKRI will be required to devolve functions within their fields of activity to its constituent councils; ensuring the strategic leadership of their discipline or area of expertise, and that individual funding decisions are made by the relevant experts;
- Discipline leaders within the councils will be able to use shared generic back office processes and structures, reducing duplication, overheads and bureaucracy;
- Subsidiarity in the design of UKRI will ensure that the councils take all scientific and other decisions in their area where expert knowledge is essential to driving excellence and value for money;
- Government's engagement with UKRI will benefit from being more strategic than the current multiple reporting and other processes that are currently undertaken with nine separate bodies.

## Dual Support / Balanced Funding

Research funding is delivered through two different and complementary routes:

- **Quality- Related research funding (QR)**, allocated directly to Higher Education Institutes (HEIs) partly on the basis of past performance as assessed by the Research Excellence Framework (REF). There is considerable freedom in how HEIs spend this money. It represents an important source of stability to the sector, allowing maintenance of facilities, core staff and a degree of entrepreneurial research activity. Spend on QR is devolved and is currently administered by the Higher Education Funding Councils. In England, HEFCE will allocate approximately £1.7bn per year of resource funding over the spending review period, via this route. Scottish, Welsh and Northern Irish Funding bodies allocate money made available in the context of their administration's wider priorities.
- **Competitive grant funding**: The Research Councils will award approximately £2.7bn resource funding per year for the period of the spending review across the UK, for excellent research proposals as assessed by peer review. Unlike QR, Research Council funding is forward-looking and funds specific people, projects and programmes. This investment is either directed towards specific research challenges or made open to the best quality proposals on any area fitting a council's remit.

Additional capital allocations are made through both routes. This system of 'dual support' sustains a dynamic balance between research which is strategically relevant and internationally peer reviewed, and research which is directed from within institutions. These complementary funding routes are often described as a key characteristic that underpins the UK's position as a world-class research base.

### How is it expressed in the Bill

For the first time ever we propose enshrining the principle underpinning dual support in legislation. Stakeholder responses to the Higher Education Green Paper, [Higher education: teaching excellence, social mobility and student choice](#), made clear that they wanted to see the dynamic balance between the two funding streams protected. The Bill captures and protects the balance between these two funding routes by describing the balanced funding principle.

The protection to dual funding in the Bill applies to England only. This is because one of the two funding streams is devolved, in England this is known as quality-related research funding, and the equivalent funding in the Devolved Administrations is determined and allocated by them, from within their block grant, to institutions in their areas.

The Bill establishes UKRI with nine statutory councils: the seven discipline research councils, Innovate UK and Research England. Government has committed to allocate hypothecated budgets to each of the nine councils. The Bill requires the Secretary of State to take account of advice from UKRI and the balanced funding principle, before making those allocations.

The balanced funding principle is defined in the Bill as the combined budgets of the seven discipline research councils on one hand and the Research England budget on the other. The Bill requires the Secretary of State to consider the balance between these two funding streams ensuring that the dynamic balance that stakeholders have supported is protected and preserved. The wider HM Treasury processes of making departmental funding allocations through spending reviews and other fiscal events and taking account of any Barnett formula implications, are not changed by this bill.

## **Governance**

### **Interim Chair and Chief Executive of UKRI**

On 27 May 2016 Sir John Kingman was appointed as Chair of UKRI, on an interim basis until April 2018. As part of his role, Sir John will:

- engage with the sector and key stakeholders to seek views and inform the detailed design of UKRI and the transition of existing bodies into the new organisation;
- advise ministers on the design of UKRI and the implementation process; and
- chair the shadow body and support the recruitment of key appointments, including the competition for the permanent Chief Executive.

Subject to parliament, the government will run a full Office of the Commissioner for Public Appointments (OCPA) process for the permanent Chair and other independent Board members. In line with the normal process for public appointments to the Councils of the current Research Councils, the preferred candidates will appear before the Science and Technology Select Committees. Through all stages of the recruitment processes the government is committed to adhering to the principles of fair and open competition. Our aim is to announce the successful candidate towards the end of 2016. As demonstrated by Sir John's appointment, it is the government's priority to appoint the highest calibre candidates to these positions.

### **UKRI Structure**

The government is working with Sir John, our existing Partner Organisations and key stakeholders to explore detailed organisation design options within the framework set out by the White Paper and Bill. This will inform the final design which will be refined and agreed in partnership with the UKRI Chief Executive and Board once appointed. Further detail will be set out in guidance including the framework document between BEIS and UKRI, which will be published once agreed. The document and arrangements will be established in line with best good practice for non-departmental public bodies and managing public money guidance. What follows is therefore a high level overview of how the government envisages the governance arrangements will work in practice.

## Board and senior management team

As set out in the White Paper, UKRI's Board will be a strong and influential voice for research and innovation. It will be responsible for leading on:

- overall strategic direction, including developing a national research and innovation strategy when instructed to do so by the Secretary of State;
- cross-cutting decision-making;
- providing advice to the Secretary of State on:
  - overall priorities;
  - the balance of funding between research disciplines; and
  - the balance between UK wide competitive project funding and England-only research funding (dual support);
- supporting the management of funds with cross-disciplinary impact and a 'common research fund' as proposed by Sir Paul Nurse.

The Secretary of State will appoint UKRI Board members in consultation with the Chair, as with current arrangements for the Research Councils, HEFCE and Innovate UK.

The Board will consist of a Chair, a Chief Executive Officer (UKRI's single accounting officer), a Chief Financial Officer, and 9-12 other members. The majority will be non-executives with significant expertise in research or business, ensuring a strategic focus at the head of the organisation that spans research and business-led innovation.

The Board will be responsible for the overall strategy of the UK's research and innovation sector and will hold UKRI and its councils (the Research Councils, Innovate UK and Research England) to account for their contribution to that strategy. The Board will take strategic decisions that will guide and support the UKRI executive leaders and its executive functions but it will not act as the main executive management forum of UKRI. The Chief Executive and Chief Financial Officer will be Board members and will ensure effective links to UKRI's wider executive functions. The nine Executive Chairs of the councils will not be members of the Board. This will ensure the majority of Board members are independent non-executive and able to bring a breadth of skill, experience and diversity.

The executive structures of UKRI will be established through the organisational design process, building on international and UK best practice and principles of excellent governance and the management of public funds. It will be important that the executive structures within UKRI enable the Board to draw on advice and expertise from the Executive Chairs and ensure highly effective coordination across UKRI and its key partners. The Chair and Chief Executive will draw on international and UK best practice and work with government to ensure the executive structures are effective and provide strong governance.

It will be critical for the Board to work closely with the Executive Chairs and ensure highly effective coordination across UKRI and its key partners. Therefore, our policy intent is for the Executive Chairs of the Councils – along with the CEO, CFO and other senior directors of UKRI – to sit together on an Executive Committee, to support engagement

with the Board and cross-council working. This is in line with good practice on organisational governance and Sir Paul Nurse's recommendations.

To support the UKRI Board in embedding innovation across the organisation, the Bill provides for the Secretary of State to nominate a member of the Board who would lead in promoting and championing innovation and business interests and providing strategic support to the Innovate UK Executive Chair, also sitting on the council of Innovate UK.

## **Leadership and autonomy of the nine Councils**

The Bill requires the creation of nine Councils within UKRI which reflect the roles and remits of the existing Research Councils, Innovate UK and HEFCE's research functions under the 1992 Further and Higher Education Act. UKRI will be required to devolve functions within their fields of activity to its constituent councils.

The Councils will provide strategic oversight in the relevant fields of activity and take delegated decisions on scientific, research and innovation matters within those fields. They will be led by Executive Chairs, high-profile positions appointed by Ministers. The Executive Chairs will each have significant expertise in their particular fields of activity (for example, medical research or innovation).

In addition to the Executive Chair, each Council will be made up of from five to nine other experienced independent members drawn from the relevant community. The Council members will be appointed by the UKRI Board on the recommendation of the relevant Executive Chair, with the Secretary of State also having the facility to appoint one of the Council members if he or she wishes.

The Secretary of State will set budgets for each of the nine Councils through an annual grant letter, taking advice from UKRI's board on strategic priorities and on the balance of funding between research disciplines. As currently, the Secretary of State will also set out any funding flexibilities he or she will grant to the Board in respect of the transfer of funding between Councils. The UKRI Board will not be able to transfer funding unless authorised to do so by the Secretary of State, thereby ensuring that the current system of hypothecated budgets is retained. The CEO will be the single Accounting Officer of UKRI and will establish a framework within which the Councils will have delegated authority for their hypothecated budgets, consistent with the standards of financial management expected of public bodies. Each of the financial processes of UKRI will be established in line with the latest guidance and best practice in respect of managing public money.

The nine Councils themselves will be responsible for making delegated decisions on scientific, research and innovation matters. Their responsibilities will include:

- the leadership of their discipline area or field of activity, including the health and sustainability of the UK's capacity in that area;
- developing strategic delivery plans in the relevant areas of activity, as required by UKRI and consistent with UKRI's research and innovation strategy;
- taking decisions on the prioritisation of their hypothecated budgets within their delegated remits;

- ensuring the future of skilled specialists, researchers, scientists and others essential to the sustainability of the UK's research and innovation capacity, including the funding of doctoral studies, working with partners on the flow of skills through to PhD level and beyond;
- engage with their community to develop ideas, raise awareness and disseminate strategic outputs; and
- appointing and setting terms and conditions of academic, specialist and research staff in the relevant Council and any associated institutes, within delegated limits. This will ensure that decisions on the employment of specialist staff continue to be made by those with expertise in the relevant discipline areas, in line with the Haldane principle.

## **Working in partnership**

We are bring forward provisions that will enable UKRI to work jointly with the Office for Students on areas of shared interest and ensure that Research England is able to retain strong links with, and work jointly with, the devolved higher education funding bodies, as HEFCE does now.

Government is committed to continuing to work with the incoming leadership of UKRI, current Partner Organisations and other key partners to develop further the detail around the establishment of UKRI and organisation design and governance arrangements.



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