



Department
for Education



Department for
Business, Energy
& Industrial Strategy

Lord Prior of Brampton
Parliamentary Under Secretary of State
Department for Business, Energy and
Industrial Strategy
1 Victoria Street
London
SW1E 5ND

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By Lord,

HIGHER EDUCATION AND RESEARCH BILL

Following the seventh and final day of Committee scrutiny of the Higher Education and Research Bill on 30th January, I am writing to offer further clarification on a number of questions that were raised by Peers, on some of which Viscount Younger and I committed to write. This letter responds to questions raised on how UKRI and its Councils will enter into partnerships; on the delegated authority granted to Innovate UK; how UKRI will support the delivery of the industrial strategy; on how OfS and UKRI will work together to deliver the Higher Education Innovation Fund (HEIF); on eligibility for Research Council funding and the James Hutton Institute; and finally on the definition of a relevant specialist employee of the Research Councils.

Partnerships

Lord Sharkey asked specifically about the ability of UKRI and its Councils to enter into partnerships.

The Councils currently engage in many partnerships, nationally and internationally to significant effect; Innovate UK and the Research Councils already work closely with charities and other Government bodies and I am confident this will continue. As a single legal entity, UKRI will be more agile in creating new multi-agency partnerships, enabling seamless support for key technological, economic and societal challenges.

Whilst we envisage UKRI will provide challenge and support for its Councils' strategies, and on big prioritisation decisions (for example on large capital projects), it will adhere to the core principle of subsidiarity. This has been endorsed by the Chair of UKRI, Sir John Kingman, in his recent letter to Lord Sharkey which was quoted in the House. He stated that:

“whilst legal agreements will be with UKRI, I fully recognise the importance, for example, of MRC (Medical Research Council) being able to continue the rich partnerships they enjoy with medical research charities. The individual councils of UKRI will of course have delegated autonomy and authority to agree these arrangements, within their areas of expertise.”

Innovate UK

Baroness Garden asked about the rationale for bringing innovation and research together through these reforms. A business case for UKRI was published in June last year and can be found on GOV.UK via the following link: <https://www.gov.uk/government/publications/uk-research-and-innovation-business-case>

Baroness Brown, among others, asked how the Government would maintain Innovate UK's business focus as part of UKRI. The Government wants Innovate UK to play an enhanced role in facilitating collaboration between the research base and industry, to better capitalise on the UK's excellent scientific output. However, the Government also fully recognises how crucial it is that Innovate UK continues to provide world-class support for business-led innovation, regardless of links to the research base.

That is why we have committed to Innovate UK retaining its separate budget, which will be set out by the Secretary of State in the annual grant letter. Additionally, the Bill requires UKRI to delegate its functions to Innovate UK for the purpose of increasing UK economic growth, and requires Innovate UK, when exercising these functions, to have regard to the desirability of benefitting UK business. Both of these provisions reflect the objects of Innovate UK's current Royal Charter, ensuring it remains business-focussed.

Baroness Brown and Lord Willetts asked for clarity over the conditions within which UKRI and Innovate UK would operate in respect of the activities listed at Schedule 9, paragraph 16 (3). Firstly, I should emphasise that the provisions in this Bill do not seek to apply additional expenditure constraints on the current funding bodies. Schedule 9, paragraph 16, sets out the activities that UKRI as a whole may pursue, and also those for which it must seek advance permission from the Secretary of State, for example, when establishing a joint venture. They replicate the current controls that apply to the Research Councils and Innovate UK, and they will apply equally to all Councils of UKRI once established.

At present, permissions are typically given through approval of business cases for initiatives or programmes. Such approvals are required, for example, to establish Research Council joint ventures and Innovate UK Catapults. These financial controls are essential in ensuring the Government has sufficient oversight of public expenditure in areas that may be considered novel, contentious or that could cause repercussions elsewhere in the public sector. With the appropriate permissions, the Councils will be able to continue to undertake these activities in much the same way as they are able to now.

I can assure Peers that we are not planning to place further restrictions on the Councils once UKRI is created. However, the Secretary of State will continue to need assurance that certain commercial activities are in line with cross-Government rules and delegations, in particular with HM Treasury's 'Managing Public Money' which applies to all public bodies – <https://www.gov.uk/government/publications/managing-public-money>

Industrial Strategy

Lord Willetts asked how UKRI will support the delivery of the Industrial Strategy.

The Government has announced that by 2020 we 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, to ensure that research and innovation are at the heart of the UK's Industrial Strategy.

This is the largest single uplift in research and innovation spending since 1979 and is a clear testament to how UKRI can help deliver outcomes for the research and innovation communities, and for the UK as a whole.

UKRI presents an important opportunity to deliver a joined-up and strategic approach to research and innovation investment, to deliver economic impact, jobs and growth across the country. It will be able to help develop the high level skills required to support future industry and research needs, to ensure the UK remains at the cutting edge in both, working closely with the OfS and the Devolved Administrations whilst doing so.

It is the Government's view that UKRI will be uniquely placed to look across the current complex translation and knowledge exchange funding landscape in order to ensure it is as simple and easy to navigate as possible, and will be better able to support effective brokerage and networking in order to help build collaborative partnerships between universities, researchers and businesses.

The strengths of this new model mean that UKRI will be a vital part of driving the Industrial Strategy objectives, including supporting innovative businesses across the country and commercialising our world leading science and research. UKRI will work closely with the community to develop policy to deliver the Industrial Strategy and will build on the responses to the Green Paper with a further detailed consultation on proposals for R&D investment later this year.

Higher Education Innovation Funding (HEIF)

The Government understands the important role of knowledge exchange in supporting local and national prosperity. This is a core mission of all our universities, working through both research and teaching, in partnership with business, Government and third sector bodies. With regard to our reforms, UKRI will take the lead on knowledge exchange, bringing together the activities that are undertaken across all of the Research Councils, Innovate UK and research funding to universities currently distributed via HEFCE, including HEIF.

HEIF is a strategic fund that spans the boundary between teaching and research, and the funding formula recognises that. Under the current arrangements, there is a teaching component of HEIF, funded through the teaching grant, and this will continue over this Spending Review period. UKRI will engage with the OfS to ensure joint discussion of strategic objectives and the criteria for HEIF funding that reflects these teaching elements of knowledge exchange. UKRI and the OfS will be required to ensure they act efficiently and effectively so, in this case for example, Government will expect streamlined arrangements such as single allocations and payments for HEIF and continuing flexibility for institutions to use HEIF funding to meet the specific needs of their mission, partners and the places in which they are located.

The formula that underpins HEIF payments is based on a single authoritative dataset owned by HESA. There are no changes planned to this formula, though in future, if there were to be any changes, these would be a matter for joint discussion between the OfS and Research England within UKRI. As knowledge exchange is an area where research and teaching missions of universities come together, HEIF is seen as a key area of partnership between UKRI and OfS. The co-location of the Research England staff and the OfS staff in Bristol will support that partnership. The distinctive student-focussed elements of knowledge exchange will continue to be recognised, providing clear evidence that the partnership between OfS and UKRI is core to the support of universities.

Eligibility / The James Hutton Institute

Lord Watson, the Earl of Selborne, Baroness Garden and Lord Willetts raised issues regarding the James Hutton Institute and eligibility for Research Council funding. Decisions on eligibility for Research Council funding are ultimately a decision for BEIS, currently based on advice from RCUK. Criteria have been set to ensure that not only can an organisation support excellent science, but also that there is a clear separation between Research Council funded science, and science funded directly by Government departments, thereby maintaining the integrity of the funding ring-fence.

However, having pursued this specific matter, I can confirm that RCUK would be pleased to receive an application from The James Hutton Institute regarding their eligibility. They will consider the application in the light of the Institute's particular circumstances and scientific and research capabilities, and provide advice to BEIS. Sir John Kingman will reply shortly to a letter received from Professor Colin Campbell, Chief Executive of the James Hutton Institute, on this same issue. I am sure that he will share his response with those of you that addressed this issue at Committee Stage.

With respect to revision of the Research Council eligibility criteria themselves, we will ask UKRI to conduct a review of eligibility criteria and to present their advice to Government. I expect that UKRI would of course be interested in the views of the sector in conducting this review.

Relevant Specialist Employees

Lord Mackay raised the issue of relevant specialist employees as referred to in clause 91 of the Bill. I share his concern that UKRI is able to employ key staff as per current practice in funding bodies, and I welcome this opportunity to set out the purpose of subsections 2 and 3 of clause 91.

As Lord Mackay noted, there is a general power in schedule 9 for UKRI to appoint employees. It is these powers that will be used for the vast majority of UKRI's recruitment. This will include most staff working in the constituent councils and their institutes, whether or not they are specialists in their field. The experience, views and requirements of the councils and institutes will necessarily be incorporated into recruitment processes to ensure they get the staff they need.

The Bill gives UKRI the maximum freedom to operate within the framework for public sector bodies as set out by the Cabinet Office and we are confident that these powers are sufficient for the task. In addition we have sought to 'hard-wire' critical features into legislation to maintain unique aspects of the current system. Key here is the Science and Humanities Councils' role in appointing some relevant specialist staff in line with the principle of council autonomy within their fields of activity (clause 91). The most frequent use for these powers will be in appointing a small number of key individuals acting as subject matter specialists within councils and their institutes. A package of flexibilities for Research Council institutes was approved by HMT at the 2015 Budget (detailed in a RCUK press release: <http://www.rcuk.ac.uk/media/news/150318>). By giving councils responsibility for appointing such staff we ensure that the link between councils and their institutes remains clear.

I look forward to further debate and scrutiny of the Bill as we now move forward to the Report stage. I am very happy to discuss the clarifications above, or other matters relating to Part 3 of the Bill with Peers who wish to do so, as is Viscount Younger on Higher Education matters.

I am also delighted to confirm that Professor Sir Mark Walport has been appointed the Chief Executive designate of UKRI, and, subject to Parliament, transferring as permanent CEO to UKRI once formally in place.

I am placing a copy of this letter in the library of the House.

Yours faithfully,


LORD PRIOR OF BRAMPTON