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PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS

OFFICIAL REPORT

ORDER OF BUSINESS

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The first time a Member speaks to a new piece of parliamentary business, the following abbreviations are used to show their party affiliation:

Abbreviation	Party/Group
CB	Cross Bench
Con	Conservative
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind LD	Independent Liberal Democrat
Ind SD	Independent Social Democrat
Ind UU	Independent Ulster Unionist
Lab	Labour
LD	Liberal Democrat
LD Ind	Liberal Democrat Independent
Non-afl	Non-affiliated
PC	Plaid Cymru
UKIP	UK Independence Party
UUP	Ulster Unionist Party

No party affiliation is given for Members serving the House in a formal capacity, the Lords spiritual, Members on leave of absence or Members who are otherwise disqualified from sitting in the House.

House of Lords

Monday 30 January 2017

2.30 pm

Prayers—read by the Lord Bishop of Norwich.

Personal Statement

2.36 pm

Baroness Stroud (Con): My Lords, with the leave of the House, I would like to make a personal statement to correct a statistic I used in Committee on the Private Member's Bill of the noble Lord, Lord Shinkwin, on Friday. I said that in 2015 there were 929 abortions undertaken in England and Wales after 24 weeks under Ground E. There were in fact 230. I apologise to the House for this error and welcome this early opportunity to make this correction.

NATO: Eastern Flank

Question

2.37 pm

Asked by ***Lord Robathan***

To ask Her Majesty's Government what contribution the United Kingdom is making to the defence of NATO's Eastern flank.

The Minister of State, Ministry of Defence (Earl Howe) (Con): My Lords, the United Kingdom plays a significant role in the defence of NATO's eastern flank, leading NATO's enhanced forward presence in Estonia, deploying a reconnaissance squadron to the US battalion in Poland and leading NATO's very high readiness joint task force with up to 3,000 UK troops. Typhoon aircraft based in Romania will conduct southern air policing this summer, and we will deploy a Royal Navy ship to NATO's standing naval mine countermeasures group in the Baltic.

Lord Robathan (Con): My Lords, one should never take historical analogies too far. However, we have an America that is increasingly protectionist and isolationist; we have an international system in the United Nations which is becoming less and less effective; in Britain we have reduced our defence spending hugely since the Cold War a quarter of a century ago; and we have a large number of troops on the borders of eastern Europe. It sounds depressingly familiar to historians. I commend Her Majesty's Government for the position they have taken in sending a battle group to Estonia. The Prime Minister said,

"we should engage with Russia from a position of strength".

Does my noble friend agree that that means we should review again defence spending in this relatively new Administration and that we should increase defence spending to take account of new circumstances?

Earl Howe: My Lords, I agree with my noble friend that the first duty of any Government is the safety and security of the British people at home and abroad. That is why we have committed to spending at least 2% of our GDP on defence every year of this decade. Not only that, in addition the MoD budget will rise by 0.5% a year in real terms to 2020-21 and we have access to up an additional £1.5 billion a year by 2020-21 through the new joint security fund. This is an appropriate response to the complex and challenging international and domestic security threats that we face.

Lord Boyce (CB): My Lords, does the Minister agree that part of the NATO eastern flank includes maritime and the eastern Mediterranean? Will he say whether we are contributing our Royal Navy to NATO in that area, and if not whether we would have the capacity to do so if we were so asked?

Earl Howe: The noble and gallant Lord will know that there is a NATO operation currently in train in the Aegean in which the UK is playing a leading role. As to a wider involvement in the eastern Mediterranean, I will write to him if I can find out any more plans which can be disclosed. What I can say is that we are conscious of the need to defend NATO's southern border as well as its eastern borders, and that is why we are deploying RAF aircraft for southern air policing later this year.

Lord West of Spithead (Lab): My Lords, it is quite clear that we are not spending enough on defence, but that is not my question. I am delighted that we are showing support for our eastern allies in NATO, but I am wary of military involvement within Ukraine. Does the noble Earl agree that we must keep open at all levels every line of communication we can with the Putin Administration so that any incident does not actually become something far more serious? We are dealing with someone where things could become very nasty indeed.

Earl Howe: The noble Lord makes an extremely good series of points. NATO's renewed focus on deterrence and defence is, we believe, a proportionate response by NATO allies to the changed security environment in eastern Europe as demonstrated by Russia's aggressive actions in Ukraine. However, that does not change our approach to bilateral relations with Russia. Despite the challenges I have referred to, we will continue to engage where necessary in areas of shared interest, and engage in dialogue as well through the channels we have available to us, such as the NATO-Russia Council.

Lord Campbell of Pittenweem (LD): My Lords, the deployment announced by the noble Earl in the eastern area of Europe is obviously to be welcomed, but is he aware of the RAND Corporation report of 2016 which sets out graphically the vulnerability of the Baltic states in the face of any Russian threat? Is not their best guarantee the fulfilment by all members of the NATO alliance of the obligation under Article 5 of the North Atlantic Treaty—including, if I may say so, the United States, which after all was the beneficiary of that article after the events of 9/11?

Earl Howe: The noble Lord is quite right. Article 5 is one of the key components of the NATO treaty and all allies are cognisant of what that means should any member of the alliance be subject to an armed incursion or attack.

Lord Touhig (Lab): My Lords, I endorse entirely the point made by my noble friend Lord West that we should keep a dialogue with the Russian Government open, and the NATO-Russia Council is perhaps a vehicle for doing that. The deployment of British forces in Estonia and Poland is purely defensive, but can the Minister assure us that this will be kept under review, and should it be the case, we would have the capacity to increase the number of troops we have placed there? Does he further agree that no one at all in this country or abroad should be in any doubt that if NATO invoked Article 5, we will respond if any of our allies in the Baltic are threatened?

Earl Howe: The noble Lord is absolutely right. The enhanced forward presence is undoubtedly a major step forward in NATO's deterrence posture. These are forces that will reassure our allies. They will defend Estonia, Latvia, Lithuania and Poland, another NATO territory, and we believe that they will deter Russian belligerence on an enduring basis. The forces are designed to be defensive but combat-capable in order to show the Russians that should they be rash enough to contemplate any incursion into the Baltic states, that will be met with an appropriate response from NATO.

Viscount Hanworth (Lab): My Lords—

Lord Trefgarne (Con): My Lords—

The Lord Privy Seal (Baroness Evans of Bowes Park) (Con): My Lords, it is the turn of the Conservative Benches.

Lord Trefgarne: My Lords, will it be possible to persuade the eastern flank nations which have the benefit of all the arrangements my noble friend has described to contribute 2% of their GDP to the cost of all these arrangements?

Earl Howe: My Lords, it is encouraging that the defence investment pledge taken in Cardiff at the NATO summit in 2014 has raised the profile of investment within NATO. It has galvanised the allies' defence spending. When leaders made the pledge in 2014, only three allies met the 2% of GDP guideline. Since then, two more have increased their budgets and five allies now meet the guideline. There is further progress still to come.

Viscount Hanworth: Will the Minister tell us how many of our Typhoon aeroplanes are deployed in the east and how many are operational at any one time?

Earl Howe: If the noble Viscount is talking about southern air policing, where we will station aircraft in Romania, four aircraft will be deployed to carry out that policing alongside the Romanians. The total deployment size is yet to be confirmed, but it is likely to be in the region of 140 personnel. I will write to the noble Viscount if I have any further details.

Brexit: Creative Industries

Question

2.46 pm

Asked by ***Baroness Bonham-Carter of Yarnbury***

To ask Her Majesty's Government what steps they are taking to ensure that, following the United Kingdom's withdrawal from the European Union, the creative industries will continue to receive economic benefits from an international workforce.

The Parliamentary Under-Secretary of State, Department for Culture, Media and Sport (Lord Ashton of Hyde) (Con): My Lords, the creative industries contributed more than £87 billion to the UK economy and nearly £20 billion in exports. They account for 5.8% of all UK jobs. As the Prime Minister made clear in her speech earlier this month, it is the Government's ambition to continue to attract the brightest and the best to work in Britain, but there must be control. The UK's creative industries produce an extraordinary level of creative talent, and we want to ensure that continues after we leave the EU.

Baroness Bonham-Carter of Yarnbury (LD): I thank the noble Lord for his response but, as he is no doubt aware, there are currently 17 creative roles on the Government's shortage occupation list, and there is unease that this will only get worse after Brexit. The industry is already concerned that the EBacc is having a negative impact on the uptake of creative subjects in schools and, consequently, on skills. Exactly a year and a day ago, the Government's consultation on the EBacc closed. The industry's response was an urgent call for creative subjects to be given the same emphasis as science in our education system. Will the Minister commit to listening to the creative sector—and to his noble friend Lord Baker of Dorking, a former Secretary of State for Education—and agree that what is needed is STEAM, not STEM? Will he also commit to a government response to the EBacc consultation?

Lord Ashton of Hyde: My Lords, the Government are certainly prepared to listen, including to my noble friend Lord Baker. As far as the EBacc is concerned, we accept that arts entry has declined in 2016, but that was one year. Between 2012 and 2015, entries into arts subjects rose. We absolutely accept that the arts have an important role to play in education. We believe that they are complementary to STEM subjects and that a rounded education includes the arts.

Lord Foulkes of Cumnock (Lab): My Lords, now that the Supreme Court has decided, is it not wrong for anyone, including the noble Baroness, Lady Bonham-Carter, to assume that we will withdraw from the European Union until Parliament has decided whether to trigger Article 50 and whether anything that results from the negotiations is acceptable?

Lord Ashton of Hyde: I do not want to put words into the noble Baroness's mouth, but I think she was assuming that Parliament would listen to the will of the British people.

The Earl of Clancarty (CB): My Lords, is the Minister aware that the overriding concern for many artists, musicians and performers is the possible loss of free movement both ways, and that the grass-roots co-operation and cultural exchange that are such major factors in the success of the arts might be much diminished as a result?

Lord Ashton of Hyde: It would of course be much diminished if people were not allowed to move in connection with the arts, but I do not think that is what the Government are trying to achieve. We want free movement of all people connected with the arts. We want to make that a priority of the negotiations with the EU.

Baroness Jones of Whitchurch (Lab): My Lords, the Minister will know that the creative industries employ hundreds of thousands of EU nationals here in the UK, in everything from basic grades in the hospitality sector to highly specialist choreographers, visual effects designers and so on. All those individuals now face huge uncertainty about their future here, which affects their work, family and relationships. Why will the Government not act now to end that uncertainty and guarantee their right to stay, rather than use them as pawns in some future negotiations over which they have no control and no say?

Lord Ashton of Hyde: The fact that the Prime Minister made this one of her 12 negotiating objectives shows that we absolutely take it seriously. All we are asking for is that, when we guarantee rights for EU citizens living in this county, EU countries guarantee rights for UK citizens living abroad.

Baroness McIntosh of Hudnall (Lab): My Lords, would the noble Lord accept that one of the important ways in which the creative industries grow in this country is through the education establishments that provide skills, through both specialist training and the schools system? At the moment, we face the risk that the very best people from the EU and beyond will no longer want to come and train in this country because it will be too expensive and, frankly, less good. That will not help us or the rest of the world. Perhaps the noble Lord would consider that when the Government come to make their decisions.

Lord Ashton of Hyde: I think that is one of the things that will be considered by Sir Peter Bazalgette's early sector review, which was announced in the industrial strategy Green Paper. We are going to have a specific focus on growing the talent pipeline.

Baroness Janke (LD): My Lords, I am sure the Minister is aware of the shortage of skills in the creative, media and digital industries. The Government talked about upskilling people in this country. What are they planning to do in the transition period, or do we expect to lose large sectors of this industry to a much more flexible regime in Europe?

Lord Ashton of Hyde: We have talked extensively to the creative industries, and that is why it is the subject of one of the first early sector independent reviews, as I just mentioned. Another two round tables will occur shortly with the Secretary of State. We completely understand the point. We are spending more time and money on skills through teaching and education. We absolutely get it and are working hard to make sure that those skills stay in this country.

Education: Newly Qualified Teachers

Question

2.52 pm

Asked by ***Baroness Donaghy***

To ask Her Majesty's Government, in the light of figures showing that nearly one-third of newly qualified teachers leave the profession within five years of qualifying, what steps they are taking, including continuing professional development entitlement, to retain them.

The Parliamentary Under-Secretary of State, Department for Education (Lord Nash) (Con): My Lords, the proportion of teachers leaving the profession within five years of qualifying has remained broadly stable since 1996, with around seven out of 10 teachers still employed in state-funded schools after that period. We are addressing key issues such as unnecessary workload and poor pupil behaviour, and we are investing around £75 million in the teaching and leadership innovation fund to support high-quality professional development for teachers and school leaders in areas of the country that need it most.

Baroness Donaghy (Lab): I thank the Minister for his Answer but the Government's policy and complacency on this are staggering. I accept that there will always be some attrition rate but the record on continuing professional development is towards the bottom of the 36 OECD countries. In the light of the failure to recruit sufficient teachers and head teachers, how do the Government intend to address their failing policies?

Lord Nash: I think the noble Baroness was referring mainly to CPD. Last July, we published an entirely new standard for teacher professional development to help schools understand more fully what was involved in good CPD. We spend a significant amount of money on subject enhancement courses. We continue with high-performing senior and middle leader courses. We are reforming the NPQs. We have a number of high-quality MAT CEO courses coming on stream provided by institutions such as Cranfield University and King's College London. We also have the teaching and leadership innovation fund, to which I referred.

The Lord Bishop of Ely: My Lords, does the Minister agree that the working environment for teachers is so often determined by the quality and effectiveness of school leaders, and therefore it is essential to equip

[The Lord Bishop of Ely]
school leaders to ensure the flourishing of their staff as well as their pupils? Will he be pleased to note with me the launch this weekend of the Church's Foundation for Educational Leadership to work in this field?

Lord Nash: I am delighted to agree with the right reverend Prelate. I know that the Church is taking the lead in this. It has engaged in a big way with the Future Leaders Trust's executive educators course. I believe it is sending 100 of its leaders on this course. As I say, we have other courses coming on stream from the likes of the University of Salford and a combination of the IoE and Deloitte. It is very encouraging to see these high-quality providers coming into this space.

Baroness Benjamin (LD): My Lords, Ofsted has required an unsustainable level of personalised feedback from teachers to students. Although this guidance has been retracted, it is still common practice in many schools. An excessive workload, including data tasks, is damaging the well-being of teachers. What consideration of teachers' welfare is measured by Ofsted during inspections?

Lord Nash: The noble Baroness makes an extremely point. I know that this issue concerns us all—and Ofsted. We are committed to reducing teachers' workload. We conducted the workload challenge and we are following all the recommendations from that. Our larger multi-academy trusts are developing extensive support programmes for their teachers to take a lot of the workload off them so that they can focus on the most important thing: teaching in the classroom.

Baroness Gardner of Parkes (Con): My Lords, I declare an interest as I have a granddaughter who is just completing Teach First, a two-year course. Is the Minister aware that not only do the people benefit from doing these courses but the pupils benefit because they have very bright, interested people teaching them in those two years? It is understandable that they should have all opportunities open to them—teaching or anything else—at the end of that time. Does he agree?

Lord Nash: I agree entirely with my noble friend. Teach First is expanding its programme to all areas of the country. It will have nearly 1,500 new recruits this summer, and it has some very high-quality, well-educated people.

Baroness Coussins (CB): My Lords, last year's report from the National Audit Office recommended that the DfE should focus more on retention, especially as some subjects, including Spanish and German, are increasingly being taught by non-specialists. Does the Minister agree that the DfE should start monitoring retention by subject so that efforts to dissuade teachers from leaving could be better targeted?

Lord Nash: I agree entirely with the noble Baroness and that is something we are looking at very closely. We have recently introduced a new scholarship, in partnership with the British Council, to recruit MFL teachers, worth £2,500 tax-free.

Lord Knight of Weymouth (Lab): My Lords, I remind the House of my interests relating to my work at TES. Last Monday, the head of education for the OECD, Andreas Schleicher, was in London, at a meeting of more than 80 Education Ministers. He reminded them that this country is the world capital of rote learning—as opposed to the leading jurisdictions, such as Singapore, Shanghai and Hong Kong, which have far less rote learning because they focus on deeper thinking through mastery. Is not the retention problem in this country that bored teachers are having to fill bored pupils with too much shallow-level content and not enough deep thinking?

Lord Nash: I do not agree with the noble Lord, although I have lot of respect for his experience in this area. One thing we have done is improve the knowledge in the curriculum because cognitive science is absolutely clear that to develop skills such as critical thinking, you need knowledge to apply. We are also clear that some of our best groups are now developing much better teaching resources for teachers so that they do not have to spend time devising lesson plans and can spend much more time developing the kind of techniques that the noble Lord refers to.

Lord Watson of Invergowrie (Lab): My Lords, it beggars belief that just last week the Treasury cancelled a promised £384 million payment to schools—this at a time when the DfE itself is cutting school budgets. The Minister has said that he will address the very real issue of workload but the initial teacher training figures for this Session show that only 89% of secondary school places were filled—just as the "pupil bulge" begins to impact at secondary level. Does the Minister have anything positive to say about levels of professional pay to ensure that teaching remains an attractive profession?

Lord Nash: We have a very strong economy, as this Government and the previous Government have created what has sometimes been referred to as a jobs miracle, and many areas are struggling to recruit. I am sure the noble Lord will be delighted to hear that this year we are 12% up on maths and science teachers and 15% up on physics teachers. The number of returners to the profession is also up by 20% on 2011.

Schools: Access to Defibrillators

Question

3 pm

Asked by ***Lord Storey***

To ask Her Majesty's Government what plans they have to ensure that all schools and public buildings are equipped with defibrillators.

The Parliamentary Under-Secretary of State, Department for Education (Lord Nash) (Con): My Lords, the Government know how important swift access to defibrillators can be in cases of cardiac arrest. That is why we are encouraging schools to purchase a defibrillator as part of their first-aid equipment, and we have negotiated a deal to offer defibrillators to schools at a reduced cost. Since the scheme was launched, more than 1,800 defibrillators have been purchased through this

route. The Government also continue to provide funding to make defibrillators more widely available in communities across the country.

Lord Storey (LD): I thank the Minister for his reply and for his work during the coalition Government and this Government. The Minister will be aware that today, 82 people will experience a sudden cardiac arrest and only eight of them will survive. He will also be aware of the work of the Oliver King Foundation, which was set up after the tragic death of a 12 year-old boy in a swimming pool in Liverpool, and which has campaigned ceaselessly for this provision. Is the Minister prepared to meet the foundation to discuss further ways in which it can be taken forward?

Lord Nash: I am very much aware of the work of this marvellous foundation, which I know works tirelessly to place defibrillators and raise awareness of sudden cardiac arrest. When I met Mark King nearly three years ago, we had a good conversation about our deal to purchase defibrillators and I would be delighted to meet him again.

Lord Watts (Lab): My Lords, should not all children be given training in the use of defibrillators, and should they not have wider knowledge of how to use this machinery and other first aid when they come out of school?

Lord Nash: We leave it to schools to decide precisely how much they teach their pupils about first aid. Some very good resources are available from the British Heart Foundation, the Red Cross and others. The defibrillator we provide comes with audio instructions which make it very easy to use, but of course, training for staff and others is important.

Baroness Finlay of Llandaff (CB): Do the Government recognise that it is essential to have emergency action first-aid training in primary and secondary schools, so that children can recognise cardiac arrest in another child, respond appropriately, call for help and know where a defibrillator is? Simply purchasing a defibrillator is inadequate.

Lord Nash: As I say, we leave it to schools to deal with the precise details, but they will of course make it absolutely clear where the defibrillator is. I have already referred to the issue of training.

Lord Selkirk of Douglas (Con): Does my noble friend accept that the use of defibrillators has saved a great many lives—provided, of course, that they are used in appropriate circumstances?

Lord Nash: I accept that entirely.

Baroness Walmsley (LD): My Lords, given the recent cuts in school funding, how does the Minister expect schools to be able to afford defibrillators, unless of course they have a special grant to purchase one from the department, which they most certainly should?

Lord Nash: Under our deal, schools can now purchase the machines for £435, compared to £1,000 to £2,000 if they did so independently.

Lord McColl of Dulwich (Con): Is the Minister aware that these machines are now so sophisticated that if any operator is about to use one inappropriately, it has been programmed to tell the operator to "push off"?

Lord Nash: I do not know if they quite put it in those terms, but I am aware that they are apparently very easy to use and the instructions are very clear.

Lord Watson of Invergowrie (Lab): My Lords, the noble Lord, Lord Storey, rightly paid tribute to the outstanding work of the Oliver King Foundation, and I acknowledge the work the Minister has done in meeting the foundation and taking the issue forward. Every year, 270 children die after suffering a sudden cardiac arrest at school, and 12 young people a week die from sudden arrhythmic death syndrome. There are laws that mandate smoke alarms, fire extinguishers, seatbelts and lifejackets to save lives, but there is no law mandating a simple piece of equipment that could restart the lives of 12 young people each week. Do the Government intend to give a fair wind to Maria Caulfield MP's Defibrillators (Availability) Bill, which will have its Second Reading in another place next month, so as to bring to an end the shameful postcode lottery that is access to defibrillators?

Lord Nash: My Lords, the Department of Health believes that it is unnecessary to require defibrillators to be placed in all public buildings, and it is our policy that local ambulance trusts already have responsibility for the provision of defibrillators and are best placed to know what is needed in the local area. When I met Mark King and the other representatives of the Oliver King Foundation some years ago, they seemed satisfied with our arrangements, particularly the deal that I referred to, but we are very happy to work with them further and to discuss what more we can do to ensure that more schools install defibrillators and that we raise awareness of this very important issue.

Lord Roberts of Llandudno (LD): Following the question asked by the noble Baroness, Lady Finlay, how can children in schools be shown the dangers of diabetes or epilepsy and made aware of the symptoms? Is it possible to encourage schools and education authorities to make sure that those who are able to instruct are allowed into classrooms?

Lord Nash: In 2014, we introduced a new duty on schools to make arrangements to support pupils with medical conditions with such detailed guidance, which was developed in association with stakeholders, including the Health Conditions in Schools Alliance.

The Earl of Listowel (CB): My Lords, this is yet another argument for strengthening personal, social, health and economic education. If children understand their own bodies and are taught well about them, they

[The Earl of Listowel]
can respond more appropriately to the issues raised in this question, and more generally, when such health problems arise for them or others.

Lord Nash: I agree with the sentiment expressed by the noble Earl. I think I have already said that we are looking at how we can strengthen these provisions further.

Business of the House
Announcement

3.07 pm

Lord Taylor of Holbeach (Con): My Lords, this may be a convenient point for me to inform the House about the proposed timetable for our consideration of the European Union (Notification of Withdrawal) Bill, which was introduced in the other place on Thursday last week. To save noble Lords scrabbling for their pens and paper at this point, a copy of this statement is now available in the Printed Paper Office.

On the assumption that the Bill arrives from the Commons on either Wednesday 8 February or Thursday 9 February, we will hold a Second Reading debate over two days on Monday 20 February and Tuesday 21 February. We will take Committee stage over two days the following week: Monday 27 February and Wednesday 1 March. The Bill will then have its Report and Third Reading on the following Tuesday, 7 March.

As well as this timetable, I should alert noble Lords about some practical points which we have agreed in the usual channels to assist noble Lords with an interest in the Bill. The speakers list for Second Reading has already been opened, and any noble Lord wishing to sign up can now do so in the normal way. Noble Lords wishing to table amendments for Committee stage will be able to do so from 10 am on Thursday 9 February, or the arrival of the Bill, if it is later on the same day. I am grateful to the House authorities and, in particular, to the Legislation Office for their typical flexibility in this matter. I am also grateful to the usual channels for their constructive dialogue over the scheduling of this urgent and important Bill. I hope noble Lords will agree that we have balanced the priority of this House considering this important Bill against the need to ensure that it has the time available to conduct proper scrutiny, which I am sure it will do.

Lord Bassam of Brighton (Lab): My Lords, I rise only briefly to thank the Government Chief Whip for the courtesy he extended to me and other colleagues in advising us early of his thoughts about the timetable and also for listening to our urgent representations to ensure that the House has the fullest opportunity to debate the Bill and consider amendments. I am particularly pleased that we probably have a bit longer than our colleagues in the Commons to look at the details. I am very grateful to the noble Lord.

Lord Foulkes of Cumnock (Lab): If this House were to disagree with the other place, when would the sessions of ping-pong take place?

Lord Taylor of Holbeach: It is not for me to answer a hypothetical question. There will no doubt be opportunities for the exchange of communications between the two Houses in the event of a disagreement, but I am not prepared to give a direct answer to that particular question because it is hypothetical.

Lord Stoneham of Droxford (LD): My Lords, on behalf of these Benches I thank the Government Chief Whip for his courtesy throughout these discussions and also for ensuring that we will have adequate time to see this legislation through the House with due scrutiny, rather than it being unduly speedy.

Homelessness Reduction Bill
First Reading

3.11 pm

The Bill was brought from the Commons, read a first time and ordered to be printed.

Higher Education and Research Bill
Committee (7th Day)

3.12 pm

Relevant document: 10th Report from the Delegated Powers Committee

Clause 85 agreed.

Schedule 9: United Kingdom Research and Innovation

Amendment 471A

Moved by ***Lord Mendelsohn***

471A: Schedule 9, page 100, line 26, at end insert—

"( ) at least one member of the OfS Board with at least observer status."

Lord Mendelsohn (Lab): My Lords, I start by declaring my personal interest as an investor in the UK research base and in some of the institutions that came out of science and other research councils. I am also an investor in the science base overseas.

Before we get into the meat of all the groups that we have—which I hope will go at some pace because we have a fair degree of agreement—it may be helpful if I just set out the view of these Benches on Part 3 of the Bill. According to the OECD, in tracking the change in government spending on R&D as a percentage of total government spending, between 2002 and 2015 there has been a very strong correlation with the investments that have been made that have created new and emerging tech pioneers, including across eastern Europe in Israel and in other places.

Korea, Germany and Japan have powered ahead with increases. Most countries have reduced, but of the major economies it appears that only France exceeded our almost 30% decline. In this context, the Government's recent announcement of funding has had two major impacts. On the one hand, it has certainly helped to address the changes that we have witnessed over some time; there has now been some redress, and I hope we can get to the position where we were previously in

short order. On the other hand, it has laid a comforting blanket over the measures in this part of the Bill and provided an emollient soothing of concerns about where research is going.

3.15 pm

It is also worth noting that with regard to the major proposals in Part 3 there is a broad consensus that the proposals based on the Nurse evaluation are measured, sensible and worth a go. The outcomes that people are looking for are the ones that hold a fair consensus across the community. It is also better fair to say that the process by which they came involved some of the greatest brains and minds and some of our greatest practitioners, and should be seen in that context.

This part of the Bill needs some probing as there are some outstanding concerns. There are of course some very strong intended outcomes of the reform. We have a policy design whose test will be whether it can achieve that outcome, so we are going to probe not only the objectives but the means. We are going to probe whether it is better for universities, in helping to be able to fund the broad range of research required to ensure not just narrow economic definitions of growth but the importance of breadth; whether it is good for our general research base; whether these are effective measures; and whether we have reasonable confidence that there is enough flexibility to address failure or whether there may be a need to pivot some of the arrangements in order to create a better outcome.

The Bill also needs to be assessed against the Brexit decision, with all its impacts, challenges and opportunities. Indeed, many of the representations that we on these Benches have received have come from people who are concerned not particularly about the extreme possibility that the impact itself will be negative but the context in which these measures have arisen. The potential for reductions in funding, the loss of strategic place and some of the issues around researchers and students are particular concerns.

Our core issues will be about whether the newly invented UKRI will have the right performance metrics and KPIs in order to judge performance; whether we have a full enunciation of the Haldane principle adequately covered in the Bill; whether dual research funding and a reasonable balance operate effectively; whether we are really going to see the interdisciplinary benefits redolent in some of the text establishing the Bill; whether we are really going to be able to improve innovation; whether the governance has the right independence to allow those elements of the research community to flourish; and whether we have the right sort of structure.

There are concerns among some that universities could ditch research. Some argue that the Bill weakens the link between higher education, teaching and research. While universities have established that research is central to their mission, there is concern that some of the institutional strategies will necessarily change. There has been a trend for some years, as research funding has become concentrated among a smaller number of universities—for example, those in the Russell group—and particular research institutes have been established, that there may be an ever-increasing prospect of teaching-only universities and research-only institutions. That would have implications for students, institutions and the sector. So it would be helpful if the Minister could provide some observations on the desirability or not of such an outcome; whether this is a risk or a likelihood; whether the competition mechanics established in the Bill could lead to this or have been examined as to whether they will; what view the Government really have on the balance and blend of institutions and the relative balance of research and teaching; and whether there are any metrics or any evaluations by archetype as to what is the best series of arrangements or the best intended outcome.

I have to say that the main issue, the main deficiency, is the lack of clear metrics for measurement of performance. The structure of UKRI has yet to be fully determined. It will need to balance the need to produce a coherent and strategically oriented research and innovation body with a need to encourage the expertise embedded in the nine individual councils to be heard. It will need to maintain responsibility for strategic and cross-disciplinary matters while taking on the day-to-day administration, operational control and management in a manner that looks more like outsourcing than a coherent management structure.

Of course, there is always too much undeserved faith in the construction of a single accounting officer. More or less of something is a direction but not a destination. However, without some sense of where you are trying to get to, just starting a journey is never the most valuable way to go. So we are keen to have a stronger sense of the evaluation and the metrics. It is incumbent on the Government to ensure that confidence will grow in UKRI and there is a real sense of how performance will be measured and judged.

In moving Amendment 471A, and in addressing the others in the group, all of which we on these Benches support, we believe that even though we have had debates on the relationship between the OfS and UKRI, it is very important that there should be a strong emphasis on the nature of their collaboration and strong co-operation from the beginning. The purpose of the amendment is to address the distance between the Government's stated intentions and their drafting. We are trying to make some helpful and friendly suggestions which I hope will get Part 3 off to a good start

The amendments look to strengthen the requirement for co-operation between the OfS and UKRI because we are trying to establish some form of prescription as to how and why they need to co-operate. The amendments probe the crucial relationship between the two new behemoth institutions and, we hope, will provide a stronger direction.

This does not just address the real issues at the interface of research and teaching, such as the awarding of research degrees. It is about whether the Government's stated commitment on the integration of research and teaching has the necessary safeguards—which, some have said, look limited and weak in the Bill. It will be useful for the Minister to provide us with the right level of assurances, similar to or better than those we had earlier in the Bill.

The Government have conceded some of the merits of the argument, but it is important to find the best way to develop the appropriate joint governance

[LORD MENDELSOHN]
arrangements that will embed working principles and practice in the framework documents to be established for UKRI and OfS. But it is very important to define at the beginning what we are looking to achieve. Amendment 471A specifies that there should be,

"one member of the OfS Board with at least observer status",

as a member of UKRI. There is nothing like establishing a principle that if two organisations have to collaborate, there should be a capacity for them to do so at all the right levels. It provides the message that this is not just practically useful but important symbolically. The Government could have a reasonable argument that this in itself would not solve the problem. That is true. Having one person does not mean that the issue is solved, but it is a measure to ensure that there is at least some sense that at the top levels the architecture of governance meshes. That is very important.

We also believe that the OfS and UKRI need to have other forms of meshing together—which demonstrates that the Government have divided responsibility at departmental level. It is very important to establish that the processes and guidelines that exist, and those elements that could be in the Bill, are there to ensure that there is an effective and close working relationship between the research and teaching functions. I beg to move.

Baroness Garden of Frognal (LD): My Lords, I support the noble Lord, Lord Mendelsohn, in his introduction to this part of the Bill. He commented on the danger that some universities may ditch research, but there are also concerns, following the first part of the Bill, that some universities may look rather critically at their undergraduate provision and wonder whether that is all worth while.

I have added my name in support of Amendment 508C in this group, which was suggested by a number of higher education organisations, including MillionPlus. Holistic oversight of the higher education sector is essential for its continuing success; the Bill must have measures in it that will ensure that the two major bodies, UKRI and OfS, do not work in silos. The work of each organisation is, after all, complementary to the other. A joint committee and an annual report would help to achieve this and deliver a closer working relationship between the two organisations, which would benefit students, providers and employers and provide parliamentary oversight.

Universities thrive through close collaboration between teaching and research, and in the previous part of the Bill we have already proposed that UKRI's research expertise should be brought to bear in co-operating with the OfS in awarding research degrees. The other areas identified in this amendment are also key to the health of the sector. These issues are too important not to have some specific measures in the Bill to ensure that such co-operation and oversight takes place.

Lord Mackay of Clashfern (Con): I have an amendment in this group, Amendment 509, which suggests a somewhat more vigorous role for co-operation than the amendment that has just been referred to. It appears to the noble Lord, Lord Smith of Finsbury, who cannot be here today, that the Office for Students is dealing with matters concerning research, but the whole object of this part of the Bill is to set up UKRI as the great authority on research. It seems extraordinary that the Office for Students should deal with research questions—the awarding of research degrees and the integration and teaching of research students—without utilising the resources of UKRI.

The Bill has very remarkable provisions on joint working. I do not want to examine the detail just now, except to say that joint working is permitted only in respect of UKRI in very restricted circumstances, which have nothing to do with the general power to award research degrees or deal with research students. It is about a particular kind of funding. That suggests to me that the idea of joint working seems very restricted in the Bill, and it is a matter of extreme importance. As I tried to say in my speech on Second Reading, it is a fundamental unity in many of the great universities in this country that they both teach and do research.

Some of the best teachers, in my experience, are those who are at the very forefront of research, because they usually have an enthusiasm for the subject which on lecturing they can transmit to their pupils. I think that I have some experience of that myself. People who really are at the heart of research are the best possible teachers, so to divide up the organisation of the university between the Office for Students and UKRI goes to the very heart of a fundamental unity which has been part of the strength of many of the great British universities for many years.

Therefore, I propose, in conjunction with my noble friend and with the noble Lord, Lord Mendelsohn, that the arrangement should be that, when research matters are an issue, the decision should be a joint one between UKRI and the Office for Students. The arrangements for having observers or members across the divide are no doubt worthy of consideration, but we need to go to the very heart of this matter to ensure that research matters are considered by people with expertise in research, chosen for that purpose as the leaders of the research establishment, if you would like to call it that, in this country.

3.30 pm

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Prior of Brampton) (Con): My Lords, I thank the noble Lord, Lord Mendelsohn, for his opening address, which was helpful in setting the context for this debate. The noble Lord is right: the context is partly Brexit and partly that many overseas countries are spending a lot more per capita on research than we do. It is also the fact that the British Government have committed to spending an extra £2 billion a year on research by 2020.

The noble Lord also raised the important issue of the evaluation of UKRI—this will come up later in the debate. One of the first things that the UKRI board will do after it is appointed is put together a strategic plan, which will be discussed in more detail in this House and government circles.

I welcome the opportunity to debate further the issue of joint working between UKRI and the OfS, which the Government—and the three noble Lords

who have contributed to the debate so far—recognise as crucial to the success of both organisations. It was recently announced that the Government will be investing an extra £2 billion a year in R&D by the end of this Parliament. This investment is a clear vote of confidence in the new structures created by UKRI. It will play a key role in delivering the industrial strategy and in the success of our future knowledge economy.

On the issue of joint working, I sincerely appreciate the concerns raised by the noble Lord, Lord Mendelsohn, the noble Baroness, Lady Garden, my noble and learned friend Lord Mackay and others. However, an absolute requirement for UKRI and the OfS to work together in exercising their functions could well be counterproductive. For the areas where they should be working together, Clause 106 offers a mechanism for the Secretary of State to require the two organisations to do so, should they fail to co-operate of their own accord.

However, this is not the sole, nor the most important, means to drive joint working. There will be regular engagement and communication between the two government departments involved and both organisations at all levels of operation. Guidance will also be issued through a variety of means, including the Secretary of State's annual grant letters. Furthermore, in addition to regular meetings between the Government and senior representatives from the OfS and UKRI, the Secretary of State will have the power, through the Bill, to send representatives to attend the board meetings of both organisations. In combination with the expectation that each organisation's annual report will address areas where they work jointly, this will allow the Government to perform an ongoing assessment of the effectiveness of co-operation between the two organisations, and to respond quickly if this is not satisfactory.

On Amendment 509, as my noble friend Lord Younger said previously, UKRI will work closely with the OfS on matters related to research degree-awarding powers. Likewise, UKRI will work with the OfS at all levels to ensure there is a coherent approach to the research talent pipeline. While I agree that they should certainly take a joined-up approach on these two matters, joint decisions would not always be effective or efficient. For example, each year thousands of research students in the UK are supported by research council funding. It would not be practical or useful for the OfS to be involved in these funding decisions, just as HEFCE is not involved now.

On Amendment 508C, I do not believe that legislation is the right place to specify the particular areas that UKRI and the OfS should co-operate on. It is likely that such areas will change in the future, and there must be a degree of discretion to accommodate this. I hope noble Lords will agree that guidance is a better, more flexible mechanism, and this is what the Government intend to use.

On Amendment 471A, the noble Lord, Lord Mendelsohn, echoed by a number of other noble Lords, made the case for a shared board member between UKRI and the OfS. I can reassure the House that the Government have given this matter significant thought. Following in-depth consideration, the Government have concluded that a shared board member would not best serve its purpose. The responsibility laid on this member would be to encourage and facilitate effective communication between both organisations. However, this will need to happen at all levels, and covering the breadth of their remits. I do not believe that it is possible for a single individual to fulfil this role effectively. Responsibility for joint working and effective communication will be shared by all members of the UKRI and OfS boards, and involve many officials spread throughout the organisations.

Joint working and effective communication will be of the utmost importance, and I hope that I have provided reassurance that this Bill will put in place the appropriate measures to ensure this. Therefore, I ask the noble Lord to withdraw his amendment.

Lord Mendelsohn: I thank the Minister for that reply but wish to make a couple of points. Certainly, there is always a place for guidance. The question here is: what are we trying to achieve? There needs to be a level of not just mechanics but of culture where these organisations work together. My fear is that the Bill could have unintended consequences. When we met senior administrators of universities, they asked how the organisation and running of their operations would change and about the interface with the OfS and UKRI. For example, the once-a-year evaluation with HEFCE will now take place with two separate organisations. Will that change the way the leadership works or the way that institutions report? A series of potential unintended consequences could occur unless we specify and knit together the way in which these institutions will work. That is the nature of the problem we are talking about.

There are some very specific measures, such as the one raised by the noble and learned Lord, Lord Mackay of Clashfern, which is one that could be reasonably accommodated. However, in general, we need to establish the right culture and circumstances to ensure that these two institutions do not just have a sense of working together but see themselves as partners in a very important endeavour.

Finally, as regards the shared board member that I proposed, we are not placing a colossal, herculean task on one individual. For institutions that are meant to work together, it is important to have someone who is able to tell the temperature or the context of the debate, and be able to ensure that at the very top level both institutions are aware of the atmospherics and the sense of how an issue is approached. That level of understanding is important. Whatever the mechanics at the bottom, and whatever arrangements we have in place, if there is a dissonance in understanding at the very top, that is a major consideration. I hope that the Minister will provide some more developed thoughts on that at a later stage. I beg leave to withdraw the amendment.

Amendment 471A withdrawn.

Amendment 472

Moved by ***Lord Sharkey***

472: Schedule 9, page 100, line 32, leave out from "UKRI," to "experience" in line 33 and insert "ensure that the members have (between them) significant direct"

Lord Sharkey (LD): My Lords, this amendment proposes a change to the wording of paragraph 2 of Schedule 9. Sub-paragraph (5) of paragraph 2 concerns itself with the experience of those appointed as members of UKRI. The intent of the sub-paragraph is clear: the Government want to make sure that the members of UKRI have experience in the various areas listed in the sub-paragraph. These are all important areas. However, a very important area is missed, which we will come to in the next group of amendments.

I think no one would disagree with the areas of expertise proposed. If UKRI is to do its job properly, it is vital that its members have between them the experience set out in the Bill. The problem is one of drafting. The Bill states:

"The Secretary of State must, in appointing the members of UKRI, have regard to the desirability of the members (between them) having experience of",

and the Bill goes on to list the areas of experience. This is a very weak formulation and, in reality, imposes no real condition on the Secretary of State. It requires him to,

"have regard to the desirability",

of UKRI members having the experience listed, but this is not equivalent to saying that they must have it. In fact, it allows for the possibility that a Secretary of State may conclude, no matter how perversely, that it is not desirable for UKRI members to have the listed set of experiences. Or it allows him to conclude that it is desirable that they have only some of these experiences between them. In any case, even if the Secretary of State were to conclude that it was desirable for UKRI members to have some or all of the listed experience, the Bill as drafted does not compel him to do anything about it.

Given the importance of UKRI and what I take to be the intent of paragraph 2(5) of Schedule 9, it would be much better and clearer to impose a duty on the Secretary of State, which my Amendment 472 sets out to do. It would revise paragraph 2(5) so that it read: "The Secretary of State must, in appointing the members of UKRI, ensure that the members have (between them) significant direct experience of … research into science, technology, humanities and new ideas … the development and exploitation of science, technology, new ideas and advancements in humanities, and … industrial, commercial and financial matters and the practice of any profession".

UKRI's membership is far too important to be left to the rather vague drafting that imposes no necessary structure on it. If we are to have a provision in the Bill to regulate membership of UKRI, it should have some practical force. Amendment 472 does this. I beg to move.

Baroness Garden of Frognal: My Lords, I added my name to my noble friend Lord Fox's Amendment 473, which is remarkably similar to the one my noble friend Lord Sharkey has just spoken to. I therefore agree with my noble friend Lord Sharkey.

The Earl of Selborne (Con): My Lords, these amendments certainly seem uncontroversial in that, if you look at paragraphs 2(5)(a) to (c)—we will come to a proposal later that another sub-paragraph be added—it is clear that these are experiences and expertise that will be highly valuable.

This gives me an opportunity to point out that, under sub-paragraph (c), one of the categories is experience of,

"industrial, commercial and financial matters"—

this is for a member of the UKRI board. This will be particularly essential, because of course Innovate UK will be subsumed as one of the nine councils within UKRI. It will have to have access to a completely new field of expertise, which Innovate UK does not have at the moment, particularly the ability to leverage new financial funds. Otherwise, you cannot expect the great expansion that we would like to see of Innovate UK, if it is to play the critical role in bringing research councils and commercial research into a closer relationship and improving our rather abysmal productivity levels—which, indeed, can probably be improved only by a successful rollout of innovation.

There will be a clash of cultures if UKRI is heavily weighted, as it almost certainly will be, towards,

"research into science, technology, humanities and new ideas".

There simply must be people who understand the concept of risk, which is a completely different concept to the one that research councils at the moment have. I therefore point out just how critical it will be to have such experience not just on the council of Innovate UK, where inevitably all this expertise must lie, but it must be well represented on the UKRI board. Otherwise, the idea of bedding the two together will be doomed to disaster.

Lord Prior of Brampton: My Lords, I agree entirely with what the noble Lord, Lord Mendelsohn, said on the last group of amendments—that culture, not mechanics, is critical in this. That is one of the reasons why we are not being as prescriptive in the Bill as some people would like. That also applies to these two amendments.

I appreciate and understand the intention of these amendments, which recognise the vital role of the board in UKRI's success. Of course, as my noble friend Lord Selborne just said, it is vital that the interests of research are properly balanced by people with experience in industry who are, as he put it, used to taking risks in the commercial world. The board will have responsibility for leading on overall strategic direction and cross-cutting decision-making, as well as ensuring close working relationships with the OfS and other key partners.

As noble Lords may be aware, an advertisement for board members has recently been published. It specifically calls for individuals with appropriate experience of those areas listed in the Bill but it also specifies that they,

"should be able to reflect and express authoritatively the perspective and views of stakeholder communities".

I assure the noble Lord, Lord Sharkey, and others that we are seeking the highest calibre of candidates. It will be critical that we find the right mix of skills and experience from a diverse range of backgrounds across the UK and beyond, and it will be important to maintain as much flexibility as possible. The Bill has

been carefully drafted, with the appropriate legal advice, to ensure that it will enable this on a continuing basis. I reassure noble Lords that the intent of the amendments is already reflected in this schedule, and on that basis I ask that the noble Lord withdraws his amendment.

3.45 pm

Lord Sharkey: I am grateful to the Minister for that answer. However, if the intent of the description in sub-paragraph (5) is as the Minister described, I do not quite understand why it is not more rigorously written into the Bill. I do not see what possible harm it can do, given that that is in any case the intent, but I do see the benefit of including it, as it then becomes plain that it is a duty on the Secretary of State. Having said that, I beg leave to withdraw.

Amendment 472 withdrawn.

Amendment 473 not moved.

Amendment 474

Moved by ***Lord Willis of Knaresborough***

474: Schedule 9, page 100, line 38, after "commercial" insert ", charitable"

Lord Willis of Knaresborough (LD): My Lords, I shall also speak to Amendments 478 and 479 in the names of my noble friend Lord Sharkey and the noble Lord, Lord Stevenson of Balmacara, and to Amendment 475, to which the noble Lord, Lord Mendelsohn, has added his name. I also strongly support Amendments 486A and 491 in the names of the noble Lord, Lord Mendelsohn, and my noble friend Lord Sharkey respectively.

Having not had an opportunity to speak at Second Reading as I was attending NERC's council meeting in Lancaster, I should for the record declare my interests. I am currently a council member for the Natural Environment Research Council, chairman of the NIHR Collaboration for Leadership in Applied Health Research and Care in Yorkshire and Humber, a member of the Court of Birmingham University, a council member of the Foundation for Science and Technology and a consultant for HEE. I am designing a new doctoral training centre for advanced nursing, and, until 2016, I was chair of the Association of Medical Research Charities—hence my interest in these amendments.

In proposing Amendment 474, I should say that I am strongly in favour of the Government's direction of travel with regard to the establishment of UKRI. I believe that the current system certainly needs change. Frankly, the notion that royal charter status gives freedom and flexibility to the decision-making of the research councils is fanciful. In many cases, decisions are made not by the research councils but by BIS, as it was, and BEIS, as it now is, and more regularly by the Treasury. Even with the support of committed former Ministers such as the noble Lord, Lord Willetts, who is in his place, it has at times been painful for my research council to change the governance structure of our institutes to meet challenging demands or respond to commercial requirements. However, to realise the potential of UKRI and the new research councils to be one of the most innovative and exciting research organisations in the world requires a membership which is able to think and act entrepreneurially in the interests of science, the economy and society.

Few sectors have the pressure to succeed more than the charitable research sector, whose direct interface with its millions of contributors makes it a powerful ally in research but whose support is needed on a regular basis to stay in business. What is more, while much of discovery science requires taxpayers' money, the charitable sector is a major net contributor. The Association of Medical Research Charities, which covers most of the investors in medical research, contributed an impressive £1.3 billion in 2013, the same amount in 2014 and, in 2015, £1.43 billion. Its contribution over the length of this Parliament will top £6.5 billion.

While the Wellcome Trust, CRUK and the British Heart Foundation are the principal contributors, this sector is unrivalled anywhere in the world in its contribution to medical research. That was emphasised in the Nurse review, when Sir Paul said:

> "To facilitate such interactions and to ensure that proper knowledge and understanding of the entire UK research endeavour is maintained, I recommend particular care is paid to ensuring there are strong interactions between the charitable research sector and the Research Councils".

These amendments simply attempt to put what Sir Paul said in his report into action. They try to deliver "strong interactions" exactly where they should be—not simply on the boards of the research councils but on the board of UKRI itself.

Amendment 474 seeks that experience of the charitable sector should be an equally desirable quantity as industrial, commercial or financial experience, so drawing from the rich experience of the community. Amendment 475 seeks as desirable experience of the,

"funding of research from the charitable sector".

Given the enormous contributions made by this sector, that seems entirely appropriate. Amendment 478 goes one step further, stating that:

> "The Secretary of State must",

include one person with,

"relevant experience in the charitable research sector".

Who knows, perhaps even Sir Mark Walport or Jeremy Farrar, the past and current chief executives of the Wellcome Trust, might be thought worthy, or perhaps Peter Gray, the joint managing partner of Wellcome investments, who successfully manages its £20 billion portfolio? Amendment 479 would insert,

"research involving the charitable sector",

as relevant experience for contributing to UKRI. There will be no shortage of candidates to join UKRI, but the charitable research sector must not be ignored.

Lord Sharkey: My Lords, I will speak to Amendments 475 and 491 in this group. I declare an interest as the current chair of the Association of Medical Research Charities. The first four amendments in this group, including Amendment 475, all deal with a rather striking omission from this Bill. As far as I can tell, there is no mention at all in the Bill of the contribution of the charitable sector to UK research and no provision made for the representation of the sector anywhere. My noble friend Lord Willis has made the case forcefully and clearly for rectifying that omission.

[LORD SHARKEY]

My direct experience is with medical research charities. As my noble friend Lord Willis has just pointed out, last year these charities spent over £1.4 billion on medical research, 93% of which was through UK universities. That was a greater amount than was spent by either the MRC or the NIHR. Medical charity funding is vital to our standing and success in medical research. The UK is a world leader in this area, in part because of charitable funding. Medical charities also provide an unrivalled point of contact with patients, and I know the Government will agree that the patient voice should be represented in discussions about research funding and direction.

I acknowledge that the Government are aware of the importance of the charity research sector and have taken important steps to rectify its omission from the Bill. For example, as the Minister said, they have listed "charity research experience" among the desiderata in the recently published recruitment ad for UKRI members. That is a good thing, but it is not a substitute for having charitable research in its proper place in the Bill. That is what Amendment 475 does. It adds a further category—

"funding of research from the charitable sector"—

to the list of experience that, between them, the members of UKRI must have.

Amendment 491 in my name and that of my noble friend Lord Willis and the noble Lord, Lord Stevenson, deals with the research councils, rather than with UKRI. As things stand, research councils can enter into joint funding partnerships with other bodies, and they very frequently do this. For example, I believe that around 40% of current MRC expenditure on research is in such partnerships. I am sure the Minister will agree that such partnerships are not only to be encouraged but are a well-established and vital way of doing business for the research councils. Amendment 491 is, essentially, a probing amendment. Its purpose is to seek reassurance from the Government, on the record, that after UKRI is established, the subsidiary research councils will still be as free as they are now to form such partnerships. I raised this issue in a recent meeting with the chair of UKRI, Sir John Kingman. He kindly wrote to me after the meeting, saying, "Let me also be clear that whilst legal agreements will be with UKRI, I fully recognise the importance, for example, of MRC 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". Could the Minister specifically endorse Sir John's view?

I would also be grateful if the Minister could clarify a few further points about partnerships. What changes will research councils and their partners experience in practice as a result of the new UKRI/research council structure? What different experiences would new partners experience? Under what circumstances would a research council's plans for research partnerships need explicit approval from UKRI before they could be activated? Finally, on a more general level, what spending decisions, if any, would be reserved to UKRI?

Lord Mackay of Clashfern: My Lords, I strongly support the thrust of these amendments, which would bring the charitable sector into an important position in UKRI. The contribution of charitable organisations to the research effort of this country has been extraordinary, and I have no doubt that a great deal of its success has flowed from that support. The idea that it should be missed out of the qualifications possible for the board of UKRI strikes me as extraordinary.

The feeling I get—I am sorry to get it—is that commercial and financial interests have taken over, which, in a sense, was the thrust of the amendment passed in the opening sittings of this Committee. The universities are not simply commercial or financial organisations, they have a much wider role. Whether or not one agrees with the full terms of that amendment is another matter, but so far as its thrust is concerned, that is what it was about. I have no doubt that I will be corrected if I have got that wrong. Why should the charitable sector be left out of the definition of those being sought for positions on the UKRI board?

Another problem which needs to be taken into account was mentioned by the noble Lord, Lord Sharkey. There is a good deal of participation at the moment between charitable institutions and universities in the carrying out of research. The research councils generally are open to participation in research with charitable organisations. Surely it is important that that strong and so far successful connection should be continued in the new organisation.

I am not completely happy with the reply to my Amendment 509 and I shall move it formally when we come to it later on. At the moment, the idea that the Secretary of State will arrange all this through guidance and so on leaves out of account the responsibility of this Parliament for one of the most successful parts of our national effort. We have a responsibility to see that the arrangements are certainly in accordance with what is best for these institutions.

4 pm

The Earl of Selborne: My Lords, I support the thrust of these amendments and I am sure that everyone would wish to acknowledge the enormous contribution made by organisations such as the Wellcome Trust and Cancer Research UK, to name two of the largest. The noble Lord, Lord Willis, gave us the figures of just how big their contribution is at £1.2 billion from those two alone, while the sector as a whole contributes something like £1.6 billion, which is an enormous sum.

UKRI is to be the very much desired champion of research and to attract not only the interest of the Treasury but of the business and wider community, and it must therefore be totally conversant with all aspects of our research portfolio. That will include not only the large charities to which I have just referred but the smaller ones working in different fields such as the environment and nutrition. Also, we should not be too hard on the business community. Let us remember that it spends more on research than academia, something like 70%. Where we are failing at the moment is in the application of research.

We know that our science base is absolutely excellent and business will always depend on it. It should be

nurtured and if anything we must increase its funding, and we therefore warmly welcome the fact that £2 billion will have been secured by the end of this Parliament. But it will not all go to academia because it has to be spread around the entire research portfolio in the country, which means that Innovate UK will be able to help bring the science base and industry together in a more purposeful way to the advantage of jobs, regional employment and much else. If we are to have a successful knowledge economy, as the industrial strategy White Paper pointed out, it will be through the successful implementation of large parts of this Bill. So I welcome the reminder that the charitable sector is an extremely important component. I am sure that when the composition of the UKRI membership is undertaken, difficult task though that may be, the charitable sector will have to be represented.

Lord Patel (CB): My Lords, I rise briefly to support the amendment moved by the noble Lord, Lord Willis of Knaresborough, and spoken to by the noble and learned Lord, Lord Mackay of Clashfern, who covered extensively the reason why it is necessary for the charity sector to be represented on the board of UKRI. My experience during my time serving on the Medical Research Council showed that collaborations between the three major medical research charities, the Wellcome Trust, Cancer Research UK and the British Heart Foundation, made an enormous contribution. It would be rather odd if the medical research charities are not represented on a body whose job is going to be that of co-ordinating research in the entire sector across the United Kingdom. It is imperative that they should be represented, and I think that UKRI will gain from that. Again, I support the amendment.

Baroness Morgan of Drefelin (CB): My Lords, I start by declaring my interests as the chief executive of a medical research charity and as chair of the National Cancer Research Institute. I support the thrust of the amendments in this group because I feel strongly that the contribution made by the charitable sector to medical research should not be thought of as being merely a business or entrepreneurial approach or that of the "charity sector". It is a great source of innovation and partnership. The National Cancer Research Institute is an excellent example of that kind of partnership because it brings together not only all the leading funders of cancer research in the UK including the Department of Health, the devolved Administrations, industry representatives and the leading charities which have already been referred to such as the Wellcome Trust and Cancer Research UK, but also patients. The institute brings patients into the partnership, and of course the research councils are active partners to the institute. So I would echo the questions put by the noble Lord, Lord Sharkey, about the ability of the research councils to continue to form these productive partnerships in the interests of patients.

It is absolutely essential that the expertise of the charity sector is integrated with UKRI at the highest level and that we enable the funding councils to continue to work in these successful partnerships as they have been doing so far.

Lord Turnberg (Lab): My Lords, I too support the amendments. I am afraid I did not speak in the Second Reading debate—I was detained unavoidably elsewhere—so I express my interest as having recently retired from 19 years as the scientific adviser of the Association of Medical Research Charities. I clearly outlived my usefulness there. I am also a member of boards of a number of medical research charities.

It seems incredible that the charity sector is not mentioned and represented in this group of activities. We know that Cancer Research UK funds the majority of research into cancer. The British Heart Foundation funds the majority of research into heart diseases. It has buildings and professors of cardiology. The Wolfson trust funds a large number of research buildings in universities around the UK. Arthritis Research UK funds the majority of research into arthritis. There is also the Wellcome Trust Sanger Institute, where a huge amount of work is going on, supported solely by the research charity sector.

Another element to this is that many of the charities are funded solely by raising funds from the public—from patients and their carers. In a way they represent that constituency. It is a vital sector, yet they are not represented in UKRI. We must correct that. I hope the noble Lord will take these amendments seriously.

Baroness Neville-Jones (Con): My Lords, a number of points have been raised in this group of amendments. I hope when he replies my noble friend the Minister will not lose sight of the extremely pertinent questions asked by the noble Lord, Lord Willis, about the ability of research councils to form partnerships and to do so without having to seek permission.

Lord Stevenson of Balmacara (Lab): My Lords, this has been a very good, sharp little debate. I look forward to the Minister's response. Given his previous background in your Lordships' House as a spokesman on behalf of the Department of Health, presumably he will speak with a bit more direct experience than would otherwise be expected. It must be very clear that, whereas in the first two groups of amendments we were talking about the mechanics and he was able to guide us away from any suggestion that the Bill might be amended, he is now firmly up against the fact that the culture is sorted here, but the mechanics are not. We will have to look very hard at the points made, with some force, by all those who have spoken.

We have signed up to most of the amendments in this grouping and support the points made by the noble Lords, Lord Willis and Lord Sharkey. They made it absolutely clear that what we are talking about is completely different from desirable changes. It is about ensuring that the huge success we have seen in the development of research—particularly medical research, but it applies to other research councils—is wired into the structure. We must have an assurance from the Minister that that will be the case.

What was not said, but is available for those who have read the briefings, is that the current situation is also of concern to charities. They feel that they have been slightly taken for granted. If there had not been the change proposed here for UKRI they would probably have come forward with suggestions that they should

[Lord Stevenson of Balmacara]
have been brought in at this stage, if they had not been before, to the Medical Research Council and others. That is not a new initiative; it has been a bit of sand in the oyster for some time. It would be appropriate to do as they suggest. We have already been reminded that the Nurse review made it clear that charities felt that, given,

"the overlap in their interests with the Research Councils, it is important that strong contacts are developed and maintained between the Councils and the charitable sector".

Indeed, Sir Paul, in the final section of his report, says:

"To facilitate such interactions and to ensure that proper knowledge and understanding of the entire UK research endeavour is maintained, I recommend particular care is paid to ensuring there are strong interactions between the charitable research sector and the Research Councils".

That is a coded phrase, but it is fairly clear that his intention would be that charities, which make so much of a difference to what we are doing and bringing in patients—they have been doing this for so long and have so much experience to offer—should be hard-wired into what we are about.

Our Amendment 486A is subsidiary in a sense because the primary purpose of these amendments is to make sure that charities are involved going forward. One amendment, which we support, suggests that the mechanics of this should be done by continuing the arrangement that those charities which currently fund jointly with research councils should be able to do so and there should be nothing in the Bill to prevent that. We suggest that, in looking at this, the Government might also look at the question of making sure that the UKRI has that capacity as well and there is no problem in any legal framework about it. We support these amendments.

Lord Prior of Brampton: My Lords, this has been a really good short debate. I think we are all in huge agreement about the importance of the charitable sector. I recognise the figures given today: over the lifetime of this Parliament some £6 billion—I think that is what the noble Lord, Lord Sharkey, said—will go into research from charities. That is about £1.3 billion a year, which is huge. As the noble Lord said, it is bigger than the NIHR. We are all acutely aware that research money from charities is absolutely fundamental to our whole research effort in the UK. Even after the increase of £2 billion a year from the Government in 2020, which is a fantastic change, if you compare our research spending with other countries we are still low. We depend heavily on the charitable sector.

I share with all noble Lords the aspiration for UKRI to work harmoniously and productively with the charitable sector. That is why the recent advert for the UKRI board lists engaging with charities among members' duties and welcomes applicants with experience of the charitable sector. UKRI board members will be recruited on the basis of experience and expertise from across the full range of interests of the UK's research and innovation system. We are ensuring this happens through our current recruitment exercise. If noble Lords will find it agreeable, we will reflect on today's debate and see whether we ought to stiffen up that language.

Lord Stevenson of Balmacara: We have heard a number of variations on the theme of reflection. Before the noble Lord finishes, could he be clearer about whether he will seriously take this away and look at it with a view to coming back on Report or will he just sit and reflect on it? Noble Lords would be very grateful to know that.

Lord Prior of Brampton: I was under the impression that the word "reflection" has a parliamentary connotation and means more than just idly reflecting in the Bishops' Bar after this debate, instead implying a serious discussion with colleagues and parliamentary draftsmen. Sometimes you can make amendments that satisfy the spirit of everything that has been discussed but they have unintended consequences which can have the opposite effect. When I use "reflect" now or later in this debate, I do so with serious intent.

Turning to Amendments 486A and 491 on partnering, raised by the noble Lord, Lord Sharkey, and the noble Baroness, Lady Morgan, with a third of university research income coming from links with business and charities, their contribution towards the UK research endeavour is clearly very significant. The councils continue to have an important role, encouraging links with universities and through forming their own direct partnerships. UKRI will continue this and ensure public, charitable and private investments in research are aligned to achieve maximum overall benefit. Noble Lords will have noted that UKRI has two specific powers to allow joint working: with the devolved Administrations and with the OfS. This is not just because these are important interactions; there are specific legal reasons why additional powers are necessary, for instance to allow Research England to continue to work with the devolved Administrations jointly on current UK-wide priorities, including developing the next research excellence framework.

In all other instances, however, I can reassure noble Lords that UKRI will not need specific provision to be able to work jointly with other bodies. I can absolutely reassure noble Lords that those partnerships between UKRI or its councils and the charitable research sector, not to mention other research funders, will be in no way impeded by the Bill. I can confirm the statement made by the UKRI chair, Sir John Kingman, in this respect. In fact, the Bill places a duty on UKRI to be as efficient, effective and economic as possible. It is difficult to envisage instances where collaborating with an appropriate funder from the charitable sector or elsewhere would not achieve these aims.

In conclusion, while I agree wholeheartedly with the spirit of this proposal and welcome the opportunity to recognise the important role of charity funders, no additions to the Bill are required to enable UKRI to work with other bodies or to ensure charity sector experience on the board. I ask the noble Lord to withdraw his amendment.

4.15 pm

Lord Sharkey: Perhaps I might press the Minister for a little more clarity about how these partnerships will take place in future. Will there be any additional requirements in forming these partnerships above those that currently exist? I also asked whether there were

any circumstances in which such proposed partnerships would need explicit approval from UKRI. The more general question which relates to that is: what spending decisions, if any, would be reserved to UKRI?

Lord Prior of Brampton: My Lords, I think I shall duck that to some extent and write to the noble Lord, if I may. Where money changes hands in these partnerships, there has always been some control from the Secretary of State. Is that not right for a new partnership or a joint venture? Rather than ad lib on this, I had better consult officials and write to the noble Lord.

Lord Mackay of Clashfern: I think it is reasonably clear that the research councils will cease to exist as bodies. They will become committees of UKRI. Therefore, it will be impossible for them to form any kind of partnership. What will happen, I assume, is that UKRI will form partnerships, perhaps resembling the partnerships that were there before, but there will be no question of the research councils having any right to form partnerships of any sort whatever. UKRI will have to do all of that.

Lord Patel: Perhaps I might expand on that. I had always assumed that the research councils will be able to form partnerships. If what the noble and learned Lord, Lord Mackay of Clashfern, just said is true, the Minister needs to emphasise that because it changes the whole working relationship between the research councils and UKRI.

Baroness Neville-Jones: Could there not be a delegated authority to do this?

Lord Willis of Knaresborough: The Minister asked me to withdraw the amendment but I think we have started a whole new debate—this letter will be very interesting when it appears. I thank the Minister for his response, particularly for nuancing the whole issue of taking something back for Report for stiffening up, which is a very nice phrase and we look forward to this stiffening up on Report. I thank noble Lords for their contributions, particularly the noble Lord, Lord Turnberg. I assure him that he has not outlived his usefulness. There is a great deal of usefulness still to come.

This has been a hugely interesting debate. Two things have emerged from it. First, recognising the importance of the charitable sector for research, particularly medical research, by the councils themselves or indeed UKRI is something that has to be addressed. I hope the Minister will address it when it comes back on Report. Secondly, partnerships are now a fundamental issue. I agree totally with the noble Lord, Lord Patel. The understanding of most people in this Committee—other than the noble and learned Lord, Lord Mackay of Clashfern—was that the councils would be able, as they are now, to make their own arrangements for commercial and other partnerships, either with charities or bodies overseas. If that is not to be the case, a whole new bureaucracy has just emerged from this debate. But I thank the Minister and beg leave to withdraw the amendment.

Amendment 474 withdrawn.

Amendment 475 not moved.

Amendment 475A had been withdrawn from the Marshalled List.

Amendment 476

Moved by ***Lord Patel***

476: Schedule 9, page 100, line 39, at end insert—

"the higher education sector of England, Scotland, Wales and Northern Ireland."

Lord Patel: My Lords, before I speak to the amendments listed under my name, I declare some interests. I am currently the chancellor of and a professor at the University of Dundee. Because of what I am about to say about my amendments, I make it clear that I am a graduate of the University of St Andrews—as is, I know, the noble Viscount, Lord Younger of Leckie. I am also associated with higher educational institutes in England and have previously been associated with the Medical Research Council and other research charities. In speaking to my amendments, I express my gratitude to those who have added their names to them; I look forward to hearing from them. I also hope that somebody on the government Bench will join in the discussion, but we will see. In speaking to my Amendment 476, I will also speak to Amendments 482, 486, 501, 502, 504 and 507.

It would be wrong to assume that my amendments are special pleading for Scotland's higher education institutions and their research arrangements. They are not; they are intended to fill a gap in the Bill, which does not recognise that while the business of UKRI and Innovate UK will be UK-wide, other areas of its business, such as Research England, do not pertain to Scotland. Some form of arrangement needs to be put in the Bill to make sure that this is dealt with. Scotland's universities are a core part of the United Kingdom's strength as a world force in research and innovation. Their contribution will be essential to the success of UKRI; likewise, UKRI needs to be set up in a way that fully supports the success of Scotland's universities. The Bill as drafted does not do this.

My concerns are in common with those of other devolved jurisdictions and their universities. Importantly, the amendments are also supported on a cross-party basis by the Scottish Parliament. This was expressed in a letter written in December from the convener of the Scottish Parliament's Education and Skills Committee to the Speaker of the House of Commons, and subsequently to the Speaker of your Lordships' House. It should of course have been sent to the noble Viscount, Lord Younger of Leckie. I hope this House will give appropriate weight to the views of the Scottish Parliament.

As the incoming chair of the UKRI, Sir John Kingman has offered personal assurances that it will operate for the benefit of the whole UK. Such assurances have also been given by the Minister of State for Universities and Science. Good as that is, the Government still need to go further and recognise in the Bill certain arrangements, which I will come to. My amendments

[LORD PATEL]
are intended to achieve this. They would require UKRI to work in the interests of the whole UK and to give proper attention to the interests of the devolved jurisdictions. They would create an in my view necessary financial firewall between UKRI's UK-wide functions and its England-only functions, in a way that is consistent with the Bill's overall policy.

Amendment 476 would therefore require the Secretary of State to have regard to the desirability of appointing UKRI members with experience across the devolved jurisdictions. Of course, I welcome the Government's Commons amendment requiring the Secretary of State, in appointing UKRI members, to have regard to the desirability of including at least one person with relevant experience in relation to Wales, Scotland or Northern Ireland. I believe that the importance of UKRI to the devolved jurisdictions is such that the Secretary of State should have regard to the appointment of members with experience of all the devolved jurisdictions. The increasing divergence of policy between the UK Government and the various devolved jurisdictions makes it important that the people appointed to UKRI have diverse insights and experience across the constituent jurisdictions of the United Kingdom, to enable UKRI to maintain a cross-border research ecosystem that is responsive to that divergence.

Amendment 482 would apply the same principles as Amendment 476 in seeking the appointment of experts from across the UK to individual research councils. This is important so that priorities set at the research council level and individual research project decisions are informed by knowledge of the capacities that exist across the UK. This is no different from what happens now: the research councils take cognisance of institutions in Scotland, Northern Ireland and Wales in their research.

Amendment 486 requires UKRI to exercise its functions for the benefit of each part of the United Kingdom. The research councils have a strong record of support for Scottish research, and on the basis of competitive excellence, Scottish universities win around 14% of funding. In 2014-15, some £260 million in research grants was won by Scottish higher education institutions. Scotland fares much less well, however, in the research councils' decisions about where to locate national facilities. For instance, the Science and Technology Facilities Council's only national centre in Scotland is the UK Astronomy Technology Centre in Edinburgh. Scotland receives only 6.8% of research councils' investment in national facilities. So Scotland punches way above its weight in research grants, but not when it comes to the placing of research councils' facilities.

There are risks that the Bill as introduced will create a UKRI which is responsive principally to a Secretary of State whose role's principal focus is England. There are perceived risks arising from the integration of Research England into UKRI. That is the important point: UKRI has duties regarding research and also regarding Research England. UKRI will work most closely with institutions in England, the drawback being that it will naturally focus on institutions in England alone.

There is also the structural risk that UK-wide funding for research councils may be diverted into the England-only activities of Research England. Amendment 501 requires the Secretary of State to consult the devolved Administrations before approving UKRI's research and innovation strategy. Currently, the Bill does not ask that that be done. This amendment protects the integrity of the UK-wide research and innovation ecosystem by ensuring that the UK Government consult the devolved Administrations before deciding whether to approve or modify a research and innovation strategy proposed by UKRI. This is important because the devolved Administrations are major players in the research and innovation ecosystem, so any UK-wide strategy must be the subject of co-development with the devolved Administrations. For instance, in Scotland, research endeavour is supported by the Scottish Government in several areas to the tune of hundreds of millions of pounds as part of the dual-support model.

On innovation, the devolved jurisdictions have their own economic policies and economic development agencies, and it is important that any innovation strategy developed by UKRI take full account of these policies. For these reasons, it is essential that a UKRI research and innovation strategy be considered by the devolved Administrations and that the UK Government have regard to their views before deciding whether to approve or modify such a proposed strategy. I believe that the Government need to make an explicit and binding commitment that the devolved Administrations will be consulted about UKRI's research and innovation strategy.

Amendment 502 would create a strong mechanism to protect the separateness of UK-wide and England-only resources within UKRI. It would also ensure that Innovate UK has a separate budget that it can rely on for its own distinctive mission. A key value of the research councils as constituted is that they provide UK-wide research project funding, currently worth around £2.6 billion per year, to institutions across the UK simply on the basis of the excellence of their proposals. This is at the heart of what makes the UK a disproportionately successful nation in research, second only to the United States, which has far greater resources.

4.30 pm

The Bill proposes to bring an England-only entity within UKRI. Research England will inherit the Higher Education Funding Council for England's responsibility for funding the research infrastructure of English universities. As drafted, the Bill does not prevent UKRI diverting funding from UK-wide funds to the England-only priorities of Research England. Clause 97 makes reference to a "balanced funding principle"—that is the quote about the UK-wide research councils and Research England—but does not prevent UKRI reallocating funds in favour of Research England as long as some form of balance is maintained. My amendment would create an effective firewall between the financing of the UK-wide and the England-only functions of UKRI. I believe this is necessary if UKRI is to operate so that its UK-wide functions cannot be undermined by future pressures to prioritise funding of its England-only functions.

It is also important that Innovate UK's distinctive mission to catalyse business growth be protected through a clear funding stream. This crucial amendment would help to protect the funding streams of UKRI and Innovate UK, as well as their ability to act in the best interests of the whole of the United Kingdom. I hope the Minister will reflect on that and give some special attention to the need to include it in the Bill.

Amendment 504 would further protect the UK-wide nature of the research ecosystem by requiring the Secretary of State to agree the terms of grants to UKRI with the devolved Administrations. This would prevent the Secretary of State, at his or her own initiative, diminishing the UK-wide resource of UKRI in favour of its England-only resources in its Research England capacity.

Amendment 507 would require the Secretary of State, when exercising their wide range of functions, to influence UKRI to act "in the best interests" of the whole of the UK and to consult the devolved Administrations. It is a corollary of Amendment 486, which would require UKRI to act for the benefit of the whole UK. For reasons I have already stated, we need to ensure that the UK Government and the devolved Administrations work closely together to make the cross-border research ecosystem work well.

Collectively, my amendments not only would help to clarify the UK-wide responsibility of UKRI but, importantly, recognise the need to make all processes work in the best interests of the UK, while at the same time recognising the roles of higher education in the devolved Administrations and devolved research organisations. I hope the Minister will properly consider this issue, accept the principle in these amendments and suggest a way forward on Report. I beg to move.

Lord Storey (LD): My Lords, we have Amendment 477 in this group. As we have heard in great detail from the noble Lord, Lord Patel, the Bill currently provides that in appointing members of UKRI, the Secretary of State must,

"have regard to the desirability of the members including at least one person with relevant experience in relation to at least one of Wales, Scotland and Northern Ireland".

We do not believe that this is good enough for UKRI to be properly representative of the whole of the UK. There should be a proper representative for each of Scotland, Wales and Northern Ireland, and Amendment 477 would ensure that there will be at least one person with experience of Scotland, one person with experience of Wales and one person with experience of Northern Ireland. Although the issue of gender balance is not in the amendment, I am sure the Minister would want to reflect on that—that seems to be the word of the day—and assure us that consideration will also be given to ensuring that there is a proper gender balance.

Lord Liddle (Lab): My Lords, the amendments raise important issues. I would like to bring to them my own perspective as pro chancellor of Lancaster University, not speaking for the institution but talking about how it strikes me that these issues concern us, thinking about the strength of the university sector in the north of England.

The fundamental problem with UKRI—on the whole I support the idea of UKRI, I hasten to add—is that the research and innovation strategy concerns the whole of the UK but the HEFCE functions on research are purely for England and are to be exercised by Research England. My fear about a board that, like that of the BBC, had a governor for each of the nations would be that the interests of England in such a body might not be as strong as they should be, and, in particular, that Research England and its funding might over time be marginalised as a result of the emphasis on the UK.

The funding for Research England is absolutely crucial to institutions such as my own. We are a top research university but not part of the golden triangle. We are in the north of England and we are quite small. So, because of scale, the ability to land big grants from the research councils is limited. A lot of our research success comes from the ability to do well in the research assessment exercise and get QR funding. If there were any reduction in the total of QR funding, that would hurt universities such as my own quite considerably.

I am concerned about the tension—it is in the nature of the beast, really, and we have to find a way of resolving it—between Research England, its Englishness and the need for that to be protected on the one hand and, on the other, the need, which I fully support, for a coherent UK research and innovation strategy. I am not sure that the best way of achieving it is by having, as it were, a governor for each of the nations of the UK. Indeed, if that were the Government's response to this question, I would come back and say, "Well, can we please have a north of England member of UKRI?".

I know that this sounds sectional, but the truth is that one of the strategic objectives that the Government have just put forward, in the very good industrial strategy paper that Greg Clark has presented, is to try to prevent the ever-greater concentration of research funding within the golden triangle. If we are going to have an effective regional resurgence, which I think there is cross-party consensus that we need in this country, universities will be at the heart of it. We have to find a way of making sure that other parts of England, as well as Scotland, Wales and Northern Ireland, have the opportunity to benefit from this welcome increase in research and innovation funding. To be frank, the risk with UKRI is that it will be dominated by the great and good of the science world, who will continue to channel most of the money into the golden triangle. I hope that the Government will take action to make sure that this is prevented.

Lord Judd (Lab): My Lords, as somebody involved in the governance of Newcastle and Lancaster universities, I must say that in Lancaster we regard ourselves as extremely fortunate to have as pro chancellor my noble friend Lord Liddle. I was present at the meeting on Saturday when he made a terrific contribution and people listened with real sincerity to what he said.

There is a lot of importance in the point that the noble Lord just made about the north of England. If there is to be a regeneration in the north of England, the universities will be crucial to this. It is therefore

[LORD JUDD]
essential that we ensure that we stop talking about regeneration in general terms and start doing concrete, specific, identifiable things to support that regeneration. This area is one that will obviously be crucial.

What attracted me to this particular amendment is that, as someone who is both a Scot and an Englishman—my mother and my brother were both at Scottish universities—I am very conscious of the high-powered and distinguished contribution that has been made by universities in Scotland, Wales and Northern Ireland. It seems to me quite extraordinary that we should not as a matter of course say that that tradition and wealth of experience should be represented in the governing councils—as of right and as essential. That is very important.

If what I have been saying about regeneration in England is true, we are also these days discussing the need and importance of a greater sense of cohesive community in the devolved parts of the United Kingdom. We need to show that we are serious about this where it matters. The amendments help in that respect. It is very difficult to look at the Scottish universities, for example, and not see the whole story of the British industrial revolutions of the future. They have made profoundly important contributions, and continue to do so.

I do not know intimately, or so well, the story in Wales or Northern Ireland, except that I know that it is powerful. There is an area that is not central to our immediate considerations, but perhaps it should be. One of the things that I have always been struck by in Wales is that Aberystwyth was the first university in the United Kingdom to make the study of international relations and international affairs a recognised, serious degree and postgraduate subject. That has been terrifically important in our history.

I thank the noble Lord, Lord Patel, for introducing the amendment, and I hope that the Minister will take it very seriously.

Lord Broers (CB): My Lords, I strongly support Amendment 502. Indeed, until I saw it I had been minded to submit a similar amendment myself. My desire is to ensure that Innovate UK receives appropriate funding and the amendment happens to fit that rather well.

I believe that while the distribution of money across the research councils should to a significant extent be determined by UKRI, the allocation to Innovate UK which, I remind noble Lords, is to benefit persons carrying on business in the United Kingdom and improving quality of life in the United Kingdom, as laid out in the Bill, should be determined by the Secretary of State, and then not interfered with. It is important to emphasise that this allocation cannot be altered by UKRI without the specific approval of Parliament, by means of a resolution of each House. The criteria used by Innovate UK to determine which projects to fund are of a completely different nature from those used by the research councils. The noble Earl, Lord Selborne, mentioned this, and I shall mention it with other amendments; they are different from those used by the research councils to determine excellence in research in science, the arts and the humanities. While it is important that UKRI ensures that there are strong links between the research councils and Innovate UK, the allocation to Innovate UK should not be balanced against that to the research councils. It should be determined as a separate matter of national concern in consultation with industry and others by the Secretary of State.

4.45 pm

Lord Mackay of Clashfern: I support the amendments proposed by the noble Lord, Lord Patel. I agree that consideration needs to be given to the points raised by the noble Lord, Lord Liddle, but one must not forget that there are regions of the United Kingdom south of the Scottish border which may require special attention.

I am hopeful that the reflection, which I am sure that we will have on these amendments, may result in good outcomes. Officials in the department have given me a copy of the application invitation to non-executive members of UKRI, which says:

> "We welcome applicants with a range of experience from within the different nations of the UK, the charity sector, and with international experience".

Lord Stevenson of Balmacara: My Lords, this has been a very interesting debate, and I am grateful to the noble Lord, Lord Patel, for introducing it so well, because he covered all the nuances. We have one amendment in this group, Amendment 500A, which complements the points that he was making. It reflects the need to make sure that Research England, in its functions, which would be very narrowly focused on England—including, of course, the north of England—could have the capacity to consult other bodies that perform the same functions in Scotland, Wales and Northern Ireland. That goes with the general grain of what is being discussed.

I have a fantasy that this area was probably dreamed up in the good old days before Brexit was on the horizon, in the confident assumption that there would be no separate Scotland—and certainly no separate Wales and Northern Ireland, if these issues are still in play, as I am sure they are. That reflects a relatively straightforward analysis of what had to be done to pay lip service to the need to ensure that those people not physically located in England were seen to have some influence on the levers that generated the money. But that is such a naive view of what is now such a complicated world that I wonder whether what is in the Bill is sufficient to take that trick. It is one area in which reflection will be required, as the noble and learned Lord hinted, because I do not think that what we have here will do.

I take it as axiomatic that UKRI is not a representative body and that there would be no advantage in making it so—so we are not talking about ensuring that the representation on it is in some way reflective of the various agencies and constituencies that need to be served by it. However, there are optical issues—it has to be seen to be representative in a way that would not have been the case two or three years ago. The idea that, as we heard from the letter of invitation, it has an acknowledgment of the need to recruit from people with obvious experience in an area will probably will not be sufficient. We are talking about the allocation

of resources getting scarcer as we go forward, despite the Government's reasonable largesse, in an environment where it would be very difficult for those bodies that have been funded to seek alternative matching funding. The institutions we are talking about are not all universities, because research is carried out outside the universities—although much less than in other European countries—in research institutes and similar places. Up until now these have been very reliant on external funding and, as we will hear in later amendments, they are feeling a cold wind coming. In this very complicated area we have to ensure that the funds will reach the institutions which are best able to provide the research services which UK plc is looking for and in a way that is seen to be fair.

We have not touched on the fairness issue. The noble Lord, Lord Patel, talked about the need for firewalls to make sure that the funding streams were not absorbed by other pressures and under other arrangements. That is probably a necessary but not sufficient condition and does not need to be in the Bill. However, the idea exists that England, because of the golden triangle effect, has a pre-eminent chance of getting all the funding and that, despite the way in which these funds will be allocated—through the Haldane principle and others—there will be enough room left for those who wish to make trouble about this in, say, Scotland or other places. This is a worry and it will need to be looked at very carefully before the Minister comes back. I do not have a solution to it, but we are not necessarily in the right place at the moment.

Lord Prior of Brampton: I thank the noble Lord, Lord Patel, for his speech at the beginning of this debate which helped identify some of the issues. First, I emphasise that UKRI, as a UK-wide body, has a built-in duty to work for the whole of the UK. The prospect of having people on the UKRI board from all parts of England, Scotland, Wales and Northern Ireland does not fill one with much joy. Secondly, I make it clear that these reforms will not affect current funding access for institutions in Wales, Scotland or Northern Ireland. In the other place, my honourable friend the Minister cited the Public Bill Committee evidence of the former vice-chancellor of the University of Dundee and current vice-chancellor of the University of Leeds, Sir Alan Langlands. I hope that noble Lords will permit me to echo that powerful evidence once more. Sir Alan said that,

"given the dynamics of devolution and the fact that essentially we are dealing with four different financial systems and four different policy frameworks, the one thing that has stuck together through all this has been the UK science and research community. The research councils, HEFCE and, indeed, BIS have played a hugely important part in that".

As part of UKRI, the research councils and Innovate UK will continue to operate across the UK, funding projects through open competition on the basis of excellence, wherever it is found.

In answer to the question from the noble Lord, Lord Patel, on capital, the devolved Governments have a capital allocation direct from the Treasury as part of their block grant. Decisions on whether to allocate any of these funds on research or innovation are entirely for them: this will not change. Capital allocated by research councils, as a result of competitive processes, wherever the researchers are based across the UK, will continue to be delivered through the UKRI councils: this will not change. The Secretary of State, when making capital allocations for research, most recently through the capital road map, also makes an allocation for HE institutions to support the sustainability consequences of their relative success in winning research council funding. This process will not change, including the requirement for the devolved Governments to match-fund any allocation by the Secretary of State to the devolved funding councils.

On Amendment 501, I share the noble Lord's desire that UKRI's strategy should work for the whole of the UK. The strategy will be the product of a consultation with research and innovation institutions and bodies from across the UK. I also assure noble Lords that this consultation will of course incorporate the views of the devolved Governments. However, I disagree that this should be achieved by requiring the Secretary of State to formally consult with the devolved Governments on reserved UK government policy, which would undermine the whole devolution settlement.

I reassure the noble Lord, Lord Liddle, that we are putting in place extra protections for Research England. This reflects the provisions in the Further and Higher Education Act 1992, which places the same restriction on the Secretary of State in relation to HEFCE funding. The provision protects the academic freedom of institutions in respect of what is taught, what research is undertaken and who is employed. Likewise, I assure noble Lords that Research England will work closely with its devolved counterparts on matters of strategic interest—for example, on the research excellence framework. After discussions with the devolved Administrations, the Government passed a new clause in the other place, now Clause 107, to enable this joint working. Additionally, the current drafting of Clause 91 enables Research England to consult with its devolved equivalents, and we would fully expect it to do so whenever this was appropriate and valuable.

I turn to Amendment 502. UKRI must have flexibility to manage its funds to ensure best value for its resources and to meet our strategic aspirations for seamless administration of interdisciplinary research and joint research and innovation projects. Currently, allocations to funding bodies are discussed with the Treasury, which assesses any Barnett implications for the devolved Governments. This is not changed by the Bill. UKRI will also be bound by rules established for managing public money and a financial accountability and assurance framework which will be set up with the department. These arrangements do not constitute a reduction in current levels of parliamentary oversight. This amendment would place additional duties on Parliament to scrutinise even small variations in budgets that would be required in response to changes to project timelines or to support joint research and innovation projects, for example. This would not be a good use of Parliament's time, and would hamper UKRI's strategic agility by significantly slowing decision-making.

[Lord Prior of Brampton]

I urge noble Lords to consider the advice that the noble Lord, Lord Mandelson, offered at Second Reading:

"I urge UKRI not to be overly prescriptive about partitioning funds between its component parts. We need a system that allows partners to come together across STEM subjects, the humanities and social sciences, and with industry partners, to drive a research ecosystem which goes from blue-skies research to commercial application and impact".—[*Official Report*, 6/12/16; col. 624.]

Noble Lords have raised concerns about Research England's funding stream. I reassure them that the Secretary of State would not agree to UKRI viring money in such a way as to result in a net change in Research England's stated budget over a full spending review period. This will be made clear in guidance to UKRI.

Amendment 504 would give an effective veto power to the devolved Governments on matters of reserved UK government policy. The power of direction is limited to financial matters and reflects existing powers. The Secretary of State may use it to deal swiftly with financial issues, and it is an essential safeguard to the over £6 billion of public money that UKRI will receive per annum. Since this power is intended to allow the Government to deal quickly with urgent financial matters, I further appeal to noble Lords that a restrictive and drawn-out process of consultation is not the right approach.

As regards Amendment 507, the Government will continue to work with the devolved Governments on research and innovation policy, as they do now. The Secretary of State, as a UK Minister, already has a duty to act in the best interests of the whole of the UK. The Government made an amendment in the other place to ensure that the Secretary of State, when appointing members to UKRI's board, must have regard to the desirability of including at least one person with relevant experience in relation to at least one of Wales, Scotland and Northern Ireland. No such duty is currently in place regarding existing bodies with UK-wide remits. This strikes the right balance between ensuring relevant experience of research and innovation systems across the UK on UKRI's board and giving the Secretary of State the flexibility to appoint the best people for these important roles. Here I assure the noble Lord, Lord Storey, that there will be a proper gender balance on the UKRI board. Further wording around the Secretary of State's duties in this respect would damage this crucial flexibility. With these explanations and assurances I ask the noble Lord, Lord Patel, to withdraw his amendment.

5 pm

Lord Patel: My Lords, I thank the noble Lords who supported my amendments, or at least discussed them. I will borrow the Minister's words and say that I will reflect on his answers to see how much of a reassurance he has given. As for the application invitation that the noble and learned Lord, Lord Mackay, was handed by the department, an invitation is not the same as a requirement, and it can be interpreted in different ways. None the less, I was interested to hear about that. On that basis, for the time being, I beg leave to withdraw the amendment.

Amendment 476 withdrawn.

Amendments 477 to 479 not moved.

Amendment 479A

Moved by ***Baroness Brown of Cambridge***

479A: Schedule 9, page 101, leave out lines 13 to 18 and insert—

"(a) a non-executive chair,

(b) the Chief Executive of the science and humanities Council or of Innovate UK, as appropriate, and

(c) at least four and not more than eight other members (the "ordinary Council members")."

Baroness Brown of Cambridge (CB): My Lords, in moving the amendment, which is also in the name of my noble friends Lord Krebs, Lord Mair and Lord Broers, I will speak also to Amendments 481A, 481B to 481D, 482A and 482B.

Bringing the research councils, Innovate UK and Research England together in one organisation, UKRI, opens the possibility of achieving some important benefits, in particular in the areas of: interdisciplinary and cross-disciplinary research, which have not always been well served by the current structure of the research councils, and where many researchers attest that some of the most exciting and potentially far-reaching current developments are happening today; in further improving the links between academia and business; and in making a stronger case to government about the importance of research and innovation to the future success of the UK, to secure the levels of funding that will keep the UK at the top of the league tables for our research while moving us up in terms of innovation—the kind of achievement we have seen today, with the recently announced funding, which we have all been celebrating—thereby ensuring that our outstanding research translates into profitable business for the UK. That is all positive, but for this to be successful the new UKRI organisation will need the existing councils to maintain their own strengths and their diversity while it works more effectively across the councils. The amendments in this group focus on ensuring that we preserve the good things about the councils today while adding the benefits UKRI can bring.

Amendment 479A relates to the structure of the individual councils. Today, they have distinguished independent chairs working with chief executives and relatively large councils made up of distinguished academics, businesspeople and other members. The independent chair is in line with Sir Adrian Cadbury's advice on governance in his 1992 report: it avoids the concentration of power in one individual, while allowing the chief executive to both present to, and listen to, the high-quality debate at council meetings, without at the same time having to manage the meeting; it ensures that views which the chief executive may not agree with are well aired and discussed; that all relevant issues are included on the agenda; and that all council members are enabled to play their full part. Sir Adrian was looking at the problems of the finance sector but the general principles are valid here too. If these councils are to be engaged in important business, as we all intend they should be, these principles are of particular concern. The presence of an independent chair, rather than a research council head in the role as executive chair, will give the council roles higher perceived

status than simply of an advisory board reporting directly to the chief executive. That will help to maintain the high quality of individuals who compete for appointment to these roles. It will also give the chief executive a critical friend and mentor and provide the council with a senior independent voice into the chief executive of UKRI if the council is concerned about the way things are going.

That is particularly important as regards the independent chair of Innovate UK. At Second Reading, many speakers from all sides of the House, including the noble Baronesses, Lady Neville-Jones, Lady Young of Old Scone, Lady Garden and Lady Rock, and my noble friends Lord Mair and Lord Broers, emphasised the importance of maintaining the business focus of Innovate UK. This was captured in the royal charter of its predecessor, the Technology Strategy Board, which was a body established,

"for purposes connected with research into, and the development and exploitation of, science, technology and new ideas",

for the benefit of,

"those engaging in business activities in Our United Kingdom".

Amendment 481A would ensure that the independent chair of Innovate UK came from business, along with the majority of ordinary council members, in line with the earlier remarks of the noble Earl, Lord Selborne. Amendments 481B to 481D would introduce consequential changes.

Amendment 482A would require UKRI to establish an executive committee including all the councils' chief executives. This seems, in any case, very likely to be something that any new chief executive of UKRI would want to do, but putting it on the face of the Bill, giving it recognition as a key part of the governance and indeed the intelligence of UKRI, would reassure the community in relation to the ongoing importance of the individual research councils. It would also emphasise the important and influential roles of the heads of the new research councils. I beg to move.

The Deputy Chairman of Committees (Baroness McIntosh of Hudnall) (Lab): My Lords, I must remind the Committee that, if this amendment is agreed to, I cannot call Amendments 480 and 481 by reason of pre-emption.

Lord Willis of Knaresborough: My Lords, I wish to speak to Amendments 480 and 481, which stand in my name and that of my noble friend Lord Sharkey. Before doing so, I offer support to the noble Baroness, Lady Brown of Cambridge, particularly for proposed new paragraph (a) in Amendment 479A, which would insert a requirement for a non-executive chair for each of the new research councils. I totally agree with the point she made. Having worked under two non-executive chairs at NERC, I know that the advantage they bring to the challenge facing the chief executive and to leading the board in terms of that challenge is of fundamental importance, and doing so would be difficult without it. I await the Minister's response on why the Government have chosen the route of an executive rather than a non-executive chair. That is a huge departure from the way in which we have approached the research councils in the past.

I confess that I tabled Amendments 480 and 481 to try to tease out from the Minister why the councils should consist of between five and nine members rather than between nine and 13, eight and 14 or some other number. There does not seem to be a clear explanation as to why those numbers have been chosen. I admit that I generally prefer to have small boards—of one person, if possible—because they are likely to be far more effective, efficient and dynamic, but there is clearly an optimum size depending on the nature, the mission, the budget, the governance and the expectation of the organisation.

The Bill—wrongly, I think—assumes that each of the new research councils will be exactly the same, but they will not; they will have very different aspirations, albeit a general one in terms of promoting research. The current research councils have memberships ranging from 10 on the ESRC to 17 on the EPSRC, and that is entirely possible because the Science and Technology Act 1965 did not say anything about numbers. I suggest to the Minister that, rather than adopt an amendment of this sort, it may be better to remove this requirement altogether and to allow the newly formed research councils, with guidance from the Secretary of State—we are very keen on that—to decide what number of members would work well for each one.

Amendment 481, the second amendment in my name in this group, is perhaps more significant. The one thing I have learned while I have been on a council—sorry, I have learned a lot of things; that sounded awful. But one of the most important things I have learned is the value of the lay members who come along to challenge the executive, and indeed the council, in ways that I did not think were possible. That has been particularly important as our research council has tried to remove our research institutes into different governance arrangements. It has been hugely important to have people who actually understand the machinations of changing governance and financial structures and who are able to look at complex organisations working with each other. Therefore, Amendment 481 says that on every research council there should be a minimum number of lay members to allow that challenge. If you had a board of five, it would be very difficult to say what the minimum number should be. I accept that four is a purely arbitrary number, and I look forward to the Minister's response.

Lord Mair (CB): My Lords, I support Amendments 479A and 481A, to which I have added my name. I declare my interests in higher education and research as a professor of engineering at Cambridge University and as indicated in the register. I speak from my experience both as an active leader of university research, collaborating very closely with industry, and as a practising engineer in industry for almost 30 years before becoming an academic.

As has been said by my noble friend Lady Brown of Cambridge, and reinforced by the noble Lord, Lord Willis, the aim of these amendments is to maximise the effectiveness of the councils, including Innovate UK, under the proposed new UKRI structure. They should each retain independent non-executive chairs, as well as having a chief executive. This generally

[LORD MAIR]
works very well for the research councils and Innovate UK as they currently operate—each has a chief executive and a non-executive chair, the latter usually from a business background. This is surely good governance, facilitating the successful operation of each council, as well as ensuring that the council can provide effective challenge to its chief executive. The non-executive chair can also play a key role as an independent senior voice for each council. The Bill proposes to remove the non-executive chair, which many of us believe would reduce the effectiveness of each council. The aim of these amendments is to restore that important role.

In the case of Innovate UK, it is especially important that the non-executive chair that we are proposing should be from a science-related business background. Industry will want to see this. Close engagement with industry is vital for Innovate UK's effectiveness. Innovate UK will be able to operate most effectively with its unique business-facing focus if the majority of the ordinary council members are from a science or engineering-related business background. There is a real danger that industry will perceive the UKRI structure currently proposed in the Bill as a downgrading of Innovate UK in terms of industry engagement. Amendments 479A and 481A seek to avoid this.

The Earl of Selborne: My Lords, I will also speak to Amendments 479A and 481A. Perhaps I should declare a historical interest in Amendment 479A, because way back in the 1980s when there were six research councils, two of them had a non-executive chairman—the Medical Research Council, chaired by Lord Jellicoe, and what was then the Agricultural and Food Research Council, which I chaired and which has now been subsumed into the Biotechnology and Biological Sciences Research Council. I think that both Lord Jellicoe and I were rather flattered when, as a result of the review of the research council model, it was decided that the other four should no longer be headed by what was called a HORC—a head of research council—but a non-executive chairman, whose job was to do what happens in good governance in any other organisation, where the chairman holds the chief executive to account and the two have very separate roles. That model has been well adopted by the research councils. I was on the Science and Technology Committee of this House at the time, when some of my colleagues looked with some suspicion at this proposal, but now it is clearly viewed with universal favour.

On Amendment 481A, it is inconceivable that Innovate UK should not continue to have a non-executive chairman, as it does at the moment. Innovate UK has got to be business related and facing business. Business needs to continue to have confidence that it is there to represent its interests and that it has not been taken over by academia and other interests. That will be a battle. As I said on an earlier amendment, the cultures will be very different. These two amendments precisely deal with this issue and like the noble Lord, Lord Mair, I support them both heartily.

5.15 pm

Baroness Neville-Jones: My Lords, I also support Amendments 479A, 480 and 481A to 481D. I remind the House of my already declared interest as a so-called lay member of the Engineering and Physical Sciences Research Council.

The case for a non-executive chairman has been made extremely cogently by both the noble Baroness, Lady Brown, and my noble friend Lord Selborne, and I hardly need repeat what they have said. Certainly, anyone who has read the corporate code knows that the case for non-executive chairmen is spelled out extremely clearly and cogently and that the notion of having an executive chairman is roundly condemned. The first works much better than the second and avoids conflicts of interest. The two functions are different and should be carried out by different people. Innovate UK will be much stronger in its performance if it is chaired by someone who has a science-related background but is also in the business community. It is crucial that we should make that link.

As to membership, having had personal experience of council membership—I am not the only person in the Chamber so to have done—the EPSRC has one of the bigger budgets and one of the bigger boards. I talked to the chief executive, who told me that there is a limit of 18. He said it operates customarily on about 15 or 16. I do not think the boards need to be quite as large if we have UKRI also on the scene. However, we should be practical about this. All of the members of the board of the council have full-time careers and are doing a full-time job—this is something extra that they do—and some are very pressed indeed. The noble Lord, Lord Darzi, is a good example of someone who does multifarious things. The thought that the board can operate with the subcommittees that it has, with the travel it engages in and the consultations that it has with the universities, and that it can do so without having both numbers and variety of people on the board—businessmen as well as people like myself and academics—is fanciful. It will weaken the total structure if one does not allow the councils to fulfil the remit that UKRI is meant to create and enable them to do.

It is important that the Government do not limit the size of the council to that which would make it difficult for it to be effective. I am not going to suggest a limit—if you want to put in a minimum, put it in—but, on the whole, the figure for the councils, certainly for the larger ones, should be in double figures.

Lord Broers: My Lords, I have added my name to Amendments 479A and 481A. I understand the concern about the appointment of non-executive chairs because that would introduce an additional level of management, which is clearly undesirable. I feel that the disadvantages of not having a non-executive chair are quite serious, and they have been put extremely well by my noble friends Lady Brown and Lord Mair and by the noble Lord, Lord Willis.

However, one case has not been mentioned. A non-executive chair becomes absolutely critical when the members of a board feel that the CEO is not performing adequately. In that instance, under the current arrangement, presumably it will have to be the UKRI CEO, who would not have watched that person performing as the members of his or her council would have done. Although the UKRI CEO could

consult with the members, the UKRI CEO will not be nearly as familiar with the situation as they are. That is, as I say, quite serious.

A possible solution, but perhaps not a satisfactory one, would be to appoint a senior council member in a somewhat similar way to the senior non-executive directors who have become fashionable on corporate boards. That senior member could act as an adviser to the CEO and perhaps chair meetings where there were concerns that the CEO had a serious conflict of interest.

Lord Sharkey: My Lords, I shall speak briefly to Amendments 480 and 481 in my name and that of my noble friend Lord Willis. The Bill proposes what is really quite a radical reduction in the size of the existing research councils, which are to have between six and 10 members. The existing councils have between 10 and 17 members, with an average of 15, of whom four or five are lay members. It would be good to hear from the Minister an explanation of the rationale for this reduction in the size of the research councils. In particular, could he point to evidence that their current size has led to inefficiencies or undesirable outcomes? If that is not possible, can he say what the evidence base is for suggesting how a reduction in the membership would actually improve their performance?

I note here in passing that the membership of UKRI itself is proposed to be at least 12 and at most 15. Why is it desirable that the membership of the research councils should be smaller than that of UKRI itself? I am not arguing that it is not, but I would just like to hear the reason the Government think it is.

Of course, it is not just the numbers that matter but the experience and the mix of the members. The practice of having lay members is an important part of our current councils. As I say, each of them has four or five lay members, except for the STFC which has three or four, depending on whether you count people as lay or not. We know from experience in other fields, especially financial services, how important it is to avoid groupthink and to have outsiders challenge established or entrenched views. Can the Minister set out what approach UKRI will take to the appointment of lay members to the research councils? Is it the intention that the present balance should continue?

Lord Mendelsohn: My Lords, I rise to speak to Amendments 500B, 507ZB and 507B, but first I will echo the support of these Benches for the amendments proposed. It is important to understand that they share the objective of trying to maximise the effectiveness of UKRI and the councils themselves. I hope that the Minister will be able to provide reasonable assurances on these matters.

The case made by the noble Lord, Lord Sharkey, about their size is very important. In all the evidence we have received there has been no suggestion that their size has been a disadvantage—quite the opposite: it has been a huge advantage. I will be interested to hear the justification for the reduction in number and whether there has been any assessment as to whether this diminishes capacity.

We strongly support the call for independent chairs. That case was extremely well made by the noble Baroness, Lady Brown of Cambridge. Not only do they have a good record of governance thus far, but it has been good governance. The noble Lord, Lord Broers, made the essential point that in any circumstances where there is a board, corporate governance has got to the position it has because a board needs a chair to deal with the issues incumbent on dealing with a chief executive. To eliminate that would be a strongly mistaken act.

It is imperative that councils remain the prestigious and capable institutions that they are. Their role should not be usurped or superseded. They require independence and authority. They should not be the plaything of Ministers. There should be a real, consistent quality to the recruitment of staff, the board and lay people. The Minister should accept that this should be a measure of whether they are still meeting that test. In ensuring that the councils can work effectively, especially in a new framework, they cannot have the notion that they will change quickly and rapidly from their original brief, because that would unsettle these arrangements.

There is real power to the weight of the arguments presented. I hope that the Minister will reflect on them. It reminds me of Confucius's saying that there are three methods by which we may learn wisdom. The first is by reflection, which is the noblest. The second is by imitation, which is the easiest—I am sure that noble Lords would be more than happy if the Government were to imitate the amendments. But the third is by experience, which is the bitterest. I hope that the Minister will consider that, in this area, the weight of the arguments would help the Government to learn how they would have to rectify this from bitter experience. It is important that governance is absolutely right.

In Amendment 507B we suggest, because there is no real stated role for councils in UKRI, that the executive committee should have a role in the innovation strategy. We think that it is important that those who work on it are specifically defined as having that role.

The amendment that stands out slightly is the one that proposes that the royal charters should remain in existence but not in force. The crucial question is whether this would work or whether leaving them would create its own problems. There are two reasons for keeping them. First, in the circumstances that we are unable to establish that this system will work better, or that the mechanisms will reach a critical mass of working better, it is important that there is some useful architecture to revert to in this area, where we cannot afford to get things wrong. Our current method has not been shown to have any poor performance; it is just that we believe that there are better ways. Secondly, the system should accord a level of prestige.

There is not really a case for removal. The discussions that many noble Lords have had with the Privy Council suggested that the royal charters do not necessarily need to be eliminated. There is an argument to say that having the safety net of keeping them in place would mean that some might use it to undermine the current arrangements. This is not a reasonable concern, although it would be if we did not have such a great degree of unanimity about the importance of trying to move on and reach a new stage.

[LORD MENDELSOHN]

Motivation is more likely. If this is properly managed by Ministers and incentivised, there would be a quicker desire to remove the stabilisers. There may even be the opportunity for it to be a more liberating mechanism to ensure that other inventive, creative mechanisms are used. It is important that we do not throw everything out and that we do not eliminate things that we do not have to.

Finally, I would be grateful to clarify one element in this section that has not been fully covered: the position of government departments' areas of research. Some government departments have their own research facilities, such as the Department of Health, the Ministry of Defence, Defra and others. Some would say that these are fiefdoms but I would say that they are just areas that fall under the government departments. How will they relate to the new arrangements? Of course, as we look at the Nurse review, there was consideration that these should be considered under the ambit of Research Councils UK. Indeed, the section that included Innovate UK and HEFCE—not that I wish to reopen the discussion we had earlier—also said that consideration should be given to the place of other government departments' research within Research Councils UK. I would be very interested to hear how the Government view their interrelationship with this new set up.

5.30 pm

Lord Prior of Brampton: My Lords, I agree that the issue of research council autonomy is of the utmost importance and will take this opportunity to restate the Government's commitment to the Haldane principle so well described by my noble friend Lord Willetts. I think we will be coming back to the Haldane principle later this evening. We sought to embed it throughout Part 3 of the Bill.

These reforms have been developed following Sir Paul Nurse's independent review of the research councils, which involved significant consultation with the sector. It would not be for the benefit of research and innovation, or the UK, were we to delay bringing these reforms forward while conducting another review. In implementing Sir Paul Nurse's recommendations it will be necessary to make changes to current structures—for example to better enable inter-disciplinary research. I am confident that we can undertake these reforms to build on the existing success of our funding bodies.

I reassure noble Lords that the research councils will continue to be vital components of the research and innovation landscape, and through Clause 103 we are protecting their symbolic property and goodwill, including their name, insignia and branding. Furthermore, they will retain their discipline responsibility, operating within a structure that enables greater interdisciplinarity.

Key among Sir Paul Nurse's recommendations is the need for a single accounting officer. To implement his vision, the governance structure of research councils needs to change and the role of the chief executive will evolve accordingly. Council executive chairs will be powerful positions focused on key strategic planning, performance management and decision-making within their disciplines. The role will have sufficient powers and should be able to attract extremely high-quality candidates. To ensure that this is the case, the role will combine those of the current council chair and chief executive.

I do not believe that a distinct, non-executive chair position is necessary within this new arrangement. Councils will have collective responsibility for strategic, scientific or innovation decisions in their disciplines and they will, for example, continue to take decisions on the prioritisation of their hypothecated budgets within their delegated limits. The UKRI chief executive and board, which of course has a non-executive chairman, as well as the executive committee, will be able to provide challenge and support to inform these decisions. Each executive chair will also be supported by their council. Introducing a non-executive chair and chief executive for each council into this line of accountability would risk confusing accountabilities within UKRI and undermine its key strategic role.

The noble Lord, Lord Mendelsohn, referred to Confucius and the three ways of improvement: reflection, imitation and experience. All my experience—it is possibly bitter experience—is that confused lines of accountability lead to problems. To have chief executives of councils who are accountable to a non-executive chairman, with perhaps a dotted line there and a straight line to the chief executive at UKRI, would build accountability problems into the structure. I was interested by the suggestion of the noble Lord, Lord Broers, of an equivalent to a senior independent director or SID, in a sense imitating corporate governance on the board of a council. That is worthy of further consideration. Perhaps the chair of UKRI might like to discuss that with council members once they have been appointed.

On the proposal for an executive committee, I fully agree that such a committee would provide a valuable forum within UKRI. Yet an executive committee would simply be a matter of good organisational design and governance, and it does not need to be in the Bill. However, noble Lords made an interesting case warranting—I regret to say—further reflection.

Following on from this, I will also address the suggestion from the noble Lord, Lord Mendelsohn, that the executive chairs of councils should be consulted on the development of UKRI's strategy. I agree wholeheartedly; it is a necessity to ensure the overall coherence of the UKRI strategy and each council's strategic delivery plan. I fully expect the executive committee, on which all the executive chairs will sit, to play an integral role in this process.

On Amendment 480, we set an upper limit on the number of members on each council to facilitate their effective and efficient operation. I believe that this is appropriate, particularly given that the UKRI board will take on certain functions such as oversight of corporate functions. None the less, the noble Lord, Lord Willis, and others made a compelling case to increase this limit. My noble friend Lady Neville-Jones suggested that there should be no limit at all. Again, that is something that we would like to reflect on.

On Amendment 481, regarding lay representation on councils, I appreciate the intent with which the noble Lord tabled this amendment and reassure him

that this legislation does not preclude the councils from appointing lay members, as many currently do. I hope that I have provided some reassurance—

Lord Willis of Knaresborough: If you imagine having a chief executive who is also an academic, the rest of the council could then be appointed as academics. Where does the challenge come there to address the issues mentioned earlier about, for instance, the north, Scotland and other organisations?

Lord Prior of Brampton: I think the challenge comes from two places. First, the executive chairman would be on the executive committee of UKRI so it will be challenged there. Secondly, there will also be challenge—or support, where required—from the UKRI board. I hope that I have provided reassurance on the proposed governance structures and powers regarding the councils, and ask the noble Baroness to withdraw the amendment.

Baroness Brown of Cambridge: I thank the Minister for his detailed response, and in particular for his commitment to the Haldane principle and his assurance about the continued importance of the individual research councils within the new organisation. I also thank the other noble Lords who spoke powerfully in this debate for their contributions in support of both my own and the other amendments.

I really believe that UKRI can be a success but achieving that will need strong, autonomous and diverse councils working together. Governance changes do not need to remove independent chairs. Just about every major company in the world these days operates a matrix structure where people manage dotted and solid-line accountabilities and responsibilities. Managing that is not beyond the very best of science, innovation and business in the UK. I hope there will be some further reflection as the Minister withdraws to his room of many mirrors. I am glad that he will at least consider the proposal from the noble Lord, Lord Broers, of a senior independent director. I wonder if that senior independent director might still grow into an independent chair of a board.

I am delighted to hear that the Minister will also reflect on the size of councils, because they are diverse and will need to be of different sizes. As we heard from the noble Baroness, Lady Neville-Jones, the EPSRC distributes a lot of money across a very diverse collection of engineering, science and mathematics subject areas. It is very important that both the business and academic communities can be present on the council in order for it to make good decisions.

I am also delighted to hear that the Minister will reflect on whether an executive committee should be put in the Bill.

Lord Prior of Brampton: I did not say that I thought the executive committee should go in the Bill. I felt that it was not necessary for it to go in the Bill because it will just be part of normal, good operational governance.

Baroness Brown of Cambridge: I beg the Minister's pardon. I misheard him. I thought he said he would reflect on that further and I thought that might mean it would appear in the Bill. Since it is so necessary, I do not see any reason he would not put it in the Bill because it would provide so much assurance to the community about the importance of the research councils. Of course, we would expect such a committee to play a key role in strategy.

As I think the Minister can tell, I am looking forward to hearing more about potential government amendments in this area and I hope that they will not disappoint us. On that basis, I am happy to withdraw the amendment.

Amendment 479A withdrawn.

Amendments 480 to 482B not moved.

Amendment 482BA

Moved by ***Lord Mendelsohn***

482BA: Schedule 9, page 104, line 19, leave out "any" and insert "some"

Lord Mendelsohn: My Lords, I was very tempted to rise during the Minister's previous comments, but that would have undermined the next part of my address, looking at this group. I hope he does not mind if I touch on some of the other issues very briefly. In moving Amendment 482BA, I will speak also to the other amendments in my name and address some of the issues raised in the amendments in the name of my noble friend Lord Stevenson.

The first point we want to make about the functions of UKRI is that because there is a very important and complex series of relationships with the councils, the function of UKRI needs to be defined and the right assurances given. There are already considerably confused lines of accountability in how this is established. You have only to look at the different functions that are laid out for UKRI to perform and for councils to perform and where the determination rests on those. The obvious issue is who is responsible for hiring and firing an executive chair. In Schedule 9 this is the Secretary of State, for any reason that they see fit—for example, if the chair misses certain meetings—or if they feel that there is no appropriate mechanism for that to be effectively dealt with.

The main issue comes down to: what is the separation of functions? UKRI is meant to be a strategic brain. It is meant to facilitate the overall development of cross-disciplinary funds and activity. It is also meant to be responsible for the back-office functions across the organisation, although when you try to determine what those back-office functions are, many of them are core to the operations but are outsourced rather than having one organisation dealing with them. Even within the administration of an organisation, there is a series of issues which will impinge upon the other functions that the councils will have to undertake. When you identify the areas that are delegated to the councils, they lend themselves not just to an independent chair but to understanding that the lines of accountability are pretty clear, based on the definitions of the different roles, as specified by the Government.

However, I have gone a bit too far; that was not really my purpose. I wanted to raise that point but I have gone way beyond what I intended. I am keen to

[LORD MENDELSOHN]
get some sense of how the guidance on the functions that UKRI will retain will work, particularly with regard to the back-office functions—that area where the Government believe there are such considerable savings to be made. I would be grateful if the Minister could give me some sense of how that would work. I appreciate that the detailed guidance is not published yet but I would like some idea of how the Government came to the conclusion that there was such a great bonanza to be gained from merging those activities, and how that could be effectively managed.

Many of our amendments are probing in nature but they also look at some drafting issues. We have considerable concerns about inconsistencies and areas where we believe that the wording requires some degree of change. It is more than just occasions when we feel that a "may" should be a "must", which very often is more than just a drafting issue. There are amendments which tidy up inconsistencies—for example, social sciences are mentioned in one place but missed out in another—which I hope the Minister will address and will understand are beneficial. Amendment 482BA suggests that UKRI should be able to delegate "some" of its functions, rather than "any", as the Bill currently states, to ensure some degree of consistency. Many of the others are in the same vein.

5.45 pm

It is also important to look at the research being measured by its contribution to economic growth and quality of life. Here I am particularly pleased to have added my name to Amendment 484A in the name of the noble and learned Lord, Lord Mackay of Clashfern. I hope that as a mathematician he will not be too offended by what I am about to say. There is a point here about the nature and purpose of research and making sure that it is quantified by particular outcomes. I am keen to hear the Minister's view on the case that I think should be made for serendipity in research. There are occasions when we can see research as having other than the intended outcome and times when we can look at funding blue-sky research, which does not have the most specific or enhanced research endpoint but is of merit and hard to measure in other ways.

Looking at the range of research that we have and making sure that we can look at basic, applied and strategic research, giving the capacity to UKRI to have an eye on other things is quite important. It reminds me of the story that we heard when we had discussions with some of the institutions here about one piece of research which looked almost whimsically at how herpes created latent cold sores. As a result of this research, a viral treatment to address herpes was developed. That begat gene delivery by virus, which begat gene delivery to deal with cancer, particularly melanoma. The people who were involved in that research now have a company which focuses on cancer. It is important that within the principles that we have, as well as trying to ensure that we have hard-edged research and retain our world-leading position, we think very carefully about independent researchers and—dare I say?—eccentrics, and the foundations of creativity and challenge which are inherent in the benefits of having an excellent and outstanding research base.

Finally, I would be very grateful if the Minister could take this opportunity to give us some clarification of how the Government see the role of UKRI in its function of overseeing postgraduate research students and part-time students. We have a tremendous group of institutions in this country, particularly Birkbeck, with which many noble Lords will be familiar, which is an outstanding institute that deals with part-time students. The Bill lacks clarity about the role of such institutions. I would be grateful if the Minister could make that clear. I beg to move.

Lord Judd: My Lords, Amendment 485C is in my name. I want to follow the theme developed by my noble friend Lord Mendelsohn in the latter part of his remarks. This country needs strong industry and strong technology, which are vital to our future survival. The universities are indispensable in this respect. But the standing of our universities in the world, particularly universities with unrivalled reputations—I am proud to be involved in one, LSE—have those reputations because of the quality of their research. What has sometimes been most important in building up that reputation is exactly what my noble friend was talking about: the independence of that research. Within the vital indispensability of the applied research we do there is also a danger: that we lose perspective and the independent ability to judge what it all adds up to for the future well-being of our country.

It is no good trying to disguise the great concern that exists that in placing heavy emphasis on applied research and its vital needs, which we have debated this afternoon, the social sciences get weaker. It is absolutely indispensable for us to have firm guarantees from the Government that whatever arrangements are made, the social sciences will be guarded and protected, because within them are the people who see the consequences of developments as they take place. They see the wider social implications of what is happening. If we are talking about the well-being and viability of our society, their significance cannot be underrated. My amendment would simply add to this by saying that pure research matters, and we must emphasise it. In doing that, we must not become so mesmerised by the battle to survive in the immediate economic sense that we lose the perspective which is the guarantee of our future well-being as a nation.

Lord Willis of Knaresborough: My Lords, while I strongly support the amendments in the name of the noble Lord, Lord Mendelsohn—the points he made were absolutely right and I hope the Minister will be able to address some of them—I would like to concentrate my remarks on Amendments 493, 494 and 495, which are in the names of my noble friend Lord Sharkey and I and the noble Lords, Lord Cameron of Dillington and Lord Stevenson of Balmacara.

In outlining the desirable functions of the research councils, Clause 89 is far too narrowly defined, particularly subsection (4)(a). Amendment 493 recognises the importance of resilience as a fundamental requirement for the UKRI landscape. While a significant amount of the research funded by research councils should rightly contribute to growth—and most certainly does—a significant amount of research council investment directly

benefits the economy by avoiding cost, rather than increasing income. Both these funding objectives are important and contribute to the UK's resilience. Equally, by retaining a broad scientific capability across the research councils, the UK retains the ability to be resilient when under threat or pressure.

In his earlier remarks on his amendments the noble Lord, Lord Mendelsohn, stressed the importance of the arts and social science in this respect but the impact of other areas of science is equally important. Successive Governments have cut back on our national capability to generate scientific advice, and thereby resilience, by privatising government laboratories such as the government chemist, which is within LGC, the National Physical Laboratory and the Forensic Science Service, which was the last to go into 2012. I am not making a negative comment about privatisation, but once the Government could no longer rely on them for advice, an element of national resilience went at the same time.

Particularly since the mid-1990s, right across government, departmental resource for in-house science research has dropped dramatically. Since 2010 it has virtually disappeared from some departments, so it is a rather academic exercise to say whether it should be included within UKRI or elsewhere, because most of it has gone. The only way the Government can get a great deal of that hard scientific advice is, yes, through their own advisory services, but from the research councils. The need for the research councils to maintain capacity to train a body of scientists to carry out research on all manner of possible events—from avian flu to erupting volcanoes, from BSE to the El Niño effect—and to support the efforts of organisations such as the Met Office, the Antarctic service, Rothamsted and the Diamond accelerator has never been greater. It is the research councils which generally develop the skills at PhD and postgraduate level to supply those cadres.

Amendment 494 follows in a similar vein. Clause 89(4)(b) clearly recognises that research councils should have regard to the desirability of "improving quality of life". It would be odd if they did not want that, which is clearly an essential element of government. This amendment would go much further by adding that research councils should support research activity that seeks to improve quality of life by seeking to enhance,

"social inclusion and community cohesion".

When I wrote these amendments, I did not know how appropriate they would become as the threats to social inclusion and community cohesion, both here and abroad, become even greater. Using scientific research to make our lives simply better, rather than wealthier, seems an objective well worth pursuing.

However, Amendment 495 is in many ways the most significant in this small group. I hope that when he responds, the Minister will either accept this in its entirety or, if not, find a suitable set of words to convey the same meaning. A huge, although I believe unintended, consequence of the Bill, along with the emergence of UKRI as a new accounting body for UK science, is that the future success of UK science will be judged by its economic rather than its societal impact. Each should have parity of esteem. The principal role of fundamental or discovery science is to improve the nation's science and knowledge base. Everything else flows from that, which should be an objective in its own right. While research councils must guard against their presumed inability to draw to an end certain funding lines of inquiry, we should never be so risk-averse that we do not try to fund risky ventures but always try to fund winners. Some of the greatest fundamental science had absolutely no outcome at the time it was developed, yet has proved incredibly powerful across the world.

Lord Cameron of Dillington (CB): My Lords, I support Amendments 493, 494 and 495, to which I have added my name. I must declare interests as chair of the advisory board of CEH, a trustee at Rothamsted and chair of the strategic advisory board of the Government's Global Food Security programme. As has been explained, these amendments are designed to broaden the vision of the purposes of the research to take place under the councils within UKRI. It is wrong for the primary focus of Clause 89(4)(a) to be pinpointed solely on economic growth. To my mind, that is a throwback to the bad old days of the 1980s, when competing in the marketplace at all costs was considered the primary purpose of life. We soon realised that that was not sustainable. I say that as a past member of the Round Table on Sustainable Development, so I use "sustainable" in that context advisedly.

6 pm

I realise that post Brexit, there is a new urgency to the economic agenda, but we need to ensure we maintain a longer term and wider vision of life on this planet. For instance, where in Clause 87(1) or Clause 89(4) does the wider environment feature? I realise that Clause 89(4)(b) refers to "improving quality of life", both in the UK and the wider world, but what does it mean by "life"? One would hope that it means not only human life, but that could be the implication, following the rather narrow ambition currently expressed in paragraph (a) of that clause. I suppose one could take the view that the very long-term quality of just human life on earth will depend on the research work we do to maintain the quality of habitats, water and the living environment for all species on our planet—including bugs and bacteria; from elephants to plankton—but it would be better to spell that out for the sake of clarity and to include a reference to the wider environment in Clause 89(4).

Then there is the fact, to which other noble Lords, including the noble Lord, Lord Willis, have referred, that one of the features of basic primary research is that you never know where it is going to lead. Sometimes just improving our knowledge base now could be really important for some aspect of science or life in 50 years' time, possibly for an aspect that is not even on our radar at the moment. That broad principle is not given sufficient weight in either paragraph. This is where our Amendment 495 would be a beneficial addition to Clause 89, and I hope the Minister will be able to accept it. Perhaps the wording of the three amendments is not quite right, but there is no doubt that Clause 89(4) as it stands is far too narrow to set a science agenda for the 21st century.

Baroness Brown of Cambridge: I rise to speak to Amendments 490C and 490D, which are tabled in my name and that of my noble friend Lord Krebs, and Amendments 495A and 495B, which are tabled in my name and those of my noble friends Lord Mair and Lord Broers. These amendments concern the roles and responsibilities of the science and humanities research councils.

Amendments 490C and 490D would ensure that the science and humanities research councils are able to exercise the functions of UKRI in their fields without any additional constraint from UKRI, which is important for the autonomy of the research councils. Clause 89(1) currently restricts them exercising those functions of UKRI in such fields of activity "as UKRI may determine". Amendment 490D simply removes the implied additional level of control by leaving out "as UKRI may determine". This helps to strengthen the autonomy of the research councils in the new UKRI structure which noble Lords, including my noble friends Lady Finlay, Lord Patel, Lord Kakkar and Lord Rees, and the noble Lord, Lord Darzi, spoke so passionately about at Second Reading.

Amendment 495A echoes the concerns that we have just been hearing about and reflects the focus of a number of amendments in this group that I strongly support. The research councils in Clause 89 are very focused on contributing to economic growth and quality of life, both of which are clearly very important. However, as we have heard from the noble Lords, Lord Willis and Lord Judd, and my noble friend Lord Cameron, basic or pure research, whatever you like to call it, whether in sciences or humanities, is the pursuit of new knowledge for its own sake and as a contribution to scholarship, knowledge and understanding more widely without a current economic purpose. That is critical for a healthy research base.

Amendment 495B, which is tabled in my name and those of my noble friends Lord Mair and Lord Broers is to help ensure that Innovate UK's business-facing function remains clear and distinct from those of the humanities research councils. In Clause 90, Innovate UK is specifically prohibited from doing the research councils' role of carrying out research, which seems appropriate. This amendment would prevent the research councils duplicating Innovate UK's functions so that those important functions remain clearly business-led.

Lord Willetts (Con): My Lords, I shall briefly speak to some of these amendments. I think the Government, perhaps through infelicitous drafting, are creating unnecessary anxieties, given the way that these clauses are currently formulated. I particularly welcome two of the amendments. First, Amendment 484AB tackles a rather peculiar feature of Clause 87, which may well be due to the way in which the parliamentary drafting developed. The phrase,

"research into science, technology, humanities and new ideas",

is not the way in which the science and research community would list its activities. It is regrettable that social science is not specially identified in that list. We are all familiar with the term "arts and humanities". Many of us are lay people, but we nevertheless understand the distinction between life sciences and physical sciences. This is a rather peculiar way of formulating it. I suspect a parliamentary draftsman said, "Well, social sciences are a science, so they must be covered by 'science'. We don't need to say 'social sciences' as well". I suspect that that is the conversation that happened. We have ended up with something that, for people in this community, looks a rather peculiar list. It would be better if it were closer to the way in which we think of the range of research activities carried out in the UK.

Secondly, Clause 89(4) currently lists,

"contributing to economic growth … and … improving quality of life".

Again, that seems to promote unnecessary anxieties. It has not been my experience that any science Minister from any political party represented in this Chamber believes that there is no value in pure research. I do not think that people sit around saying, "All we're interested in is the immediate consequences for economic growth". There is a great story about Margaret Thatcher, when she was Prime Minister, receiving a brief advising her not to invest in the large hadron collider because it does not have any useful economic effect. She scribbled on the brief, "But it's very interesting, isn't it?", and the public funding went ahead. That is the approach that I hope all of us take to science funding. I do not believe it will be any different under this new structure. However, it would tackle a concern if the Bill were explicit that, alongside the promotion of economic growth and the quality of life, we also believe in simply extending knowledge and research in this country.

There may be other areas. I listened with great interest to what the noble Baroness, Lady Brown, said, about what can also be improved on. These are unnecessarily narrow formulations that do not adequately capture what the Government intend with the new structure. As we have heard the Minister's willingness to reflect, I hope that this is an area where he reflects with particular energy and concentration.

Lord Broers: My Lords, I support what the noble Lord, Lord Willetts, said. I have my name on Amendment 495B, to which my noble friend Lady Brown of Cambridge has spoken so excellently. In trying to distinguish what Innovate UK and the research councils do, Clause 90 states:

"arrangements may not be made under this section for the exercise by Innovate UK of UKRI's function mentioned in section 87(1)(a)".

When you look at Section 87(1)(a), you will find it states:

"carry out research into science, technology, humanities and new ideas".

Innovate UK spends 20% or 30% of its resource, I believe, on research that underpins the product programmes it is supporting, which is only appropriate. In Amendments 484A and 484B, which are in this group, the noble and learned Lord, Lord Mackay, suggests adding "basic, applied and strategic" before "research", which really steps into Innovate UK's territory. There is no specific amendment on this—I just point out to the Minister that there is concern about the wording. It is misleading if you take it just as it reads.

Lord Sharkey: My Lords, I shall speak briefly in support of Amendment 495, which was tabled by my noble friend Lord Willis and to which I have added my

name. It amends Clause 89(4). Clause 89 defines the fields of activity for each of the research councils. It goes on, in subsection (4), to say:

"Arrangements under this section must require the Council concerned, when exercising any function to which the arrangements relate, to have regard to the desirability of … contributing to economic growth in the United Kingdom, and … improving quality of life (whether in the United Kingdom or elsewhere)".

The requirements are a little vague, and the obligation to "have regard to the desirability of" is very weak. But the intent seems to me to be clear, and the two desiderata seem to need a third to achieve any kind of balance. The priority for any research council should surely be to increase the UK's science and knowledge base. Contributing to economic growth and improving the quality of life are good and desirable objectives, as are the others that we have discussed this afternoon, but they must be subordinate to the objective of improving the science and knowledge base. That must come first.

My noble friend's amendment adds improving this base to the list of have-regards, so that it is explicitly clear that this is a desirable function of research councils. We need this additional requirement, or something very much like it, to avoid distorting the priorities of research councils and to make clear, in the Bill, what their primary purpose is.

Lord Blunkett (Lab): This will probably be the shortest speech I have made, or ever will make, in the House of Lords. I have a registered interest as a fellow of the Academy of Social Sciences and would like to reinforce what the noble Lord, Lord Willetts, has indicated this afternoon. Given that the Minister is respected as someone who does not just listen and reflect but is actually prepared to give and to come back with solutions, I hope we will be able to reflect on the importance of avoiding doubt and—as the noble Lord, Lord Willetts, has said—misunderstandings simply by getting the wording right and reassuring people that we are approaching this with a comprehensive view for the well-being of our university research community and for the future well-being of the country.

The Earl of Selborne: My Lords, for slightly different reasons, I also support the concept that social sciences should be in the Bill. One of the purposes of the formation of UKRI is to address the need to promote interdisciplinary research. So many of the exciting areas of science are interdisciplinary, but it has to be admitted that research councils have not always successfully collaborated, certainly not with other parts of the research portfolio. We have talked about the great contribution that charities, the departments and independent research institutes make, and one of the jobs of UKRI will be to have real knowledge about how all these can contribute together. One thing that is absolutely certain is that social sciences are the key to interdisciplinary research. It is almost impossible to think of a research programme that does not have some social science implication, so it would be enormously helpful just to remind us that when we are talking about interdisciplinary research, we should see social sciences as key to that.

I also very much agree with Amendment 494 in this group, for the reasons that the noble Lord, Lord Liddle, touched on earlier, regarding how UKRI should be charged with responsibility for social inclusion and community cohesion. If it was just about economic benefit, we might as well continue to have the golden triangle and all that flows from that, and the lack of community cohesion. This is a game where UKRI, taking as it does an overall view, can make a real contribution to ensuring that the areas which are suffering at the moment from a lack of investment and poor productivity benefit from innovation.

At the risk of repeating what I said at Second Reading, although we congratulate ourselves, quite rightly, time and again on the quality of our science base, it does not necessarily work through in terms of productivity, which is below the EU average: 50% of United Kingdom cities are in the bottom 25% of European cities in terms of productivity. That is a goal on which we should always concentrate our minds. Innovation and the science base are both key to getting this right—this is about the long term—but the formation of UKRI, bringing together as it does the research councils and Innovate UK, must be seen to have these wider objectives.

6.15 pm

Lord Mackay of Clashfern: My Lords, before I come to the amendments in my name in this group, I will just mention first that Clause 105, a definitions clause, says that "'science' includes social sciences". So that is in the Bill, in a way. It may be that my noble friend Lord Willetts or the noble Lord, Lord Blunkett, would like it to be more prominent, but it is certainly there already. Clause 105 is also the source of what I said about the councils. It says:

"'Council' has the meaning given by section 86".

Clause 86 is where "Councils" become "committees" of UKRI.

My amendments are inclined to emphasise the importance of basic science. I very much take what has been said by the noble Lord, Lord Judd, and others about developing knowledge for its own sake. That was a very clear statement of a very distinguished mathematician in my youth, GH Hardy of Cambridge. He was a theory of numbers man, which had no very obvious application to anything much at that particular moment, except that he brought the wonderful Indian mathematician Ramanujan to this country and made him prominent. GH Hardy's view was that mathematics, particularly the theory of numbers, should be researched, investigated and developed for its own sake.

Amendments 484A and 484B relate to Clause 87, which defines UK Research and Innovation's functions. I am glad that I have already had support from two speakers for these amendments before I had the opportunity to mention them myself. Clause 87(1)(a), which is mentioned in the provision referred to by the noble Lord, says:

"UKRI may … carry out research into science, technology, humanities"—

which includes the arts by definition, although I am not sure what else it includes separately from the arts other than perhaps languages—"and new ideas". UKRI has the important function of promoting research into new ideas, which is distinct, apparently, from research in the earlier listed subjects of science, technology

[Lord Mackay of Clashfern]
or the humanities. I am not absolutely clear what that adds to the whole function, but no doubt the Minister will be able to explain it to me with his usual clarity.

I want to emphasise the need for basic science to be remembered, which is why I have sought to add to UKRI's functions as listed at subsection (1)(a) research into "basic, applied and strategic" science. That seems to me to be essential if UKRI is to carry out the kind of function that we expect from it of enlarging knowledge for its own sake as well as for the benefits that it may have to others. Enlarging knowledge will benefit people, even if you do it for its own sake. It is also important for the development of science itself that too much emphasis is not placed on applications, as the theory and development of the basic structure of the science is extremely important.

I noticed in today's paper a comment on the research into dementia. A particular medicine or drug had been developed that was thought to be helpful in relation to dementia but, unfortunately, it did not work. It must have taken a little time to find that out, but it did not work. The comment was that the research was too narrowly focused on an aspect of the disease. This is a very topical example of what I am trying to say.

I hope an amendment such as the one I have proposed will be incorporated. I do not necessarily say that mine has the best ever wording—it could be improved, I am sure—but it is the best that I have so far been able to offer. No doubt the Minister's reflections may improve it further.

Lord Oxburgh (CB): My Lords, I had not intended to speak today. I declare my membership of the Foundation for Science and Technology, chaired by the noble Earl, Lord Selborne, and my honorary professorship of the University of Cambridge. The comments I wish to make cut across many of the amendments that we have discussed, both now and earlier.

Reading the Bill as it stands, you could believe that from a research point of view the UK was an island sufficient unto itself. There is almost no reference here to any international work. I think the noble Lord, Lord Willis, made a passing reference to that in one of his interventions in today's debate, but it is crucial. There are whole areas of science in this country where we would not have a presence without successful international collaboration. A very good example is marine work. Marine research ships are very expensive to run, and frequently they have been run in collaboration with other countries. One could also mention big science facilities.

My concern with the Bill as it stands is that paragraph 16(3) of Schedule 9, which deals with supplementary powers, says:

"UKRI may not do any of the following except with the consent of the Secretary of State: … enter into joint ventures".

Does this mean that if one of our research councils or other parts of UKRI wish to set up a collaboration with one of their opposite numbers, be it on the other side of the Atlantic, in mainland Europe or anywhere else, they have to go to the Secretary of State before they can do so? I hope that that is not the case, and that the importance of international work can be a little more clearly expressed in the Bill before we finally approve it.

Lord Bilimoria (CB): My Lords, I declare my interest as chancellor of the University of Birmingham and chair of the advisory board of the University of Cambridge Judge Business School. On that note, if I may boast, today the *FT* global rankings for the MBA came out and the Judge Business School rose from number 10 to number five in the world. This is a business school that has been around for only 26 years, compared with the Harvard Business School, which is over 100 years old. One of the reasons for that success is the excellence of research at a university like Cambridge.

The problem that is overlooked completely by the Bill is that we in this country carry out excellent research despite underfunding it compared with competitor countries. We spend 1.7% of GDP, compared with 2.8% in the USA and Germany. Our research councils, which are world-class and respected around the world, have been doing a great job as autonomous units. One of the main worries about the Bill in universities and research councils is the removal of the autonomy of these institutions. They function well thanks to that autonomy.

I support Amendment 490D from the noble Baroness, Lady Brown, and the noble Lord, Lord Krebs, which would leave out the words "as UKRI may determine". Under Clause 89, headed, "Exercise of functions by science and humanities Councils", UKRI would have the right to determine what they do. This is absolutely wrong. Whatever the reasons the Government have given for having a layer like UKRI, many people—the noble Lord, Lord Rees, has argued well against it—have said it is completely not necessary and could be damaging to the whole sector. The analogy made was setting up a body to represent all the world-class museums in London, which are the best museums in the world. That would be completely unnecessary as they are doing a great job on their own. We have to ensure that the autonomy of the research councils is protected, whatever happens, even with the existence of this body called UKRI.

Lord Prior of Brampton: My Lords, my noble and learned friend Lord Mackay kindly referred to my usual clarity. I fear, in so far as I ever had any clarity, it is rapidly dissipating as time goes on. Still, I will try to respond to many of the issues that have been raised in this very interesting debate.

I shall start with the governance relationship between research councils and UKRI. I will resist the temptation to address the broader issue raised by the noble Lord, Lord Bilimoria, but I recognise that the UK still underfunds research compared with many of our competitor countries. Nevertheless, the £2 billion increase coming into UK research in 2020 is a significant change. One has to ask oneself whether that would have come about without UKRI being about to become our key co-ordinating research body.

Through Clause 89 the research councils retain their right to make decisions within their respective discipline areas. I assure noble Lords that UKRI must

arrange for the seven research councils to carry out their roles and functions within their areas of activity. UKRI cannot prevent any of the research councils carrying out their functions in their respective areas.

I thank my noble and learned friend Lord Mackay for pointing out that references to "humanities" are in fact defined in the Bill, in Clause 105. It makes it very clear that they are defined as including the arts, and references to "sciences" include social sciences.

In discussions in the other place, the Government were clear that funding allocations would be made to each of the councils by the Government in the UKRI grant letter. Delegated authority limits will be set for the research councils to operate independently but additional approvals may be needed, including from the UKRI board, in line with current government best practice.

It is an important part of these reforms that UKRI will empower the councils to work together. The amendments would not prevent UKRI operating in this manner, but would obscure our intent for UKRI to take strategic decisions and facilitate development of the overall direction.

To address the point made by the noble Lord, Lord Mendelsohn, this reform is about far more than efficiency savings or a reduction in bureaucracy. We must deliver these where we have the opportunity to, but not at the expense of the strengths of the current system. However, the removal of the current duplication of back-office functions across multiple bodies will ultimately drive efficiency savings and reduce the administrative burdens placed on research and innovation leaders, freeing them up to focus on strategic decision-making. It will also help to deliver simplified systems and processes for funding recipients.

On Amendments 485C and 195A, I welcome the opportunity to assure noble Lords that UKRI's core purpose is to seek to improve the UK's science and knowledge base, and it will seek to improve knowledge and understanding through research. Advancing knowledge is a critical role of the whole of the UK research base, including UKRI and the research councils, and we will look carefully at this matter before we return to the House on Report. I share the aspiration of the noble Lords, Lord Willis and Lord Cameron, for UKRI to support research programmes that can help to shape government policy, ensure resilience and respond to key challenges facing the UK.

On social inclusion, community cohesion and social and cultural well-being, I am certain that the current duty on councils to consider the desirability of improving quality of life is sufficient to cover these.

6.30 pm

Lastly, on Amendment 495B, I can assure noble Lords that, through UKRI, research councils will continue to fund research in universities, research facilities and institutes, including fundamental and blue-sky research with no immediate application. Therefore, I can assure noble Lords that the Large Hadron Collider, the theory of numbers and, indeed, the research going into dementia now, are not in any way prejudiced by anything in the Bill. The Bill makes it clear that it is the role of Innovate UK to directly support innovative businesses with funding. It replicates the current legal basis for Innovate UK.

However, we must not tie the hands of the research councils or prevent them increasing the collaborative work they already undertake with Innovate UK. I understand the concerns of noble Lords that the research councils should be able to operate widely, and we will look carefully to see whether any further additions to the functions of UKRI could be beneficial. On that basis, I ask the noble Lord to withdraw the amendment.

Lord Mendelsohn: I thank the noble Lord for that reply. This has been an excellent debate, with some outstanding contributions from across the Committee. In particular, given my detour into some of the issues about matrices and responsibility, I thank those noble Lords who made a better case for my amendments than I did.

I am grateful for the support, particularly around the social sciences. I am keen to observe that the point made by the noble and learned Lord, Lord Mackay of Clashfern, about definitions is absolutely right and true. However, there is the inconsistency when referring to different places. For example, the Natural Environment Research Council means environmental and related sciences, and at that point the definition is inoperable. Therefore, the issue of consistency is important and speaks to the outstanding contribution of the noble Lord, Lord Willetts, about the language used, and the unnecessary anxiety that some of the drafting has caused across the Committee.

There is great merit to many of the amendments and I hope that the Minister will reflect on these. It reminds me of John Locke's observation that,

"education begins the gentleman, but reading, good company and reflection must finish him".

I hope the Minister realises that he is in good company here, and that he will reflect wisely on these amendments and bring something forward on Report. I beg leave to withdraw the amendment.

Amendment 482BA withdrawn.

House resumed.

Recent Changes to US Immigration Policy

Statement

6.33 pm

The Minister of State, Foreign and Commonwealth Office (Baroness Anelay of St Johns) (Con): My Lords, with the leave of the House, I shall now repeat a Statement made in another place by my right honourable friend the Foreign Secretary. The Statement is as follows:

"Mr Speaker, with permission, I should like to make a Statement on the implications for this country of recent changes in US immigration policy.

In view of the understandable concern and uncertainty, it may be helpful if I describe for the House the consequences for British citizens and dual nationals of the executive order issued last Friday. Let me begin by saying that this is not UK policy—this is not our policy—or a measure that the UK would ever introduce.

[Baroness Anelay of St Johns]
I have already made clear our anxiety about measures that discriminate on grounds of nationality in ways that are divisive and wrong.

On 27 January, President Trump issued an executive order banning the citizens of seven countries from entering the US for a period of 90 days. Those countries are Syria, Iraq, Iran, Somalia, Yemen, Libya and Sudan. The order makes clear that no US visas will be issued to citizens of those states, and anyone who already has a visa will be denied entry.

The immigration policy of the United States is of course a matter for the Government of the United States, but on the face of it this executive order had consequences for some British citizens. For that reason, I spoke yesterday to the US Administration, and my right honourable friend the Home Secretary has today spoken to General Kelly, the Secretary of Homeland Security. I am able to provide the following clarification.

The general principle is that all British passport holders remain welcome to travel to the US. We have received assurances from the US embassy that this executive order will make no difference to any British passport holders, irrespective of their country of birth or whether they hold another passport. In any case, the executive order is a temporary measure intended to last for 90 days until the US system has added new security precautions. This is of course a highly controversial policy that has caused unease, and I repeat that this is not an approach that this Government would take.

Let me conclude by reminding the House of the vital importance of this country's alliance with the United States. On defence, intelligence and security, we work together more closely than any other two countries in the world. That relationship is overwhelmingly to our benefit. The Prime Minister's highly successful visit to the White House last week underlined the strength of that transatlantic alliance. Where we have differences with the US, we shall not quail from expressing them, as I have done so today, and as the Prime Minister did in Philadelphia last week. But I will also repeat our resolve to work alongside the Trump Administration in the mutual interest of both countries. I commend this Statement to the House".

My Lords, that concludes the Statement.

6.36 pm

Lord Collins of Highbury (Lab): My Lords, the Prime Minister's visit took place last week in the context of the biggest global refugee crisis that we have seen since the Second World War, with huge implications for peace and security throughout the world. The 1951 refugee convention and 1967 refugee protocol oblige all signatories to accept refugees from war, without regard to their race, religion or country of origin. This order is in clear breach of that international obligation.

As Mr. Trump signed this executive order barely an hour after he had finished his talks with the Prime Minister on Friday, can the Minister explain why the Prime Minister, unlike the German Chancellor, felt unable on Saturday to remind the President of these responsibilities and condemn this action and executive order? Can the Minister also tell us whether the Government have made any assessment of the impact this order may have on the United Kingdom's ability to uphold its obligations under these international treaties?

While the reassurance on British citizens is extremely welcome—I am pleased the Government were able to sort that out over the weekend—will the Minister confirm that those citizens of the seven designated countries who do not hold British passports but are legally resident here in the UK will be barred from travelling to or through the United States? Will she also reassure the House that, during the 90-day period of this order, which, as she said in the Statement, is a temporary measure, the Government will take every step and opportunity at all levels of our special relationship to raise with the US Administration that this is a divisive and dangerous policy that will impact on peace and security throughout the world?

Baroness Northover (LD): My Lords, I too thank the noble Baroness for repeating the Statement, and I welcome the fact that the Foreign Secretary has described the new US immigration policy as "divisive and wrong"—it surely is.

Can I point out that, as originally announced, this policy would have swept up the noble Baroness, Lady Afshar, who might have had the uncertain privilege of risking jail if she returned to her home country of Iran, yet being expelled if she tried to enter the so-called liberal democracy of the USA? As someone who benefited from that liberal democracy by being able to pursue all my postgraduate study in the United States, I find this development almost unbelievable. It was an astonishing action to take in relation to refugees on Holocaust Memorial Day.

What assessment has been made of the potential backlash from countries identified and from Muslim communities worldwide, and what impact might this policy have on British citizens, including aid workers, army personnel and diplomatic staff living and working in these countries? Do the Government agree that the policy potentially promotes, rather than limits, instability and insecurity? Might we even have seen evidence of that divisiveness in the utterly inexcusable act of terrorism that we have just seen in Canada, whose leader was wonderfully forthright in rejecting his neighbour's policy?

Does the Minister agree that working together with our European allies is, right now, even more important than it ever was, in the light of the unpredictable and reactionary nature of the current US Administration? What are we doing in pivoting away from Europe towards the US? Does she agree that, even though President Trump's apparent commitment to NATO may be welcome, we cannot rely on what he seemed to agree? Does she agree that, although trade with the US is important to us, it is dwarfed by that with the EU as a whole, and that expanding it is less a matter of tariffs and more a matter of standards and regulation, and that none of us would wish to lower our standards in agricultural products to enable an increase in that trade—an increase which experts estimate may amount to only 2%?

In conclusion, will the Minister strongly reaffirm that, even in our exposed post-referendum position, the UK Government will not in future hesitate before

we make it plain that we will not stand by when there are such assaults on the liberal international order—rather, we will challenge both the ideology and actions that are illustrated by the orders emerging from the Trump Administration in their very first week?

Baroness Anelay of St Johns: My Lords, I believe that both my right honourable friend the Prime Minister and my right honourable friend the Foreign Secretary have made it very clear that they consider that the executive order was wrong and divisive. I think that that covers much of what the noble Baroness has referred to there.

With regard to its impact on people around the world, time will tell, but of course the Foreign and Commonwealth Office and all its personnel around the world stand ready to assist anybody who feels that they may be unsettled or be in any difficulty as a result of any opinions expressed in those countries. The noble Baroness raises an important point on that matter.

The noble Lord, Lord Collins, asked in particular about our view on refugees. For us, the implications are quite simple: we do not resile from any of our undertakings to international law and international humanitarian law. The UNHCR and the IOM remain strong partners for the UK in delivering our humanitarian and development response to the refugee crisis. Of course we will need to wait and understand any impact of US decisions on their operations, but we will look very carefully, and our commitment to them remains.

I was asked why the Prime Minister did not immediately condemn the executive order on Saturday. That was for two reasons, but the prime one was that on Saturday we were waiting to have clarification about the implications for the range of those who carry British passports, and to think before we acted. Also, as my right honourable friend the Prime Minister made clear yesterday, with regard to international relations it is the Foreign Secretary who takes action and with regard to issues of immigration it is the Home Secretary who takes action, and therefore they pursued these matters at the earliest opportunity.

I was asked whether an assessment has been made in the UK about upholding our obligations. As I say, the assessment is that we maintain our obligations on refugees.

I was also asked about those who are legally resident here and whether their ability to travel to the United States has been compromised. The US embassy web page has been updated to clarify that matter, and it says that, additionally, those who have indefinite leave to remain in the United Kingdom and hold nationality of one of these countries are eligible to apply for US visas. So they are eligible to apply for visas.

Clearly, this is a matter where we should work with all our allies, both within the European Union and worldwide, to ensure that all of us understand our duties in international law—and, beyond international law, humanitarian law and our simple duty as humanitarians in these issues.

6.45 pm

Lord Patten of Barnes (Con): My Lords, as an example of the special relationship in practice, could the Minister—with whom I sympathise—inform the House when we were first told?

Baroness Anelay of St Johns: My Lords, clearly there were private conversations happening with the Prime Minister on Friday, and there was a public press conference, and I am not going to add to those. But it certainly became clear, when the executive order was published, what the text of that was. As I am sure my noble friend will be aware, the position has been, from the point of view of the United States at least, rather evolving and, let us say, confusing.

Lord Ashdown of Norton-sub-Hamdon (LD): My Lords, the noble Baroness said that the Prime Minister's visit was a success. Does she realise why there are many in Britain who regard her scramble to be the first through the doors of Mr Trump's house as both unseemly and ill judged? Did she not realise when she went there that Mr Trump has specifically made it clear that he wishes to see the break-up of the European Union? Does she not realise that to be the first through that door in the way she did is bound to ensure that she is treated with greater suspicion when she comes to bargain on our behalf with the members of the European Union? For a little PR and a distant promise of some trade deal that we do not know any details about, she has damaged her ability to get a decent deal for this country in the thing that really matters.

As for the invitation for a state visit, I make this prediction. I do not know whether it will embarrass Her Majesty—she will do her duty, no doubt, as she always does—but I promise that this will end up embarrassing the Government and, in the face of the huge public demonstrations against him, end up embarrassing the highly volatile, thin-skinned US President. I cannot see how that helps anybody.

Baroness Anelay of St Johns: I have never known my right honourable friend the Prime Minister to scramble or be undignified, and I have known her for some long while. She demonstrated her dignity and statesmanship when she was in the United States, and she will continue to do so as she fights for British interests. It is the case that the United States, as the noble Lord is well aware, is our oldest and strongest ally—historically, as I was always reminded by one noble Lord, Portugal beats them in time, of course—and certainly it is our strongest ally. For the sake of world peace, it is right that that alliance should remain so. However, as the Prime Minister said, she will make clear her views; when we disagree, we will make it clear.

Yes, indeed, Her Majesty the Queen has issued an invitation to President Trump. Details of the date and arrangements have not been announced, but I would judge that the people of this country will act with dignity as well at the time.

Lord Hannay of Chiswick (CB): My Lords, would the Minister say very clearly—I think she is about half way there—whether or not we regard the action taken by the US Administration, in particular the action on refugees, as consistent with their having signed and ratified the 1967 protocol to the 1951 convention? Secondly, would she say whether the British Government consider that the action that has been taken by the US Administration is likely to reduce the threat from terrorism or, possibly, make it worse?

Baroness Anelay of St Johns: My Lords, on threats of terrorism I rely on the advice of our security agencies and border security, to whom I pay great credit. I saw them in operation when I returned earlier this month from a Foreign and Commonwealth meeting overseas. I have great respect for the work that they do. I am not going to jump to any conclusions here or announce the results of any assessment. It will be for those in the United Nations to take a view on the matter of law and whether this is a breach of the 1951 convention. I would hope that advice was taken before the order was issued.

Baroness Lister of Burtersett (Lab): My Lords, I welcome what the Minister has said about refugees, but it is not clear what the British Government have said to the US Government, particularly regarding the blanket, open-ended exclusion of refugees from Syria, which must clearly contravene the obligations under the refugee convention and protocol. What has been said to the US Government on this specific issue?

Baroness Anelay of St Johns: My Lords, the fact that we have said this is divisive and wrong encompasses that as well, as does the fact that we would not carry out a similar act. That covers the fact that this is not the way we would behave towards refugees. The Home Secretary has of course made it clear that it is important to understand whom one is describing when one talks about refugees, and to take into account the security of a nation in the way one screens those arriving in one's own country. We make careful efforts to do that, but that also means that we would not use this kind of executive order.

Baroness Falkner of Margravine (LD): My Lords, the Minister tells the House that the reason the Prime Minister hesitated—if I can describe it that way—was because she was waiting to be on top of the facts and they were not clear when it originally happened. When moderate Muslims in this country—I hate to describe myself in that way; I prefer to use the phrase secular Muslim—are constantly exhorted to fight radical elements in our midst, we take up that challenge. Does the Minister accept that in return we expect our Government, whether they are waiting for facts or not, to speak with a clear, moral voice when actions are wrong and simply say, as Angela Merkel has, that it is wrong to generalise among entire countries of people? That is what we expect to hear from our Prime Minister and it was extremely sad to hear her. It made communities in this country extremely nervous. It is only by luck that Pakistanis, large numbers of whom are in this country, are not on this list, although we know that Pakistan is a source of terrorism. For some inexplicable, illogical reason, Saudi Arabia and Pakistan are not on the list but they could have been and it would have affected tens of thousands of people in this country.

Baroness Anelay of St Johns: My Lords, as I have said before, my right honourable friends the Foreign Secretary and the Prime Minister have made it clear that this is divisive and wrong. I do not know what could be clearer than that. Today we have had the opportunity to give the detail of the implications for those who hold British passports, and they are still welcome in the United States. The noble Baroness referred to other countries. I appreciate that the list is of seven countries whose nationals President Obama had previously said would have to apply for visas and not be able to use the visa waiver scheme. The question of Saudi Arabia and Afghanistan is one for the US Administration, not us.

Lord Blencathra (Con): My Lords, when my noble friend gets back to her office, will she look at an article entitled "One million sign a petition" on the BBC news website and then scroll down to look at the 5,000 plus comments? She, and the whole House, would find it interesting. There is overwhelming condemnation of the "synthetic outrage" at the ban. She will see that there is massive support for President Trump coming here; that there is recognition that it is not a ban on Muslims; that the list of countries was drawn up by Obama, who banned everyone coming from Iraq for six months; and that the President was merely implementing what he promised to do when he was standing for election—a nice change from Obama. On the BBC website the silent majority are not opposed to the President's visit and are not outraged.

Baroness Anelay of St Johns: My Lords, I have carefully noted that, whenever President Trump has been asked about these matters, he has sought to stress the fact that it is not about Muslims, it is about the countries concerned. It is important for those who are responsible for carrying out the processes by which people now enter the US to hear that.

Lord Judd (Lab): Does the Minister agree that the real tragedy in this situation is that, faced with global insecurity and dangers on an unprecedented scale, the challenge, above all else, is to build bridges, make friends and win good will? A few hasty words, ill thought out in their consequences, can do immense damage to that cause. If we really are going to make this relationship with the States so important, we have to undertake a huge battle with our friends in government there to persuade them to take the course of reconciliation and understanding. The underlying issue is that we will ultimately secure a peaceful world by winning minds and hearts, not by executive orders.

Baroness Anelay of St Johns: My Lords, those are wise words.

Baroness Berridge (Con): My Lords, the devil is often in the detail, so I would be grateful if the Minister clarified that, although British residents are eligible to apply for visas to travel to the United States, the Printed Paper Office copy of the Statement outlines that they could face additional screening at US airports. The Foreign and Commonwealth Office's own website still states that dual nationals will be affected: that they might have extra checks if they are,

"coming from one of the 7 countries themselves – for example a UK-Libya dual national coming from Libya to the US".

Can the Minister clarify that point? In your Lordships' House on 16 November, I raised the issue of whether US immigration policy would be applied to UK citizens, irrespective of their faith or belief. On that occasion, the Minister quoted the policy of US Customs and Border Protection, which clarified that:

"The religion, faith, or spiritual beliefs of an international traveller are not determining factors about … admissibility into the US".—[*Official Report*, 16/11/16; col. 1425.]

If there are to be extra checks for British residents or dual nationals, as outlined on the website, will the Minister assure the House that the United States will be applying those checks, irrespective of the faith or belief held by that British resident or national, and that British dual nationals who happen to be Muslims will not face different checks from those who happen to be Christians or Hindus?

Baroness Anelay of St Johns: I can assure my noble friend that that is the position as we understand it, as it is the existing direction given to those who carry out the checks. The FCO website says:

"The only dual nationals who might have extra checks are those coming from one of the 7 countries themselves – for example a UK-Libya dual national coming from Libya to the US".

This was merely a caveat; a slight warning that there is likely to be longer queues for those going into the US. All of us who have travelled to the United States know how long those queues can be. It is just a cautionary matter in an evolving and confusing time at the US end. There will still be time for this to work through. Of course, this is only for a 90-day period, subject to evaluation, and we understand that there are legal challenges in some US states.

Baroness Smith of Newnham (LD): My Lords, before she went to Washington, the Prime Minister suggested that she was going to "speak truth to Trump". At the press conference on Friday, it appeared that she may have made some progress on NATO and torture, yet her response to the executive orders was that the United States was responsible for its policy on refugees. Does the Prime Minister understand that there is a difference between refugee policy and immigration policy? Can we call on the Minister to ask the Prime Minister to tell the President of the United States that his action is in breach of international law? The Foreign Secretary telling Members of the House of Commons about the rights of UK nationals is one thing, but if anything is speaking "truth to Trump", it is saying that this policy on refugees is morally abhorrent and illegal.

Baroness Anelay of St Johns: My Lords, as I have already mentioned, my right honourable friend the Prime Minister has made it clear that this policy is wrong and is not one that we would adopt. But, clearly, Governments make policy. We did not make this one and, as I have said, we would not make it. We could not make that clearer to President Trump if we tried. The whole issue of international law is a matter for lawyers to construe. I am sure that we and all the members of the United Nations will work on this issue to see whether it is compatible with international law, as the noble Lord, Lord Hannay, raised.

Lord Alton of Liverpool (CB): My Lords, the Minister just referred to the importance of international law. I press her further on the point raised by the noble Lords, Lord Collins and Lord Hannay, my noble friend and the noble Baroness. Are the law officers being asked to give advice to the Government, so that not only we but our many friends who sit in the American Congress can evaluate what they have to say about our commitments under the Geneva convention? That is, after all, one of the bulwarks which will ensure that these executive orders are given proper scrutiny in future. They could then see what the obligations are in law and come to their own conclusions. What consideration has the Minister given to our counterterrorism strategy? Does she accept that the inability to understand the difference in our own narrative between a faithful Muslim who prays in a mosque each week and lives their lives by the tenets of their faith, and those involved in jihadist activities supporting Boko Haram, al-Shabaab, al-Qaeda or ISIS, plays into the hands of those very groups?

Baroness Anelay of St Johns: My Lords, indeed it is very much the cornerstone of security policy in this country to ensure that one can differentiate between those who effect the outward trappings of devotion and those who have faith, and that one can determine who is a threat to security and who is not. Regarding advice on legal matters, as far as I am aware, the law officers advise the UK Government about their own legal responsibilities. However, my expectation is that there would be discussions at an international level—say, in the United Nations—on the implications of the United States' actions. That would be for the United Nations to decide, not this country. I do not think we could have made clearer the UK Government's view on this divisive and wrong policy.

Lord Roberts of Llandudno (LD): My Lords, the Minister seems to be saying that there is not much opposition to President Trump visiting the United Kingdom. I have just left a demonstration in Whitehall involving thousands of people. They streamed over into Parliament Square saying, "We do not want this visit. We do not want to embarrass our sovereign, ourselves and our Parliament by having him here". This is not happening just in London. If you went to Bangor, Aberystwyth, Swansea or Cardiff tonight, you would find demonstrations there and everywhere. I imagine that there will be as many as 50 or 60 demonstrations going on throughout the United Kingdom. Is the Minister aware of people's feelings about what is happening in the United States, and that we do not want to be tarred with the same brush?

Baroness Anelay of St Johns: My Lords, I think *Hansard* will make it clear that I said nothing of the sort. With regard to the state visit, I said that I expected that British people would act with dignity, which can encompass making one's view known. In this country we have freedom of expression, which is a great privilege not enjoyed by all countries around the world. I wish that it were.

Baroness Symons of Vernham Dean (Lab): My Lords, the noble Baroness spoke about those who have indefinite leave to remain, and how they may be treated in the future. Will UK consular services be available to those with indefinite leave to remain who may get caught up in additional screening at their port of entry? In the

[Baroness Symons of Vernham Dean]
past, we have had consular access in certain cases for not just foreign citizens but those with indefinite leave to remain. Can she shed any light on that?

Baroness Anelay of St Johns: I will certainly make inquiries about that. As the noble Baroness is aware more than most, having been a Minister with responsibility for these matters, normally the guidance is that those in our posts around the world give information and advice only to those who hold British passports. There is the added inhibition that we do not normally provide consular assistance to those who hold dual nationality in countries which do not recognise that dual nationality. However, we do waive that in certain cases and provide advice and assistance, as in the case of Mrs Nazanin Zaghari-Ratcliffe. I will make inquiries about the specific matter of those who are not nationals or dual nationals and do not hold a British passport but have the legal right to remain.

Higher Education and Research Bill

Committee (7th Day) (Continued)

7.06 pm

Amendment 482C

Moved by ***Baroness Brown of Cambridge***

482C: Schedule 9, page 105, line 30, at end insert—

"(d) form, participate in forming or invest in a commercial arrangement including a company, partnership or other similar form of organisation for the purposes of supporting economic growth through commercialising research or promoting university-business collaboration (up to a financial limit determined periodically by the Secretary of State)."

Baroness Brown of Cambridge (CB): My Lords, in moving Amendment 482C, I wish to speak also to Amendments 490A, 495C and 495D in my name and those of my noble friends Lord Mair and Lord Broers. All these amendments relate to the issue that I and others highlighted earlier of the need to maintain and strengthen Innovate UK's business focus within UKRI, and, in delivering its support to businesses of all sizes and stages of development, ensuring that Innovate UK is itself able to innovate in the forms of support it can deliver, so that they are appropriate to the need and scale of the business.

As we heard earlier, Schedule 9 states that UKRI is not allowed to enter into joint ventures, or form or invest in companies, partnerships or similar forms of organisations without the specific consent of the Secretary of State. These are just the kind of things that Innovate UK has done, does now, and which it is likely to want to do more of as it extends its activities in the future. The very successful catapults, for example, are companies which Innovate UK has formed, appointing their initial chairs and non-executive directors and funding them. Indeed, I understand that Innovate UK has recently appointed a chief investment officer to look at opportunities to support new technology-based companies. Schedule 9 appears to constrain this type of innovative business support rather than encourage it. The amendments would remedy this while still leaving an appropriate level of oversight and control with the Secretary of State.

Amendment 495C also supports the business focus and autonomy of Innovate UK within UKRI. It would transfer back from UKRI to the Innovate UK council, with, I hope, its independent chair, the determination of which of the UKRI functions Innovate UK should exercise to increase economic growth in the United Kingdom.

These are very important aspects of ensuring that Innovate UK can continue to provide innovative business-focused support to UK economic growth. I beg to move.

Lord Mendelsohn (Lab): My Lords, I will speak to the amendments standing in my name. Briefly, the context is of course that Innovate UK is a good thing that is making real progress, and we do not want to see anything that constrains it, particularly within this legislation. However, it is worth looking at the Government's case for its inclusion in UKRI—we will deal with some of its merits later—and what that means for its operating method and efficiency, and whether it meets the right objectives. That is also about ensuring that Innovate UK has the right basis for entering it, which is what our Amendments 482D and 495E relate to. The efficient use of the interrelation between business and research is aptly put by the question I will ask having visited Harwell, where there is a fantastic facility. Particularly with regard to space, where we have a huge emerging industry, we have invested in a chamber to be able to test products as they would wear in space. There is a five-year waiting list, even though construction has not been completed yet. Therefore, where in the research world is the case made to extend those facilities and make them more available? That is part of what we are looking at here.

Amendment 495F would require Innovate UK, when exercising the functions required,

"to maintain its focus on assisting businesses".

As well as some people having concerns about Innovate UK affecting the way the research is seen, we want to make sure that Innovate UK is established with the right focus and that its priorities and funding will not be excessively influenced by its proximity to the research councils and Research England.

One of the other issues on which we would like clarity from the Minister is how other elements, which have a strategic focus on these issues, relate to this. One is the role for the Council for Science and Technology, which is known by the acronym CST and sometimes dubbed "Charlie Sierra Tango". It advises the Prime Minister on science and technology policy issues, which cut across the policy issues of government departments. It is housed in BEIS, and it is the most significant location where issues of science, technology and the interface with business are addressed by government. It would be logical for it to be proactively charged with the role and responsibility to look at this issue. We will be interested to see where it fits in.

Amendment 495G is our proposal that Innovate UK's spending is separately reported and evaluated by the NAO, just to make sure, again, that we have that counterbalance.

In the development of the relationship with business and making sure that that function works particularly well, it is narrow just to consider the role of Innovate UK, however esteemed, useful and effective it is. We should be looking at the issues surrounding spin-outs—the commercialisation of university research, and how that works. We should be looking at some of the other elements; for example, research councils supported the Rainbow Seed Fund as a seed fund generator. It is a most outstanding, although small, fund, which has done a terrific job at encouraging investment in our research base and in companies that spin out from it. It will be useful to have some idea of where some of the new institutions, such as the Industrial Strategy Challenge Fund, which has been announced, will fit in with Innovate UK and its new research framework. Similarly, how will the Small Business Research Initiative fit in?

There are of course other examples. Many people commented on the recent announcements that we were looking for something similar to the Defense Advanced Research Projects Agency—DARPA—in the States, which has had fantastic non-military applications, such as computer networking, graphical interfaces and other things. Will the Government also consider, in the context of what they are trying to achieve, that there is a role for institutions such as Israel's Yozma programme, which revolutionised Israel's venture capital industry and has totally transformed its universities and capacity to the point where Israel is investing as a proportion of GDP twice as much in private equity and venture capital as the United States? That has transformed the research capability of its institutions.

Innovate UK is therefore a good thing, it should not be restricted and it should certainly have a lot more functions. However, is that the end of the story, and are there other ways in which research elements that we have already, as well as others, will be considered by the Government?

7.15 pm

Lord Broers (CB): My Lords, I support this case as well. Innovate UK has been very successful and should not be constrained in any way. It may be useful to talk about three examples of where institutions, excellent in the purest of research and in applied research, do similar things. I will start with Cambridge. I declare my interest again as a past vice-chancellor and head of the Department of Engineering, and I remain chair of the International Visiting Committee for the department—a point about internationality came up recently.

Cambridge University established Cambridge Enterprise about 10 years ago to aid the transfer of knowledge from the university through commercialisation. Its mission is to achieve this through intellectual property management and licensing, investment in university spin-outs, and consultancy management and advice. It has been a big success. Similarly, the Royal Society—I declare my interest as a fellow—launched the Royal Society Enterprise Fund in 2008, with the objective for it to become a financially successful contributor to early-stage company support and a role model for the translation of excellent science for commercial and social benefit. Again, the Royal Academy of Engineering—I declare my interest as a member and past president—recently established its Enterprise Hub, through which it offers a number of grants aimed at identifying and supporting the next generation of high-potential entrepreneurs and prizes celebrating success in innovation and entrepreneurship. Innovate UK should also, as the amendment says,

"participate in forming or invest in a commercial arrangement including a company".

One of the reasons that some of us are worried about bringing Innovate UK under UKRI is that it is so different from the research councils, and we do not want to harm the research councils or Innovate UK. This is therefore a plea to give Innovate UK its true freedom, which it enjoys at the moment.

Lord Mair (CB): My Lords, I support Amendments 482C, 490A, 495C and 495D, to which I have added my name, and support what has been said by my noble friends Lady Brown of Cambridge and Lord Broers.

The noble Lord, Lord Liddle, referred earlier to the industrial strategy. This is highly relevant to the Bill and to Innovate UK. The industrial strategy has 10 pillars. The first is:

"Investing in science, research and innovation".

The Green Paper clearly acknowledges the serious problem we have in the UK with commercialising our outstanding science. It states that,

"historically, we have not been as successful at commercialisation and development as we have been at basic research … We have already taken action to address the UK's … relative weakness in commercialisation, through the establishment of new, more industrially focused institutions such as Innovate UK".

This group of amendments addresses the freedom of Innovate UK within UKRI to operate successfully and with full autonomy—otherwise there is a danger that it will not be as effective as it should be. I fully support the point made by my noble friend Lady Brown of Cambridge. Paragraph 16(1) of Schedule 9 states:

"UKRI may do anything which appears to it to be necessary or expedient for the purpose of, or in connection with, the exercise of its functions".

However, paragraph 16(3) states that UKRI may not,

"form, participate in forming or invest in a company, partnership or other similar form of organisation",

except,

"with the consent of the Secretary of State".

That seems unnecessarily restrictive on Innovate UK. It should not have to obtain the consent of the Secretary of State whenever it wishes to make an investment in a company, partnership or similar organisation. A very similar point was made earlier by my noble friend Lord Oxburgh in relation to forming joint ventures. Innovate UK should have the freedom and flexibility to invest as necessary to promote research and innovation to the greatest economic benefit of the UK—although, clearly, financial limits should be set periodically by the Secretary of State. That is the purpose of our Amendment 482C.

The world is changing very rapidly and it is therefore vital for the economy to have a high level of UK R&D investment in science and engineering. The UK must continue to be world leading in innovation. We cannot

[LORD MAIR]
afford to slip behind, and UKRI must be made to work really effectively. Innovate UK, with its strong business-facing focus, along with the science and engineering community, must therefore be allowed to continue to play a key role in promoting research and innovation. Innovation is an inherently risky process with an uncertain outcome. To be really effective, Innovate UK must be allowed to promote high-risk and disruptive innovation.

This House's Committee on Science and Technology, chaired by the noble Earl, Lord Selborne, and of which I am a member, heard in evidence that many businesses have concerns about the status of Innovate UK in the proposed UKRI, especially in relation to risk and the backing of new companies. Innovate UK must be allowed to invest in commercial arrangements, including companies or partnerships, if it is to be fully effective in promoting innovation and commercialising research—and this should be in the Bill.

Innovate UK operates in a quite different way from a research council, so I urge the Minister to reflect on and give careful consideration to this matter, and to ensure that the proposed structure of UKRI is not unnecessarily restrictive on the crucial activities of Innovate UK.

Lord Mackay of Clashfern (Con): My Lords, it is perhaps important to point out that Innovate UK is to be henceforth merely a committee of UKRI. The scope of its work is set out in Clause 90(1), which states:

"UKRI must arrange for Innovate UK to exercise such functions of UKRI as UKRI may determine for the purpose of increasing economic growth in the United Kingdom".

So I do not think that there is any sense in which UKRI is autonomous. Innovate UK will have no employees of its own—they will all be employees of UKRI—and it certainly will not be autonomous in any sense that I can understand. The question may be whether the result that these amendments are aiming at can be attained only by taking Innovate UK out of UKRI and giving it a separate status. There may be disadvantages in that as well, but, as presently set out in the Bill, Innovate UK is a mere committee of UKRI—and that is not a particularly elevated status. In many aspects—not all, because I have just referred to a special aspect in the clause that I mentioned—it is being treated pretty much as a part of UKRI.

Baroness Neville-Jones (Con): My Lords, I support Amendments 482C, 495C and 495D. I note what has just been said about the committee status of Innovate UK, and many noble Lords—I include myself—do not regard that as a satisfactory way of running things. We would much prefer it to be a separate entity. If the Government are unable somehow to strengthen the role of Innovate UK within the present structure that they have chosen, there will be a real problem that we will have to tackle on Report.

The noble Lord, Lord Mair, said many of the things that I wanted to say, but much more eloquently. He made the absolutely vital point that the functioning of Innovate UK is crucial to the attainment of the Government's industrial strategy. If that is the case, it will need the powers to enable it to do that. The purpose of Amendment 495C is to give Innovate UK the right initiative that is needed if it is to achieve its objective. Amendment 495D emphasises the central role of Innovate UK in promoting the commercialisation of research. It has to be able to enter into business relationships which underpin that; thus we come back to the problem that has been identified.

The Minister's remarks will obviously be very important here. If the language is not right, perhaps it can be fixed, but this is an issue of fundamental importance on which I would like to hear what the Minister has to say.

The Earl of Selborne (Con): My Lords, the noble Lord, Lord Mair, referred to the short inquiry that the Science and Technology Committee undertook earlier this year, just as the Bill was introduced in the other place. It was clear from the evidence that we took from organisations such as BP, the Royal Academy of Engineering and others that they were rather taken by surprise by the way that the Government had implemented the Nurse review in this respect. After all, the Nurse review had been asked to look at research councils. However, when they had participated in the consultation, they had not thought to give their view on Innovate UK because they had not realised that it was part of the agenda. If you read the Nurse review carefully, you will see that it does not make a firm recommendation on this; rather, it states that this is something on which more consultation is required, although there would clearly be benefits from bringing Innovate UK and the research councils closer together—as I think we all accept.

Equally, there are real dangers, which have been referred to. In the letter that I wrote on behalf of the committee to the Minister, Mr Jo Johnson, we said that, if this is to work, the issues of autonomy, funding and business focus simply must be addressed. During any number of discussions that we have had, I have been prepared to give the Government the benefit of the doubt on this. I am sure that while the present Minister and the acting chairman are in their roles, they will be very sensitive to the need to keep this organisation business focused. However, we have to make sure that it survives the test of time when very different people are in those roles.

As my noble and learned friend Lord Mackay pointed out, autonomy is a real issue. We are talking about what is effectively a subset of UKRI, and UKRI has the last word. That is why, on one of the earlier groups of amendments, I suggested that it was absolutely critical to have on the UKRI board people who understood the Innovate UK agenda. That is not to say that they should be in a majority but, if these two cultures are to succeed in working together, it is clearly absolutely critical that there is a great deal of cross-representation and certainly a strong degree of business understanding, expertise and experience on the UKRI board, as well as on the Innovate UK council.

Again, I am absolutely certain that the issue of autonomy can be addressed by an understanding between UKRI and all its councils. The more I heard the earlier discussion, the more alarmed I became at how

the councils could potentially be circumscribed. Clearly, that would be unhelpful. There would be a lack of ability to respond with the sort of flexibility that we heard about in relation to charities. We have a lot to learn from them.

Of course, if the Secretary of State is ultimately responsible, he will probably not abdicate all financial responsibility—I accept that—and, if I may say so, I think that the noble Lord, Lord Mair, is asking a lot if he wants to be free of all such restriction. However, again, there can be delegated powers. I hope that the Government realise that if they are going to set up UKRI with its council of Innovate UK, with a much enlarged brief, they will have to consider a completely different remit.

7.30 pm

When we were taking evidence, the very impressive chief executive admitted that she and her colleagues were on a sharp learning curve when it came to venture capital and new sources of finance. However, over the lifetime of the legislation, that is what will be needed—just look at what organisations such as the Wellcome Trust have done to increase their financial base. I am not suggesting that anyone should be paid the vast amount that the Wellcome Trust pays its finance officer—he gets paid on results and it is an astonishing figure. Nevertheless, the concept is correct: you pay by results and you have to go out to the market and buy in or share the expertise. That is quite different even from what Innovate UK does at the moment.

It is no good thinking that the taxpayer is going to continue to fund this for ever-increasing sums. We all recognise that it will be an expensive business and we know that we are late entrants. The TSB, as it was called, was a relatively new institution and there will be an element of catch-up. Although we may congratulate ourselves by various indices—not all—on our success in the dissemination of innovation and the like, we still have a lot to do compared with other countries. So I agreed with the chief executive of Innovate UK when she told the committee that there will be a requirement to take on a lot of new skills that it does not have at the moment.

Ultimately, I think that the Secretary of State would be wise to aim high on this and look to the organisation that helped change the culture in this country around venture capital investment in new companies. It is a bleat I have heard so often in debates that scientists do not get support for spin-off companies and that we sell out early to get a quick profit. These are all issues on which UKRI could help change the culture. But it is going to need a lot of expertise that is not there at the moment. No one is suggesting that Innovate UK is going to make a dramatic change now, but, if we look 10 or 15 years ahead, surely it is reasonable to expect that it should.

The measures proposed in the amendments, particularly Amendments 495D and the earlier one, head in the right direction. I am not suggesting that the Secretary of State should give carte blanche; that is unrealistic. However, once we have thought through the implications of Innovate UK being within UKRI, it has to be clear to members of the business community—after all, it rightly looks to Innovate UK as something facing them—that there is not going to be mega-interference from people on the UKRI board who are much more interested in the other end of the spectrum than in its part, which is about developing innovative products with commercial possibilities and possibilities for improving our quality of life.

Lord Bilimoria (CB): My Lords, last year I shared a platform with the chief executive of Innovate UK at the International Festival for Business in Liverpool. We have heard from my noble friend Lord Mair about the great work it is doing and how important it is for our economy to encourage innovation and the translation of research from universities to business. Is it not ironic that here we have this Bill about which our greatest worry is its threat to autonomy—the autonomy of our universities, of our research institutions and, now, of Innovate UK? We cannot in any way stifle Innovate UK's work or its ability to partner with or have joint ventures with organisations or to be innovative in itself. We cannot spoil Innovate UK being innovative. I urge the Government to listen to the amendment in the name of my noble friends Lady Brown, Lord Mair and Lord Broers and enable Innovate UK to be innovative itself.

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Prior of Brampton) (Con): My Lords, I will begin by saying that I agree 100% with the principles behind many of the amendments in this group. It is absolutely right that Innovate UK should have as much autonomy as possible over all matters related to its remit and mission. We are fully agreed on that. However, I disagree with my noble friend Lady Neville-Jones. I fundamentally believe that Innovate UK will be better off within UKRI and that bringing together into one organisation research and the translation of research will create a much stronger one. I also feel that, when it comes to negotiating budgets with the Treasury and the like, again Innovate UK will be much better off within UKRI than if it were a separate body.

Baroness Neville-Jones: My Lords, I am not in fact advocating that Innovate UK should be separate—that battle is over. But, if the Government are going to construct the structure that they now wish, my point is that the structure must enable Innovate UK to do its job. I do not think that the present draft allows that to happen.

Lord Prior of Brampton: I thank my noble friend for that.

Turning to how autonomous and free Innovate UK is, I fully agree it is important that it is able to provide a broad range of financial support, including the sorts of commercial activity listed in the amendments. I assure noble Lords that paragraph 16 of Schedule 9, which provides detail on UKRI's supplementary powers, does permit UKRI and its councils to make such investments, but with the consent of the Secretary of State. This is not an unreasonable or overbearing condition. It is a necessary one to comply with cross-government rules set out by the Treasury in *Managing Public Money*. It is also not a change to current

[Lord Prior of Brampton]
practice—such permissions are already required. For example, the noble Baroness, Lady Brown, mentioned catapults, but as things are set up, they do require consent from the Secretary of State.

It would not be responsible to cut out ministerial oversight entirely, particularly with regard to commercial activity that potentially carries a significant level of financial and/or reputational risk. Absolutely nothing in the Bill curtails the powers of Innovate UK to enter into joint ventures or investments in the way that it does at the moment. I agree fully with the comments of the noble Lord, Lord Mair, that commercialising our science, one of the 10 pillars in the industrial strategy, is critical to improving productivity in the UK more generally. The Government fully understand it is important that UKRI has flexibility in this regard. The Secretary of State will specify conditions for such activities, below which UKRI can act without referring back to its sponsor department.

I turn now to the amendments tabled by the noble Lord, Lord Mendelsohn. I cannot agree with Amendment 495E, which would risk taking the emphasis away from Innovate UK's mission to support businesses by giving it further duties that are not reflected in its current charter. However, I find myself in complete agreement with the sentiment behind Amendment 495F. Although the Government strongly believe that the current drafting protects Innovate UK's business-facing focus, let me assure noble Lords that we will carefully reflect on the comments made in this debate.

On Amendment 495G, as a council of UKRI, Innovate UK will continue to undertake detailed evaluation of the economic impact of its business-led innovation projects. It is right that the organisation is given a degree of flexibility to determine how it reports on its activities, rather than entrenching such detail in the Bill. Let me reassure the House that it is not the Government's intention to place artificial and unjustified limits on what commercial activity UKRI and Innovate UK may undertake. The Government's position is very clear that Innovate UK must retain its business-facing focus. I hope that with the assurances I have given noble Lords this evening, the noble Baroness will withdraw her amendment.

Baroness Brown of Cambridge: My Lords, I thank the Minister for his detailed response and other noble Lords who have contributed fully to the debate. I am pleased that the Minister agrees with the principle behind many of these amendments—I hope I have understood him correctly this time—particularly the need for autonomy for Innovate UK and for it to be able to deliver a broad and innovative range of financial support and commercial activities.

The Minister mentioned that the Secretary of State would be able to specify conditions within which UKRI can act, which is specifically indicated in one of the amendments. Perhaps he can write to us with more information about that as it may further allay some of the concerns.

The issue of the autonomy of Innovate UK, and the opportunity and need to have an enlarged brief to deliver the economic growth which we are all keen to see from our science base, are so important that we would like to hear more about the Government's thoughts in this area. It is an issue to which we may wish to return on Report. However, in the context of the strong reassurance that we have had on this point, and that we will hear more, I am happy to withdraw the amendment.

Amendment 482C withdrawn.

Amendment 482D not moved.

Schedule 9 agreed.

Clause 86: The Councils of UKRI

Amendment 483

Moved by ***Baroness Garden of Frognal (LD)***

483: Clause 86, page 55, line 12, leave out paragraph (h)

Baroness Garden of Frognal (LD): My Lords, I shall move Amendment 483 in my name and that of my noble friend Lord Storey and speak to Clause 90 stand part, to which the noble Lord, Lord Mendelsohn, has also added his name.

The previous group has already addressed these issues in some detail and so I shall be brief. These are probing amendments of course. We recognise that UKRI is effectively a fait accompli, but following concerns raised both tonight and elsewhere by supporters of Innovate UK and of the research councils that the proposed combining of forces may have unintended consequences, this seemed to be a moment to raise the issue again. Amendment 483 would remove Innovate UK from UKRI. In the previous debate, the noble and learned Lord, Lord Mackay, the noble Baroness, Lady Neville-Jones, and the noble Earl, Lord Selborne, all addressed this proposal without necessarily supporting it.

Innovate UK is primarily business focused. It works with the private sector and is generally supported by the business community. It should perform a key role in the industrial strategy, and it performs a valuable function in ensuring that the UK benefits from UK research. As the noble Lord, Lord Mair, set out, there are too many examples of research that is carried out in the UK by UK academics being commercialised elsewhere or undersold in the UK. Innovate UK has been successful in addressing and improving that situation. The noble Lord, Lord Broers, also addressed this issue, and the Minister addressed it in his closing remarks on the previous amendment. However, the challenges of Brexit add to the need for Innovate UK to work well, and there seems to be no good reason for changing its structures.

Concerns have also been expressed by the research community that the interests of pure academic research might be disadvantaged by being under the same governance as the commercial arm. We have heard those concerns expressed again this evening.

Clause 90 follows from that. It sets out clearly that Innovate UK has the purpose of increasing economic growth, to benefit business and improve quality of life. Those are all admirable aims, and after tonight's discussion there may be additions to them. What assessments

were made of possible detriment to Innovate UK and the research councils of being under the same umbrella? What evidence is there that such a combination will be successful? Is there any provision for a review in case any problems arise with this multifaceted and enormously influential institution? I beg to move.

The Earl of Selborne: My Lords, we have discussed at good length the various problems that Innovate UK might or might not face within UKRI. I would like to explode one myth in case anyone has any illusion about the linear model or believes that ideas automatically start in academia and go in one direction only—into commerce. That model has long since been exploded. Ideas go in both directions and academia benefits as much from interaction with commercial activity as the other way round. Once we have got that into our heads and realise that we need to bring them all together and provide an opportunity for each to spark the other, then we will see how Innovate UK might realistically and helpfully be embedded in the organisation.

It did not help that the consultation in the early days, before the Bill was published and after the Nurse review, was, quite frankly, inadequate. There has been a great deal of excellent consultation since, which is why many of us have changed our minds—or at least are prepared to accept that it could be made to work—and I hope that we can be given further assurance about the issues referred to in the earlier debate about autonomy and being business-facing.

7.45 pm

Lord Willetts (Con): My Lords, in commenting briefly on this clause I draw attention to the fact that I am currently trying to set up a venture capital fund. It does not yet exist, but it might do.

Several noble Lords have gone through the thought process to which my noble friend Lord Selborne has just referred. The decision that Innovate UK should be part of the overall UKRI, which is not clear in the original Nurse review, we now accept and recognise.

There are two points on which it would be helpful to hear more from the Minister. If this involves one of the letters for which this Committee has become famous, so be it. It would be helpful to know how many of the Secretary of State's powers—which are, as the Minister rightly said, explicit in the Bill as part of the usual Treasury controls—will, in practice, be delegated to Innovate UK. Although it is clear that in theory there is a great deal that Innovate UK can do only with the consent of the Secretary of State, it was not my experience as a Minister that I or Sir Vince Cable were endlessly getting petitions to do specific things. Organisations operated within a range of delegated authorities so that they could get on with doing things. It would be helpful if the Minister could indicate the kind of flexibility that he envisages Innovate UK would have within the UKRI regime.

Secondly, in the Bill as currently drafted there is a hint of old-think pre-industrial strategy. I wonder what would have happened if the chronology had been the other way round and we had had last week's excellent consultation document on industrial strategy and then the legislation. Some of these constraints are hard to reconcile with the ideas in the industrial strategy. Again, if the Minister can show how this model will enable Ministers to deliver what they are talking about in the industrial strategy, it would be very helpful.

Lord Mendelsohn: My Lords, I shall speak to our amendments. The noble Baroness, Lady Garden, has made a very good case. The long and the short of how we see this is that we do not think it was a very good idea in the first place and time has passed on. Many of the comments that have been made will find an echo in our thoughts.

It is worth returning to the original Nurse review. The report states:

> "In relation to Innovate UK, as stated earlier, the current delivery landscape is too complex and there should be a smoother pathway to more applied research. Integrating Innovate UK into the Research UK structure alongside the Research Councils could help such issues to be addressed However, Innovate UK has a different customer base as well as differences in delivery mechanisms, which Government needs to bear in mind in considering such an approach and which this review, according to its remit, has not looked at in depth".

The noble Baroness, Lady Garden, made exactly that point: what evaluations were made when it went in?

I would suggest that both its target audience and the mechanisms that Innovate UK uses are so dramatically different that it is unlikely to be able to perform such an effective function within the context of UKRI. I think that it would be a terrible misfortune if Innovate UK, which has proved itself over some years to be a very effective body doing great things, were to come into UKRI with its current framework. That would not just be restrictive but could possibly be quite damaging for an institution that is following a good path.

I also think that this is a policy that was designed for a pre-Brexit world. In a post-Brexit world—which we are not in at the moment—we know that we are going to have to rely on research an awful lot more, and a great deal will be required of it. I cannot imagine that in such a situation we would ever put one of our most significant levers into this sort of environment; we would leave it to work independently. With the industrial strategy having now been published, it is absolutely clear that there is a massive hole in the delivery of its research objectives that would have been filled by Innovate UK. That is a mistake that the Government would be wise to take note of.

By the way, it is important to understand that Nurse himself recommended:

> "At the very least, the Chief Executives of HEFCE and Innovate UK should be represented, on the Executive Committee of Research UK",

or UKRI. And that was probably a very measured judgment.

My final very brief point is in relation to what it is necessary to do to make the best of our university sector and to be able to commercialise at both ends of the spectrum via big company investments and tracking what research is being done as well as smaller companies emerging as the result of venture capital. An awful lot is going on in this area. Recently I spent time with some of the companies at Cambridge Enterprise Limited. Innovate UK is not the only solution that is required,

[LORD MENDELSOHN]
and I think that it would be a colossal mistake to expect UKRI to perform that role and to forget the other things we may need to do. To restrict UKRI in that situation has the potential to do great harm to the long-term needs of our country, especially in an environment where we need an effective industrial strategy.

Lord Prior of Brampton: My Lords, we could debate this issue for two or three hours, but we must restrain ourselves. I turn first to the two points raised by my noble friend Lord Willetts. I will indeed have to write to him about the powers the Secretary of State will be planning to delegate to Innovate UK. In a way that also answers his second question because he referred to "old think", and indeed some of that could be construed in this Bill when comparing it with the requirements of the industrial strategy. But if the delegation to UKRI and Innovate UK from the Secretary of State is right, I think it will be perfectly possible to reconcile that with the industrial strategy.

I would actually take issue with the noble Lord, Lord Mendelsohn, because I think that Brexit has made the coming together of Innovate UK with the research councils within UKRI even more necessary, but I agree that Innovate UK is only a part of the answer. We have to have a competitive fiscal regime, long-term risk capital and a well-trained technical workforce among many other things. Innovate UK on its own is not going to shift the productivity dial for the country, although we believe that it has an important part to play.

The noble Baroness, Lady Garden, asked about an assessment of Innovate UK. A detailed business plan was made, although I am afraid that I cannot remember when it was published. I shall certainly endeavour to send her a copy of that report. The fact is that this is more of a judgment than something which can be proved with spreadsheets and the like. I think that the right judgment is to bring innovation together with research; that is the right thing to do because the reality is that one of our weaknesses, as other noble Lords have mentioned, is that we have a fantastic research base but have not been able to take maximum commercial advantage of it. That is a space which Innovate UK has filled and will continue to do so.

The extra investment being made by the Government in UKRI is a clear vote of confidence, and our support for the central role of Innovate UK in delivering our future knowledge economy will include a substantial increase in grant funding. The Bill seeks to name Innovate UK in legislation for the first time. It will retain its own individual funding stream and grow its support for business-led technology and innovation as a key part of the industrial strategy. I think it is worth quoting Ruth McKernan, the chief executive of Innovate UK:

"The establishment of UK Research and Innovation, including the research councils and Innovate UK, recognises the vital role innovation plays and further strengthens the UK's ability to turn scientific excellence into economic impact".

That is one of the 10 pillars of the industrial strategy referred to earlier by the noble Lord, Lord Mair. It is absolutely fundamental to our future and bringing these organisations together is critically important. Only by bringing Innovate UK into UKRI will we remove the remaining barriers to greater joint working between research and business at all levels. Businesses will be able to identify more readily possible research partners and will benefit from the better alignment of the outputs of research with business needs in, for example, technology and data skills. Researchers will benefit from greater exposure to business and commercialisation expertise so that they can achieve maximum impact. It will be simpler to find and form partnerships and there will be easier movement between academia and business. The UK will benefit from a more strategic, agile and impactful approach across UKRI's portfolio which can respond to real-world challenges and opportunities.

The critical achievement is reaching the right balance between freedom and autonomy for Innovate UK while recognising at the same time that, ultimately, the Secretary of State has to be held financially accountable in Parliament for the money that is spent. With that, I hope that the noble Baroness will feel able to withdraw her amendment.

Baroness Garden of Frognal: My Lords, I thank the Minister for his reply and other noble Lords for their contributions to this short debate. As the Minister said, we could have carried on debating this for rather a long time, but of course we will not.

One of the points made by the noble Lord, Lord Mendelsohn, about Brexit is that it generates an extra degree of uncertainty, and with all the uncertainties already around, this may not be a propitious moment to be creating another uncertainty by combining Innovate UK with the research councils. I look forward to another letter for the dossier, and indeed we are acquiring quite a number of them at the moment. If there is any more clarification, I would also welcome that. In the meantime, I beg leave to withdraw the amendment.

Amendment 483 withdrawn.

Amendment 483A

Moved by ***Lord Stevenson of Balmacara***

483A: Clause 86, page 55, line 14, leave out subsection (2)

Lord Stevenson of Balmacara (Lab): My Lords, this continues on the theme of uncertainties. I think that I can deal with the issue fairly quickly; at least that is my aspiration in moving the amendment. The starting point for this brief debate is Clause 86, which lists the seven current research councils and then adds Innovate UK and Research England. The intriguing statement is:

"The Secretary of State may by regulations amend",

that list so as to,

"add or omit a Council, or … change the name of a Council … But the regulations may not omit, or change the name of, Innovate UK or Research England".

Inevitably, the question that arises is: why is that? This is not in any sense an attempt to set in concrete the existing structures. These councils have come and gone and changed their names with dazzling frequency and I do not think that what we have before us, the seven

currently dealing with the range of research that they do, will last for very long. But it is important to have an explanation from the Minister, perhaps by letter if he so chooses, of what consultation might be undertaken before the councils are changed—because there is a bit of a worry about the uncertainty.

Lord Willetts: The noble Lord has just made an assertion which I do not think is quite correct. After the research councils were created in 1965 by the Wilson Government, if someone who had participated in those debates at the time were to look at this list of research councils, they would indeed observe changes. However, it is not the case that they change frequently: rather, they have changed very slowly over time. For example, the Economic and Social Research Council was created in the 1980s and the Science and Technology Facilities Council more recently. But the noble Lord should recognise that there is some quite deep continuity here, which is important if we want to ensure that they remain stable entities in the new dispensation.

Lord Stevenson of Balmacara: That is a very kind intervention because I no longer need to give the second half of my speech, in which I would have stated that the names of the councils are only one aspect; the worry is that the work might change. That was the point I was seeking to make. I beg to move.

8 pm

Lord Prior of Brampton: My Lords, the global research and innovation landscape is constantly evolving. It is important that the Government can react to this by making changes to the research councils, just as they have done in the past—for example, with the creation of the Arts and Humanities Research Council in 2005. We are all saying the same thing.

In the other place, the Minister of State, Jo Johnson, was absolutely clear that any future changes would not be undertaken lightly. This is reflected in the fact that this power cannot be exercised without legislative scrutiny and the agreement of Parliament through the affirmative resolution procedure. I can assure noble Lords that this is not a change in approach and reflects existing powers to make changes to the research councils. Secondary legislation strikes the right balance here. Primary legislation would impact on the ability of UKRI to react quickly to changing circumstances. Technology is changing very rapidly, as we all know.

In the other place the Minister of State committed that the Government would seek the views of the stakeholder community through proper consultation prior to putting any proposal forward. I reiterate that commitment. In the hypothetical event that such consultation had not taken place, I am absolutely sure that this would be strongly challenged by noble Lords during the affirmative resolution process. I believe that this is an appropriate and powerful safeguard. However, I understand noble Lords' concerns and will reflect on today's debate. I therefore ask noble Lords not to press their amendments.

Lord Stevenson of Balmacara: I am almost humbled to accept such a wonderful offer. I thank the Minister very much indeed and beg leave to withdraw the amendment.

Amendment 483A withdrawn.

Amendments 483B and 484 not moved.

Clause 86 agreed.

Clause 87: UK research and innovation functions

Amendments 484ZA and 484A not moved.

Amendment 484AA had been withdrawn from the Marshalled List.

Amendments 484AB to 484D not moved.

Amendment 485

Moved by ***Lord Prior of Brampton***

485: Clause 87, page 55, line 26, at end insert—

"( ) facilitate, encourage and support knowledge exchange in relation to science, technology, humanities and new ideas,"

Lord Prior of Brampton: My Lords, the Government have brought forward these amendments to clarify the vital importance of knowledge exchange within UKRI. Knowledge exchange is an essential mechanism to support universities in effectively contributing to UK growth, but it is not limited to higher education innovation funding, which is currently administered by HEFCE. The integration of knowledge exchange functions across UKRI is critical to achieving greater strategic co-ordination across the research funding landscape.

Amendment 485 agreed.

Amendment 485ZA not moved.

Amendment 485A

Moved by ***Baroness Brown of Cambridge***

485A: Clause 87, page 55, line 32, at end insert—

"( ) facilitate, encourage and support the development of activities in higher education providers associated with entrepreneurship, innovation, commercialisation and support of regional economic growth."

Baroness Brown of Cambridge: I shall speak to Amendments 485A, 496 and 499A in my name. I welcome the government amendments to include knowledge exchange in UKRI, but I do not feel that they go far enough. The Minister mentioned the Higher Education Innovation Fund, which is currently distributed to universities by HEFCE on the basis of encouraging interactions with industry and business, which includes knowledge transfer, collaboration support for registration of intellectual property, entrepreneurship and a range of other things.

Historically, HEIF has been assessed as delivering a benefit to the UK of £7.30 for every £1 invested. It is mentioned in the new industrial strategy as one of the routes to address the concern that the UK is

[Baroness Brown of Cambridge]
excellent in research but not innovation. Indeed, the Green Paper is looking to explore the expansion of HEIF. This news will be celebrated by UK higher education institutions of all kinds, from the highly research-intensive to the more applied and business-focused institutions.

I understand from discussions with the Minister of State and the Bill team that HEIF will continue to be delivered by Research England. This is again good news, except that in Clause 91 Research England can provide financial support only for research or facilities for the purposes of, or in connection with, research. This needs to be addressed at the Research England level in Clause 91 and for UKRI in Clause 87.

The government amendments in this group are very much appreciated as they go some way towards addressing this issue by extending the UKRI and Research England support to knowledge exchange. However, I am not quite sure what the definition of "knowledge exchange" is. I believe that HEIF as currently applied delivers benefit some way beyond what one might assume is included in "knowledge exchange". It is used to support entrepreneurship activities among undergraduates, postgraduates, researchers and university staff. It helps to support initiatives such as "dragons' den" competitions for start-up companies in universities. It supports working with local enterprise partnerships on business growth in the regions. I am not sure whether all of these activities can be classified as knowledge exchange, but they are all important in ensuring that our universities play a strong role in stimulating innovation, entrepreneurship and economic growth locally and nationally.

My amendments would go further than the Government's proposals to ensure that the excellent work done under HEIF can continue—and, indeed, to allow Research England to distribute other such funds in future with equally broad scope for encouraging university-business links and entrepreneurial activities. I do not believe that these amendments have different objectives from those of the Government, but I ask the Minister to reflect on whether the wording of the government amendments could go further to ensure that they cover the quite broad scope of HEIF as it is currently very effectively used.

Lord Prior of Brampton: I am very grateful to the noble Baroness, Lady Brown, who described the wide range of activities undertaken by universities under the banner of knowledge exchange—and, beyond that, the contribution that they make to their local communities, to entrepreneurship and to local economic growth.

The Bill makes clear that Research England will retain HEFCE's research and knowledge exchange functions. This will include distributing higher education innovation funding. This vital block grant for universities in England represents an important source of stability to the sector, allowing maintenance of facilities, core staff, support for postgraduate students and a degree of entrepreneurial research activity. Research England and the new Office for Students will act together to deliver HEIF—an example of the close joint working between the two bodies and their shared remit to support business-university collaboration. The Office for Students will continue to encourage student activities such as entrepreneurship training.

The Bill ensures that UKRI will be equipped to continue to support universities to continue to play a critical role in their communities, including through knowledge exchange.

Baroness Brown of Cambridge: I thank the Minister for his reassuring response. I am keen to know how the OfS and Research England will work together to deliver HEIF funding, because, as the Minister will know, there is a very precise formula for delivering HEIF funding relating to things such as the amount of university-business research collaboration undertaken by universities. It is important to understand how work will be done between the two organisations to continue to deliver this funding. Will the Minister include that in one of his letters? In that light, I beg leave to withdraw the amendment.

Amendment 485A withdrawn.

Amendments 485B to 485D not moved.

Amendment 485E

Moved by ***Lord Mendelsohn***

485E: Clause 87, page 55, line 32, at end insert—

"( ) facilitate, encourage and support UK research's participation in EU programmes and initiatives and be responsible for ensuring the UK's position on international research projects."

Lord Mendelsohn: My Lords, this group of amendments relates to UK research and the impact of leaving the European Union and probes the Government's intentions about how we should approach this. Of course, as has been said, the Bill was written in a pre-Brexit environment and there is not inherently a good post-Brexit situation. A great many concerns have been expressed over the issues of funding and staff—researchers and others—and students being able to gain access to it, and also about our leadership in the European and international research community being diminished as a result. Indeed, on other amendments we have already debated some of those issues.

I have a genuine personal concern about this. I have been involved in two businesses now that are both within the context of our science and research base. The fundraising of one, which I was looking to participate in, has been pulled because the CIO, the CTO and two engineers and designers—who are European—now plan to return to their countries. The company has a considerable problem in being able to deliver its plans. The other company is in a similar position. Not all is doom and gloom; I am invested in another company which does not have too many EU nationals involved.

I have spent rather too long with doctors in recent times but one of the medical research teams told me that his team was informed not only that it would not be welcome as part of the European bid that it had been involved in for some time, but also that it was felt that the UK being involved would mark it down. As a

result, a whole group of researchers is giving notice and planning to leave, and is currently planning arrangements for their children.

As a result, we have a pressing need to address some of these issues quickly. While there are other amendments on this—I note the presence of the noble Lord, Lord Hannay, who proposed some very good ones—we tabled Amendment 507ZA to establish a UKRI visa department which may well have a useful function in a post-Brexit scenario but certainly, in our view, in a pre-Brexit scenario has symbolic value and is an important aspect of what we need to do to reassure people that this is a primary concern, something the Government will address and that they will almost move mountains to deal with.

The other amendments look at ensuring that UKRI spends a lot of time—I think it will need additional resourcing for this—to make sure that the UK continues to have a very strong participation in EU programmes and initiatives. There is much to be done in intergovernmental negotiations, which this is not part of. The Government need to work harder at those sorts of things. Of course, as in Amendment 485F, we are concerned about other aspects of research support from the EU. The Government committed to supporting the European funds that are lost—that is to be welcomed—but it is important that we quantify that loss on an ongoing basis.

We must also consider that we will have lost some important research opportunities. For example, there is a belief among many in the sector that our inability to access the European Research Council creates a real gap as it, in particular, complements other funding activities in Europe and has an investigator-driven or bottom-up approach. It allows researchers to identify new opportunities and directions in any field of research rather than other sorts of priorities being established in other ways. Those sorts of gaps are important for us to identify.

Given the firm consensus that exists to ensure that the UK base remains as strong, world-leading and important as it should be in future, the purpose of this group is to track what we do, do more to hold our position and show symbolically that we will welcome and look after people who come here. If we do not do that, we will lose our global position as a world-leading base. I beg to move.

8.15 pm

Lord Hannay of Chiswick (CB): My Lords, I speak to Amendment 488, which has in a way been trailed already in its substance by the noble Lord, Lord Oxburgh, who raised but did not get a response about the absence in the Bill of any serious reference to continuing co-operation overseas, and also by the noble Lord, Lord Mendelsohn, who pointed out that there is a quite a lot of cross-coverage in what he is putting forward as probing amendments and what I am putting forward as a substantive amendment.

Amendment 488 is very simple, merely adding a further task for the UKRI in the list given in this clause. It says that,

"UKRI shall take every possible opportunity to encourage and facilitate the maximum co-operation between British higher education and research establishments and those based outside the UK, and in particular with projects and programmes funded by the European Union".

The wording does not limit this to the EU. Although it is to some extent Brexit-related, it looks much wider than that. Clearly, it will not in itself provide the legal or policy framework for co-operation between the UK and EU when we are outside, because that will be laid down by the Government in their Brexit negotiations. I very much welcome the fact that the Prime Minister in her Lancaster House speech explicitly mentioned this as one of the areas where Britain will want to go on co-operating as closely as possible. The amendment does not provide for that. It is a task merely for UKRI, and UKRI will have to operate within the scope of whatever arrangements the Government may negotiate with the EU—on money, legal base, and all that sort of stuff.

The EU dimension is, however, very significant. The noble Lord, Lord Mendelsohn, mentioned it briefly. Since the EU's Horizon 2020 programme began in 2014, the UK has provided 5,428 participants—more than any other member state. The UK co-ordinates around 20% of the projects. We have received 16.4% of the funding, adding up to something like £2.63 billion.

Turning to the separate European Research Council programmes, here I mention the noble Lord, Lord Patten of Barnes, whose name is on the amendment, because he was very much instrumental in setting up the European Research Council many years ago when he was working at the Commission. It is a brilliant organisation, much less bureaucratic than some of the other aspects of the European Union. In the ERC programmes, we have 699 grant-holders and are the most successful member state.

There is a lot at stake here. In addition, something like 46% of UK research involves some overseas partners. That surely demonstrates how important a part of UKRI's work will involve this international dimension. I very much hope that the Minister will feel able, even today, to say simply that he accepts the amendment. I cannot believe that it cuts across or does anything other than complement the Government's own objectives. So I will listen with great care when the Minister responds to this debate and I will hope to be delighted to hear that he thinks this is a jolly good amendment.

Lord Storey (LD): My Lords, we have Amendment 490 in this group. I echo what has been said by other noble Lords about the paramount importance of international—particularly EU—academics, scientists and researchers employed in the UK.

The Government's own industrial strategy highlights the importance of continued investment in science and R&D, noting that the UK spends 1.7% of GDP on public and private R&D, compared with an OECD average of 2.4%. Presumably that is why the Government have committed to substantial new investment in R&D, including an extra £4.7 billion by 2020-21—a 20% increase in spending, which must be welcomed. However, the ability of this investment to pay dividends depends on ensuring that world-class people come here to carry out that research. It is no good finding the extra money if you do not have the people. Without ensuring

[LORD STOREY]
that the best and the brightest are working here, throwing money at research will not help and will not enable UKRI to reach its strategic goals.

The curtailment of freedom of movement, coupled with an already complex visa regime for non-EU workers, threatens to undermine our scientific research base. Indeed, just the uncertainty over Brexit is already having an effect. As Dr Jo Beall, director of education and society for the British Council, told the Education Select Committee on 25 January, the UK is already losing out on vital research as academics pull out of research bids or choose not to take up posts in the UK as a result of uncertainty over their long-term future. The uncertainty over Brexit means that the viability of scientific projects that could take 20 to 30 years cannot be guaranteed, either in funding terms or, crucially, even whether the academics who start such projects will be able to live in the UK throughout that time or recruit the others they need to make a success of the projects.

The amendment does not seek to force the Government into maintaining freedom of movement, although of course this is an approach that my party favours. Instead, it seeks to ensure that the effect of such a change on the viability of world-leading science and research is recorded and understood so that it might influence government decision-making. The amendment would therefore require an annual report by UKRI on the impact of scientific academics and researchers, employed either directly through UKRI or through higher education institutions. Should the report identify a fall in the number of international researchers and academics in the UK, the amendment would require the Secretary of State to assess the impact of such a reduction on the ability of UKRI to deliver its functions.

The intention of the amendment is to give the Secretary of State the responsibility of understanding that failure to protect the free movement of academics and researchers risks undermining the Government's aim of being a world leader in R&D. The very viability of this goal, identified in the Government's own industrial strategy, depends on having such an assessment and not simply assuming that relying purely on home-grown scientists will provide the capacity or diversity needed to compete in a globally competitive field.

Baroness Smith of Newnham (LD): My Lords, I welcome all these amendments. As ever, I declare my interests as outlined in the register. I am employed by the University of Cambridge and I have at various times benefited from EU funding. I am particularly keen to speak in support of Amendment 488 in the name of the noble Lord, Lord Hannay, and I want to stress the importance of research co-operation.

The Government have committed to keeping research funding going up to 2020 and, if we lose funding under Horizon 2020, that that can be replaced. But funding is only part of it. Research co-operation—the dynamism of exchanging ideas and being able to co-operate with partners across the European Union—is absolutely vital, whether in social sciences or hard research science. If we lose that, we will lose something that is absolutely crucial to research and innovation in this country.

I also add my support for Amendment 507ZA, which I believe is in this set. It mentions the idea of an UKRI visa department. I very much hope that when the United Kingdom leaves the European Union, our colleagues from within it will not be subject to visas. But if they are, that will jeopardise co-operation with our European partners even more than would simply leaving the European Union and the single market. If that happens, something like an UKRI visa department will become even more important. A simplification of the way in which academics and others have to face visa regimes would be most welcome, because it is one of the many things that increasingly put people off coming to the United Kingdom.

Baroness Morgan of Drefelin (CB): When the Minister replies, perhaps he could say something about the role of UKRI in the thinking about regulatory harmonisation. Would he like to say something to create a bit of certainty regarding medical research, clinical trials and so on?

Lord Bilimoria: My Lords, today I hosted a group of education leaders from India and in our discussion, they asked: "What are your worries about Brexit when it comes to the UK education sector?". In listing my worries, a list which is too long to talk about now, I stated that one of my biggest concerned research. It is all very well for the Government to say, "We'll keep giving you the funding for research that we get from the European Union, even if we leave", but it is much more important than that. That is why I support Amendment 488 in the name of the noble Lord, Lord Hannay.

The key to research is collaboration. Already, we are seeing EU-funded research universities in Europe not partnering with UK universities because they are worried that we will be leaving the European Union. If I may illustrate the power of collaborative research, while I was in India in November, at the same time as the Prime Minister and the Universities Minister, Jo Johnson, the University of Birmingham held a workshop with the Panjab University. There we showed the power of collaborative research: when the University of Birmingham conducts research, our field-weighted citation impact is 1.87. The Panjab University figure is 1.37. Yet when we carry out collaborative research, the impact is 5.64, or three times the Birmingham figure. When we do research with Harvard University—I am an alumnus of the Harvard Business School—while Birmingham's impact is 1.87 and Harvard's is 2.4, our combined impact is 5.69. This is serious. We must encourage collaborative research with the European Union and this amendment should be in the Bill.

Lord Prior of Brampton: My Lords, I think we are all pretty much in violent agreement about the critical importance of collaboration across countries, but also about being able to attract the best and brightest to the UK. There is no question about that. When one hears the story from the noble Lord, Lord Mendelsohn, about individuals who have decided not to come here for various reasons because of Brexit, it is depressing. On the other hand, only today Novo Nordisk, the big Danish pharmaceutical company and diabetes specialist, announced that it is investing £100 million at Oxford.

AstraZeneca is also building its global research facilities at Cambridge. The truth is that anecdotes can be misleading and that the jury is out.

We have to demonstrate to the international community that we are open for business, and persuade it that that is the case. Other countries have similar issues at the moment. I imagine that many scientists in the USA are thinking, "Should we stay in the US or move?". Scientists in other parts of Europe will be thinking similar things. We have to demonstrate to this increasingly internationally mobile part of the community that Britain is the place to be. I was struck that at the Crick institute, some 34% of all its principal investigators are EU nationals, which illustrates that it is essential that we reassure them of their welcome here.

That is what the Prime Minister has been doing. She said in her Lancaster House speech on 17 January that we will,

"welcome agreement to continue to collaborate with our European partners on major science, research, and technology initiatives".

She went on to describe her vision of,

"a secure, prosperous, tolerant country—a magnet for international talent and a home to the pioneers and innovators who will shape the world ahead".

There should be no doubt that the Government are fully apprised of this issue and that we are determined to be, as the Prime Minister said, a magnet for international talent. I do not suppose that the country is going to be glued to reading *Hansard* tomorrow, but it worth making that point on any opportunities that we get.

8.30 pm

As well as positioning the UK as the best place for science and innovation, as one of her key objectives for the Brexit negotiations, the Prime Minister is also placing research and development at the heart of the UK's industrial strategy, as we discussed earlier in the debate. The Bill enables UKRI to carry out any and all of its functions outside of the UK and to represent the UK Government internationally if requested to do so by the Secretary of State. UKRI will specifically support, for example, the global Science and Innovation Network and the Newton Fund teams based in embassies across the world, and the international science strategy and diplomacy teams within BEIS and the FCO. UKRI will continue to fund an extensive range of international collaboration directly and will be by far the largest partner for the Government in the receipt and use of funds from international science-orientated government programmes.

Specifically on Amendment 490, let me assure the Committee that the Higher Education Statistics Agency and the research councils already collect the data to which this new clause refers. This will not change under UKRI. On Amendment 507ZA, let me echo my right honourable friend David Davis, who has made it clear that,

"We will always welcome those with the skills, the drive and the expertise to make our nation better still. If we are to win in the global marketplace, we must win the global battle for talent."

I hope that goes some way to reassuring noble Lords, and the noble Lords, Lord Hannay and Lord Bilimoria, in particular.

Lord Hannay of Chiswick: It does not do anything of the sort. The Minister has told us that the Government agree with the sentiments in the amendment, but he has not said that they accept the amendment. That is what matters. The Minister does not need to worry about whether anybody reads *Hansard* tomorrow. If the Government accept the amendment, it will be in the Bill, and people will not have to read *Hansard*. I seriously do not know why the Government cannot simply accept that amendment or, at the very least, why the Minister cannot say that he will go away and study it and reflect upon it before Report, rather than excluding accepting it. It is, quite honestly, absurd. I ask the Minister to think very carefully before he sits down after this short debate.

Lord Prior of Brampton: The noble Lord stopped me in full flow. I was just getting to a point raised by the noble Baroness, Lady Brown, regarding visa applications. As the research councils do now, we expect UKRI, as an employer, to have a role in sponsoring visa applications for international staff on its own payroll and, in some circumstances, for particular individuals with agreed posts in universities. However, it would not be practical to make UKRI responsible for visa sponsorship for the whole sector. I think we will probably have to come back later to discuss that issue in more detail. The Government do not agree—this, I am afraid, goes to the point made by the noble Lord, Lord Hannay—that the Bill should be amended as suggested, as UKRI will be an outward-looking organisation and will build on our current excellence. I therefore ask the noble Lord to withdraw the amendment.

Lord Mendelsohn: I thank the Minister for his reply. I shall not echo the sentiment of the noble Lord, Lord Hannay. I think more needs to be done, and I shall just make two points. We have to face up to a certain reality. While it is no doubt true that some people in the United States of America are considering their position, there it is a somewhat temporary measure. There it may be four years or eight years, but our exit from Europe will have much longer term implications. That is the issue we have to address.

While it is certainly true that things are coming to us—although some of the stuff that has been announced was being discussed well before Brexit, and people have taken a different view on risks—there is a human dimension here: making sure we are attracting talent. I have a corporate finance business. International companies that used to send people to the UK will now look elsewhere when trying to attract eastern European talent. London is not the only location they will now look at as the right sort of place to locate families.

It is important that we get this talent issue under control, and find a way to make sure that we fully express our ambitions and put the right sort of measures in the Bill. However, given the Minister's comments—hopefully there will be some form of reflection—I beg leave to withdraw the amendment.

Amendment 485E withdrawn.

Amendments 485F to 486A not moved.

Amendment 487

Moved by ***Viscount Younger of Leckie***

487: Clause 87, page 55, line 38, at end insert—

"( ) For the purposes of this Part, "knowledge exchange", in relation to science, technology, humanities or new ideas, means a process or other activity by which knowledge is exchanged where—

(a) the knowledge is in, or in connection with, science, technology, humanities or new ideas (as the case may be), and

(b) the exchange contributes, or is likely to contribute, (whether directly or indirectly) to an economic or social benefit in the United Kingdom or elsewhere."

Amendment 487 agreed.

Amendment 488 not moved.

Amendment 489

Moved by ***Lord Patel***

489: Clause 87, page 55, line 38, at end insert—

"( ) In carrying out its functions under subsection (1), UKRI must recognise the autonomy of the Research Councils, their institutions and their partnerships and relationships, and the principle of subsidiarity in decision-making."

Lord Patel (CB): My Lords, the aim of Amendment 489 is to investigate and ask what autonomy the research councils will have when UKRI is the single voice for research. Although I accept that UKRI has a very important purpose in being that voice, it must allow the individual research councils to flourish in order to identify the most promising science and, through their institutes, deliver ground-breaking insight and understanding. My amendment seeks to ensure that UKRI can co-ordinate but does not in any way crush the expertise, independence and autonomy that created organisations such as the Laboratory of Molecular Biology in Cambridge, an institute of the MRC often referred to as the UK's Nobel prize factory—I think at the last count for 15 scientists.

The executive chairs and management of the councils should be allowed to decide on scientific priorities and have the authority to run their organisations in an effective way, working within the strategic framework set by UKRI, but without having to defer to the UKRI board for operational or scientific issues. Research councils need a distinct identity, and the independence and agility that goes with it, to enable them to undertake procurement and form partnerships, joint ventures and collaborations without continuous recourse to the UKRI supervisory board. In mentioning the example of the Medical Research Council, I should have declared an interest in that I have been associated with the council for a long time and until recently was a council member.

The Medical Research Council has collaborated with AstraZeneca on drug development and Marks & Spencer on food security, as well as collaborating internationally in several cases. Research councils should have the right to retain returns from the exploitation of publicly generated IPR. Such IPR will continue to be both an important source of revenue and a valuable incentive to translate scientific developments into new products and devices. Individual research councils could be encouraged to develop IPR and be able to share in the economic benefits of exploiting them, recycling them back into science and research for the good of the nation.

Furthermore, internationally renowned brand identities, such as that of the MRC, should be retained. There is clear evidence that brand identities such as the Medical Research Council's attract some of the very best scientists to the UK. Its reputation for rigour and excellence also leverages co-funding from other research funders, often in a ratio of 10:1 or more.

The current wording in the Bill that UKRI will arrange for councils to,

"exercise such functions … as UKRI may determine",

does not seem to sit easily with the principles of subsidiarity, autonomy and independence of research council disciplines. There is a need for greater clarity as to how the autonomy of the research councils will be maintained. I beg to move.

Lord Mendelsohn: I shall speak to a couple of amendments that are worth addressing, but I associate myself with the proposals by the noble Lord, Lord Patel, which have a great deal of merit.

In Amendments 495J and 500ZA, we believe we are dealing with a drafting error that currently makes ineligible independent research organisations for financial support as well as a higher education provider. We think that that excludes museums and is probably a drafting mistake, so we would be very grateful to get some clarification from the Minister about whether museums would be incorporated.

One of my sons is a big fan of a TV programme called "The Big Bang Theory", which is the story of some young people in America who in the main, as is the vogue of the time, are what you would consider to be "geeks". The episodes start with the name of a scientific principle, theory or experiment, so prior to this debate my son believed that my interest in the Haldane principle was about "The Big Bang Theory" as opposed to the autonomy of research councils.

The Haldane principle is one that everyone holds dear. There has been a great deal of debate about whether a more explicit reference to it should be in the Bill, and I think there is a broad consensus towards that view. I hope the Minister considers the two amendments on that issue. I am not particularly prissy about the drafting but I am sure everyone in the research and science community would be very interested to have it confirmed by the Minister if that were something the Government were keen to do.

Baroness Brown of Cambridge: My Lords, I support Amendment 489 from the noble Lord, Lord Patel, and shall speak to Amendments 503A and 505A in my name and that of my noble friend Lord Krebs. Amendment 503A follows on from the comments of the noble Lord, Lord Mendelsohn, about the Haldane principle. At Second Reading many noble Lords, including the noble Baroness, Lady Kennedy, and the noble and learned Lords, Lord Kakkar, Lord Winston and Lord

Krebs, urged the Minister of State to be bold and take this opportunity to, as the noble Lord, Lord Mandelson, put it,

"hardwire the arm's-length, Haldane principle into the Bill",

or, rather more to my taste, as Lord Waldegrave said more simply,

"let us at least try to put the Haldane principle on the face of the Bill".—[*Official Report*, 6/12/16; cols. 624-27.]

In the words of the noble Lord, Lord Willetts, when he was Minister for Universities and Science:

"The Haldane principle means that decisions on individual research proposals are best taken by researchers themselves through peer review … Prioritisation of an individual research council's spending within its allocation is not a decision for Ministers".

He said the principle was,

"vital for the protection of academic independence and excellence".—[*Official Report*, Commons, 20/12/10; col. 138WS.]

Its presence in the Bill would remove many of the other concerns about the autonomy and operation of the research councils in the new UKRI organisation. Amendment 503A would put a specific reference to the Haldane principle in the Bill in relation to the Secretary of State's direction to UKRI.

Amendment 505A picks up the important issue of ensuring the continuation of the dual funding model for research. It seeks to assure that the streams of funding for research grants, distributed by the research councils, and for QR, distributed on the basis of the results of the research excellence framework by Research England, could not be redistributed or used for cross-subsidy. It is important that the two funding streams remain distinct and complementary. In addition to the eloquent support from the noble Lords, Lord Kakkar and Lord Kerslake, for the dual funding systems in their Second Reading speeches, Sir Paul Nurse commented in the Nurse review, on which much of this part of the Bill is based, that having QR in addition to research grants was:

"one of the reasons behind the UK's success in research and these separate funding streams should be preserved".

These two streams should be evaluated and distributed in separate and complementary ways, as should other funding streams such as HEIF, as we heard earlier.

8.45 pm

Lord Prior of Brampton: My Lords, I thank the noble Lord, Lord Patel, for a very thoughtful speech at the beginning of the debate. On Amendment 489, I want to make it clear that the Government agree that councils must be able to operate with autonomy and authority over decisions within their fields of activity. For that decision to be made, we must ensure that experts in their fields are involved in allocating grants. I can reassure the noble Lord, Lord Patel, that the objectives of his amendment are already achieved in the Bill.

The Bill ensures that UKRI cannot prevent any of the research councils carrying out their duties in their specialist areas by requiring UKRI to devolve its functions to the councils for these activities. This will give the councils the independence they need to pursue their research agendas while also being able to interact as part of UKRI. Furthermore, by bringing the councils together within UKRI, we introduce the opportunity for a strategic centre, but with responsibility to consider broader issues than any council can alone. This strategic focus is a feature that many noble Lords raised at Second Reading.

Amendment 503ZA examines the Secretary of State's power of direction. Let me reassure noble Lords that powers of direction are rarely used, but given the very large sums of public money that UKRI will be accountable for—some £6 billion—it is proportionate. The Secretary of State currently has an equivalent power of direction over research councils, and our proposals are intended to mirror that. I can reassure noble Lords that the power will not be used day to day to steer UKRI's operations, nor as an override to the Government's long-term commitment to the Haldane principle. However, the Secretary of State must be able to deal swiftly with any financial issues arising, for example, from financial mismanagement.

Turning to Amendments 503A and 505C, I welcome the opportunity to restate the Government's commitment to the Written Ministerial Statement on the Haldane principle made by my noble friend Lord Willetts in 2010 which will apply to all research funding allocated to UKRI. This Statement is carefully balanced and considers important, interrelated and sometimes conflicting factors. It is, however, a policy statement, not a legal document. Obtaining such a balance in legislation through a legal definition of Haldane is not a simple task. However I will reflect on the helpful comments made here today. I hope that noble Lords will accept that if we could write Haldane into the Bill in a non-equivocal and legal way, we would do so.

On dual support, the Bill sets out in legislation for the first time the dual support system for research referred to here as balanced funding. I hope this clarifies any potential misunderstandings about the relationship between the two. Some noble Lords have asked, not unreasonably, why a different description is used. It is because the protection of the two funding streams and the balance between them are both important, and both must be carefully considered by the Secretary of State when making grants to UKRI. I agree with noble Lords that the nature of dual support is anchored in the complementary allocation and evaluation mechanisms of the two funding streams. Amendment 505ZA would replace the need for the Secretary of State to consider both halves of the dual support with a need to consider only one part—the block grant.

Let me reassure noble Lords that Clauses 95 and 96 already put considerable conditions on the Secretary of State's powers which protect the unhypothecated nature of quality-related funding and ensure that this will continue through Research England. These restrictions are consistent with Section 68 of the Further and Higher Education Act 1992. They protect academic freedom by ensuring that terms and conditions of grants cannot be framed in terms of particular courses of study, programmes of research, appointment of academic staff or admission of students.

The system of dual support sustains a dynamic balance between research that is strategically relevant and internationally peer reviewed, and research that is directed from within institutions. However, the precise modes of operation of the two streams have changed

[Lord Prior of Brampton]
over time, for example through the evolution of the RAE into the REF. Similarly, we should not try to permanently fix what the balance should be between the two parts of dual support. Funding flows are dynamic, and there is no formula or set proportion for the balance of funding across the two parts of dual support. When considering what the balance of funding should be, as now, the Secretary of State will take advice from UKRI and consider issues such as the strategic priorities of the research base and the sustainability of higher education, research capability, and other research facilities supported through the UKRI budget.

I turn to the proposal in Amendment 495J, tabled by the noble Lord, Lord Mendelsohn, that the remit of Research England be extended to cover independent research organisations. At present, research councils accredit organisations to compete for funding if they possess the capacity to carry out research that enhances the national research base. These organisations include hospitals, museums and other public sector research establishments. Those organisations currently receive their underpinning capability funding, similar to the QR block grant from other parts of Government, and there are no plans to change this arrangement.

This debate has covered some of the most fundamental matters about how we undertake research in the UK. I have listened very carefully, seeking to draw on the experience here in this House. With the hope of further constructive dialogue, I ask the noble Lord, Lord Patel, to withdraw his amendment.

Lord Patel: My Lords, I thank the Minister for his comments. I was encouraged by his reassurances about maintaining the autonomy of research councils. Putting that on record is satisfactory to me. I am grateful to other noble Lords, and I hope that they have found that their amendments were responded to. On that basis, I beg leave to withdraw the amendment.

Amendment 489 withdrawn.

Amendment 489A

Moved by ***Baroness Morgan of Drefelin***

489A: Clause 87, page 55, line 38, at end insert—

"( ) In subsection (1)(c) the exploitation of science includes, but is not limited to, licencing for off-patent drugs in new indications."

Baroness Morgan of Drefelin: My Lords, I remind the House of my interests as declared in the register as chief executive of a medical research charity and chair of the NCRI, as I mentioned earlier.

This is a probing amendment. I apologise that I was unable to attend Second Reading, when I would have flagged up this issue. I took a tumble over the handlebars of my bicycle, so I was not able to be here. I am recovering, although I now have a little lisp.

My amendment probes whether UK Research and Innovation could have a role in ensuring that a particular avenue of research in which I am concerned—research into new indications for off-patent drugs—is fully exploited for public benefit, for patients and the NHS where appropriate.

Research into new indications for off-patent drugs can be funded by medical research charities, research councils or the National Institute for Health Research. It is often driven forward by clinical academics. There is rarely a commercial incentive for pharmaceutical companies to support such investment once a patent has expired on a drug. There is then little commercial incentive for a pharmaceutical company to fund the regulatory activities needed to promote the availability of off-patent drugs in new indications, such as licensing them to be sold and advertised for such a new purpose. Therefore, the new indication, if identified, can remain off-label—or even unlicensed.

Where a treatment is off-label or unlicensed, a number of barriers prevent it being used routinely, and prevent the public investment in that research being exploited. Clinicians can prescribe for this new indication without a licence, but, if they do, they will take on more personal responsibility and, potentially, a greater administrative burden. This can create disincentives to prescribing, even where there is evidence to support the new indication.

There is no timely system in any of the UK nations for these repurposed drugs to find their way, if appropriate, into baseline commissioning. This results in confusion and patchy access across the UK. There are a number of examples, but I will pick up only two. The first example is bisphosphonates. They were originally licensed for the prevention of bone fractures in adults with advanced breast cancer, and subsequently licensed for osteoporosis. This class of drug is now off patent. However, bisphosphonates have been shown to be effective in reducing the risk in postmenopausal women with primary breast cancer of developing metastatic breast cancer, which is incurable.

Because bisphosphonates are off patent, they have not been licensed for this use and there is no clear national commissioning policy. We are all worrying about the really expensive drugs out there but, when used to prevent metastatic breast cancer, these cost about 43p a day. The treatment could save around 1,100 lives if given to the entire eligible population of about 35,000 women a year. If this treatment was commissioned routinely, as has been suggested, it could save the NHS about £5 million per annual cohort of patients.

Another good example of this would be simvastatin, a drug which may represent a real breakthrough for patients with secondary progressive multiple sclerosis. It is a type of statin which was originally licensed for treating high cholesterol and preventing cardiovascular disease, and the patent ran out in 2004. In a recent phase 2 clinical trial it was shown to be effective in slowing brain atrophy in secondary progressive multiple sclerosis by over 40%. More evidence is needed, but phase 3 clinical trials of this drug could show that this is the first treatment able to slow or stop the deterioration seen in that condition. There are estimated to be about 65,000 people living with this form of MS in the UK. The first patented disease-modifying therapies for

progressive forms of MS are likely to carry significant price tags, but this off-patent drug would cost the NHS pennies.

So there is clearly a gap—one could say a market failure—here. There could be a role for UKRI to fill this and promote the public interest by the exploitation of publicly funded research into new indications for old drugs. Studying repurposed drugs with public funding is an area of great interest. If we do not get it right it is a double waste of taxpayers' money: once because of the public expenditure on research and twice because the benefits of that research do not reach the patients, resulting in an opportunity cost for the NHS. I am interested in probing whether there is an opportunity for the new institution to take forward this publicly funded research which would not otherwise be exploited commercially. I beg to move.

Lord Prior of Brampton: The repurposing of off-patent drugs is an important and interesting area, not least because it can be great for patients. We are also looking at medicines which are a fraction of the cost of new ones that are still under patent. So the noble Baroness has raised an important issue. She also asked a question earlier about the regulatory aspects of Brexit which I failed to address. Without wanting to duck out of a debate with the noble Baroness, I suggest that she should meet my successor at the Department of Health, my noble friend Lord O'Shaughnessy, to talk about both these important issues.

The Department of Health is working with medical research charities and other stakeholders to examine how evidence showing new uses for existing drugs can be brought safely and more effectively into clinical practice to treat patients. This work applies across a whole spectrum of clinical conditions. The group has made significant progress in designing a drug repurposing pathway to help charities and others to navigate a route through the NHS so that they can see how research can be shared at a national level and then picked up locally, where it can reach the patient. It is probably better if the noble Baroness talks with my successor about the role of NICE and the MHRA and how the changes to the EMA might affect this. It is not something that we would like to include in the Bill. Would the noble Baroness be happy to withdraw her amendment?

9 pm

Baroness Morgan of Drefelin: My Lords, I thank the Minister for that response. My concern is that the Bill states clearly that UKRI will be responsible for exploitation. I was interested to explore how widely that could be interpreted. I am concerned about inertia in this regard. There is potential here for that exploitation to be delivered more effectively and for public funds to benefit from that. A bit of momentum would be great. However, I am very happy to withdraw the amendment and take up the Minister's suggestion.

Amendment 489A withdrawn.

Clause 87, as amended, agreed.

Amendment 490 not moved.

Clause 88: Financial support: supplementary provision

Amendment 490A not moved.

Amendment 490B

Moved by ***Baroness Brown of Cambridge***

490B: Clause 88, page 56, line 18, at end insert—

"( ) In exercising the power under section 87, UKRI and the Research Councils must operate fair, open and transparent competitions for funding."

Baroness Brown of Cambridge: My Lords, Amendment 490B stands in my name and that of my noble friend Lord Krebs.

Both Amendment 490B and the other amendment in the group, Amendment 505D, in the name of the noble Lord, Lord Mendelsohn, seek to ensure that UKRI and the research councils operate "fair, open and transparent" funding and assessment processes. Such processes would ensure that the principle of supporting excellence wherever it is found is maintained, allowing for change and supporting strong competition and new entrants in areas of research—the very focus of much of the Bill. It aligns with the following description by the noble Lord, Lord Willetts, of the Haldane principle:

"Ministers should not decide which individual projects should be funded nor which researchers should receive the money. This has been crucial to the … success of British science ... 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".—[*Official Report*, Commons, 20/12/10; cols. 138-39WS.]

This amendment is about ensuring that we fund excellence in our university research system wherever it is found. I beg to move.

Lord Prior of Brampton: I thank the noble Baroness, Lady Brown, for raising this issue. I also thank the noble Lord, Lord Krebs.

The vast majority of research council grants are allocated through open and rigorous competition between all eligible institutions, which ensures that the principles of fairness and good use of public money are upheld. While I agree with noble Lords about the importance of open competition, the precise mechanism of how this is put into operation is a matter for the current and future independent funding bodies. This is consistent with the important principles of subsidiarity of decision-making and Haldane, which we have committed to defend through this Bill.

Further to this, these amendments would place an undue restriction on UKRI and the research councils by requiring that all their financial support must be allocated through open competition. This is not always suitable. For example, research councils also have an important role in providing core funding to support unique underpinning infrastructure, such as institutes and facilities. While I agree that the majority of council funding should be allocated through open competition, I feel that such a strict requirement is not consistent with the important principles of subsidiarity of decision-making and would hamper other important areas of council activity. I therefore ask the noble Baroness to withdraw the amendment.

Baroness Brown of Cambridge: I thank the Minister for his response and for his commitment to the principle behind the amendment. I also thank him for his earlier strong support for the Haldane principle and for perhaps setting a challenge to the team of determining whether it is possible to encapsulate this in law. In the light of these reassurances and the very strong commitment we have heard today to Haldane, I am happy to beg leave to withdraw the amendment.

Amendment 490B withdrawn.

Debate on whether Clause 88 should stand part of the Bill.

Lord Watson of Invergowrie (Lab): My Lords, in the unavoidable absence of the noble and learned Lord, Lord Wallace of Tankerness, I will speak to Clause 88 stand part.

Ministers are prone to deflecting arguments with the warning that they might contain "unintended consequences". We have heard that several times, and I notice that the noble Lord, Lord Prior, followed that trend this afternoon in his response to the first amendments moved by the noble Lord, Lord Patel. Therefore, when a Bill or part of a Bill contains a provision which might have unintended consequences, logic suggests that Ministers should be willing to take that argument on board and act on it—surely that is consistency.

Clause 88 is one of the most closely associated with an issue which is of concern to the noble and learned Lord, Lord Wallace, and myself. It relates to the position in which the Bill will place a world-leading scientific organisation based in Scotland: the James Hutton Institute. At this juncture I should declare an interest of sorts. The institute has its headquarters on the outskirts of Dundee in the village of Invergowrie, which happens to be the place where I spent my childhood—the village, that is, not the institute—and which is reflected in my title. By way of clarification I should say that I have not lived in Invergowrie since 1972, and although the institute, then the Scottish Crop Research Institute, was there during my childhood, I have never entered its premises—not even as a minor, although I may well have attempted it on occasion.

The institute was one of many which sent briefings to noble Lords on the Bill and, as I have done with representatives of many other institutions that made contact, I arranged to meet with its chief executive and chief of science, Professor Colin Campbell. The tale he had to tell is a worrying one, concerning funding eligibility criteria which the Bill may leave in place, and the consequent effect on the James Hutton Institute.

The institute encompasses a distinctive range of integrated strengths in land, crop, waters, environmental and socioeconomic science, and is the biggest independent research institute in this area in the UK. Approximately 60% of its funding comes from the Scottish Government and the remainder is from the EU, international, UK and Scottish agencies, and some from private industry. Its research has been shown to make a significant contribution to the UK economy, with £12 returned for every £1 invested. It recently became one of the most successful institutes in the UK in winning EU money from the Horizon 2020 funding programme. That is the source of the dilemma facing the institute. While EU funding is open to all institutions and research providers and encourages collaboration with industry and especially small and medium-sized enterprises, as constituted, the Research Councils UK is not open to all and has eligibility rules which exclude the James Hutton Institute and others.

The institute is currently ineligible for direct access to RCUK funding due to a rule that states that no organisation receiving more than 50% of its funding from a single funder is eligible. The rule was introduced more than 20 years ago, apparently to avoid a situation whereby veterinary and surveillance labs, as fully funded government agencies, could not attract additional research funds from RCUK—which is not unreasonable. The James Hutton Institute is not a surveillance lab, although, as I said, it receives 60% of its funds from the Scottish Government. A significant amount of that funding is for centralised science facilities and national capability, which it is fully open to other institutions to use. The institute is not a public sector research establishment, and is currently the only independent research institute not eligible for research council funding.

The main concern is that with the restructuring of the RCUK and the establishment of UKRI, not only will the 50% eligibility rule carry over but there may be unintended consequences if such matters are unintentionally overlooked or if any new arrangements encompass rerouted EU funding once the UK leaves the EU. This would be very serious for the James Hutton Institute, as there is a risk that it could go from being one of the most successful research providers in gaining European funding to having next to no access at all.

As the noble Lord, Lord Patel, said when speaking to his amendments, Scotland punches above its weight in research terms. Universities Scotland said in one of its briefing papers sent to noble Lords that on the basis of competitive excellence, Scottish universities win around 14% of project funding from research councils but only around 7% from Innovate UK. Scottish research in all forms was able to win more than €200 million in the last year for which figures are available. Scottish institutions are naturally concerned about what the future will hold once the UK ceases to be a member of the EU. Not all EU funding will be lost, but it will become much more difficult to achieve when bidding is done from a standalone UK.

That, therefore, is the context within which the James Hutton Institute finds itself. It will have much of its EU finding closed off—perhaps all of it if in future it is all channelled through UKRI, to which the institute will have no access because of the 50% rule to which I referred.

It seems that there was no vehicle in terms of a detailed amendment to the Bill that would have achieved what is necessary for the institute to be able to have access to a level playing field—the scrapping of that 50% rule. I am hopeful that the Minister will be able to tell me—after a suitable period of reflection, of course—what can be done. However, the rule has applied since the Biotechnology and Biological Sciences Research

Council, one of the seven research councils that work together, was founded in 1994, and that is funded by BEIS, so surely the Government can exercise their influence in this matter. Would the civil servants working in RCUK—or UKRI, as it will become—have the final say or can they be told to change what is clearly an anachronism?

This matter has been raised directly with the Minister for Universities and Science and with Sir John Kingman, and it seems that a misconception may have emerged. It appears that there are plans to run pilot trials in which PSREs in England Wales may be given access to RCUK, but this does not help the James Hutton Institute because, as I have already mentioned, it is not a PSRE and it may in any case suffer if it has to await the outcome of trials.

In conclusion, I say to the Minister, "Over to you". This is a Catch-22 situation in which the James Hutton Institute finds itself through no fault of its own. The 50% rule is a barrier that can be dismantled if the will is there. Surely it must be.

The Earl of Selborne: My Lords, I strongly support the noble Lord, Lord Watson, on this. I assure noble Lords that I have entered the premises of the James Hutton Institute, which is held in high regard not just in this country but internationally.

Here we have a situation where government departments are, very reasonably, keen to try to live within their means, and there is a suspicion among the research councils that public sector research establishments might be unloaded on to research council funding. When I wrote to my noble friend Lord Younger, having raised this matter at Second Reading but without referring specifically to the James Hutton Institute, he was good enough to admit that that was the concern. Those who were concerned did not want departments to get rid of their responsibilities by passing the funding over to research councils.

This is a typical government spat, with public sector research establishments not being allowed to apply for research council funds. As I understand it, this is a ruling made through the Department for Business, Energy and Industrial Strategy. Of course, as the noble Lord, Lord Watson, pointed out, the irony is that the James Hutton Institute is not even a PSRE, so it gets caught by a sort of collateral fire. It is an international institute but, through this ruling that any institute that gets funding of more than 50% cannot apply for research council funding, it cannot apply for international funding either, whether at an EU or an international level. This is a clearly pernicious ruling that has no bearing on the James Hutton Institute. As I said, it is there to prevent PSREs being unloaded on to research councils. It lies within the power of the Minister, standing at the Dispatch Box today, to say that Clause 88(4), which says that,

"UKRI must have regard to the desirability of not discouraging the person from maintaining or developing funding from other sources",

can be put into operation immediately. Forget the rather infelicitous double negative; it is saying, "We encourage people working in research to look for funding wherever they can", but of course that must be based on the quality of the science—supporting excellence, as the previous amendment referred to. No one doubts that the James Hutton Institute is a centre of excellence that should be encouraged to apply for international funding and indeed for research council funding. It needs this pernicious ruling to be abolished, and that could be done here and now.

Baroness Garden of Frognal: My Lords, my noble and learned friend Lord Wallace of Tankerness, who, along with the noble Lord, Lord Watson, originally tabled his opposition to the clause, is not able to be here today, and I regret that I can claim no connections at all with Invergowrie.

As has been explained, the Bill in its current form risks acting as a catalyst, which, under Brexit, may magnify and exacerbate the negative impact of the 50% rule on research organisations such as the James Hutton Institute. Of course, it may, as has also been explained, cause these long-established, highly respected organisations to downsize or close operations. It is already having an impact on attracting and retaining staff. It also creates an unequal playing field because, conversely, there are no restrictions on organisations that are majority funded by research councils. It seems a very unfair and archaic rule. I add my voice to those of the two noble Lords who have already spoken and urge the Government to work with Research Councils UK to remove the rule to ensure a fair and sustainable funding environment.

9.15 pm

Lord Willetts: My Lords, I recall receiving the letter about the James Hutton Institute, but after so many Members of the House have spoken so eloquently about that case, I would like to make a wider point about the clause. There is a long-standing problem that the Minister will wrestle with of departmental R&D budgets being cut back and attempts always to put on to the science budget policies and budgetary responsibilities that should lie with individual departments. I am sure that that is the back-drop to this case. But with the new UKRI, there is an opportunity to look more widely at the kind of research institutes that are funded out of public money and on what terms.

We have heard examples this evening of the dual funding structure, on which we pride ourselves. However, the dual funding regime actually has some significant omissions, because it is research council funding for research institutes belonging to the councils and specific projects, and, secondly, a funding stream for universities. Those that miss out are research bodies that are not part of universities, and quite possibly not even part of the conventional public sector, that particularly need capital funding. Agencies such as the Welding Institute, now called TWI, or NIAB, the National Institute of Agricultural Botany, are charitable bodies that may get individual funding from a research council for a specific project, but they have not historically been able to receive significant capital support for growing their facilities. These are the kinds of issues that UKRI will wrestle with.

It would be helpful if the Minister could say that as UKRI is set up with its new scope, it will be within its power to look at these sorts of issues. It may find excellent research institutes for which, because of the

[LORD WILLETTS]
size of its capital budget, UKRI can provide some kind of capital investment in a way that does not fall neatly in the dual funding arrangements that came before. That is a good example of what one might hope will be extra flexibility in the new arrangements, just as we have heard from the Bench opposite about the need for flexibility in another way.

Lord Prior of Brampton: My Lords, I have to start with the confession that the James Hutton Institute is just a name to me. I confess my appalling ignorance on this subject. I need to research it. If I could, I will investigate the particular circumstance relating to the James Hutton Institute and then write to the noble Lord. I hope that that will be acceptable to him. I am sure it is a world-leading institution but, as I said, I have not visited and am not familiar with it.

Lord Watson of Invergowrie: The Minister is very new to his post and there is absolutely no question of reproach here. What he has suggested is acceptable. However, the point made by the noble Earl, Lord Selborne, is an important one. He has identified a particular issue with the clause, and if the Minister could refer to that in his reply, it would perhaps open up an avenue for the matter to be returned to on Report.

Lord Prior of Brampton: Let me give the noble Lord my response. If it does not cover exactly the points that it should, I will pick it up outside here and write to my noble friend Lord Selborne and the noble Lord. I will also try to set my response in the context of the comments made by my noble friend Lord Willetts.

The clause will make sure that UKRI is able to carry out one of its primary functions: to provide individuals and organisations with financial support to carry out research and innovation.

The noble Lord, Lord Watson, raised questions about other research organisations' eligibility for funding. Many of these organisations are currently not eligible to receive Research Council funding as their research activity is already separately funded from outside the science ring-fence by other government departments or the devolved Administrations.

The rationale is to keep a clear separation between government funding and challenge-led Research Council-funded science and the capability of science funded directly by government departments. This is compatible with funding excellent science and maintaining the integrity of the funding ring-fence.

Noble Lords have argued that the wording in Clause 88(4) relates to this eligibility policy. I can reassure noble Lords that the clause does not establish or steer UKRI's eligibility criteria. The wording is intended to ensure that UKRI does not spend public funds unnecessarily where this might result in crowding out private sector investment or funding from other sources. It is one safeguard to ensure that UKRI spends public money wisely. It also enables collaborations and partnership working, as already debated, around research charities.

The Nurse review recommended that research councils should refresh their eligibility criteria to pilot an approach allowing PSREs to become eligible for funding where they put forward high-quality research proposals relevant to their capability in collaboration with a university partner. In response to this, Research Councils UK is looking to pilot ways to include PSREs in a second call for the global challenge and research fund, with funding to start in financial year 2017-18. While the Government agree that we should be making the most of the excellent science being done in PSREs, they also agree with Sir Paul Nurse that government departments should remain the principal funders of capability and funders of last resort for PSREs. I am not sure to what extent that addresses the point made by my noble friend Lord Willetts.

The Earl of Selborne: The whole point is that the James Hutton is not a PSRE. We want to deal with independent research institutions which get more than half their money from a government source.

Lord Prior of Brampton: I shall have to write to the noble Earl on that matter. I do not have the answer with me and it would be foolish to hazard a guess. The points raised by the noble Lord, Lord Willetts, need a full response as well. On that basis, I beg to move that Clause 88 stand part of the Bill.

Clause 88 agreed.

Clause 89: Exercise of functions by science and humanities Councils

Amendments 490C, 490D and 491 not moved.

Amendment 492

Moved by ***Lord Mackay of Clashfern***

492: Clause 89, page 57, line 13, after "scientist" insert ", or other person whose knowledge or experience is important to the operation of that Council,"

Lord Mackay of Clashfern: My Lords, this is a short but important point. Schedule 9 paragraph 8(1) states:

"UKRI may … appoint employees, and … make such other arrangements for the staffing of UKRI as it considers appropriate.

Sub-paragraph (2) states:

"The terms and conditions of appointment as employees are to be determined by UKRI with the approval of the Secretary of State".

That is the general provision. However, there is an extraordinary provision in Clause 89. After listing the research councils—it is interesting that the arts and humanities are separate although the arts include humanities, although that does not matter too much—subsection (2) states:

"Arrangements under this section may, in particular, provide for the exercise by the Council concerned of UKRI's functions under paragraph 8(1) and (2) of Schedule 9"—

those are the paragraphs I have just read—

"in relation to relevant specialist employees".

In other words, the council is going to get, possibly, a chance to make arrangements in regard to relevant specialist employees. Who are these?

"A 'relevant specialist employee', in relation to a Council, means a researcher or scientist employed by UKRI to work in the field of activity of that Council".

It is quite obvious that the term "scientist" is fairly ambiguous. For example, would it include a specialist doctor working for the MRC?

The other obvious question is whether this applies to technicians in laboratories. Is a technician a scientist? I would think they certainly are, but it cannot be taken as a certainty that the construction of the term "scientist" in this Bill would necessarily include a technician because sometimes we distinguish between them in the terminology. So far as researchers are concerned it is, vague in the extreme. Is a person who organises research but does not do any himself or herself qualify as a researcher? I thought that there must be some principle behind the selection of the terms "researcher" and "scientist", and that is what my amendment ventures to suggest. It provides that, for a specialist employee,

"after 'scientist' insert ', or other person whose knowledge or experience is important to the operation of that Council".

That is the only way to avoid ambiguity.

I have the impression from my discussions with the department that the general view is much in accordance with mine, but the officials seem to think that the terms "scientist" and "researcher" would include them all. I would like to say that they do not, but it is certainly not clear at all and I see no reason why it should not be. The easiest way to put it clearly is not to set out a list of all the people we can think of, because there would quite a number; rather, it is to set out the principle on which the relevant specialist employee as a characteristic is determined. That is what I have tried to do in my amendment, and I am happy to seek a better formulation if the Minister wishes it. I raised this point when I wrote to my noble friend's predecessor and to the Minister in the Commons. I hope that we might be able to get an answer to this question tonight and I beg to move.

Lord Stevenson of Balmacara: My Lords, this is an interesting amendment and it has been well trailed since the noble and learned Lord made it clear in a couple of our Committee sittings that he intended to speak on this issue. We are glad finally to get the benefit of his words expressing concern about the current drafting and the need to unpick it. I think the Minister will be at a slight disadvantage because we have been making this point throughout the six days of our deliberations in Committee. We have tried to draw the attention of the noble Viscount to the fact that wherever there is an opportunity, in our view, for the Bill to inflect a sensibility within the structures and operations of the various bodies being established under the new architecture, towards an inclusive way of treating those employed within these structures, it has always been rebuffed. That might be too strong a word, but although it has been played back to us as something the noble Viscount would think about, we have not even managed to get him to reflect on it.

So the Minister is not able to take responsibility for the omissions of the earlier sittings of the Committee, but this is a great opportunity to pick up the point. Given that he has come from a department which must have responsibility for employees—indeed, in his last outing he was dealing with trade union reform and related issues—he will be well aware of the sensitivities that these matters can give rise to. He might want to reflect on the need to respond positively to the noble and learned Lord, who has made such a fine point.

Lord Prior of Brampton: My Lords, I am going to respond but I will have to let the noble Lord draw his own conclusions as to how positive the response is. My noble and learned friend Lord Mackay has raised an interesting point and I thank him for that. In the interests of discipline and autonomy, and respecting the Haldane principle, it is right that the council should have special delegated authority to appoint and to set terms and conditions for specialist academic and research staff within that council and its institutes. There are particular cases where it may be necessary for councils to directly appoint and set terms and conditions for scientists, researchers and other technical staff involved in a research endeavour. In such cases, authority to do so will be delegated to the councils, as per subsections (2) and (3). A relevant example is the Medical Research Council's Laboratory of Molecular Biology in Cambridge. There is no intention to change such long-standing and effective relationships.

I am sympathetic to the concern raised by my noble and learned friend Lord Mackay and agree that there are many other persons whose expertise is of great importance to the successful operation of a research council. As such, I reassure noble Lords that the Bill enables the continuation of existing practice to hire staff. Such persons will become employees of the councils through UKRI. Therefore, I ask my noble and learned friend to withdraw the amendment.

9.30 pm

Lord Mackay of Clashfern: If I thought I had received an answer I would be happy to do so, but surely we need to defend these people. I quite understand that this will carry on and I hope it will, but I should like to know what it is that will carry on.

Lord Prior of Brampton: To quickly interject, I will look at the issue my noble and learned friend raises. As the noble Lord opposite said, I will reflect further on the matter and write to my noble and learned friend.

Lord Mackay of Clashfern: I am grateful for that. I am just sorry that the reflection has not taken place between the time I raised the issue and now, but there we are. We cannot do anything about it.

My noble friend mentioned a letter. I was at a meeting last week with a number of people interested in the Bill and its progress. They mentioned the letters referred to in *Hansard*. They asked where they could see them. I was not certain, but I assume they are in the Library.

Lord Prior of Brampton: I understand that they are.

Lord Mackay of Clashfern: I am persuaded to withdraw my amendment.

Amendment 492 withdrawn.

Amendments 493 to 495BA not moved.

Clause 89 agreed.

Clause 90: Exercise of functions by Innovate UK

Amendments 495C to 495G not moved.

Clause 90 agreed.

Clause 91: Exercise of functions by Research England

Amendments 495H to 496 not moved.

Amendments 497 and 498

Moved by ***Viscount Younger of Leckie***

497: Clause 91, page 58, line 3, after "research" insert "into, or knowledge exchange in relation to, science, technology, humanities or new ideas"

498: Clause 91, page 58, line 7, at end insert "into, or knowledge exchange in relation to, science, technology, humanities or new ideas"

Amendments 497 and 498 agreed.

Amendments 499 to 499B not moved.

Amendment 500

Moved by ***Viscount Younger of Leckie***

500: Clause 91, page 58, leave out lines 11 and 12 and insert "—

(a) the undertaking of research into science, technology, humanities or new ideas by eligible higher education providers receiving financial support which is within subsection (2), or

(b) the undertaking of knowledge exchange in relation to science, technology, humanities or new ideas by eligible education providers receiving such financial support."

Amendment 500 agreed.

Amendments 500ZA and 500A not moved.

Clause 91, as amended, agreed.

Clause 92 agreed.

Clause 93: UKRI's research and innovation strategy

Amendments 500B to 501A not moved.

Clause 93 agreed.

Clause 94: Councils' strategic delivery plans

Amendment 501B not moved.

Clause 94 agreed.

Clause 95: Grants to UKRI from the Secretary of State

Amendment 502 not moved.

Amendment 503

Moved by ***Baroness Garden of Frognal***

503: Clause 95, page 60, line 3, after "(1)" insert "must respect the principle of institutional autonomy set out in section 2(6A), and"

Baroness Garden of Frognal: My Lords, I will speak very briefly to Amendments 503, 505 and 506, to which I added my name. All simply assert the importance of having regard to the principle of institutional autonomy, which we have raised at various times throughout the Bill. It seems appropriate to reassert the principle of the autonomy of higher education institutions in these three places. I beg to move.

Lord Prior of Brampton: My Lords, as with similar amendments regarding the OfS, I assure noble Lords that the Government agree that institutional autonomy is of the utmost importance, and that we are actively considering how to address the concerns that have been raised.

On Amendment 503, Clause 95 already protects institutional autonomy by stipulating the unhypothecated nature of Research England's funding allocations—and it does so in stronger language than that proposed.

It is unnecessary to make Amendment 505 as the same protections given to Research England's funding in respect of grants also apply to the Secretary of State's power of direction. As I have already stated this evening, the power to give directions is limited to financial matters; it is not a power to direct UKRI more generally. This power is similar to that currently afforded by the Science and Technology Act 1965 and does not reduce the autonomy of institutions.

Amendment 506 would be overly restrictive and could also undermine the dual-support system. It would blur the distinction between the two funding streams of dual support and erode, if not end, grant funding awarded on the basis of peer-reviewed project excellence. UKRI and its councils need to retain strategic oversight of the research that they fund, just as the research councils do now. Unlike Research England, UKRI's remit will not be limited to higher education institutions. UKRI will have a strategic vision for research and innovation across the UK. It will fund and engage with research institutes and facilities, as well as businesses, both domestically and internationally. The principle of institutional autonomy does not apply in the same way to many of these organisations. As such, I ask the noble Baroness to withdraw her amendment.

Baroness Garden of Frognal: I thank the Minister for his reassurances and explanation, and I beg leave to withdraw the amendment.

Amendment 503 withdrawn.

Clause 95 agreed.

Clause 96: Secretary of State's power to give directions to UKRI

Amendments 503ZA to 505 not moved.

Clause 96 agreed.

Clause 97: Balanced funding and advice from UKRI

Amendments 505ZA to 505B not moved.

Clause 97 agreed.

Amendment 505C not moved.

Clause 98: General duties

Amendments 505D and 506 not moved.

Clause 98 agreed.

Clauses 99 to 102 agreed.

Amendments 507 and 507ZA not moved.

Clause 103: Predecessor bodies and preservation of symbolic property

Amendments 507ZB to 507B not moved.

Clause 103 agreed.

Clause 104 agreed.

Clause 105: Definitions

Amendment 508

Moved by ***Viscount Younger of Leckie***

508: Clause 105, page 64, line 5, at end insert—

""knowledge exchange" has the meaning given by section 87;"

Amendment 508 agreed.

Clause 105, as amended, agreed.

Clause 106: Cooperation and information sharing between the OfS and UKRI

Amendments 508A to 508D not moved.

Amendment 509

Moved by ***Lord Mackay of Clashfern***

509: Clause 106, page 64, line 16, at end insert—

"( ) Where a decision to be made by the OfS or UKRI relates to—

(a) the power to award research degrees; or

(b) research students;

the OfS and UKRI must make the decision jointly."

Lord Mackay of Clashfern: My Lords, I mentioned this amendment in an earlier group. However, because of the way these things are structured, I did not get an opportunity to reply to the Minister. This is a vital matter. I cannot see why the Office for Students, with no particular qualification in relation to research, should be solely responsible for the decision to award research degrees.

The Minister indicated that there is a general power for the Secretary of State to order co-operation and so on. In the Bill the power to make a joint decision is very restricted indeed and would not apply in this connection to the power of the Office for Students to award research degrees. It certainly would not enable UKRI to take part in that.

I can see that there may be a difficulty about research students. I do not mind too much about that. It seems to me that that is also a question about research, but it may be that it is very routine and therefore the Office for Students would need to be involved in that. But giving the Office for Students the power to award a research degree power to a higher education provider while there is a body standing by—created by the Bill, with all the expertise of research—but not taking part at all, does not make any sense. I say this with the greatest possible respect.

The Minister suggested that it might work against the interests that were being talked about but I really cannot see why these research degree-awarding powers should be a matter for the Office for Students alone. I can see that it may have a legitimate interest in the provider as a whole but it certainly does not have the full expertise of research that UKRI can give. This seems to be an ideal situation for joint decision-making. I beg to move.

Baroness O'Neill of Bengarve (CB): My Lords, I add my support to the amendment. It seems extraordinary to imagine the Office for Students unilaterally making a decision that an institution should have the power to award research degrees. Surely it is quite essential that a research organisation—particularly, in this case, UKRI—should be heavily involved. Equally, I do not think that UKRI can make the decision alone because it relates also to the capacity of university departments to receive and look after research students.

Lord Stevenson of Balmacara: My Lords, briefly, I put my name to this amendment because it raises quite a big issue in relation to the respective powers, which the noble and learned Lord explained very well. We have almost a surfeit of expertise around and it needs to be picked through very carefully. I invite the Minister to respond after due reflection, perhaps in writing, because this is something that we will need to come back to when we look again at the powers of the OfS on Report. This is not his current responsibility; it will probably be for the noble Viscount the Minister to respond.

This is a question of what powers the Secretary of State feels need to apply to which institution, not just in relation to the power to award research degrees—which is in itself an important decision—but in relation to, for instance, the quality of the teaching that might be involved.

We are hearing a lot about the way in which the department feels strongly that a measure must be introduced that will allow it to assess the quality of teaching. As far as we understand it, at the moment that is at an institutional level—although it will go down to departmental and, possibly, to course level. If it goes to course level, or even to departmental level, presumably it would be an imperfect measure if it did not also look at the research degrees that were awarded by that department or by the staff involved. We therefore have to know a lot more about this before we can make a decision about whether the powers are allocated correctly and whether the responsibilities lie in the right place. I look forward to having responses in due course.

9.45 pm

Lord Prior of Brampton: I thank my noble and learned friend Lord Mackay for raising this important matter. I hope that I do better in response to this amendment than I did in response to his earlier amendment. It is absolutely right that UKRI and the OfS should work together in relation to research students and research degree-awarding powers.

Let me first reassure noble Lords that, while the responsibility for all degree- awarding powers will sit with the OfS, UKRI will play an active role in matters relating to research degree-awarding powers. It will be instrumental in developing the criteria and process by which applicants for these powers are assessed. For example, it will work with the OfS to identify suitable expert scrutinisers of RDAP applications. This collaboration will safeguard standards and ensure that assessors with the appropriate skills are core in decision-making. Likewise, on research students the OfS will be the regulator for all students, including postgraduate students, but UKRI will of course work with it when appropriate to provide expert advice in relation to postgraduate students.

As an example, as I said previously in this debate, each year thousands of research students in the UK are supported by research council funding. Putting a legislative requirement on the OfS and UKRI to make such funding decisions jointly would not add value; it would add only bureaucracy. However, having both organisations working together to develop a strategy that ensures that the pipeline for good research students is healthy would add value. The current legal provisions, subsequent government guidance and a healthy co-operative culture within the organisation will ensure that this happens. As the noble Lord, Lord Mendelsohn, mentioned earlier, one cannot sledgehammer a culture into shape between two organisations through legislation. That is why the joint working provision in the Bill has been drafted to be permissive. It will be a key aspect of UKRI and the OfS's missions to co-operate with each other.

The Government will issue guidance to both organisations that will set out where we expect them to work together. There will be a memorandum of understanding between UKRI and the OfS to set out the detail. The executive teams and the boards will be responsible for ensuring that this important joint working is achieved. The advert for the UKRI board includes the duty of,

"ensuring strong, collaborative relationships are put in place to aid joint working with the Office for Students, the devolved HE funding bodies and other key partners".

I recognise the strength of feeling on this matter and the Government have listened carefully to the issue raised by noble Lords here today. It is with the assurances that I have given that I ask my noble and learned friend to withdraw his amendment.

Lord Mackay of Clashfern: Yes, I certainly propose to withdraw the amendment now, but this is an extremely important point and I do not really think that government guidance can take the place of an Act of Parliament. The idea of granting research degree-awarding powers is an important matter for the national interest. I do not think that it can be left to guidance from the Minister, however wise that guidance may be. It is the responsibility of Parliament to set the structures under which that should happen. I cannot see at the moment how it can be right that the responsibility for that should be in the Office for Students when, standing alongside it in the administration, is UKRI, with all the technical qualifications for research which that implies. I will withdraw the amendment with happiness but in the hope that we can progress this matter further before we have the next session on the Bill. In the meantime, and with regard to the time, I am glad to finish.

Amendment 509 withdrawn.

Amendment 509A not moved.

Clause 106 agreed.

Clauses 107 to 109 agreed.

Schedule 10 agreed.

Clauses 110 to 112 agreed.

Clause 113: Regulations

Amendments 510 and 510A not moved.

Amendment 511

Moved by ***Baroness Deech***

511: Clause 113, page 67, line 4, at end insert—

"( ) an order under section 43(1) (variation or revocation of other authorisations to grant degrees etc.);"

Baroness Deech (CB): I shall speak to this amendment although my name is not on it. As we got to the end of this Committee stage, this group of amendments struck me as a chance to give Parliament more oversight into fleshing out the Bill. The Bill—and now we are nearly at the end—is not much more than a framework, albeit a very heavy framework, on which later policy is to be hung. We have no detail on the metrics in the teaching excellence framework or the detailed criteria that the Office for Students may use to establish or abolish universities. It is not clear how a lot of this Bill will work in practice. Over and over again we have been asked to take matters on trust and have been told that details will follow. We do not know how much of a light touch or not the Secretary of State will be using in guidance to the UKRI and the OfS. We do not know what providers will do to the market or how the status of the sector will hold up. We do not know how much there will be a fracture between teaching and research to the detriment of both. Now that we have reached the end of the Committee with so many gaps in the Bill, can the Minister assure us that there will be some process of post-legislative scrutiny to ensure that this experiment is working? I beg to move.

Lord Mackay of Clashfern: I take this opportunity simply to congratulate the Minister on having taken over this intricate and important part of the Bill. He has discharged his responsibilities with great skill.

Viscount Younger of Leckie (Con): My Lords, as this is the last group of amendments, most of which were not moved by the noble Lord, Lord Stevenson, I shall respond briefly and particularly take note of the

general comments made by the noble Baroness, Lady Deech. I shall make a short concluding comment. If there are matters in this group of amendments that require some writing, I will write to all noble Lords and put a copy of such letters in the Library of the House.

I shall make some concluding comments about this quite long Committee stage. I record my appreciation of the whole Committee and of all noble Lords who have taken part in all the debates for the quality and constructive nature of the discussions we have been having in the past few weeks. I am very pleased that noble Lords recognise that Committee stage is about discussing the Bill, probing the detail and, importantly, giving all sides an opportunity to listen to other noble Lords' points of view. As a result, noble Lords have not felt the need to divide the Committee beyond the first amendment on the first day. For that, I am grateful.

Now we have some time before the Bill enters its Report stage. The noble Lord, Lord Stevenson, has challenged me on the meaning of different verbs used on occasion by me on and around the word "reflect". I hope I can leave a smile on his face—or perhaps not—by saying that I am actively working with my honourable friend in the other place, Jo Johnson, to reflect on these discussions and consider the best way forward. On a serious note, I hope the noble Lord and the noble Lords, Lord Watson and Lord Mendelsohn, realise that I have given much warmer words than that at certain points. In that spirit, I want to be sure that he understands that we are looking very carefully at *Hansard* and reflecting generally on all the debates. I am looking forward to Report. In the meantime, I would just say that I have very much appreciated the debates and look forward to future ones.

Lord Stevenson of Balmacara: My Lords, because of the invitation to reflect, I will take a slight liberty and make two points. The worst time of my life was when I occupied a post in the British film industry and was involved in trying to get decisions for funding for films. We were often engaged in trying to deal with larger, richer and often foreign bodies, which were prepared to tantalise us with the thought that they might invest in our films. It became well known in that process that the worst decision you could get was the slow maybe. I am afraid we are in that situation. The Minister has said that he is reflecting and thinking, but we have not been able to get clarity. It is easier to have a straight, "No, we are not taking this forward", than it is to have variations on "thinking hard about" or reflecting. I appreciate the gesture that he has made, but it has been a bit of a frustrating period, and I am sure the noble and learned Lord, Lord Mackay, will also say that sometimes it has been very hard to understand where the Minister has wanted to get to with a particular issue because we did not get clarity about it.

However, that is all past. We are now into a period of calm waters, and perhaps we can pick up the threads of some of what we are doing and try to take forward the ideas for Report and possibly onwards from then. I hope that that will be a fruitful time, and I look forward to it.

Baroness Deech: My Lords, I am happy to withdraw the amendment, but given that this is such a massive Bill with so many unknowns in it, I and probably others will be calling on Report for some sort of post-legislative scrutiny and checking. However, for now, I beg leave to withdraw the amendment.

Amendment 511 withdrawn.

Amendments 512 to 512B not moved.

Amendment 513

Moved by ***Viscount Younger of Leckie***

513: Clause 113, page 67, line 24, at end insert "(whether before or after the regulations are made)"

Amendment 513 agreed.

Clause 113, as amended, agreed.

Clauses 114 to 116 agreed.

Schedules 11 and 12 agreed.

Clause 117: Extent

Amendment 514 not moved.

Clause 117 agreed.

Clause 118: Commencement

Amendment 515

Moved by ***Viscount Younger of Leckie***

515: Clause 118, page 69, line 16, at end insert—

"( ) Section 83(2)(ba)(ii) and (3) come into force, in relation to Wales, on such day as the Welsh Ministers may by regulations made by statutory instrument appoint."

Amendment 515 agreed.

Amendment 516 not moved.

Clause 118, as amended, agreed.

Clause 119 agreed.

House resumed.

Bill reported with amendments.

House adjourned at 9.59 pm.