



Department
for Education

Lord Patel
Science and Technology Select Committee,
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8th October 2019

Dear Lord Patel,

Government response to the House of Lords Science and Technology Committee's Report: Science research funding in universities

Thank you for the Committee's conclusions and recommendations regarding university research funding. I am now enclosing a formal response to the Committee's report. As the issues raised in the report fall under the responsibility of both the Department of Business, Energy and Industrial Strategy, and the Department of Education, officials in both Departments have worked closely together throughout the duration of this inquiry.

I am glad that I was able to appear before the Committee on 19 June to discuss research funding for universities and the important contribution universities play to meet the skills needs of the country. This Government recognises that the Higher Education sector is facing multiple challenges. However, we want to ensure that universities continue to be properly funded to deliver world leading Higher Education and research.

Our world leading university and research institutes are a national asset, so it is therefore vital that students, researchers and academic staff continue to thrive after EU Exit and in any scenario. I can assure you that the UK remains committed to creating mutually beneficial opportunities for research collaboration, including for our universities, with both our European and international partners.

Yours es,
Chris

CHRIS SKIDMORE MP

DEPARTMENT OF BUSINESS, ENERGY AND INDUSTRIAL STRATEGY AND DEPARTMENT FOR EDUCATION

GOVERNMENT RESPONSE TO THE HOUSE OF LORDS SCIENCE AND TECHNOLOGY SELECT COMMITTEE REPORT: SCIENCE RESEARCH FUNDING IN UNIVERSITIES

MINISTER: CHRIS SKIDMORE MP – MINISTER FOR UNIVERSITIES, SCIENCE AND INNOVATION

OCTOBER 2019

- 1. QR funding is vital in allowing universities to cover the full economic cost of research, and in helping universities to fund research infrastructure which is often not covered by other sources of funding. QR funding must rise by at least the rate of inflation and the deficit that has been created since 2010 should be addressed. The Government should commit to doing this as part of the spending review. (Paragraph 24)**

The Chancellor of the Exchequer delivered his Spending Round to Parliament on 4th September 2019. He announced that the government is “committed to increasing levels of R&D to at least 2.4 per cent of GDP by 2027. In the Autumn, the government will set out plans to significantly boost public R&D funding, provide greater long-term certainty to the scientific community, and accelerate our ambition to reach 2.4% of GDP”. As part of this boost, government will consider the case for and the appropriate balance of funding across range of activities, including the balance of funding between the functions of Research Councils and Research England, between academic inspired, business led and key challenges, as well as for innovation and for infrastructure.

The excellence of the UK’s research base is internationally recognised and is crucial in supporting sustainable economic growth and enhanced productivity. The Government has reaffirmed its commitment to the Dual Support system through enshrining the concept of “balanced funding” within the Higher Education and Research Act (HERA) 2017. We recognise that Quality-related Research (QR) funding remains critically important to our research success. We value QR’s un-hypothecated nature which contributes to a sustainable research system and allows universities to deploy this funding strategically and to respond to the broad range of research partners and funders including business, charities, public sector and government departments.

We have asked UKRI to provide formal advice to BEIS (in accordance with HERA requirements) on the balance of funding across the functions of Research Councils and Research England in preparation for the Spending Review.

The Augar Review

- 2. Reducing the tuition fee cap in England to £7,500 without compensating universities for this loss in full by increasing the teaching grant will result in significant financial consequences for universities. The immediate casualties of such a reduction in income will likely be widening-participation programmes, student experience, infrastructure maintenance and repair, and the hands-on elements of courses. (Paragraph 48)**

The Government is committed to ensuring funding supports high quality provision, meets the skills needs of the country, maintains the world leading reputation of UK higher education and delivers value for money for both students and the taxpayer.

Since 2012, the total income for universities in England has increased by around £6 billion, driven by rising student numbers and the amount of funding they receive. Resource per student is around an historic high – the Institute for Fiscal Studies estimate that the 2012 reforms increased real funding per student by almost 25%. In addition, funding for research has also increased from £5.2 billion in 2011-12 to £6.7 billion in 2017-18.

The panel report to the Review of Post-18 Education and Funding is a comprehensive report, with detailed analysis and no less than 53 recommendations, and has given the government a lot to consider. As part of our review of post-18 education and funding we will be considering Philip Augar's recommendations carefully.

- 3. The Augar Review recommends that the social and economic value of different subjects be determined by the Office for Students, taking account of the subject's relative importance with respect to alignment with the Government's Industrial Strategy and a range of other factors such as the financial viability of the university and its contribution to the local economy. This recommended process is far from straightforward and is certain to be controversial. We are concerned that it will be fraught with difficulties and that it will remove autonomy from universities. (Paragraph 64)**

As noted in the response to paragraph 48 of the committee's report, as part of the Review of Post-18 Education and Funding we will be considering Philip Augar's recommendations carefully. We believe that higher education should represent good value for money, high quality provision, and support that nation's skills needs. With regard to the autonomy of universities, the government agrees that the institutional autonomy of higher education providers is important, and it is therefore protected in the Higher Education and Research Act 2017. As mentioned in more detail in our response to paragraph 70 of the committee's report, in giving guidance to higher education providers the Secretary of State must have

regard to the need to protect the autonomy of higher education providers, as must the Office for Students in performing its functions. Grant funding to providers is discussed in more detail below in the response to paragraph 70 of the Select Committee report.

- 4. By concentrating on student education and making only a passing reference to research and development, the terms of reference of the Augar Review did not take a holistic approach to the funding of universities. The panel compounded this by making no attempt to assess the potential impact of its recommended reductions in student fees on the funding of research, declaring that it was outside the scope of the review. The result is a distorted assessment of the sector's financial health as a whole. (Paragraph 68)**

The purpose of the independent review was to look across post-18 education including Further Education (FE), with particular focus on developing a joined up post-18 sector that offers choice and competition; is accessible to all; delivering the skills our country needs; value for money for graduates and taxpayers. Although funding for research was expressly out of scope for the review, the terms of reference which guided the panel included an acknowledgement that any recommendations should be guided by the need to support the role of universities and colleges in delivering the Government's objectives for science, R&D, and the Industrial Strategy.

The report from the independent panel noted the outstanding reputation for research and recognised that the UK has some of the best-performing research universities in the world. The panel recognised in their report that there would be concerns about the impact of the resource freeze on some institutions with pockets of research excellence.

The Government is increasing spending on research and development by £7 billion over 5 years by 2021-22 – the biggest increase on record, taking total science and innovation spend to £8.8 billion in 2019-20. The Chancellor announced on 4th September that the government is committed to increasing levels of R&D to at least 2.4 per cent of GDP by 2027. In the Autumn, the government will set out plans to significantly boost public R&D funding, provide greater long-term certainty to the scientific community, and accelerate our ambition to reach 2.4% of GDP.

We are continuing to invest in our world-class higher education system, supporting both students and universities.

- 5. In looking at university funding without considering research and cross-subsidies, the Augar Review has made recommendations which, if**

implemented, could prove harmful to the already challenging ecosystem of university funding. (Paragraph 69)

The independent panel report noted the complexity of higher education providers with regard to cross-subsidy between subjects and between income from international students and teaching and research activities. As outlined in the terms of reference, the panel considered value for money for students and taxpayers. They recommended a lowering of tuition fees with additional teaching grant funding rebalanced towards high-cost subjects. The government will consider the potential impacts on overall university funding as it considers the recommendations.

The financial sustainability of our world leading university research base has been a key aspect considered at recent Spending Reviews and in decisions on allocation of the National Productivity Investment Funding uplift of £7bn for R&D through to 2021-22. It will also be an important aspect considered in our plans to significantly boost public R&D funding, which will be set out in the Autumn. Through the Office for Students and UKRI, we continue to monitor the financial sustainability of HE research, which is an important factor in the consideration of the “balance of dual support funding”.

- 6. If the Government is to follow any of the recommendations of the review relating to tuition fees, it must implement them as a full financial package, including increasing the teaching grant to cover the loss of tuition fees, to ensure that universities are no worse off than they are now. We are, however, concerned by the proposal that the Office for Students should determine the value of teaching grant awarded to individual institutions. This gives the Office for Students too much power to determine the fate of universities and erodes their autonomy. Whoever has the responsibility for determining the value of teaching grant awards must do so using clear metrics to assess the impact on the research base. Given the complex nature of the cross-subsidies universities employ in managing their finances, seemingly small disruptions to inputs could have significant unintended consequences for research. (Paragraph 70)**

The Government recognises that student finance and government funding are complex and interrelated. We are committed to making sure that funding reflects a sustainable model that supports high value provision, meets the skills needs of the country, provides good value for students and taxpayers, and maintains the world leading reputation of UK higher education.

The Higher Education and Research Act 2017 (HERA) gives the Office for Students the power to make grants, loans or other payments to the governing body of an eligible higher education provider (e.g. registered in the approved (fee cap) category). The Secretary of State for Education funds the Office for Students (OfS) in accordance with HERA;

Secretary of State can place terms and conditions on this funding although there are restrictions. The constraints on the OfS in allocating grant funding, in addition to these terms and conditions, are guidance from the Secretary of State, the general duties to which the OfS must have regard when performing its functions and its regulatory framework. Looking at these in turn, the Secretary of State can and does issue strategic guidance to the Office for Students, including the government's priorities for funding, to which the Office for Students must have due regard. In giving such guidance and when imposing any terms and conditions on OfS funding the Secretary of State must have regard to the need to protect the autonomy of English higher education providers. The OfS in performing its functions is also required to have regard to general duties which include the need to protect this institutional autonomy.

The OfS published a regulatory framework following consultation in 2017 and is required to have regard to this framework when exercising its functions, including grant distribution. The OfS allocates teaching grant funding on an annual basis to support strategic objectives and having regard to guidance, duties and the regulatory framework as discussed above. The OfS is required to consult on any terms and conditions to which the funding is subject before those terms and conditions are imposed. The OfS publishes information on how it allocates grant funding to higher education providers for 2019/20 and this is available in the link below.

https://www.officeforstudents.org.uk/media/784a1671-6e18-45e5-8fa8-8a676f2c9530/ofs2019_18.pdf

Brexit

- 7. We urge the Government to associate the UK with Horizon Europe as soon as possible, to ensure certainty and stability for researchers in universities and industry. (Paragraph 85)**

The Government is committed to strengthening collaboration in research and innovation, which is why the UK would like the option to associate to Horizon Europe, should the conditions be right, and the final programme represent value for money.

We are pleased with the significant progress made so far on the Horizon Europe package. However, elements of the Horizon Europe package are yet to be agreed. These elements need to be finalised before we can make an informed decision on future UK participation in the Programme. The UK cannot associate to the Programme until it has been adopted and we have exited the EU.

Whether we associate to Horizon Europe or not, the Government is committed to continuing to back UK researchers and innovators by supporting measures to enable world-class collaborative research, including support for small businesses.

- 8. The Government should ensure that once the UK has left the EU the level of funding the UK currently receives from the EU for research is matched in full. As the UK is**

a net beneficiary of EU research funding this amount will be greater than the amount the UK currently contributes to the EU research pot. (Paragraph 95)

The Horizon Europe proposal is currently being negotiated in Research Working Groups and will be subject to EU Budget outcomes as part of the Multiannual Financial Framework negotiations at EU level. Nevertheless, the UK remains committed to creating mutually beneficial opportunities for collaboration with both our European and international partners.

If the UK leaves the EU without a deal, the Government has confirmed that the commitments made under its guarantee and guarantee extension still stand. In a no deal scenario, the UK Government would guarantee funding for all successful competitive UK bids submitted before the UK leaves the EU. Under the extension, it would guarantee all successful eligible UK bids to Horizon 2020 that are submitted before the end of 2020. The guarantee extension would apply to successful UK bids to Horizon 2020 projects which are open to third country participation from point of exit in a no deal scenario until the end of 2020. Both the guarantee and extension would apply for the lifetime of projects.

In addition to the Government's no deal guarantee and extension funding commitments, the Government recently announced that all UK bids to mono-beneficiary ERC, MSCA and SMEi (now known as European Innovation Council (EIC) Accelerator) calls that are submitted to Horizon 2020 before Exit will be evaluated in all scenarios. This means researchers and innovators can continue to submit proposals to Horizon 2020 with confidence, right up to the point of exit, knowing that the best proposals will be funded – regardless of how we leave the EU.

As set out above, the Chancellor announced on 4th September that the Government is committed to increasing levels of R&D to at least 2.4 per cent of GDP by 2027. In the Autumn, the government will set out plans to significantly boost public R&D funding, provide greater long-term certainty to the scientific community, and accelerate our ambition to reach 2.4% of GDP.

9. Public funding for research in universities after Brexit should seek to replace not just the amount of funding but the areas it supports, like discovery research and scientific infrastructure and facilities. It is important to the scientific community that the basis for awarding funding is research excellence. (Paragraph 96)

The Government is committed to continuing to back UK researchers and innovators by supporting measures to enable world-class collaborative research.

We recognise the important contribution that fundamental research makes. We have commissioned advice through the Sir Adrian Smith Review, which will explore how this

might be supported in the future UK funding landscape within the context of our ambitions for European and wider international collaboration on research and innovation.

10. Retaining the mobility of researchers after Brexit is vital to ensuring the UK can continue to attract the best researchers and meet its research and development goals. The Government must ensure post-Brexit immigration laws do not hinder the ability of UK universities to recruit and retain the scientific staff they require, including technicians earning below the recommended salary threshold. In doing so the Government must also give consideration to amending immigration laws relating to families and dependants of those scientific staff. (Paragraph 109)

On 8 August 2019, the Government announced a new fast-track immigration scheme for elite scientists and researchers, who will significantly enhance the intellectual and knowledge base of the UK. The scheme is aimed at enabling a wider pool of scientific talent to apply to come to the UK. The scheme will be uncapped, ensuring that those with the required skillset would be able to secure places.

This will ensure that those with specialist skills in STEM subjects can come to the UK and make an important contribution to our leading science and research sectors, significantly enhancing the intellectual and knowledge base of the UK.

We want to do all we can to facilitate access for this specialist skilled cohort of individuals. The Migration Advisory Committee (MAC) have been asked to consider some further questions relating to minimum salary thresholds for the new skilled worker route. The MAC is asked to report by January 2020.

BEIS and Home Office officials work closely with the research sector to ensure that our visa arrangements for international researchers are closely aligned to the sector's needs. For example, we have expanded the UKRI Tier 5 temporary worker visa, introduced in 2018 for scientists and academics to come to the UK to carry out research and train for up to two years and to increase the range of institutions that can sponsor international researchers, and changes have been made this month to enable more applicants to take advantage of a simpler process under the Tier 1 (Exceptional Talent) route.

In particular, the Government announced on 11 September a new two-year post-study work visa, expanding opportunities for talented international students to build successful careers in the UK, once they have successfully completed a course of study in any subject at undergraduate level or above at an approved UK Higher Education Provider. The visa will allow eligible students to work, or look for work, in any career or position of their choice, for two years after completing their studies. The Immigration Rules laid on 9 September also amend the settlement rules around absences from the UK, meaning that scientists and researchers will not be penalised for being outside of the UK for longer than

180 days in any 12 month period when they apply for settlement, where that absence has been for research purposes.

This builds on UK government action to help recruit and retain the best and brightest global talent, as well as opening up opportunities for future breakthroughs in science, technology and research and other world-leading work that international talent brings to the UK.

The Home Office is engaging business and other before publishing the rules setting out the detail of the future immigration system which will be in place from 2021. As part of this work, the Home Secretary officially commissioned the MAC on 3 September 2019, to research and provide evidence-based recommendations on how a points-based migration system could work in the UK.

11. We urge the Government to communicate to the EU and the rest of the world that the UK is committed to continuing research collaborations after it has left the EU, and we look forward to seeing the recommendations put forward by Professor Sir Adrian Smith in his review of international research collaboration. (Paragraph 113)

The UK is committed to science, research and innovation and this commitment is at the heart of the Government's Industrial Strategy. As set out above, the Government is committed to ensuring an increase in levels of R&D to at least 2.4% of GDP by 2027. International partnerships and collaboration sits at the heart of this.

The International Research and Innovation Strategy, published 14 May, aims to further enhance the UK's excellence in research and innovation by extending and deepening international engagement, partnerships and practical collaboration. The strategy takes a broad, holistic view of our research and innovation – including our universities, research institutions and businesses, our regulatory system, our quality infrastructure, and our policy and governance expertise. The strategy sets out our approach to international engagement under 7 thematic pillars – projecting to international audiences the value of collaborating with the UK. We will use the 7 pillars to guide our future work – broadening and deepening our existing bilateral and multilateral partnerships.

International engagement to support the strategy is being led by the Science and Innovation Network teams in our Embassies and High Commissions across the world. This engagement will include the UK's regions and Devolved Administrations and the wider science and innovation communities.

The Government also recently announced that all UK bids to mono-beneficiary ERC, MSCA and SMEi (now known as European Innovation Council (EIC) Accelerator) calls that are submitted to Horizon 2020 before Exit – and are therefore “in-flight” – will be evaluated in all scenarios and funded if successful.

I understand that the Smith Review is well advanced, and I anticipate that Sir Adrian's report will be published later in the autumn. The advice is a broad piece about the future funding landscape for UK research and innovation globally. This work is integral to the strategic ambition of the International Research and Innovation Strategy: for the UK to be the partner of choice on international research and innovation collaboration for the long term.