



HOUSE OF LORDS

Science and Technology Committee

Corrected oral evidence: Secretary of State for Science, Innovation and Technology

Tuesday 12 March 2024

11 am

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Members present: Baroness Brown of Cambridge (The Chair); Lord Borwick; Lord Drayson; Lord Lucas; Baroness Neuberger; Baroness Neville-Jones; Baroness Northover; Lord Rees of Ludlow; Viscount Stansgate; Baroness Willis of Summertown; Baroness Young of Old Scone.

Evidence Session No. 1

Heard in Public

Questions 1 – 26

Witnesses

I: Michelle Donelan MP, Secretary of State, Department for Science, Innovation and Technology; Sarah Munby, Permanent Secretary, Department for Science, Innovation and Technology.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Michelle Donelan and Sarah Munby.

Q1 The Chair: I am very pleased to welcome the Secretary of State, the Right Honourable Michelle Donelan MP, and her Permanent Secretary, Sarah Munby, from the Department for Science, Innovation and Technology. Thank you for coming to this one-off evidence session about the creation of the Department for Science, Innovation and Technology and the Government's ambitions to become a science superpower. The session is being broadcast on parliamentlive.tv, and a full transcript of it will be sent to you shortly after the meeting to make any minor corrections.

Since your new department has now been with us for just about a year, can you tell us briefly what you think the main achievements have been and what further improvements you now see need to happen?

Michelle Donelan: When the Prime Minister set up DSIT one year ago, he did so with a very clear objective: Britain becoming a science and technology superpower by 2030. A plan is in place to make that mission a success, which is, of course, the Science and Technology Framework.

We have been laser focused on three things: delivery, delivery and delivery. Last November, we delivered the world's first global summit on AI safety at Bletchley Park. We have delivered the Online Safety Act, a landmark piece of legislation that is world leading and makes Britain literally the safest place to be online.

We have also, of course, delivered a bespoke deal to see Britain re-join Horizon Europe, a deal that is good value not just for our researchers, academics and businesses but for our taxpayers, and gives us access to the world's largest research collaboration programme. They can expect to benefit from our decision to boost R&D spending to £20 billion.

In the past year we have announced public plans for all five of our critical technologies, and this time last year we announced our £2.5 billion quantum strategy, more than doubling our funding for technology that will have profound implications for our economy, our society and our national security.

In December 2023 we published the *National Vision for Engineering Biology*, backed by £2 billion over the next 10 years. This plan cements our leadership in a technology area that will be vital for taking on some of the greatest global challenges of our time, from climate change through to clean energy and food security.

Our record of support for life sciences will capitalise on our strengths in a sector that generates £100 billion for our economy, supports jobs for 300,000 people up and down the country, and has saved lives and will save countless more.

Behind all this I have a clear motivation to invest in science and tech that will have a truly transformational impact for our economy, our public services and our people. These are much more than just statistics; these are changes to the way we live which will enable us to live happier, healthier and easier lives in the years to come.

Looking to the year ahead, I have worked with industry to set out three key pillars, or priorities, that will bind and project our way forward. The first is skills, because having the right skills to meet the future needs of emerging tech and science businesses will make a massive difference. The second is that we need to have the right ecosystem for start-ups to scale-up here so that we can have those homegrown success stories. The third is ensuring that we have common sense regulation that boosts innovation.

While I am here today it would be remiss of me not to use this opportunity on the parliamentary record to cover my recent interventions with UKRI over its EDI panel. As the Minister responsible for UKRI, the non-departmental public body, officials in my department alerted me to a tweet that stated, "This is disturbing. Suella Braverman urges police to crack down on Hamas support in UK".

This was posted by a representative of an EDI board that sits under UKRI. At the time, I was very concerned that there was a process failure in the appointment of members to the EDI board, and I worked with officials and lawyers across my department over two days to draft, clear and send an official letter to UKRI's CEO to ask for an investigation. This was highlighted using the same medium that was originally used—X, or Twitter as it is often known. On receipt of the letter the UKRI CEO said that they was deeply concerned and confirmed that they would conduct an investigation.

My intentions were, and always are, to do the right thing. The individual has subsequently clarified that her tweet was in relation to the entire article and not just the headline that was quoted in the tweet. Following this clarification, I publicly withdrew all my concerns last week and, without admitting liability, £15,000 was paid to settle the case and save any costs associated with a protracted legal dispute, which would have been significant even if the department had won that case. The legal expenditure was approved by the department's accounting officer.

I always err on the side of transparency, but I am now clear that in this case I could have sent the letter in confidence to the UKRI in order for it to undertake the investigations privately. I apologise for not having done so and for any distraction that this decision has caused from this Government's positive agenda. I hope this does not take away from all the amazing achievements that DSIT and my fantastic officials have achieved during the first year and from those that I am confident we will achieve over the year to come. I can assure you that there are many more great announcements just on the horizon. Thank you.

Q2 The Chair: Thank you for that. I am rather keen that this topic does not hijack our session today. However, we would like to come back to that issue of the Government's oversight of UKRI and its independence, and indeed the confidence of the academic community in the independence of UKRI. So, if you do not mind, we will leave that until towards the end of this session.

Clearly, we are all around this table are very pleased indeed to see the UK back in the Horizon programme. However, we have heard that quite a lot of funding that had been in place potentially to compensate universities for being outside Horizon has been returned to the Treasury. In that context, it would be interesting to know whether there has been any assessment, or you intend to make any assessment, of the impact of this prolonged period outside Horizon, with some really quite strong inhibitions on some important European collaborations, on some of our universities and some of their key areas of research.

Michelle Donelan: When I first started in this role, the message from all members of the sector, including academics and businesses, was really clear: that there was a strong desire for us to re-join Horizon because it would make a massive difference and help our economic growth, our innovation and our scientific community to advance research. As a department, we sought to work with the Prime Minister to ensure that we could achieve a bespoke deal to re-join Horizon and not just take the one on the table, which would not necessarily have been in the interests of the taxpayer, and we have secured things like flexibility around clawback, et cetera.

During the period in which we were not associated with Horizon, there is no doubt that there was an impact on our scientific community especially because of the lack of certainty to be able to proceed. We tried to militate against that with the Horizon guarantee to ensure that there was never any gap. However, without that long-term certainty, it did make it very difficult for the sector. That is why my team and I were so eager to get that

certainty, and why I have been so delighted that we have managed to secure our re-association to Horizon.

We have not just sat back and hoped that it would all work out for the best; we have been proactively trying to ensure that we make a great success of this, from an international marketing campaign to a pump-priming initiative that we are working on with the academies to make sure that we particularly support researchers who have not been involved in the scheme. We also have a road show and have done a great deal of work with our counterparts across the EU and in other nations to promote the scheme. Commissioner Ivanova was over the other week and said that on one of the programmes we were up over 50%, so it does look like the community is engaging and this will be a great success story for the UK.

In terms of monies returned to the Treasury, it is standard practice that money that has not been spent is returned at the end of the accounting year. There, we had held money back for possible association with Horizon, but we did not manage to secure it in that financial year. In this financial year we have not given any money back. In fact, that surplus, if you want to call it that, has been dedicated to programmes to help the sector with fellowships et cetera. We tried to cherry-pick some of the stuff that we had in the alternative to Horizon that we had prepared, the Pioneer document, so that all the great work that we had done in connection with scientists and researchers was not wasted but was utilised. We will continue to look back and try to utilise that work.

Q3 **Baroness Willis of Summertown:** The flow of researchers is also a really big problem. I am in a university myself and have seen a lot of European partners leave. With the Erasmus+ programme stopping, that flow of the next generation of researchers is no longer coming in. Are there plans to try to deal with that issue as well, because it is not just research in the UK we need to worry about; it is those collaborations?

Michelle Donelan: This is something that people regularly say to me. I have checked the stats on this, and the stats I have are that there were over 2.3 million research and development workers in the UK in 2020. That is an increase of 12% since 2019, so it is up overall. We have been trying to make sure that there are lots of routes available, such as the global talent visa and the high potential individual visa, which enables people from some of the very best universities around the globe to come in.

We have also been trying to make sure that we are a beacon leading the way in science and technology so that people want to

come and work here. We have seen that in AI, for instance; we are leading the way when it comes to AI safety and AI innovation in many ways, and we are finding that people are choosing to locate to the UK because of that. Of course, we have also been investing in our infrastructure and making sure that we have plans and a long-term road map to give people the confidence that if they come and locate to the UK we are not only talking about this as an agenda but are backing it and believe in it.

The fact that this Prime Minister had the foresight and the passion to set up a department entirely dedicated to this agenda in itself speaks volumes for how importantly we place this. I will continue to do all that I can to work to attract the best talent from across the globe, while also growing our own talent, because that is equally important.

Baroness Willis of Summertown: I do not disagree, but I would be interested to know how many of the number you said were EU people.

Michelle Donelan: From the latest figures that I saw, just under 50% of those coming from outside the UK were from the EU. We can write to the committee with the exact stats.

Baroness Willis of Summertown: I would like to see that, thank you.

The Chair: That would be very helpful.

Q4 **Lord Drayson:** The framework identifies five critical technologies and sets out individual strategies for each of them. Do you regard that as an adequate substitute for the Government not having a comprehensive industrial strategy, given your objective to make the UK a science superpower?

Michelle Donelan: I would describe the Science and Technology Framework as the blueprint, the road map, for how we are going to get there, and it binds the rest of government behind this one document.

Lord Drayson: So you regard it as a substitute or you do not?

Michelle Donelan: I am saying that Governments can quite easily produce strategy after strategy. I am much more focused on delivery and doing. I do not believe it would add anything to this agenda if we were to produce an industrial strategy, because the Science and Technology Framework is the road map for how we get there. As the lead department in each area is defined, we, as the anchor department, can hold other government departments to

account in this area, to make sure that we are on track and that every pound we spend on research and development is adding value to this framework.

This is well respected across the community, and people that I speak to think it is helping to drive forward change. We have also obviously done our update document to be really transparent and show progress.

Lord Drayson: I am not criticising the individual strategies. The Government have eschewed having a comprehensive industrial strategy that looks across technologies. This has been raised by the scientific community and by industry as a real lacuna, so I am asking whether you feel that the lack of a comprehensive industrial strategy is adequately compensated for with these individual strategies.

Michelle Donelan: It is compensated for by the actual Science and Technology Framework, which is the umbrella strategy. It does the job that you are suggesting an industrial strategy would. Underneath that Science and Technology Framework you have your 10 pillars and the plans in each of the five critical technologies. We could create another strategy, but I do not think that would be a great use of time, because we should be focusing on delivering on the Science and Technology Framework, which is our road map for how we get there, rather than talking endlessly about how we are going to do it.

Q5 Baroness Northover: It would be really useful to have the pre-2016 figures compared with now, rather than ones from 2019 and 2020. If you could produce those in relation to EU researchers, or those from the continent that were in the United Kingdom compared with now, that would be very informative. It is interesting that you emphasise re-joining Horizon as an achievement, when it is repairing something that caused damage when we left, and it is a partial repair.

I would like to come on to another area that you referred to: getting, as it were, the right ecosystems and so on. There is this long-standing perception that the UK is good at basic research and seeing some progress in start-ups, but that we struggle to commercialise these and to scale up into big companies, which means that the economic benefits often flow abroad. That is a long-standing concern, and I wondered whether you could comment on why you think that is and what the Government are doing about that.

Michelle Donelan: My three areas that will make a big difference on this agenda are skills, scale-up and regulation. To your point

that in the UK we have been known as being really good at start-ups and not as good at scale-ups in the past, that is now changing. I gave a speech on this very topic at, I think, the beginning of this year, and I said that we need to continue with the plan that we have been working on and double down, because it is delivering.

If you look back at what we have been doing over the last few years, this has been a co-ordinated joint effort across government and is something that the Prime Minister, the Chancellor and I are very passionate about. We have done things like the Mansion House reforms, which the Chancellor doubled down on last week, and the LIFTS scheme where my department has worked with the Treasury on a venture capital fellowship. We have also commissioned a spin-out review as to how we can get that great innovation out of our universities more successfully and commercialised. We accepted all the recommendations announced in line with the Autumn Statement.

I announced in my speech that there is some amazing work being done in this area by lots of different bodies and organisations, but it is not co-ordinated. The value-add the Government can do here is to utilise their convening power. We are setting up a scale-up forum to combine all that and make sure that it is much more strategic and so we can hear the voice on this topic and direct our policies as such and channel efforts.

We also announced a scale-up sprint. Tech UK specifically suggested that we did a policy sprint. That is under way, and we will make further announcements on the fruits of that labour shortly.

We are also working on events to bring the investors, businesses, academics and the right people together in one room, if you like, so that they can gain access to the right people at the right time. The stats show that we are shifting the dial on this, but my key message here is that we need to continue the work we have been doing and double down on that.

Q6 Baroness Northover: You have just mentioned those reforms for pensions. There, potentially, you have funding coming in that is not underpinning some of the other things that you have mentioned, which kind of fits in with where the industrial strategy is and the funding behind any kind of strategy. Are there any metrics for measuring how successful those changes are, and will we see whether they have made a difference?

Michelle Donelan: We are tracking the metrics on whether capital is flowing and the number of businesses that can successfully

scale-up. In general terms, 1.8 million more people are employed in start-ups right now than in 2018. We need to be looking at how many of those would be deemed to be scale-ups and comparing and contrasting the progress over the last 10 years.

It is early days for things like the Mansion House reforms, but this Government are dedicated to this agenda, which recognises that this is a key way in which we can become a science and technology superpower. We do not want all our great ideas and innovations to be started here in the UK and lost to the likes of America. We want those jobs here on our soil. We want those opportunities here, and that is certainly at the heart of my work as Minister, but also at the heart of the work of the Chancellor.

Sarah Munby: I wonder whether I might just make an additional remark about metrics, given that you asked about it. Clearly, as we look at the big picture of scale-ups, there are lots of measures already, including in national statistics, that we look at very carefully. But one thing that has become really obvious as we look at our priority technologies is that they are extremely fast-moving, and we need more agile methods of building and reviewing metrics in order to really see what is happening in real-time.

If it is a topic of interest, it is worth looking at the work that we have published on the engineering biology sector, which is really about using quite modern tools such as web scraping and AI to build a more accurate picture of what is happening in the sector and then connect that back to HMRC data. That is where we would like to take things in relation to measuring the priority technologies. I do not mean to suggest that that is a substitute for those bigger, robust, long-term datasets, but for a department that is looking at the future we need to also be prepared to innovate in the way we measure and assess.

Q7 **Viscount Stansgate:** You mentioned America a moment ago, but do you think that the intellectual property of the UK is being harvested and exploited by others and leaving the UK? If so, where? If you do think this is a concern, what are the Government trying to do to prevent that?

Michelle Donelan: What we are talking about here is the problem that has been identified by many commentators over the years: where businesses get to a certain size and in essence almost cap out, and then are often bought out and end up in America or list elsewhere. That is changing—the stats bear that out—and is something that the Chancellor and I have been aware of. We have managed to begin to shift the dial on this, and we now have more venture capital investment into tech than in Europe. We have by

far the most successful university spin-outs, but we need to do more on this agenda and keep going. We recognise that there have been issues, and that is why we have made it a priority.

Viscount Stansgate: Do you think there are occasions when the Government should step in to prevent the loss of intellectual property and all the business opportunities that go with it?

Michelle Donelan: The goal here is to create the right ecosystem to make sure that capital is flowing, that you have the right environment and support for investments to be made, and that we are an attractive nation to locate and grow businesses in. Again, that goes back to all the work that my department is doing, the investments that the Government are making, the signals that we are giving, the regulatory environment that we are providing, and making sure that is spurring on innovation.

Take what we are doing in AI, for instance. By having an agile and flexible approach but one that also gives certainty, we are very much encouraging innovation and businesses to want to locate and grow here, while of course not neglecting safety. That is versus some other countries' approach in that agenda.

Viscount Stansgate: Thank you for that. I asked whether the Government would step in to prevent the loss of certain things, possibly for national security reasons, but I take it that you are concentrating on encouraging them to stay.

Michelle Donelan: National security is slightly different. We intervene on national security issues, of course we do, and if there were national security risks, that would be a very different kettle of fish.

Q8 **Lord Drayson:** I want to go back in the innovation chain to medical research, for example, that has been funded by taxpayers. A number of fantastic initiatives have been funded and have created IP, but that IP has been exploited outside the United Kingdom without any return to UK taxpayers. Where do you stand on strengthening protection over IP created in that manner?

Michelle Donelan: We need to make sure that we protect our intellectual property and that we are on the right side of our innovations and ideas here. It goes back to this idea of creating an environment where people want to innovate and grow ideas in the UK. My department very much needs to be setting the fertile environment and ingredients that will offer the relevant protections. Copyright and AI, for instance, are a live debate across the globe, and there are things that throw spanners in the works nowadays which are changing this conversation. That is why we

need to stay close to where the technologies are, because that will impact this agenda.

Sarah Munby: On the specific question about whether the Government should take IP rights as part of their R&D funding arrangements, there are various ways you could do that, and I think that was what you were getting at. We have looked at that from a policy point of view several times, and it is perhaps not quite as immediately and obviously attractive as it might look, partly because the Government do not tend to be a particularly good owner of IP. Really, you want that IP to be owned by the academic, entrepreneurial and spin-out communities, which will be best placed to drive commercial value from it. You are right, it is always a live question, which we look at closely, but I do not think the case is overwhelming.

Q9 Baroness Willis of Summertown: Going back to spinning-out and scaling up, my perception is that one of the big issues is these massive venture capital companies coming from the US with very deep pockets. That whole financial matter does not really sit within DSIT. It sits within a different regulatory framework. What are you doing, or what is it possible to do, to ensure that regulatory framework of financial flows of income is managed more fairly?

Michelle Donelan: That goes back to the point that this is truly a cross-government priority, and you see that with the work that both the Chancellor and Prime Minister have done in this agenda. We work very closely with the Department for Business and Trade as well on this agenda, and a lot of what we do as a department has many interactions with many other departments. Take the Science and Technology Framework for instance. We are not the lead in some areas, like procurement, which is Cabinet Office. So one of the things we have to be good at as a department is working very closely with other departments and making sure that we are co-ordinated if we are going to drive this whole agenda forward.

Sarah Munby: The Secretary of State referred earlier to the venture capital fellowship scheme. I mention it partly because it is a DSIT scheme within that bigger picture. It is specifically about trying to build the skills of mid-career venture capitalists in this country around investing in science and technology, because part of the challenge is scale, but there is also the point of focus of where VC money is flowing. That is an area where we think we could do more domestically to replicate some of what happens in the US.

The Chair: That brings us on very nicely to Baroness Neuberger.

Q10 Baroness Neuberger: We are very excited to have a Secretary of State for Science, Innovation and Technology in Cabinet. At the same time, there is always a question about co-ordination. The real point here is that, given that you do not have power over everything—I know you might wish you did, but you do not—how do you hold those other departments to account? You talked about co-ordination, but you did say in response to Lord Drayson that it was about holding to account. How do you make it work so that you make sure that what comes from you gets picked up seriously?

Michelle Donelan: When I say holding to account I mean holding to the framework, because the framework has been signed off across government. It is something we have all agreed with and said that we are going to do. To be a science and technology superpower, it has to be something that all departments buy into and do their bit of the equation. I make sure that I meet with my counterparts regularly, as do my junior Ministers, and our officials work extremely closely on making sure that we are listening to different sectors, supporting, and ensuring that we are on track. That is why we wanted to make sure we were really transparent and published that update to the Science and Technology Framework. We will also be doing future ones to show the progress we are making on this agenda.

There are other forums, such as the NSTC, where we will come together. I know that Dame Angela, when she spoke to you, talked about what we call the R&D stack. I read the transcript and I think she described it as a table. That is a good way of decoding the term R&D stack, which means that we have oversight of all the spending in R&D across government. That was not there before the creation of this department, which I describe as an anchor department on this agenda.

Q11 Baroness Neuberger: When the Chief Scientific Adviser came here, she said that she would be quite keen on greater transparency about the trade-off decisions that are being made across government on issues of science and technology, particularly on the National Science and Technology Council. Would you?

Michelle Donelan: There are Cabinet Committee processes in place, not just in this area but across the board. We do not air those on television, like we are doing today, so that we can discuss topics that are often of a much more heightened national security risk, et cetera. Having that free and frank discussion enables us to really get into issues, but in general my approach is always one of being as transparent as I can be, both with the general public and with my colleagues. That is my approach in life.

Q12 Baroness Neuberger: Thank you. We seem to have a lot of follow-on questions here, but the last bit I am going to ask you is about public procurement, which you said sits with the Cabinet Office, not with you. In the inquiry it came up a lot that public procurement is a way to support pull-through of novel technologies, and it is now a strand of the framework, but we kept hearing that there is a culture of risk aversion, which may be something to do with the Covid scandals and so on. It is this co-ordination thing again, but how do you persuade other departments to procure innovative solutions when there is a feeling that some of that might be a bit riskier? How do you deal with that perception of risk?

Michelle Donelan: As a Government we passed the Procurement Act 2023, and you are quite right that one of the things that comes up time and time again is this cultural issue. Partly, we can lead by example, and we have done that in quantum; we have dedicated £15 million to invest early and be innovative with procurement.

We make sure that we are working with the Cabinet Office, the lead on this strand, and we published our update in the Science and Technology Framework because we need to make sure we are being as innovative as possible and challenging that culture. I would turn to what the Cabinet Office and No. 10 are doing with the AI incubator unit as an example of this in action. They made some announcements just the other week. That it is about how we can get the benefits of AI for the public, in our public services and our public sector, and how we can use it more in government to make processes more efficient and effective.

Again, that is the heart of government leading and pushing forward, and that will have ramifications not just for the way government and the public sector behave but for the way the private sector behaves. That is a message I have heard very loud and clear at our AI adoption forum with businesses, where they have said that if the Government go out in front and actually do this, business will follow. So procurement has a wider ramification than just the cultural and behavioural impact in government. It has an impact on those cultures and behaviours in the business community too.

Sarah Munby: I wonder if I might just say something about culture, because I suspect it is part of Civil Service culture that you are getting at there. I would not underestimate the impact of the legislative change here. Under the hood, if you are saying that somebody is acting in a risk-averse way, for better or worse they are trying to be truly compliant with the processes. What I think the Procurement Act is acknowledging is that the set-up of

government procurement has put innovative procurement too much in a box to the side. The quantum work that the Secretary of State was talking about goes through the Small Business Research Initiative, which is quite a long-established programme, but it is off from the mainstream. The Procurement Act, particularly through the new competitive flexible procedure, brings those more flexible and R&D-based procurement techniques into the usual toolkit of a commercial officer.

I do not pretend that real cultural work does not need to be done on top of that. Clearly demonstrating to people what process compliance and managing your own risk look like is about having a very clear set of answers about how innovative solutions and solutions from SMEs are considered. One of the things the Act does is put more reporting obligations around that too. We should make process our friend here and use it to support changing the culture in the way you are describing, and I think the Act does that.

Baroness Neuberger: Is there a team in the Cabinet Office leading on that?

Sarah Munby: Yes, that is exactly right. In essence, it is the Government Commercial Function. It has teams in every department, so we would leave the muscle work to it, but we are very closely engaged with it because, as you say, it is such an important lever for driving growth.

Baroness Neuberger: Do you think that ultimately it will, or could, change the culture?

Sarah Munby: It definitely could, and I believe it will, but time will tell. It will certainly take work and training. It is worth looking at the latest documents passed by the Cabinet Office.

Q13 **Baroness Neville-Jones:** Good morning, Secretary of State. It is widely acknowledged that there are gaps in the skills provision in this country, so the committee is extremely pleased to see that, as part of the Science and Technology Framework, there will be a cross-government action plan on skills. Could you say something about the priorities for that, how you are getting on, and when it might be published? It is a document of considerable importance and interest.

Michelle Donelan: It is incredibly important to make sure that we become a science and technology superpower. In fact, later today I will be speaking more on the topic of skills as one of the three areas that will make a tangible difference, and it is something that, as a Government, I can be very proud that we have done so much in this agenda. We are trying not only to double down on the

initiatives we have in place, but to create and foster a culture of lifelong learning. Things like LLE will launch next year to assist with that, and just a few weeks ago my department produced a marketing campaign for digital bootcamps, facilitating people to do short, sharp bursts to enable them to reskill and upskill later on.

In the update document to the Science and Technology Framework, we provided context to the progress we have made, but we will be coming back to that. The update document's purpose was not to say that everything was done—this was a seven-year mission. We wanted to show the progress that we have made within the first year. You can be confident that there will be more announcements over the year to come, including on skills.

Q14 Baroness Neville-Jones: In terms of what you reckon to promote and finance, where are the Government going to put their effort and their money in improving the level of skills that are available to industry and encouraging industry to participate in the creation of skills?

Michelle Donelan: We have done a great deal in this agenda. As I said, we are launching LLE, which is transformative and world leading. It enables people to study up to four years of degree-level courses in bite-sized chunks throughout their life to try to break this culture whereby you finish your education at 21 or 22, and that is job done. That is not going to work in the modern economy that we are facing, where people will do multiple jobs not only in their life but potentially across different sectors, and they will need to be agile and nimble.

We are also introducing the Advanced British Standard, a personal flagship policy of the Prime Minister's, which will enable young people to study a broader range of subjects up to the age of 18, including English and maths, because those foundational skills will be even more important if they are to be agile and nimble for the needs of the labour market. We are staying very close to the data on what the skills will need to be.

We have also improved the courses we have and we have introduced new ones. I am thinking of things like our T-levels, which include industry placements, and the enhancements and improvements to our apprenticeship scheme and the progress we have made in the last 10 years. Ten years ago, apprenticeships were dogged by stigma and viewed very differently. Now, when I speak to parents in my constituency, they want their kids to do apprenticeships and degree apprenticeships.

Baroness Neville-Jones: Are there enough of them?

Michelle Donelan: We now have apprenticeships in about 80% of all occupations, and the number of degree apprenticeships is also rising, so those opportunities are increasing. We are one of the only countries in the world where you can take an apprenticeship at any age—there is no age barrier—which again helps here. You can say many things, but the thing I would be confident on is that we are the Government who have delivered on skills, and we are continuing to deliver on skills.

Baroness Neville-Jones: There is a lot of fuzzy information on the subject of skills. Do you think you have a really good, quantified basis for policy? The second thing is the relationship between skills and the immigration policy of the Home Office, where the costs are very high. You have the health levy, which is now over £1,000, and you have the visa costs to come in. These barriers are significant. The average post-doc PhD student earns about £35,000, and this is the target market. How does the UK expect somebody with that level of income to pay initial, one-off costs of something like £5,000 or more? Is this not a barrier? To be frank with you, it does not sound to me like a national policy; it sounds like a Home Office policy. You could do something about this.

Michelle Donelan: To your first point, we did say in the Science and Technology Framework what was going to happen in the year ahead, and it did state that within the next 12 months we would publish the dashboard, which shows the pipeline and the need for skills. That might answer your call for seeing a bit more under the bonnet, if you like.

Baroness Neville-Jones: It is very important that you know what is under the bonnet and what is missing.

Michelle Donelan: Yes, and we need to keep a live track of that. What I was trying to highlight and illuminate was that we have put in place a robust skills' system to cope with the changing needs of the economy and the fact that people will need to reskill and upskill throughout their life, and part of that requires a cultural change, which is what LLE will help to embark on.

On the immigration point, do we want to be attracting the very best talent from across the world? Of course, we do. That is why we have things like the global talent visa, and why we have introduced the scale-up worker visa, as we discussed before. It is why we have the high potential individual visa for people who have studied at some of the very best universities across the globe. But we also have to be fair to the British taxpayer. The NHS surcharge,

for instance, had not gone up for a number of years despite the rates of inflation.

Baroness Neville-Jones: It could be levied in a different fashion so that it did not become such a barrier. It is extraordinary that the Home Office feels that it can only do this as a one-off charge and is incapable of levying it on an annual basis so that it does not become such a huge step before the individual even gets to the country.

Michelle Donelan: The point is that we have to be fair to the British taxpayer. These are costs that have to be borne on somebody, we are asking people to make a fair contribution to the cost that exists, and—

Baroness Neville-Jones: Right up front?

Michelle Donelan: —we have not increased it for a long time despite inflation going up.

Baroness Neville-Jones: Do you not recognise any barrier here? Do you reckon that this policy that we are pursuing is in the interest of attracting the best talent?

Michelle Donelan: We have to prioritise the needs of the British taxpayer as well as attract the best talent. There are other ways to attract the best talent, and that is by making sure the routes are available, that we are investing in the infrastructure for them to utilise, and that we are prioritising this agenda. We as a country are now dedicating £20 billion a year to R&D. We have four out of the top 10 universities. We are leading the world on AI safety. We have a great story to tell on each of our critical technologies. Look at what we are doing in life sciences. We certainly are a magnet for talent, but we also have to be fair when it comes to these additional costs.

Baroness Neville-Jones: I have to say that I am sorry you do not recognise the barriers that many others do, including people who have just as strong an interest as you in the success of this policy.

Michelle Donelan: My Government were also elected on a manifesto pledge to make sure that we gained control of immigration. It was the British public who voted to do that, so we need to honour that commitment as well, and I believe that, by doing these two things, that is the track we are on.

Baroness Neville-Jones: I think we are arguing about the manner in which it is being honoured, but I will leave it at that.

Michelle Donelan: I do not think we are arguing.

- Q15 **Lord Borwick:** We have done a lot of work on AI, and there will be a drive to use it in government. Are we going to see extra regulations or safeguards for government use of AI? Looking forward, with AI being used all over government, will that increase the cost of government or reduce the cost of government?

Michelle Donelan: The whole reason why we want to really utilise AI is to make sure that processes are much more efficient and that we are achieving the fantastic opportunities we can obtain. If we look at, say, our NHS, AI offers the potential to help with one of the Prime Minister's five priorities, which is getting waiting lists down.

In terms of AI safety, we have tried to grip the risk so that we can seize those opportunities. Domestically, I spoke before about how we have an agile approach, but we have produced a White Paper and commentary on that, and we are getting all our regulators to work to the same principles on things like transparency and fairness. In addition, we have dedicated £10 million to upskill those regulators and support them. We set up a central risk function in government, in my department, to help with horizon scanning and support them.

When it comes to the Government's internal process, we have established the algorithmic transparency reporting standard, which the whole of government is working to. That establishes a standardised way for government departments, and public bodies, to inform the wider public about the use of algorithmic tools.

Lord Borwick: So the Government will be so much more efficient that the total cost of government will go down.

Michelle Donelan: That would be an objective, and the Deputy Prime Minister certainly outlined how AI is projected to get costs down in a number of areas that it can be deployed in, yes.

Lord Borwick: I look forward to it.

- Q16 **Lord Lucas:** Do you have enough weightily science-trained staff in your department, let alone in the whole of government, to handle this invasion of government by science?

Michelle Donelan: Yes. One of the first things I wanted to do when I came to the department—well, when we all came to the department, because it had only just been set up—was to make sure we brought in external talent and expertise as well. We brought in people from industry and the scientific community so that people with that up-to-date knowledge and expertise, who had

literally been on the ground last week, were involved in the policy-making process and adding value to our department, especially because we are in charge of areas that are moving at record speeds.

We have also begun to do the opposite and get civil servants out into the field too so that we can get that cross-collaboration. We have a fantastic range of expertise in the department that we are constantly adding to, especially in areas like AI. We have set up an institute on AI that has begun pre and post-deployment testing of models. It is the world's first institute that is up and running and functioning. We have some top talent from across the globe that we have attracted to work in that institute. I think that speaks to how we are almost punching above our weight on this agenda, but we will continue to want to attract talent and to refresh our skills internally as a team, given the nature of these areas moving so quickly.

Q17 Baroness Young of Old Scone: Going back to the issue of overseas researchers, you talked about lots of routes of entry, and Baroness Neville-Jones talked about the immigration health surcharge being a barrier, particularly in a lump sum at the beginning. There are all sorts of other barriers too: the rising cost of visas, the increase in the salary threshold for the priority employments, the review of the graduate visa.

Has the department done any impact assessment on the cumulative effect of all these? Are there any figures that we can see on what is actually happening with various categories of talent recruitment from overseas? Certainly the preliminary indication from the work that Universities UK has done is that the number of international researchers and international students is declining rather than increasing.

So it would be useful to know what impact assessment you have done, because there must be a big question as to whether you and the Home Office are singing from the same hymn sheet, given its wish to see the immigration system self-funding and your wish to see the right skills and talents being admitted to deliver the goals of the Science and Technology Framework.

Michelle Donelan: We are definitely singing from the same song sheet. The Government's objective is to make sure that we are controlling immigration and utilising immigration for skills gaps that we have, hence the types of visa routes that we have on the table. At the same time, we need to be making sure that we have long-term plans to grow our own talent, which is why I spoke so

passionately before about our skills system and the initiatives there to make sure we have the pipeline to feed the jobs that we have.

As I said before, this Government were elected on a manifesto to gain control of immigration, and we have to be fair to the British taxpayer and put in place processes that honour that. When we look at things like the NHS surcharge, we know the levels of inflation that we faced. Somebody has to pay that additional top-up, if you like, and if we had not increased that it would have been borne by the British taxpayer. I will bring the Permanent Secretary in on impact assessments.

Q18 Baroness Young of Old Scone: Is there any data on what is actually happening with trends in the key areas where you want to see skills and talent come in?

Sarah Munby: I do not have the numbers at my fingertips today, but I am sure we can supply them. There are pretty well-established data sources on what is happening to both domestic and international researcher and post-doc numbers. These are all absolutely gettable and suppliable.

Baroness Young of Old Scone: If we can see how you are assessing the immigration and other barriers to the sourcing of overseas talent, it would be useful to see exactly what figures you use to monitor that and whether that actually nails it down.

Sarah Munby: I am very happy to ask the analysts to come back with a way to help you. I have percentages here today, but I do not think they answer exactly the point you are getting at.

The Chair: Thank you, that would be very helpful.

Q19 Lord Drayson: How are you addressing the broken funding model for UK universities, which is becoming increasingly apparent? How is the way universities are using foreign students as a way of balancing the books consistent with the policy you just described?

Michelle Donelan: We provide about 80% of the research funding money that universities have. It is a long-standing principle that universities contribute some of that, and that is important to the way our system works.

Sarah Munby: We talked about evidence and this issue quite extensively in the government response to the landscape review. That was published in November, and UKRI put out a very helpful evidence pack alongside it that goes through exactly the numbers and the underlying data by different types of university—the funding flows, where things are coming in and going out. We say in

that government response that, at the moment, anything that you did on this will not happen mid-spending review anyway and that our critical priority is to make sure that we really understand the issue, talk to the sector, understand the data, and see the deep segmentation which that publication starts to give you a very good insight into.

Lord Drayson: I am not clear. Are you saying that there is a growing crisis in university funding or that there is not?

Sarah Munby: I would point you to the government response to the landscape review, which says that we are of course aware of what the data shows, which is the kind of cross-subsidisation that you are describing. That is where we are at the moment.

Michelle Donelan: The point the Permanent Secretary was making is that this was addressed and brought up in the landscape review and our response. As I said, it is a long-standing principle that the Government contribute the lion's share but universities also contribute.

Lord Drayson: Absolutely. As you say, that is a long-standing principle. What I am trying to get to the bottom of is whether you believe that the current arrangements are causing a growing financial crisis in university funding or not. Yes or no would be helpful.

Michelle Donelan: No. Obviously the lead department on universities and the relationship with the Office for Students is the Department for Education. We work very closely with the Department for Education, given the big crossover, especially with the quantum of universities with—

Lord Drayson: Sorry to interrupt, but in your role as Science Minister do you feel that the cost of science education in universities, which is often higher than humanities courses, is a factor you need to be concerned about? We are seeing concerns in our university sector over the funding model and it is leading to an increase in concerns in this area. I am trying to get to the bottom of whether you are looking at policies to address this.

Michelle Donelan: You asked the Permanent Secretary whether we think it is a crisis. No, we do not. Are we working closely with the Department for Education to make sure that we are across the financial health of the universities that are leading on research and that our policies are delivering, et cetera? Absolutely. That is integral to delivering on our Science and Technology Framework. That there has been that cross-subsidy is nothing new.

Q20 Baroness Willis of Summertown: UKRI is supposed to fund research at 80%, but all the evidence shows that it is about 69%, so obviously we already have a big funding shortfall. We have heard other evidence—I have seen it myself, being in a university—that it is requiring a cross-subsidy from international student income. Yet we are being told that those numbers are declining. There is a very serious concern about the budget and what infrastructure support each university will be able to fund—all the things that will not be funded by that missing 20% or 30%. Is anyone doing horizon scanning on that to determine what we are going to do in the next three to five years.

Michelle Donelan: That is the bread and butter of government, is it not—to be doing horizon scanning and making sure that we are prepared? As I said before, one of the pillars of the Science and Technology Framework is skills. Our universities are a key part of that agenda, and that is why we work so closely with the Department for Education. I was Universities Minister for many years, so I know only too well that part of the role of the Department for Education and the Universities Minister is to be doing that horizon scanning and to be making sure that they are on top of the financial health of universities. I was Universities Minister during the pandemic, when we were even more on top of it. That work is definitely being led by the Department for Education—with our support and interaction, if you like.

Baroness Willis of Summertown: It is not about skills. We can skill all our workforce, but if we do not have enough money for the universities to work, or for them to function or pay these salaries, the system is broken. It is that budgetary part that I am most concerned about. It seems to me that, again, it falls between the departments.

Michelle Donelan: It definitely does not fall between departments, because a key remit in the Department for Education is the relationship with our universities. They are autonomous organisations, but the Office for Students is the regulator. That is a key part of Minister Halfon's role and remit. He will have regular meetings with the Office for Students. When I had that role, I met them roughly every two weeks. He will have complete information on the financial health and concerns of any institutions. I, or my ministerial team or officials, regularly meet with representatives from the Department for Education, and if there are concerns that relate to research universities, we are certainly read into that and across it and working on that agenda.

Baroness Willis of Summertown: So are you looking at this whole funding aspect of the 80% and whether that needs to

change?

Michelle Donelan: We regularly look at all these topics, and we work very closely with the Department for Education. Any financial agreements would be made from the Treasury, but we are confident that the current set-up is still delivering and that our universities are still in a position to flourish.

Q21 **The Chair:** We hear increasingly from the academic community in particular that they are concerned about the political and ministerial oversight of UKRI. Earlier, you mentioned the recent incident over the Research England EDI advisory group. Your predecessor in BEIS reportedly vetoed the appointment of the chair of the ESRC. We are interested to explore your views on the ministerial oversight of UKRI and whether this really does extend to the political views of researchers, and where you would draw the line on exercising that oversight, versus issues like freedom of speech and the independence of UKRI.

Michelle Donelan: When it comes to freedom of speech of individual researchers, you only have to look at my track record as a politician to know where I stand on this, and that is one of championing academic freedom. The incident that we are talking about has to be viewed in the context of what was happening at the time. We had just seen the attack on the shores of Israel and a great deal of hatred across online social media platforms. I had addressed that directly with the platforms, and we were very worried about potential violence on our own streets.

Had this been a researcher who did not have a role on the UKRI EDI board, I would not even have raised the topic. I raised it in my ministerial capacity because this individual had been appointed to the UKRI EDI board just a few days before. However, her comments had been made many weeks before, which highlights the fact that I intervened only because this individual was on an EDI board in UKRI.

The Chair: But do you think that the political views of an academic should preclude them from being chair of a research council if they were the person being recommended by the appointments board?

Michelle Donelan: The key thing here is process. It was an advisory letter, and it is important to note that, given the relationship with UKRI. What my letter actually asked was whether the correct process and due diligence had been done. That process is fundamental in all appointments, I would argue, especially when it comes to things like equality, diversity and inclusion.

My very letter asked whether that process had been followed and whether an investigation could be done, not by us but by UKRI. UKRI responded by launching an investigation to look into the process. It did that and concluded, and I have obviously made those clarifications based on the professor in question's comments back to me, giving more information as to what happened. As I said earlier, I apologise for using the medium of Twitter to communicate to UKRI publicly as well as sending the letter privately.

The Chair: If proper process had been followed in the appointment of a chair of a research council, you do not feel that a Secretary of State should have vetoed that.

Michelle Donelan: I cannot speak for the actions of other Secretaries of State or the specific details, because I am not across them. The key thing I am arguing here is that process is really important—doing due diligence and making sure that people will be in a position where they can exercise the nature of those particular roles properly and fully.

Q22 **Lord Drayson:** The role of Science Minister, and having a Science Minister in the Cabinet, is regarded as a major benefit to the scientific community, in that there is someone in Cabinet who is championing the view of science, protecting the scientific community from political interference, and maintaining the independence of that scientific community in the face of political pressure. What is your role, as the current Science Minister, in maintaining that dividing line and providing that level of confidence to the scientific community in light of recent events?

Michelle Donelan: My actions were never motivated by any political desire. They were motivated by a concern about whether proper process and due diligence had been followed. As I outlined at the very beginning of my initial statement, I felt that the specific tweet—or X—that I saw was concerning, especially given the context of the time. That is why I highlighted it for an investigation by UKRI.

Q23 **Lord Drayson:** You have mentioned several times the importance of process, and you know that the normal process is for a letter from the Secretary of State to the head of UKRI to be a private letter. However, you decided to publish it on social media. Were civil servants aware that you were going to publish on social media when they gave you the advice on the letter?

Michelle Donelan: As I said at the beginning, I highlighted it on the platform that the original tweet was done on—in other words, on Twitter, or X—and I have apologised for that. I said publicly that

with hindsight I could have just sent it privately, and if I had the ability to do it again I would certainly just send it privately, as well as retracting the original comments. That is important.

There is a long-standing precedent that we do not get into the actual nature of the advice, but I can tell you here today that both policy and legal were not only sighted of but cleared the approach taken. I will bring in the Permanent Secretary.

Sarah Munby: I am not sure there is much more to add other than to say that, as the Secretary of State said, civil servants were involved.

Lord Drayson: Permanent Secretary, that is a very important point. Were your civil servants aware, when giving advice to the Secretary of State, that the Secretary of State was going to publish the letter on Twitter?

Michelle Donelan: The answer is yes. I have answered that.

Sarah Munby: That has been answered by the Secretary of State. I am not going to give you an hour-by-hour, day-by-day description of who, what, where. That is not in line with how we deal with questions about advice. But the Secretary of State has been very clear that those clearances did indeed take place.

Q24 **Baroness Young of Old Scone:** Can I just raise a question about the kind of depth and breadth of surveillance that our scientists are now experiencing? What surveillance systems were behind the detection, as it were, of the original tweet?

Michelle Donelan: Absolutely no surveillance at all. That would be outrageous. I was alerted to this tweet by an official in the department. As I said in the statement, I looked at that tweet myself and what I inferred from that was concerning. Others shared that concern; it was not just me. As we have said publicly, and as we said last week, as a department all the usual processes were followed, which culminated in that letter being placed on X and sent directly to UKRI.

Baroness Young of Old Scone: Could I assume that if I were to be appointed to an advisory committee in your department's area of responsibility, my tweets would automatically be surveilled by a civil servant?

Michelle Donelan: No. As I just said, categorically, there was no surveillance. An official who had been alerted themselves alerted me to it, but there was no surveillance of this academic or any other academic.

Sarah Munby: Just as a point of principle, any processes involved in such an appointment are a matter for UKRI. It is reasonable for the Secretary of State to inquire about those processes, but there is no role for the department in making those appointments. So what you described would never take place.

Baroness Young of Old Scone: But it happened.

Michelle Donelan: No, it did not. The surveillance did not happen.

Baroness Young of Old Scone: Somebody somewhere was looking at the tweets.

Michelle Donelan: Twitter is a public forum, and there were many people talking about this at the time. I received information, looked at the information and responded as we have discussed.

Q25 **Lord Lucas:** Would you agree with me that although UKRI is independent, it is very much part of your job that you take it to task if you see it being sucked in by consensus or funding bad research?

Michelle Donelan: I would not say that about bad research. Obviously, there is the Haldane principle for a reason, and we very much subscribe to that. I personally subscribe to it. That is one of the key reasons why we have UKRI: to oversee those decision-making processes and bidding processes as to where exactly specific pots of the taxpayers' money should be allocated for research and development. Is it part of my job to raise concerns directly to UKRI when I spot activity that I think is potentially worrying or where I am concerned that the correct processes and due diligence have not taken place? It absolutely is my job when it is in relation to UKRI.

Q26 **Viscount Stansgate:** I have a quick question about your perception and understanding of the damage caused by this episode. How do you think it can be repaired? What type of measures can you take to build confidence into the system again?

Michelle Donelan: We as a department will do an internal review of processes to ensure that we learn the lessons from this and that we never repeat it. As I have said, I apologise for tweeting this letter publicly, and I have formally retracted my concerns.

The Chair: Secretary of State, I would like to thank you for being so open and so informative, and you and Sarah Munby for your evidence today. I know you have a hard stop at 12.15 pm, so I committed that we would get you away for then. Thank you for coming. I hope we will be hearing from you again in the future. We

would very much like to receive the data that you offered to produce for us. That would be enormously helpful. Thank you for that, and we will look forward to receiving it.