HOUSE OF COMMONS

Science and Technology Committee

Oral evidence: Machinery of government changes, HC 648

Wednesday 21 October 2026

Ordered by the House of Commons to be published on 21 October 2026.

Watch the meeting

Science and Technology Committee members present: Dame Chi Onwurah (Chair); Tom Collins; Emily Darlington; George Freeman; Dr Allison Gardner; Kit Malthouse; Samantha Niblett; Freddie van Mierlo; Martin Wrigley.

Digital, Culture, Media and Sport Committee member present: Nigel Huddleston.

Questions 56-163

Witnesses

I: Chris McDonald MP, Minister for Science, Innovation and Investment, Department of Health and Social Care and Department for Business, Innovation, Science and Trade; Alexandra Jones, Director General for Growth, International, Science and Technology, Department for Business, Innovation, Science and Trade; Rt Hon Kanishka Narayan MP, Minister for Artificial Intelligence, Cabinet Office and Department for Business, Innovation, Science and Trade; Ollie Ilott, Director General for Artificial Intelligence and Head of the Prime Minister's AI Taskforce, Office for the Prime Minister and Cabinet; Baroness Lloyd of Effra, Minister for Space, Cyber and Regulatory Reform, Department for Digital, Culture, Media and Sport and Department for Business, Innovation, Science and Trade; Sarah Connolly, Interim Director General, Digital Foundations, Department for Digital, Culture, Media and Sport.

HOUSE OF COMMONS

Examination of witnesses

Witnesses: Chris McDonald MP, Alexandra Jones, Kanishka Narayan MP, Ollie Ilott, Baroness Lloyd of Effra and Sarah Connolly.

Chair: Welcome to today's meeting of the Science and Technology Committee. This is our second session on the machinery of government changes that were announced before the summer recess. Today, we will be looking at ministerial responsibilities and what the changes mean for the future of science, innovation and technology policy and decision making. We are very pleased to be joined today by Nigel Huddleston from the Digital, Culture, Media and Sports Committee: this is an early example of how we will be working across Committees, and I am sure the Departments will be working across Departments as well. We are very pleased to have Ministers and officials from each of the three Departments most affected by the abolition of DSIT; many thanks for joining us today and demonstrating that the abolition of DSIT will not lead to less scrutiny of science and technology.

Before we start our main session, I want to turn briefly to the provision of information to our Committee by Departments. Since the machinery of government changes, responses to correspondence and reports from our Committees have been regularly delayed beyond agreed deadlines. This is something that the Committee does not expect to become routine. Can you commit to underlining to your respective teams the importance of timely engagement with this Committee? I see all the Ministers are nodding, which is great; I will accept that, and thank you very much for that.

Could each of you introduce yourselves in response to the first question presented to you? The first question from our Committee is from George Freeman.

Q56 **George Freeman:** Morning, all. As a veteran of a few government machinery changes, may I thank you for your time this morning? We have heard quite a lot of concerns in previous hearings about just the damage and the risk of disruption, leaving aside everything else. As you know, in the last two years we have been very focused on applauding the Government's announced increase of funding and the focus on industrial strategy, and have been focused on how this actually plays out across Government. You will have seen our report, "Flying Blind: Innovation, Growth and the Regions", asking which money is being allocated to which geographies and which sectors, so that we can track delivery.

I want to ask about three things this morning: first, the disruption, secondly, the budgets, and thirdly, the political vision and delivery leadership. I am going to focus on Minister McDonald and Director General Jones. Minister, with the vision, the aim and the political side of this, there is no perfect structure, but can you update us on what the

rationale was for getting rid of the Department that, in its creation, had sent a signal that we were putting science, innovation and technology at the heart of Government? In particular, how is the delivery governance run? You have two Ministers in Cabinet, a Secretary of State for DBIST and a focused AI Minister. That can be a strength and potentially a cause of some clash. I am keen to hear from you the vision and then the political implementation, and then perhaps I will come to you, Alex, on the money.

Chris McDonald: Thank you very much, George. You are right: you have been through a few machinery of government changes yourself as well, and you would probably agree with me that the civil service is incredibly adept at following those instructions. Of course it comes with some cost, as any restructure does. It is very important to set out the rationale for it, as you say.

To my mind, in any sense—you will forgive me, I am an engineer and I come to it from an engineering perspective—form always follows function. You have to adapt the form of government to the function that you want it to carry out. We are fortunate in that the Prime Minister has given a very clear objective; in fact, he gave that objective very directly to me when he appointed me to the job. What he said to me was that he wanted to put science back in the service of industry. That is a really strong focus on the application and commercialisation of science. I know that this is something that you wrestled with when you were Science Minister too; we recognise that the UK punches well above its weight in terms of curiosity-driven research, basic science, but that much of that science is commercialised overseas.

Despite the fact that the Prime Minister gave me that objective, I was very clear in a speech that I gave early on to the Universities UK conference that that does not in any way diminish the work that we are doing on curiosity-driven research. That is quite clear, and the funding remains for that; it is protected. What we need to ensure is that those results bear fruit in the UK economy for the advantage of people in this country. Really, it is about ensuring that that end-to-end pipeline of commercialisation works. I have a bit of experience of this; this is the job that I used to do in industry. It is hard, it is very difficult to do, but we have the best advantage in the UK because we have such a strong fundamental science base.

That is the overriding objective. There are many things we need to do, but there are two things that it strikes me that we need to do to be successful at that. The first, as I have said, is to really strengthen the pipeline of scientific discovery, but we also need to expand the industrialisation capability. That downstream science activity happens in collaboration between Government and industry, and a lot of the activity happens in industry as well. We have seen a decline in industrial research floor space in the UK over a long period of time. Much of that is

associated with the fact that we have had a decline in large industrial UK headquartered firms, so there is a structural aspect there. Government needs to help to commercialise the science, but also to intervene in such a way as to encourage firms to invest in industrialisation capacity. The support we have had for many Governments over many years around the Catapult network is an excellent example of that.

Q57 **George Freeman:** I have two quick supplementaries on that. First, I support science in the service of the economy but I hear concerns, including one we had from Sir Paul Nurse and CaSE and others, that this is a relegation of the importance of blue sky. As you know, quite a lot of scientific progress is accidental and not planned. Can you reassure us that the core science budgets are not going to get top-sliced with defence, AI, and all sorts of other priorities?

Secondly, in Cabinet, who is really in charge and how do those tensions get mediated? Is there a Cabinet Committee? Where does the clutch of Government really sort those tensions?

Chris McDonald: I will answer the first part of your question; I might defer to Kanishka on the Cabinet side, as obviously he sits there. I am very grateful that you have asked that question, as in every opportunity I have I am keen to provide reassurance around discovery science. As I said, I did it in my initial speech to Universities UK and am very happy to do it here as well. The Secretary of State also said the same to the Business, Innovation, Science and Trade Committee yesterday. This is not a diminishment of scientific discovery, but it is about ensuring that we capture as much of that scientific discovery as possible in the UK. We are clearly not going to catch all of it: there are spill-over effects that benefit the rest of the world. That is fine, and we should be really proud of that.

At the moment, the drop-out rate of companies that are spin-outs of universities or that manage to get early-stage funding and then depart from the UK economy is a loss of economic activity for the UK, so it is how we deal with that. Aside from the high-level machinery of government change, even within my brief the bringing together of both the science and the investment portfolios actually gives a much clearer direction to the investment side that the investment activity is not really about just passively responding to the very many inquiries that we get for investment in the UK, but about directing our investment strategy towards commercialising science as well.

Q58 **George Freeman:** In which case the tension could go the other way. We have heard people saying, "Look, we are really worried, there is a big focus on AI, defence, and growth." Minister Narayan, you are in Cabinet alongside the Secretary of State. Can you reassure us on how those tensions get mediated, and who protects basic science?

Kanishka Narayan: Thank you for the question. The Chair asked us for a brief introduction, so I am the Minister for Artificial Intelligence, sitting across the Office for the Prime Minister and Cabinet, as well as BIST, the Business, Innovation, Science and Trade Department.

I noticed with interest your observation, born of experience, that either this can be a great thing, in terms of having two representations for the voice of science and technology at the Cabinet table, or it can be a challenging thing. I am very determined to make it a great thing. The way it is working at the moment is that I am a Minister of State in the Business Department, so the Business Secretary and I are precisely aligned in having mediated questions of how different sectors in the science and technology landscape are engaged. Where there are trade-offs, those are made internally in the Department. We then represent that at the Cabinet table.

You will know that, regardless of the more recent machinery of government changes, there are clearly trade-offs across different sectors. For example, you talked about defence relative to science, so those are mediated there. The National Economic Council and the National Security Council engage on areas where there are also trade-offs involved on both economic and security aspects. The fundamental thing I would say is that, whether it is in the realm of AI or indeed in defence or in science, the task that we are focused on, both in the BIST Department and specifically on AI through the OPMC, is to make sure that we are getting the biggest upside from basic science right across those areas as well.

Q59 **George Freeman:** Can you give us an example of a trade-off that you are pleased has been well managed?

Kanishka Narayan: Let me give you one specific thing, and it is clearly in the realm of AI. Historically, I have been incredibly keen that data assets right across different parts of Government be used in a way that supports British science, British technology and British firms. By being able to co-ordinate across Departments through the Prime Minister's AI taskforce, working closely with the Ministry of Defence, we were able to be the first country to prioritise working with Ukraine on securing real-time battlefield data. We are the only country so far to have been able to do so for British technology firms, doing fundamental pieces of innovation but also then commercialising that. To me, that is a pace and a prioritisation of progress that is distinct and is born out of the structure that I have described.

Q60 **George Freeman:** Alex, you are a veteran of these changes as well. Can I ask you about the budget and the allocations? We have heard a lot of early announcements of the £86 billion, the record funding in four years. I observed as Minister that we made a record announcement in 2021 and it took about three years to work through the system, which is my first point. We have all heard big announcements on extra funding for AI, data

and defence. Can you explain whether, and how, that is not going to reduce UKRI's core research budget, and if there is extra money? When are we likely to hear what those allocations are? We are going into a Budget next week. We are flying blind as well at the moment, and we do not know what has been allocated where. This could lead to some quite big changes, and cuts in what we had thought were the budgets. Can you reassure us?

Alexandra Jones: As you know, we published the UKRI strategy and set up all the allocations of the budgets, and we are working through actually implementing much of that. Some of the announcements you have seen on AI have absolutely been part of UKRI's budget. There are three buckets: discovery research, Government priorities and scale-ups, and it has been looking at how you allocate from those Government priorities and scale-ups to make sure we are investing in AI and other technologies. Those have been met within budgets.

All Departments are contributing towards defence, and we are working through the details of that now. As you know, much of UKRI's research also contributes to defence. It continues to be the case that about half of UKRI's budget, if you include talent and infrastructure, is going towards discovery research, and that is something that, as the Minister has said, we are really committed to doing. One of the opportunities of the machinery of government change is to just make sure we continue to have those conversations across Government, but also in the Department for growth and a Department that is thinking about resilience, to make sure that, as discoveries come through—we do not know where they will come from—we are able to make the most of them.

Q61 **George Freeman:** To be clear, your Department gave us very clear information last year: UKRI's budget on blue sky was £14 billion, on growth was £7 billion, on sovereign missions was £8 billion and on talent infrastructure was £7 billion. Do those numbers still hold, or are they likely to change in light of these announcements? When will we know?

Alexandra Jones: The machinery of government has not changed those budgets. We are working through the commitment across all Departments to contribute towards defence; we are working through those details, absolutely, and we will be able to update on that more in the weeks ahead. The machinery of government change has not changed the way we are allocating UKRI's budgets. It has enabled us to make sure we are bringing that together, particularly on the second and third buckets with, as the Minister said, some of the investments, the scale-ups and the trade, and thinking about that in the round.

Q62 **George Freeman:** This is my last question. We see local government reorganisations, we know their costs and we know that the benefits are questionable. What is the cost of this reorganisation?

Alexandra Jones: We do not know yet. Departments are absorbing the costs within their administrative budgets, as is always the case, so we are working through that. It is also being assessed by the GIAA to make sure we are doing this in the correct way, so we will not know that as yet but we are working through it, and it will be absorbed by admin budgets in the usual way.

George Freeman: Chair, the scene is set.

Q63 **Chair:** On that last point, you say you are working through the costs. Will they be published? Will we get a figure to say that this machinery of government change costs x, y or z?

Alexandra Jones: I would need to come back to you on the details of that, but we will certainly be publishing departmental budgets in the usual way. We are sorting all of those out now, so let me come back to you on the full detail. We are definitely planning to evaluate it and look at the implications.

Chair: Kit has a very quick question.

Q64 **Kit Malthouse:** I need to declare my interest, if I may: I am chair of the all-party parliamentary group for life sciences, and I chair an artificial intelligence company focused on public protection and national security, building sovereign capability.

When you publish the numbers, are you able to tell us what each of the Departments is going to be spending less on as a result? Obviously if they are absorbing it, it means they are having to find that cost from elsewhere.

Alexandra Jones: They will be absorbing it in the administrative costs rather than the wider issues.

Kit Malthouse: The administrative costs come out of the CDEL in each Department.

Chair: A very good point.

Q65 **Kit Malthouse:** There will have to be an allocation from other budgets or you will have to fire people. The money just does not appear from nowhere. If it is spent on this, it means it is not being spent on something else or being returned to the Treasury.

Alexandra Jones: It does not tend to come from CDEL. In the main, it comes from the RDEL side of things. We will absolutely be reallocating resource, which is always something that Departments do. It will not be coming from some of those budgets, for example the R&D budgets. It will not be at a cost of investing in some of those major programmes. It will be within the administrative budgets. We will be reallocating resources in the way we always would, to make sure we respond.

Q66 **Kit Malthouse:** Can you not tell us where you are reallocating it from?

Alexandra Jones: We would not normally go into that level of detail. We will definitely have the details of the budgets.

Kit Malthouse: Could you, this time?

Alexandra Jones: Let me come back to you on that. We would not normally go into the detail of exactly who is working on which issue. What we will absolutely do is be setting out what the priorities are, where there are any changes in those priorities, and any implications for the wider programmes.

Q67 **Chair:** If you get a very strong message from the Committee that we want to know how much this has cost, could you tell us?

Alexandra Jones: Understood.

Chair: In evidence to our previous hearing, we heard from experts in Government and in the industry that they were concerned at the costs of reorganisation in terms of money, attention and effectiveness. This Committee wants to know what those costs are.

Alexandra Jones: Understood. We are working through them. Let me see; we can write back to you with some more detail on what we can tell you by when, and how we will do that.

Chair: Great.

Q68 **Nigel Huddleston:** It is a pleasure to join you this morning, and thank you also for joining our Committee yesterday. I should start off by referring members to my declaration of interests and highlight the fact that I am a former employee of Google, a shareholder in Google and a former DCMS Minister. That means that I have been through a few MOG changes myself.

Given the fragmentation of responsibilities now, I want to focus on how we actually ensure co-ordination, in particular when it comes to policy development and policymaking. Minister McDonald, you gave a very good explanation and rationale for the changes. Forgive my cynicism here, but are the machinery of government changes and the changes of responsibility truly a well-thought-out restructuring of Government responsibilities based on policy development and in the interest of stakeholders—or did this really all happen because Lisa Nandy kicked off and wanted a bigger Department?

Chris McDonald: I guess you are allowed to be cynical, if you wish.

Kit Malthouse: Duty of care, maybe.

Chris McDonald: Actually I was quite clear in my previous answer: the machinery of government changes have orientated around solving a long-

standing issue in the British science and innovation space. Fundamentally, it is one of the reasons why I am sat here. The Prime Minister wants to ensure that we commercialise more UK science. I have spent my career commercialising science.

We bring those two things together. Pulling out AI particularly puts the UK in an incredibly strong position compared with our G7 and G20 counterparts, with AI at the Cabinet table bringing together science, investment and trade in the same space. It is all about alignment of science policy, and at the top level we are aligning to the industrial strategy and the defence industrial strategy. It is driven very much by that single focus. I have certainly reflected that in all the conversations that I have had, and the officials have taken that on board.

Q69 **Nigel Huddleston:** I get that, but I remember having very similar discussions about the creation of DSIT, in terms of the need for the Government focus on that. It seems now that we have made these changes with a very similar rationale and arguments to why we created DSIT in the first place. What has fundamentally changed here?

Chris McDonald: As I was saying, it is this ability to now manage the end-to-end pipeline of scientific discovery through to commercialisation. I view this from the point of view of an industrialist, essentially: how can we make the best use of the science that is developed in UK universities?

You know and understand well this long-standing issue around commercialisation. Where we have had a focus on scale-up of a spin-out from a university, generally when we tried to tackle this problem in the past we thought, "How can we take that very small company and make it into a small or a medium-sized company?" Actually, if you are managing the end-to-end pipeline, what I want to see and what we need to see is some of those dozens of companies that will be multibillion-turnover companies built on British science over the next 10 years, listed on the London stock exchange and headquartered here in Britain. We have to take that end-to-end approach. That is what the formation of the new Department and the alignment of the responsibilities in my portfolio enable us to do now.

Q70 **Nigel Huddleston:** We all get the purpose and the broad intent; the devil is always in the detail in these areas, and as I say, various Governments have gone through them.

Another point I want to raise, before I come on to some particular issues with the DCMS side of things, is about the engagement with important players, both domestically and overseas in multiple sectors. The feedback you must be getting, and that we are all hearing from some of those stakeholders, is that they do not know where their primary contact point is now within Government: is it in the Cabinet Office, in Business or in DCMS? If they do not know, that causes difficulties for stakeholder

engagement and that all-important engagement with industry. How can we resolve that? Are you going to be crystal clear about who owns the relationship with key industry players?

Chris McDonald: The short answer to that is, of course, yes. I can, and of course do, understand that as the machinery of government change is happening, that leads to a realignment of relationships between key stakeholders and contacts in Government, and that takes a little time to work through.

Hopefully, I can provide you with some reassurance that we actually have that very well mapped. Another thing—Kanishka might want to come in on this—is that in the tech sector particularly, the corporations that we are talking about are large corporations that do not necessarily have, need or want a single point of interaction with Government. They want to interact in different places. Kanishka, you deal with these businesses all the time; you may wish to comment.

Kanishka Narayan: Yes, that is right. Lead responsibility for the technology sector is in the Department for Digital, Culture, Media and Sport. I have worked in technology, have been a civil servant and am now back here. Every single instance of the structure of government has businesses, including technology businesses, saying they speak to the Treasury on matters that are critical, not least on fiscal and regulatory levers. Historically, they spoke to the Department for Business and Trade, because trade and business are critical. They spoke to DSIT in historic instances, and they speak to application layer relationship holders in each of the individual Departments as well.

Some of these challenges are perennial challenges that you will be very familiar with. We have now made it very clear that in the specific realm of AI it is now so fundamental that it is a strategic question. It is now so mainstream in terms of application and the risks are so material that we felt, specifically on the question of AI, that the strategy and vision ought to be in the Office for the Prime Minister.

I would point out one other thing. Subsequent to the changes we made on AI specifically, the United States has now announced a very comparable taskforce across Government. I was speaking to G7 counterparts yesterday and a number of them are now doing exactly the same: locating a taskforce-based structure in the Office for the Prime Minister. We have tried to be ahead of the curve and to elevate the importance, while continuing to map efficiency of engagement.

Q71 **Nigel Huddleston:** Baroness Lloyd and Director General Connolly, can I come to you now about DCMS in particular? DCMS is now responsible in some parts, again, for digital transformation, digital infrastructure, cyber-security, digital inclusion and online harms, but the DCMS budget is tiny compared with the £1.3 trillion of Government expenditure. The

discretionary spend is tiny. How can you make sure that you have the clout and the resources to do all the things you are expected to do, and to co-ordinate effectively with other Government Departments now?

Baroness Lloyd: I am the Minister for Space, Cyber and Regulatory Reform; I sit in both BIST and DCMS, and I work very closely with other DCMS colleagues.

To build on the points that my fellow Ministers have made on your question of co-ordination, there are existing formal mechanisms of government to co-ordinate policy—Cabinet Committees, the National Security Council and so on—and formal mechanisms that you are very familiar with for discerning collective decision making and collective responsibility.

Other than that, we spend a lot of time talking to one another. I spend a great deal of time with the colleagues I am sitting next to now. The Department's teams are well plugged in. For example, the cyber team, which was in DSIT, has transferred over to DCMS. We are working seamlessly on the Cyber Security and Resilience Bill, and that has continued day to day in a very straightforward way. The new co-ordination you would need with other Departments just continues as normal; it is the same Minister and the same team. I have not seen, in that respect, any disjunctures. The benefit is that in certain areas, for example online and offline media, are now in one Department, which is very helpful. In some other areas, for example the youth strategy and the impact on young people, the fact that online safety and online harms are now in the same Department brings the real-life experience of young people together so that you are seeing it from that perspective.

Likewise, in the civic space, DCMS is present in many localities in a huge number of postcodes, through libraries, sports and so on. Now, as people experience the digital world in a similar way, the Department is responsible for regulation and safety across the digital experience, and the interaction with the state through the Government Digital Service. That is where the Secretary of State and the Department see the benefit.

Q72 **Nigel Huddleston:** We are where we are. I will move very quickly on to my final question, Chair, as I am aware that there are lots of things we need to ask you today.

Sarah Connolly, this is probably one for you, about your confidence in the co-ordination. Yes, Ministers meet with each other formally and informally, there is a regular rhythm of meetings and discussions between civil servants and we have the taskforce as well. It all looks good on paper, but how can we ensure that co-ordination really happens?

Another question for you, albeit a slightly controversial one: following on from the logic that you have just outlined there, Minister, would it not have not made sense, if we were going to go to machinery of government

changes, just to get rid of DCMS and merge it all into Business?

Sarah Connolly: I am the director general at Digital Foundations, which is effectively digital infrastructure and digital policy. Your question on whether we should merge it all together is not a question for me. What I would say, though, is that I was part of DCMS and moved over to DSIT and then moved back. What has been striking about this particular MOG is how quickly the connections that the Minister was describing have become apparent, and how easy it is for teams to start to have those conversations and to build more than the sum of its parts.

The Minister mentioned online safety in particular, which I am responsible for, and youth, as well as mis and disinformation with media. Those connections are already happening very quickly, and teams are starting to come up with some interesting, creative ideas. Similarly, I have teams doing cyber-security that almost on day one of the MOG started talking to colleagues who are responsible for arm's length bodies to think about how we can make those connections stronger. It has actually been interesting how straightforward it has been.

You asked about engagement and how confident I am that we can make it work—very confident, actually. I do not remember the last day I did not speak to Ollie and Alex; we are in constant contact. In a way, that is also slightly the legacy of DSIT. The senior leadership team is now in different Departments, but we are making those connections not just into the Departments that we are now in, but between each other and into the centre.

Nigel Huddleston: Chair, I probably need to leave it there and leave the existential threat to DCMS to the Chair of the other Committee, who will shoot me now for raising it.

Q73 **Chair:** Which you are clearly looking to spearhead, Nigel. Can I just follow up with Minister Lloyd with regard to Cabinet Committees co-ordinating work across Government, which you talked about? My understanding is that there was a Cabinet Committee on digital, but that was downgraded to an executive-level committee. Is there a Cabinet Committee co-ordinating digital work?

Baroness Lloyd: I will need to come back to you on that; I was not aware of the previous committee that you referred to.

Chair: An interministerial committee, actually. Is there an interministerial or a Cabinet Committee that is co-ordinating digital work across Government?

Baroness Lloyd: There was the Digital Inclusion Committee—is that it?

Chair: No, that is not what I was thinking about. Perhaps you could get back to me on that.

Baroness Lloyd: Yes, of course.

Chair: You are going to get back to me on that—thank you.

Q74 **Samantha Niblett:** It is good to hear that there are internal conversations happening, and the connections are great internally. From the outside in, previously we had a single point of contact for the tech sector, and now responsibilities sit within several Departments. When we had a previous panel talking about the machinery of government, we heard that it is a bit challenging. I am just wondering whether Government have actually made it less accessible for tech entrepreneurs to engage with the right person in Government. I will address that question to Baroness Lloyd.

Baroness Lloyd: Just to build on the points that were made, the tech sector encompasses many different subsectors, such as defence tech, agtech or fintech. The structure is that DCMS will lead on the digital and technology sector as a whole, but obviously technology is applicable in many different ways. For the technology-first sectors, DCMS is the overall lead, but to build on the point, if you are a very large tech company and you have a data centre business, you will want to engage with those parts of government that are most critical to the ability to invest in your data centre.

Likewise, the work that I was previously doing and continue to do with the Regulatory Innovation Office covers many different subsectors. Whichever your home Department is, you might want to talk to those regulators or those particular parts of government that can help unblock the regulatory barriers to you growing your business. For example, even though you may be a defence tech business whose home Department or home point of contact is within the Ministry of Defence, if you wanted to talk about what the regulatory constraints are to testing autonomous ships, you would engage with the Regulatory Innovation Office. The first home contact, as Chris said, is mapped and clear, but sophisticated tech companies also know where to go to the right parts of government.

Q75 **Samantha Niblett:** Okay, so is the answer DCMS?

Baroness Lloyd: Yes. For example, as was set out in the digital and tech part of the model industrial strategy, we set out particular frontier technologies that we are prioritising. Those frontier technologies are subsets, and in terms of quantum, that is something that Chris McDonald has particular leadership on. Technology is all-encompassing, so it is a slightly more complex picture than just being able to say that there is one single person who is responsible for all relationships.

Q76 **Samantha Niblett:** Yes, which actually aligns with the manifesto of the party that got into power, in which tech did not have its own pillar because it was embedded across everything, which makes sense.

Talking about being embedded across everything, I was really pleased to see the TechFirst women's programme launched. For the benefit of everybody else, it will seek to see 300 women getting jobs within the tech sector. I know the people who have won some of the contracts for that, so I am delighted. However, we have seen both the Women in Tech taskforce and the Invest in Women taskforce seeming to lose Cabinet-level sponsorship. We know that less than 2% of VC goes into female-founded companies, but the Invest in Women taskforce had the backing and the support of Rachel Reeves. When she was a glass ceiling smasher and becoming the first female Chancellor of the Exchequer, we saw frequent visits to No. 11. Scrolling through their LinkedIn page, the only thing I can see since we have had a change in Government is that they met with Jonny Reynolds at conference.

The Women in Tech taskforce was created by the previous Secretary of State for Science, Innovation and Technology, Liz Kendall, and it mattered that much to her that she co-chaired it. Machinery of government was making that happen. I am delighted that it still has somebody from Government working on it as a co-chair, but neither of those things has Cabinet-level support that I can see.

Minister Narayan—and if anybody else wants to contribute, that would be great—perhaps you could give some peace of mind that when you are sitting at that Cabinet table, we are still focusing on getting more women in technology and getting more female-founded tech companies invested in. We all know that when most people in this country think of technology, unless they are working in it, they think it is going to hurt our children, and it is going to kill us or take our jobs. I am just really keen to know that women are still central to all of this, because if we want to build trust in tech, we have to have women as part of the conversation.

Kanishka Narayan: That is right, and let me just assure you on that, certainly on my count, on Jonny's count and on Lisa's count, one of the core beliefs that each of us shares is that in this wave of technology, unlike the last, we have to make sure that opportunity is spread right across different parts of our country, and very fundamentally to women as well as men. On my part, I am certainly very happy to go back and see what we can do on investing as well as the broader Women in Tech taskforce. By the way, I was very proud to be the junior Minister supporting the Secretary of State on that taskforce, including a number of receptions on it that I know you were at as well, in Downing Street. We will take that away and try to do everything we can to give it the elevated sense that it deserves.

Samantha Niblett: Thank you: that is really important. It was remiss of me not to mention the fact that I am the founder of Labour: Women in Tech and have done a huge amount of work trying to get investment into female-founded companies.

Chris McDonald: Chair, maybe I could provide a bit of further reassurance around the Invest in Women taskforce. I met with the chairs recently, and they have done a remarkable job and have raised over £600 million in their fund. What we were discussing, really, is how we take the Invest in Women taskforce to the next level. Do we focus on deployment of those funds now, or further fundraising? There is a discussion to be had there, but it would be a good idea for us to really look at how we can put some of those funds into action and generate some really good female-led businesses so we can have some great role models and it would become self-sustaining in some. Ultimately, it is a decision for the taskforce. It has my support and it knows that; we have worked very closely together on that.

You mentioned the previous Chancellor of the Exchequer, and I want to really pay tribute to her work in bringing forward the taskforce and how she championed the work of the Invest in Women taskforce as well. Hopefully to provide some reassurance, it is important to me and to the Secretary of State, too, that that work continues.

Q77 **Chair:** On the question I asked earlier about cross-governmental co-ordination at ministerial level, I have just confirmed that in the Government's response to our "Rewiring the state: Delivering digital government" report, it was confirmed that the digital interministerial group had been disbanded and replaced by an official-level bimonthly digital executive committee. Does that not represent a downgrading of digital co-ordination? Could you say what levers you have to ensure effective technology strategy across Government? Minister Lloyd, could you respond briefly?

Baroness Lloyd: I might co-ordinate here again with BIST colleagues, but there are processes by which we are taking forward the modern industrial strategy.

Chair: Does the disbanding of the interministerial group represent a downgrading of digital co-ordination, in your view?

Baroness Lloyd: I am afraid that I do not know what that particular committee was doing.

Chair: It probably was not being very effective.

Baroness Lloyd: I would not want to hazard a guess whether that is the natural point, and we have moved from having taken ministerial policy decisions and it is now more operational, or whether there was some other reason for the change from ministerial to executive oversight. If it is particularly in respect of operations that the Government Digital Service takes, for example, how it co-ordinates with other Departments, that would be a reason why it might make sense.

Chair: Let's not speculate, actually: please write a response to us.

HOUSE OF COMMONS

Q78 **Martin Wrigley:** Let us move on to a different topic: backing British business. One of the things that the former DSIT Minister told us is they had oversight across IT procurement across all Government Departments, and they saw all these things coming through. We hear a lot about investment in British business, and they tend to talk about buying shares in companies, but the best investment in business is actually through Government procurement. I understand that the total Government procurement bill is around £400 billion, so there is a fair amount of money that can be used there to invest in British businesses. The Prime Minister has a commitment to back British business by default. Minister McDonald, this is probably mostly in your area. How are you going to put that into practice?

Chris McDonald: Yes, it is mostly in my area, although Kanishka might want to comment on the work that we are doing on AI. As part of the industrial strategy, we have identified a number of levers that will help us to commercialise and accelerate innovation, but also to grow British companies, and clearly procurement is part of that. Over the last year or so, we have made some significant changes to improve procurement rules, with the social value test and the work that we have done around the steel industry particularly. If you look at the headline figure for Government spend on UK businesses, it comes out at around 80% of spend, but of course not all those businesses would necessarily be businesses that carry out activity in the UK; they may simply be registered in the UK, so the next step for us is to investigate that more closely.

You understand, of course, that we have international commitments and so on and we are balancing that, but ultimately what we want to achieve is within the bounds of our international commitments, maximising the opportunity for UK businesses to benefit from Government procurement. Some of those will be large-scale opportunities such as the Chancellor of the Exchequer's announcement in his speech at the Labour party conference on shipbuilding, where it is not just ships that are procured by the MOD but also for other Government Departments, making sure that that opportunity is available to UK businesses. Some of it could be similar to the work I did last year with the former Chancellor of the Exchequer on Motability, which has driven tens of thousands of new car orders into the UK car industry. Some of it will very much rest on the social value commitments, for instance what we can do around bus procurement. These are not explicitly science issues, but they clearly enable British business to be more profitable and to invest more in the UK.

Q79 **Martin Wrigley:** Those are all very good, and as a fellow engineer who has come from industry, I appreciate seeing someone with a background in the steel business and as an engineer. Yet despite all those things you talk about, we persist in defaulting to buying from the big US tech giants, even though they wrap themselves up with the so-called UK

headquarters, which is actually just a legal necessity; it is not actually investing in British technology. I see you are also a Minister in the Health Department, if I have that right.

Chris McDonald: Yes.

Martin Wrigley: We obviously have some significant investments there, with the single patient record coming up in the Health Bill and with the potential re-signing of the federated data platform. These are great opportunities to look at actually bringing British firms, trying to build consortia and build British companies rather than relying on US tech giants. What can you do in that space?

Chris McDonald: Yes, I agree with you that these are really good opportunities. I know it raised a few eyebrows when we had a business Minister appointed into the Health Department. Maybe I can give a bit of the rationale around that.

There were a couple of reasons. Part of it is the changing environment for life sciences globally, the fact that there is the changing policy in the US, the opportunity to attract more investments into the UK too, and the expectation that drugs prices will rise, and how we will deal with that.

It is partly proactive as well, about how we can inject a bit more commercial thinking into the Department of Health to extract additional value. There are a couple of places we can do that. One is around data, as you have described; of course, the NHS or the Department of Health and Social Care owns the most useful and valuable dataset in the world, and we want to make sure that we leverage that to maximum advantage for UK patients and UK taxpayers.

Then the other part is around life sciences, where through the life sciences strategy, which George knows very well, we have our ambition to be the third leading country in the world for life sciences investment, the best in Europe, and working with life sciences companies. That means not just that we are going to be a customer for their products, but that we have an expectation that they will invest here on the back of that. That is a way in which procurement can drive not only improved health outcomes and access to drugs, but investment in productive activity in the economy. We are very closely aligned on that.

On your question relating specifically to tech it is probably best to hand over to Kanishka, where there are some specific procurement opportunities he might want to outline.

Kanishka Narayan: I will start with the central diagnosis of what went wrong in the last wave of technology over the last 15 years, which is that in Britain we neither built trust in technology, nor did we actually build the technology itself to sufficient scale. One of the things that I am most passionate about is trying to tackle both of those problems together.

A number of instances you have highlighted are ones of a deficit of trust, but our ability to move on from that is shaped by our current positioning in not having built the technology. For me, public procurement is absolutely critical if we want to build trust, but we only do that if we are able to build in Britain, in a way that is shaped by our values. What are we doing? There is a significant set of procurement reforms that obviously Chris has talked about that are represented in some specific deals. The First Secretary of State and the Chancellor have been working on putting social value in British upside right at the heart of procurement decisions. What I am trying to do on AI is to attack that problem with a sense of impatience that I know will be shared by many people across this table as well.

If you take one specific part of the stack in AI, chips, which is where most of the economic value and strategic upside geopolitically and resilience-wise accrues, we are trying to say, "Let's act with urgency and paint a picture of revenue trajectory for potential entrepreneurs in Britain that makes them feel that they can grow and scale to extreme success here." In practice, that means a very focused set of rapid procurements on AI R&D through the sovereign AI scheme, with £100 million getting out the door within the course of just a few months—extremely significant innovation and procurement. That gets you through the door. You then have an advance market commitment for novel chips in Britain, which means the Government effectively setting risk milestones technically.

Every time you unlock the risk technically, you unlock incremental government revenue and you go and raise the market so you can scale here. It then means creating a heterogeneous compute cluster in this country where we want the next generation of chips to be built here at scale. Ultimately, if we attack the problem with that sense of impatience and urgency, you will then have positioned Britain for large-scale procurement reform, to then be in a position to act in scaling those capacities as well. To me, it seems a pretty neat fit between having a very clear and urgent sense of progress here and now, to make sure that start-ups are not leaving this country, but to do so in a way that is fundamentally consistent with what we are trying to do more generally at scale on procurement.

Q80 **Martin Wrigley:** There are two different areas here. One is about start-ups—I applaud your plan for that—but there is a more emergent, more urgent area to ensure that we actually encourage our businesses that are building applications, even when we are not owning the entire stack. We have lost ownership of most of the stack, but we have gained and actually control many of the world-class applications.

Our firms are not big enough when it comes to Government contracts. Minister McDonald, this really does come back to you; it is not about AI. Okay, I will go for it: this is actually about the FTP contract being ridiculous. It brings in an American tech firm that then hires UK

companies, and it owns the intellectual property of all the things that we pay for them to develop. That just makes no business sense whatsoever. To make it even worse, we bought it on a software-as-a-service deal, so it can be switched off as an instance, and when we cease the contract, we cease the subscription and we lose all the things that we have developed. That is a failure of procurement in how that contract is structured. When I have spoken to NHS England and to its lawyers, they have given me explanations that do not make sense. That must be reformed to actually back British business. What can you do to make that change?

Chris McDonald: I have talked through some of the changes that we are making on procurement, and the social value stuff that I mentioned and Kanishka identified will certainly make a difference to that. The more general point that you are outlining goes back to that original strategy problem that I was talking about that was also highlighted by Kanishka, which is this issue of the deficit of large companies that we have in the UK that are able to take on a number of these contracts. I think you would agree with me on this: you mentioned that we lost control of some tech stack, but for the businesses that are controlling that, their competitive advantage is built on the initial British science and discovery. What is, I am sure, frustrating for all of us is that position where we say, "Oh, we've lost that, but do not worry, there's this other thing coming down the pipeline. We'll catch that next thing." How many times have you or I seen that happen? It is actually a very frustrating number of times.

There is a point where we need to stick a stake in the ground—I am saying it is now—where we build the companies for the future and we build them here. It is essential that we get procurement right to do that, because that is one of the things that enables these companies to scale. The fundamental thing that makes companies drop off the end—let us say they get a £60 million or £100 million turnover, and then they run out of UK market at that point. The UK market is too small to fully sustain a business of that size. The challenge that we have focused on so much has been how we get the companies to scale to this mid-level and really focused on that. Then, essentially, we are providing some sort of incubator for companies for the US, a form of international development for the US or for other countries around the world.

To get a company to go from mid-size to large to multinational requires market access. This is not just a problem of science; it is a problem of trade and investment as well. Hopefully you appreciate that we are very focused on that, and I agree with you that procurement is a necessary but insufficient condition. We need to ensure that there is wider market access as well. The prize, of course, is that once you have those companies, you create a self-supporting ecosystem, because those companies will be acquiring companies and will be investing back in the

system. This requires a bigger level of Government intervention at the starting point. We have not gone on to discuss the work of the British Business Bank and so on; that also reports to me, and it has an important role to play here as well.

Q81 **Martin Wrigley:** If I may, Minister, you missed the issue of requiring contracts to be delivered by one enormous company instead of encouraging consortia of SMEs to play their part. That is the part that has not been addressed.

Chris McDonald: You are touching on another area of industrial policy here, which frankly I find very interesting and we should explore. If you look at the industrial strategy and accept my premise about the lack of large-scale corporates in some areas, what we have in the UK are often, as you describe, mid-sized businesses that together would have a level of capability and—

Martin Wrigley: We disregard them.

Chris McDonald: I would not say that they are disregarded, but I accept that it has been very difficult for them to interact with Government procurement. That is for certain; I completely agree with you on that. We need to look at the best way to make that happen. There is a movement the Government can make on that, but there is also a movement that the businesses could make.

Alexandra Jones: I am desperate to come in very briefly, if I may, Chair. There is a commercial innovation hub that we are setting up that is trying to address exactly this issue by working with Departments to adopt procurement of innovation approaches, develop guidance on things like the advance market commitments, and how to get a catalogue of proven solutions from some smaller businesses and start-ups for public sector buyers. Do you get them together—to your point—to make sure that we are thinking about a group of SMEs and how we engage with them so it is easier for them to interact with the public sector and easier for us to buy from them? There is definitely work going on around that. For example, there are commitments from the MOD to invest about 10% of its equipment budget on some novel solutions, so we have some things in train. There is absolutely more to do here but, particularly on that SME side, we are working through some pilots across Government. There is a champion for procurement innovation in every Department at DG level to try to make sure that we are doing that better.

Martin Wrigley: Yet just last year we saw the MOD renew a contract with no commercial competition whatsoever for £250 million to the US.

Q82 **Chair:** Can I just clarify: are you saying that UK procurement law as it stands allows preference to be given to British mid-sized companies in a tender?

Chris McDonald: The answer is that it depends. For instance, we recently included AI and energy infrastructure in that space, which already included steel and shipbuilding. That is the general national security-related exemption. On top of that are the changes we have made around social value, which are much more broad-ranging, because you can take the impact into account.

Q83 **Chair:** Are you saying, Minister McDonald, that it allows it but only in the specific circumstances of national security or social value?

Chris McDonald: National security and social value. Social value is quite general but there is good opportunity there.

Q84 **Emily Darlington:** One of the things that has been identified by this Committee is about the potential for female founders, female tech founders, femtech and the lack of investment they are receiving. I was just going to ask how you are doing with the British Business Bank, in terms of the investment and procurement. Are you looking at gender within that?

Chris McDonald: Yes. I had the pleasure of being at an event at the British Business Bank yesterday where it was celebrating start-up loans, and there was great diversity. I made a particular point in my remarks of commending the British Business Bank for what it has done to encourage female entrepreneurs. There was an over-representation of female entrepreneurs through the BBB start-up. The BBB has been particularly successful at finding and supporting not only female entrepreneurs, but people from low socioeconomic backgrounds and ethnic minority backgrounds, more so than regular forms of finance. Again, I am not complacent; more could be done, but it is good to commend the bank on the work that it has done.

Q85 **Chair:** You are commending the work that has been done. You are saying that the British Business Bank is leading on supporting female founders and you are celebrating it.

Chris McDonald: I am content that it is doing a good job. I am very encouraging of that. I am very supportive, and of course I have a higher ambition for it to do more. The bank shares that ambition.

Q86 **Samantha Niblett:** I am grateful to hear that, but I had heard historically that lots of data is not tracked within the British Business Bank; perhaps that is not the case now. Is that data tracked on what it supports so we can measure progress?

Chris McDonald: I had some very specific data available yesterday for the business start-up loans. Those loans are not usually issued directly by the bank; they are normally issued via partners. In fact, sometimes businesses receive the loans—

Chair: Sorry, Minister McDonald, but we have to be brief here. Do you

have all the data that enables you to have metrics on this issue?

Chris McDonald: I had the data.

Chair: Yes or no?

Chris McDonald: It is not a yes-or-no answer. I had the data for the specific product that I was talking about yesterday. I cannot say that the data is available for every product that the bank provides, but I would certainly be happy to see what data we have and share that directly with the Committee.

Q87 **Chair:** Will you identify what data is missing for the benefit of the Committee?

Chris McDonald: It is difficult to say what is missing if I do not know what you want, but I will certainly identify what we have.

Chair: We want to be able to track the success of the British Business Bank in promoting female founders, ethnic minority founders and those from disadvantaged backgrounds. You will let us know whether you have the data you need. I am sorry, but we have a lot to get through. I am going to go to Freddie very quickly.

Q88 **Freddie van Mierlo:** Martin has highlighted the importance of procurement in backing British business, so I want to raise one example from my constituency. I have a constituent who is trying to sell to the NHS but has described to me that selling to the United Nations is easier than selling to the NHS; he has contracts from the United Nations to prove it. There are two reasons why he says that is so. One is the endless, repetitive form-filling required for an SME to submit the same documents over and over again, and the second is the bulk discounts that are required by the NHS with no guarantee of volume. Is that the kind of thing you are going to engage with Cabinet colleagues on to back British business?

Chris McDonald: Sorry, Freddie, I appreciate that you might not know the answer, but is it a particularly innovative product they want to sell to the NHS or a regular product that the NHS would normally procure? I will adapt my answer depending on that.

Freddie van Mierlo: Yes, it was a more innovative idea.

Chris McDonald: That is helpful, because I have more knowledge of that area. I recognise that there is a challenge, particularly for people wanting to sell innovative products to the NHS. I attempted to do that myself when I was in business and was unsuccessful, primarily because it was quite often difficult to figure out who the purchaser would be. There is an understandable caution in the NHS, which is very commendable. If you are running a health service, you often want to rely on proven technology. There can be particular issues, as we heard previously,

around scale and so on or, as you say, around discounts. I have also spoken to businesses that presumed they would have a single point of contact to open up the whole NHS market, and of course that is not how the NHS works. You need to sell the same product again and again into many different areas. On procurement in general, the NHS is clearly a great opportunity for us to help develop British businesses and bring British innovation through, and there is so much more we can do. Procurement could be a really powerful lever for us. If you wish, you could share that information on that particular case directly with me, and I will undertake to get a reply for your constituent.

Q89 **Chair:** Sorry to press you on this, but the question was: is NHS procurement something that you are looking at?

Chris McDonald: Yes. We are looking at procurement across the whole of Government.

Q90 **Chair:** We have a lot to get through. We need shorter questions and shorter answers. I will try to give an example of that by asking the next question. I will start by saying, Minister McDonald, what a pleasure it is, as Martin said, to have an engineer and particularly a north-east engineer in Government. I know that this next issue is something that is very dear to your heart, as it is to mine. Indeed, the Committee report that George mentioned, "Flying Blind", focused on this: devolution and innovation. Could you briefly outline what the machinery of government changes mean for the Government's approach to devolution and regional science and innovation?

Chris McDonald: If you will allow me for just one moment, it is also a pleasure to see you in the Chair. I am not entirely sure if you are aware of this, but you are to a great extent responsible for me sitting here, because many, many years ago, you and I were on a panel together, and you said to me, "Maybe you should think about becoming an MP." You were the first person ever to suggest that to me, so thank you very much. I think you said, "You seem to have an opinion on pretty much any matter—have you thought about becoming an MP?"

Devolution, along with reindustrialisation and regionalisation, is clearly a personal priority of the Prime Minister. While the reindustrialisation part, as I have described, has very much driven the machinery of government changes, our science policy in wanting to commercialise science means that the regionalisation aspect is incredibly important as well. The Prime Minister made a couple of commitments in his recent speech. One was around local innovation partnerships funding where £270 million of that funding will now be invested in eight of the mayoral strategic authorities in England that have received local innovation partnership funding. There is also an additional £1 billion from UK Research and Innovation, which, while managed centrally, will be used to back clusters and projects where

we can work with local leaders, businesses and universities to create world-leading clusters in different parts of the country.

Q91 **Chair:** Did you say that that is an additional £1 billion?

Chris McDonald: That is £1 billion of UKRI funding that will be used additionally for these local projects.

Chair: In addition to the amounts that have already been devolved, which I think was £600 million over 10 years.

Chris McDonald: The Prime Minister announced £270 million of the £500 million will be directly placed with the mayoral strategic authorities, and then in addition to that, UKRI is allocating £1 billion, which will be used for cluster support in places around the country where there is the opportunity for world-leading clusters.

Q92 **Chair:** I will bring you back to my original question, but now that we are on the finances: when you talk about the £500 million, is that what had already been devolved for innovation partnership funds?

Chris McDonald: Yes. Some £270 million of that will be placed directly with the mayoral strategic authorities over the course of the next spending review period.

Q93 **Chair:** My question was about what the machinery of government changes meant for innovation and science. First, does it have an implication for science? I will come back to the innovation funds. Our Committee has heard repeatedly about the disproportionate funding that goes to the golden triangle—disproportionate with regard to population, although perhaps not disproportionate with regard to excellence. I would be interested in your views. Do changes to the machinery of government drive or have any implications for regional science funding?

Chris McDonald: It is the Prime Minister's priority on regionalisation that has the biggest impact.

Chair: That is around innovation and commercialisation, as you have said.

Chris McDonald: Yes, it is a regionalisation priority. Also, as you are aware, UKRI was already working on this. It is already looking at opportunities to broaden the range of finance, as well as its activities around the country.

Q94 **Chair:** A previous Science Minister, Minister Vallance, said to this Committee that curiosity-driven funding would go where curiosity-driven funding went. It was clear that that was not part of directing and devolution. Are you saying that that has changed now?

Chris McDonald: For curiosity-driven research, UKRI's remit is to focus on excellence. I agree that we need to be open-minded about where that excellence is in the country. That is quite clear. Did you want to come in, Alex?

Alexandra Jones: Just briefly: we are continuing to do the capability-building programmes around the country, which means that the most recent REF, for example, was more distributed around the UK.

Q95 **Chair:** Yes, some improvement has been made. Just to be clear, it is not about science; it is about regional innovation, which we are all very concerned about in this Committee. Is the £270 million that has been devolved ringfenced for innovation?

Chris McDonald: It is part of the local innovation partnerships fund, so that is the purpose to which it will be set.

Chair: That is not quite the same as being ringfenced. Is it ringfenced?

Chris McDonald: It is the same—

Chair: It is earmarked, but is it ringfenced?

Chris McDonald: It is for that purpose, so mayors will use it for that purpose.

Q96 **Chair:** Mayors will be obliged to use it for that purpose. You are not looking entirely certain, and I am not entirely certain myself, which is why I asked the question and why I want that clarification.

Chris McDonald: Maybe I can be more certain, then: the money is being allocated to mayors for use in the local innovation partnerships fund. It is up to them to decide how they use it in that fund, but that is the purpose of it.

Kit Malthouse: They could spend it on potholes.

Chris McDonald: No, they could not.

Kit Malthouse: Legally?

Chris McDonald: The purpose of the local innovation partnerships fund is for innovation.

Alexandra Jones: It is R&D funding; it is Frascati-compliant. We are having conversations. Of course, local areas have integrated settlements. This is funding that is very specific; as you know, R&D funding has to be Frascati-compliant. Those are exactly the conversations we are having about how we ensure that local areas are able to invest in innovation in a way that is complementary to the things they are doing on transport and housing. But we ensure that money is invested in innovation. It is an

ongoing conversation about the precise way we do that, but it is absolutely R&D funding.

Chris McDonald: It is just the same as mayors being allocated funding for transport, potholes or whatever, but then it is up to them where they spend that. But ultimately it is for that purpose.

Chair: I think you are saying that the £500 million is effectively ringfenced for that. The £1 billion is not new money.

Chris McDonald: It is existing UKRI funding under the spending review settlement. It will be used specifically to identify opportunities for innovation clusters that are or could be world-leading and to invest in them.

Q97 **Chair:** Is that being devolved to the mayoral and other authorities?

Chris McDonald: No. That will be held centrally, but it will be distributed around the country in collaboration with the relevant authorities in those areas. These clusters must be nationally and internationally significant. Clearly there is a level of co-ordination between the two. That is very much around bringing together the regionalisation and the re-industrialisation ambitions of the Prime Minister.

Q98 **Chair:** Where in the UKRI budget is that £1 billion coming from?

Chris McDonald: It is coming from UKRI's settlement in the spending review between now and 2031. That is a reprioritisation of activity within UKRI.

Q99 **Chair:** What is being deprioritised?

Alexandra Jones: They are working through at the moment. Of course, across bucket 2, the Government priorities and bucket 3 scale-up, they will be looking to ensure we are backing excellence. This sharpens that: across that, £1 billion of it will go to world-class clusters, and this will be worked through with the local areas. One of the bits of feedback we have had from the mayoral strategic authorities is that partnership has not always felt like that, in the true sense of the word. We are therefore working in partnership with them to identify genuinely world-class clusters, but think about what that looks like, coming from those budgets.

Chris McDonald: Roughly 50% of the budget is in buckets 2 and 3. Essentially, it is £1 billion and £15 billion over the course of the spending review. To go back to George's point about the curiosity-based research, that is the £14 billion. Clearly, this is not from that area.

Chair: It represents a significant proportion, though, of UKRI spend over the spending review. I will be very keen to understand what has been deprioritised as a consequence.

Q100 **George Freeman:** This links directly to our "Flying Blind" report. For the record, I welcome the funding for regional clusters. My question has two specifics: is this only for areas with mayors? How do those areas apply that have no mayor, such as the south coast marine technology cluster? It has several councils, but it is a crucial cluster. Can you reassure us that the money will not be allocated based on what often wins, which is political criteria or academic criteria, but rather to places that are building and can attract inward investment?

Chris McDonald: First, I can reassure you that the driving force will be the opportunity to strengthen or create nationally or internationally significant clusters in areas that align with the industrial strategy. It is driven by that objective, and those places may not be places where there is an existing mayor, which is fine. There is something very open in what I have just said. I used the word "cluster", and we have not really talked about what that might mean. There is a conversation to be had about what we mean by that. It is a live conversation that I am having right now. It is an area where I would certainly welcome the views and comments of this Committee, because when I talk to people, many people have a very firm view of what they think a cluster is. Those people do not necessarily agree and if you are sat in a place in the country, you may think what you are looking at looks like a nationally or internationally significant cluster, but when you zoom out, it does not.

Q101 **George Freeman:** This is precisely why, in our "Flying Blind" report, we made the point that the Government need to see data so that everything cannot claim to be a life science cluster and so that you can properly measure how much private industry investment is being attracted.

Chris McDonald: Yes, that is exactly right. Private industry investment is a really good measure of whether a cluster is there and is working or not.

Q102 **George Freeman:** When will those criteria be announced?

Chris McDonald: We are still working through that, both around Government and with UKRI. I am keen not to rush this. I also want to be clear that there will be winners and losers, because how many internationally significant clusters will we have in every single area? There will be a small number around the country.

Q103 **George Freeman:** Do you think it will be by the end of this financial year?

Chris McDonald: I have not put a deadline on it. It is important not to rush it, because it is important. This is serious, because by doing this we will set not only the science but the country's industrial base for a long time to come. That is why I have said that I genuinely welcome the views of this Committee on clusters—what a cluster needs to be and how it needs to work, because we want to make a real impact in a local area in

a way that attracts international attention. That is the balance we have to strike.

Chair: We appreciate that, and we appreciate your wish for consultation. I do not want to join Nigel in his cynicism, but the regional investment in growth has been an ongoing issue for decades. There has not been significant success and yet there has been a lot of existing work on it, including the undertaking by George as Minister. I want to ask you to revisit our report and our request for the data to be collected and made available, because the response from the Government was not supportive. I also want to recommend, as I did in the Chamber, that you look at the "Cambridge x Manchester" report, which has some very useful metrics for identifying effective growth. We still have a lot to get through, so I will hand over to Tom.

Q104 **Tom Collins:** I welcome broader comments from other members of the panel, but I will address this directly to Minister McDonald to begin with. I think in your opening remarks you alluded to something of an existing gap that many of us in engineering regularly express frustration over, which is the UK's gap in innovation in the mid-TRLs at scaling, where we do not do as well as we would like in that section of innovation. For me, this gap does not just map to investment; it maps to skills, especially innovation leadership; it maps to institutions; and it maps to our hard capabilities, such as testing and validation facilities, and access to them. I welcome your openness around clusters and what they may or may not look like, but there is a strong desire for this to reach into towns and not just large conurbations or pre-existing industrial clusters. This is perhaps beyond the specific sectors identified in the 10-year strategy; this is a longer-term UK capability issue, and it touches into resilience and the themes of sovereignty and security, as well as business innovation and growth. Who has ownership of that longer-term UK R&D capability piece?

Chris McDonald: In terms of the end-to-end growth pipeline of businesses, as you described using the TRL scale, which I think is very useful, and this issue of getting through the valley of death, you touched on a number of aspects. It is clear that over a long period of time successive Governments have worked really hard to try to address it. We have quite a number of foundations in place to help; I mentioned the Catapult centres, and you talked about access. If we think about the point that was made by Samantha earlier about SMEs, SMEs find it particularly difficult to access those Catapult centres, and yet they are the businesses that we would most want to access them to be able to scale up. It can be an issue of cost, or it can be an issue of administration and so on. Clearly that needs to be addressed.

The reason that those centres are there, and why this is so difficult, is because in many of these sectors there are a small number of UK headquarters of multinational businesses with industrial research capabilities. We can talk about those businesses that are here and

already do this, such as Rolls-Royce or Fujifilm in my own constituency, which built a process research laboratory for life sciences, but there are still large gaps. If you look at places where SME technology is successfully upscaled into more capital-intensive industries, it is generally large multinational companies that do that work, partner with SMEs and give them access to their facilities or work with them in a Government facility. This is why I say that as well as helping at that SME scale-up stage, we need to figure out how we help a business to stay to go through the last bit.

Kanishka pointed to some issues that you could consider as being around culture and behaviour, and you see that if you compare the UK on this scale-up journey with the US. At the same time, we have lots of Brits who head off to the US and are really successful at scaling their business. I was just talking to someone recently back from San Francisco this weekend. Their view, having worked in the UK and US ecosystem, was that the science is better here but the marketing and commercialisation is just fundamentally better in the US. This also comes down to an issue around finance and how we create that sort of venture finance too.

I have just trotted through about five or six different issues. We have to solve every single one of those problems to move through that scale-up journey, but we are working on them all. I do not want to promise that we will fix them all, but making incremental improvements in every single one of those areas will ultimately improve that success rate. As I said at the start, a couple of dozen multinational businesses will be built on British science. It would be great if we could capture two, three, four, five or whatever British-listed businesses on the London stock exchange. The rest can go off around the world; that is fine as well.

Q105 **Tom Collins:** I am encouraged that you have a good understanding of the problems. Implicit in your answer is that you feel that ownership probably sits with you and BIST for that piece of work. How can we expect to see a strategy articulated for overcoming those barriers? As you say, they are long-term, sticky and multi-dimensional. When and how will we see a strategy for dealing with that long-term? Evidence we have heard has said that the long-term piece is missing. How do we fill that gap?

Chris McDonald: We have our 10-year industrial strategy. The two pieces of Government policy that all this aligns to—this is all very much about alignment for me—are the industrial strategy and the defence industrial strategy. As Chi said, you layer a piece sort of horizontally on to that, essentially. Those are the two guiding documents. UKRI is essentially the Government agency responsible for delivering a lot of this through Innovate UK. It is already restructuring its organisation to align to that. UKRI's restructure is about moving from a grant-awarding body to a delivery body. The changes that Innovate UK is making involve moving from working on a project-by-project basis to working with

companies to see them through the scale-up journey in the link with the British Business Bank. They are the agencies that are then aligning to the departmental strategy, which is aligned to the top level of Government strategy. The most powerful thing is having all those things lined up together. You are right: you can tell I feel a responsibility for that because I have most of the levers of control. I am getting my agencies to align with the BIST strategy, which aligns directly with the Prime Minister's strategy. He has been quite clear about that direction.

Q106 **Tom Collins:** Those strategies do a very good job of describing a strategy for business growth. We are talking here about our ability to grow and develop technology. There seems to be silence on our strategy for technology and our capability in technology. How might we fill that gap?

Chris McDonald: Ultimately, a lot of this fits in with UKRI, but the technologies are horizontal across a lot of these.

Alexandra Jones: We have a digital and tech sector strategy, and we published a year-on report about it in the summer. We also have a number of strategies where we are trying to focus on specific areas. We have the AI opportunities plan, for example. We have a quantum strategy, where we did procure, and the £1 billion procurement as part of a £2 billion spend package. We are trying to have a strategy for the sector overall and then have very specific ones for the individual sectors, where we know there are different issues, and working very closely with them. What the businesses all say is, "You have the industrial strategy, you have some sector-specific ones; please can you get on and deliver that?" Through things like the one-year-on report on the digital and tech strategy, we are trying to demonstrate that it is not just having that long-term plan, but actually delivering on it. I think that is something you have said you want to review.

Chris McDonald: Yes. We will not have a strategy for every technology, obviously. You are aware that for the frontier technologies we have space and engineering, biology, quantum and so on. It makes sense to have those cross-cutting ones for the frontier technologies because they will be large businesses in and of their own right.

One open question in my mind is around advanced materials. There has not been an updated advanced materials strategy for the Government for a very long time. It is not one of our frontier industries, but clearly it is an enabler for very many others. Again, it is an open question in my mind, and I would value the thoughts of the Committee if the Committee is interested in it. That is an area that will be worthy of further consideration.

Chair: We are going to go to a subject that I know will take a lot of attention. I feel we may be keeping you a little longer than advertised but

we are going to go to Allison for AI.

Dr Gardner: Minister McDonald, I am going to give you a rest.

Chris McDonald: Thank you.

Q107 **Dr Gardner:** Director General Ilott, what are the immediate priorities for the AI taskforce?

Ollie Ilott: Thank you very much; I am Ollie Ilott, the director general for AI in OPMC, Office for the Prime Minister and Cabinet. I was previously in DSIT where I was the DG covering a range of technologies, including AI. The Prime Minister established his AI taskforce on his first day, and the Minister to my left leads it, with Sir Patrick Vallance chairing it.

What are we doing at the moment, and what are our priorities? The first thing we are focused on is setting an overall framework for Government on AI. AI has always been a cross-cutting issue. Even when we were in DSIT talking about building the infrastructure, that was a conversation with DESNZ and MHCLG, and when we were talking about adoption and skills, that was a conversation with the Business Department. As a result of the machinery of government change, we now have a much stronger team at the centre of this taskforce to help co-ordinate that work. Lots of our conversation and our priority in these first few months is about working with Departments, Ministers, the First Secretary of State and the Prime Minister to help say, "Okay, what is the overall direction we are helping to set for the system here?"

A second priority is building the team itself. We are really keen that this taskforce should be one of the most exciting places for people to come and work in Government, so we are hiring people from around Whitehall, as well as people from outside Government who want to help with this project because they recognise its importance.

The Minister mentioned the Ukraine data package. A final priority is that there are immediate things that we can see and start pushing on directly, and those are the third category I would allude to.

Q108 **Dr Gardner:** The first two are operational, and you have given an example of a very finite project. I have a concern about AI that is diffuse across Government. You have it in health, justice and the Home Office, so we are not just talking about BIST, DCMS or your role and Minister Narayan's in the Cabinet. You have talked a lot about co-ordination. My head is spinning. You spend a lot of time co-ordinating, which is nice to hear, but where are the key levers of power in relation to AI across the entirety of Government with all the Ministers? Minister Frith deals with health tech and Minister McDonald deals with innovation. We have a commission on the regulation of AI in healthcare; it has just released its report with 44 recommendations. Where do I go when I want to check

that we are producing AI, developing it and encouraging its growth and safety correctly? Minister Narayan, where are the key levers of power in relation to AI across Government, and does the AI taskforce have the powers to bring together and make coherent policy decisions across Government?

Kanishka Narayan: It is good to be talking about it here, because we have talked about it quite a lot in person as well and I really value your thoughts on it. One of my experiences, as Ollie says, in the last iteration of Government was precisely your observation: AI is now a foundational technology question in every area of Government, whether you are running the health service, the education service or the work and pension service, and beyond. At that time, very often the levers that we wanted to pull on bits of AI were spread right across Government as a result, both for AI-producing sectors and for AI-using sectors.

We now try to say that it is right that every Department sees itself as an AI Department, because there is no future of healthcare you can significantly answer without reference to how you are using AI. You cannot adequately answer any national security question without reference to AI. It is right that Government Departments individually continue to own in their areas of application AI but there was a need for an overarching set of both strategic vision-setting at the centre, driven by the priorities of the Prime Minister and the First Secretary of State, and alongside that to execute on aspects of that strategy with specific illustrative projects that were too important, too urgent or too cross-Government to have done in a single Department. That is exactly the intent of the taskforce.

To your direct question of where you would go on a specific area, the overarching question of strategy on AI is now led at the Office for the Prime Minister and Cabinet. If you are interested in a contract in healthcare for AI, that very much continues to be the accounting officer's responsibility in that Department and the Secretary of State's responsibility in that Department. We are trying to recognise that this is, in part, cross-Government, requiring a cross-Government layer, and then to execute on that both in strategy and through illustrative projects.

Q109 **Dr Gardner:** How does your role work? Do you have the capacity, capability and support you need? Do these junior Ministers who have responsibilities for AI in all these disparate Departments report to you? Where is your power? Where is your capacity? You mentioned that it sits with the Minister, so where is your responsibility?

Kanishka Narayan: I have two Departments that I sit in. One is the BIST Department, which continues to own a number of the AI policy levers, and I am the Minister of State in that Department, working with the Secretary of State. In the role that I have with the taskforce in the OPMC, we are trying not to usurp responsibility or territory from

Secretaries of State but instead to work with the Prime Minister and the First Secretary of State to say what the overall aspects of vision and direction are and then bring in Secretaries of State to be able to deliver on that in practice.

To your question of how an individual AI-responsible Minister in, say, healthcare ends up making sure that they are held accountable and working with us, in the first instance their day-to-day business-as-usual operational questions on AI will be very much mediated within the Department, with the Secretary of State holding accountability politically. On the deeply strategic questions, such as the question in defence that we talked about on how we can get the biggest upside from Ukrainian battle data, and in other areas, looking at some fundamental, illustrative public service reform things that we can do that have ripple effects across the system, they would work with me and the Office for the Prime Minister's AI taskforce in being able to deliver that. We are making sure that prime ministerial authority and accountability and the First Secretary of State's authority as leading the OPMC are brought to bear in trying to make sure that that happens.

Ollie Ilott: To your question on levers, ultimately the lever here is that AI is a prime ministerial priority. He has chosen to deliver that through this new taskforce, and he asks his Government to work with that taskforce. Ultimately, that is the thing that opens the conversations, enables us to draw things together into a coherent strategy and will matter more than bits of wiring diagram that we do in the background.

Q110 **Dr Gardner:** You make me smile a little, because there is a tension between horizontal oversight and regulation that we argue within AI and allowing for those vertical levers within each sector to do it. It is an ongoing debate we have, and I know in the UK we have looked towards having that vertical oversight, but you are now providing that horizontal strategic view; I understand that.

I am going to come on to something I am very passionate about, which is AI safety. The question that was written was about the tensions between AI growth and AI safety, but I do not think there is a tension. You cannot have AI growth unless you have AI safety at that point.

Director General Ilott, I know you work with AISI, the group that would be dealing with the socio-ethical implications for AI; that was at AISI and has now moved to the Home Office. We also discussed other moves with you, Minister Narayan, about AI assurance. How is the Government looking at the priority of AI safety in a coherent strategy across Government? I say this because we need frameworks, but if we are implementing AI, particularly if they are predictive models for example, even in high-risk and low-risk administrative tasks, there are risks with AI. Are we monitoring it? Does the Government have a very clear insight that we need to audit our AI systems that we are implementing across

Government? Are we actually budgeting for that in the future when we do our estimations?

Kanishka Narayan: First, thank you for the expertise and experience you bring and your advocacy in Parliament on this. I believe—I think you do too—that one of the central questions for our country is to take the risks of AI seriously and to build trust in it is actually fundamental and contributory towards building the technology to use it to make the most of its opportunities. One of the things I have experienced in the machinery of government changes is that on the four building blocks of our focus on AI security and model risk, I find that much deeper co-ordination is happening. What are those building blocks? First in the critical instance, to make sure that the United Kingdom is placed in the best place possible in the world to test the risk of models. As a result of AISI's obviously exceptional capability, and now bringing the National Cyber Security Centre's capabilities to bear in the Cabinet Office, working closely with DCMS, we are able to build a pretty deep understanding not just of model risk but, as a result, of mitigations. Testing is a really critical element.

The second element of it is hardening and defence. We have been testing for three years-plus and model risk has continued to increase, so testing is deeply important but clearly not sufficient on its own. On hardening, resilience and defence, the point you are making on assurance is absolutely critical. I announced last week, I think—it has flown by—that we will work across Government Departments with DCMS as the lead cyber Department on looking at frontier AI usage to harden the public sector as well. There is clearly a significant set of risks from AI, but the ability to use frontier AI to do vulnerability discovery in the cyber context and to be able to then defend ourselves better is also very significant.

The third element is, as you all know very well, that we can mitigate a lot of this domestically, including by being a leading country on assurance and ultimately insurance, but at the same time the proliferation and open-source nature of a number of the models now mean that we have to convene. That is why I am very proud that the Prime Minister announced that the UK will lead at the G20 on putting this at the top of the agenda. Ultimately through all that, you test, harden and convene, but the point I made earlier is the point I most deeply believe, which is that if you want to build trust you have to build the technology, so the fourth element is how we build sovereign bits of AI, which from the get-go are much more consistent with our values and standards of assurance, auditing, expectation and then insurance and risk mitigation.

Q111 **Dr Gardner:** You mentioned sovereign AI. I am sure that has tickled a lot of people, but I will move on from that. Baroness Lloyd, you touched a little on the role of DCMS. If there were an AI Bill for generative AI or the AI agents, where would that Bill come from? I am asked that all the time, so that is a cheeky question because I know you have a role in

regulation. The key question is how the new national centre for information defence across the Cabinet Office will interact with DCMS's responsibility for tackling, mis and disinformation because this is crucial to our democracy at the moment.

Baroness Lloyd: As you know, the Prime Minister announced the intent to establish the new national centre for information defence and we are working very closely with the Cabinet Office to work out exactly its remit, how it will work and where it will be situated. The focus of it is to detect, attribute and disrupt foreign state-directed information attacks at source. It will be working very closely with intelligence agencies, Government Departments and law enforcement. I see it as additional, supplementing the work that DCMS does already on mis and disinformation on online safety, media literacy and all the other incredibly important things that are needed to ensure that the whole of society has an understanding and judgment in this area, as well as making sure that the platforms take their responsibilities seriously. I am very happy to update the Committee when further work has been done alongside Cabinet Office colleagues when there are more details about how the Centre will operate.

Q112 **Dr Gardner:** Thank you; that would be appreciated. Can you answer my sneaky question on whether we are going to see an AI Bill at any time? I look to you, Baroness Lloyd, or to Minister Narayan.

Baroness Lloyd: I am currently in the middle of the cyber Bill, and there are many amendments. I do not think that the cyber Bill is the right place for further potential amendments on AI, so that is my current focus of attention.

Kanishka Narayan: You will know the Whips and the parliamentary business leadership well enough to know that I could not commit to any aspect of legislation without losing my job pretty instantly, so I will try to retain my job for the moment. The big thing I have said is that the risks that you have highlighted through this Committee and individually in your leadership are risks that are very top of mind for me. We are looking at every single mechanism for tackling those risks, and if that means regulation through legislation, that is not going to be off the table.

Q113 **Nigel Huddleston:** Baroness Lloyd, I appreciate that answer on the national centre for information defence. We actually covered some of this at yesterday's DCMS meeting, as well as that need to have absolute clarity in a world of a lot of disinformation and misinformation. Looking at future referendums and next elections, we all know how important this is. We must not underestimate how much focus needs to be on that area.

I would just like to press now on a few other areas of AI and probably first come to the AI Minister. Based on experience, I was slightly alarmed about what you said earlier on about every Government Department having some skin in the game and some responsibility for AI. We were there a few years ago with digital. We have to recognise that there is AI

as a service and as a technology, but also as an industry with job opportunities and investment. We need to treat them slightly differently. We talked about this a little earlier with Minister McDonald. That is one of the key things. Where does that really sit?

The reason I am raising this and am slightly concerned is that we had this whole debate at DCMS years ago. Literally, we could have had an episode of "The Thick of It" over it. Should we change the name of the Department? Should it be Digital, Culture, Media and Sport? Does it therefore need to be DDCMS with a double D? Should we be mixing adjectives and nouns? Where should the comma be? All that ridiculous stuff is a complete distraction from the key thing, which was "How can we grow this for the sake of the UK economy?" I am just slightly worried that we might get a bit distracted on this.

The reason this is important, again, goes back to the details for AI. The Cabinet Office is responsible for public sector AI adoption; DCMS has been tasked with the modernisation of Government for public services via GDS, the Government Digital Service; the Office for the Prime Minister is going to be pursuing opportunities for public sector transformation. Arguably, in a positive sense those are overlapping responsibilities with everybody working together, or it could cause—I know what Ministers are like—competing interests and different power bases. How can we overcome that?

Kanishka Narayan: Thank you for that question. Let me first take the general point you made at the outset, then the specifics on public sector adoption, and then I will bring in my colleague. I suspect I have neither the capability nor the interest in grammar and syntax changes to be obsessing about that, but let me say one very specific thing: there are legitimate debates on broader digital and technology, which is such a vast, all-encompassing thing. On AI specifically, I hope that on the question of engagement you will feel clarity from the industry, researchers and civil society that they have a totally clear sense of whom they ought to be engaging with, which is the Minister specifically for them at the Cabinet table.

I hold responsibility for the sector when it comes to AI-producing sectors. As a Minister in the Business Department, I hold that responsibility. On AI-using sectors, while it is the case that it is diffused and rightly spread across Government, we have now created a central strategic function looking at that in the Office for the Prime Minister and Cabinet, precisely for the reason that you described, which is that diffusion alone is insufficient. It is important, but it is clearly insufficient, and therefore we need a taskforce from the Prime Minister's central team as well. That is the rationale for it, and in its practical instantiation you will hopefully find in some cases that people have probably seen me too much, in terms of my engagement with both civil society and external representatives in research and business.

On the specific question of public service adoption, which is really critical here, the specific responsibility for it is held by the Government Digital Service and the incubator for AI, in terms of where the AI engineers sit, how they think about technical architecture and how they think about technical standards. The Office for the Prime Minister and Cabinet through the taskforce is focused on setting an overall sense of strategy and vision. In some cases, it will work very closely therefore with GDS, the incubator for AI, DCMS and DCMS Ministers to be able to deliver the illustration of that strategy and vision. However, I will defer to Baroness Lloyd, if you want to comment on that.

Baroness Lloyd: Exactly that. Basically, GDS and DCMS are responsible for the blueprint and the road map for modern digital Government. They provide quarterly updates on how that is tracking. They set standards, technical architecture and how we should use data. That is really the operational end. As Minister Narayan was saying, the AI taskforce is setting further ambition and getting the focus. What also really helps is this dual track of the focus of the Prime Minister and the Office for the Prime Minister, and the salience of this with the nuts-and-bolts help that GDS can provide. How do I do it? What do I need to do? Having those conversations about prioritisation—that is how I see them working together.

Ollie Ilott: Can I jump in? To your first question, my experience, and I am sure all our experience, of talking to members of the AI sector—as you say, everyone benefits, but there is a sector there—is that they often have two questions. Their first question is "Who do I go and speak to?" Their second question, is "Why is Government not more joined up?" In the course of this machinery of government change, by establishing a central taskforce we are making sure that people have an answer to their first question, but we are also going to improve their experience on the second question of co-ordination.

Q114 **Nigel Huddleston:** I appreciate the responses. The reality is that with any MOG change, some of this will be worked out over time, once processes and procedures are in place, human behaviour being what it is. Do you copy in this Minister? Do you have the capacity or the time to read all these things when you also have other core responsibilities? I am confident that some of this will come out in the wash, but being as clear as possible in advance will help.

There are just a couple of other very brief areas, Chair. This is probably for DCMS: on the departmental organograms, we have DCMS responsible for digital infrastructure while BIST is responsible for data infrastructure. Those two things can overlap a lot, so how is that worked out?

This is also probably for DCMS. You are well aware, particularly in the world of AI, where we are with who is really looking after the creative industries from a copyright angle. That has been a big debate over the

last couple of years. I know the Government decided not to go forward with some reforms, but it is particularly vital for the creative industries and hugely important for the UK economy. Can they have confidence that DCMS has their back, or is it actually the AI Minister? How is that working out?

Baroness Lloyd: Taking that last point first, DCMS leads on AI copyright following the machinery of government change. That includes input, transparency, creator control and the evidence base for a preferred option as well as digital replicas and AI labelling. The AI copyright sits with DCMS post the machinery of government change. The digital infrastructure part sitting in DCMS has responsibility for the telecoms sector, which sits with Ian Murray. That sits there, and then data centres are over with BIST.

Q115 **Nigel Huddleston:** Is data not a digital infrastructure?

Baroness Lloyd: Is data a digital infrastructure?

Nigel Huddleston: The point is that some companies are overlapping.

Baroness Lloyd: You are right to say that digital, data and AI have many overlapping elements, but in terms of sector responsibilities it is clear that telecom sits with DCMS and data centres with BIST. In terms of the definitions, when you are actually in an industry or you are trying to run a business, that is clear.

Sarah Connolly: If it helps at all, I am the DG responsible for digital infrastructure. As the Minister said, we do fixed, mobile and broadband, but on the data infrastructure we work very closely with former DSIT colleagues and Alex's team on the crossover. Again, we are working very closely.

Q116 **Chair:** That is more working together. Great. I have just one point of clarification, Minister Lloyd. You said that DCMS would set AI standards for the public sector, but on Monday in the Public Accounts Committee we heard very specifically from the officials that DCMS will not set standards. It does not have the power to set standards for Departments. It can offer standards and guidelines, but it cannot set standards. Is that the case?

Baroness Lloyd: Yes. Let me clarify. I meant to say digital and data standards.

Chair: Not AI standards?

Baroness Lloyd: Correct.

Q117 **Chair:** Digital and data standards, okay. What I want to do now is try a quickfire round. Who is responsible for what? Fingers on buzzers. We heard that AI adoption in the private sector is with Minister Narayan and AI adoption in the public sector is with DCMS. What about AI cyber-

security?

Baroness Lloyd: Cyber-security is with me.

Q118 **Chair:** With Minister Lloyd—great. AI regulation?

Kanishka Narayan: Can I make two points, Chair?

Chair: No. Sorry, Minister. Are you responsible for AI regulation or not?

Kanishka Narayan: It depends on which area of regulation, because AI regulation covers a range of things. If you are talking about cyber regulation, that is squarely a DCMS responsibility. The overall strategic responsibility for AI regulation sits with me in the Office for the Prime Minister and Cabinet.

Q119 **Chair:** AI regulation is with you—excellent. What about AI deepfakes? Are AI deepfakes cyber? Okay.

Baroness Lloyd: DCMS—

Q120 **Chair:** DCMS, okay. This is just a quickfire round. What about AI standards? Open-source standards, standards for adoption and AI standards.

Kanishka Narayan: A lot of the responsibility on thinking about adoption in the public sector is driven by GDS and DCMS.

Q121 **Chair:** Digital transformation? I think that is DCMS.

Baroness Lloyd: As it applies to the public sector—

Chair: Ah, okay. Digital transformation in the public sector. Is that with you?

Baroness Lloyd: Yes.

Q122 **Chair:** And digital transformation and adoption in the private sector: is that with Minister McDonald?

Chris McDonald: It is in DBIST.

Q123 **Chair:** It is in DBIST—great. Who is responsible for developing the AI open source, open standards?

Kanishka Narayan: Open source as a whole is a primary question of adoption; I am assuming you mean private sector rather than public sector. That sits in BIST with me.

Q124 **Chair:** Great. There is a lot in the news on the debate around a coming AI crash, or the coming crash of AI values and the implications. Who is responsible for preparing our industry and indeed our public sector for the possibility of an AI crash?

Kanishka Narayan: I am assuming you mean the financial stability concerns about an economic crash?

Chair: I mean all of it, Minister Narayan: the social implications, the financial implications, and the UKRI funding implications.

Kanishka Narayan: Financial stability sits with the Treasury, as you will know very well. The Bank of England does extensive work on it, including on AI risks to financial stability. Each sector Department is in charge of making sure that its area of operation is prepared, and overall strategic responsibility for AI is with me and the Office for the Prime Minister and Cabinet.

Q125 **Chair:** Are you doing work on the possibility of an AI bubble bursting?

Kanishka Narayan: The AI Economics Institute is looking at a range of scenarios for where AI goes. It is looking at the possibility of a sustained dislocation, but I am not currently running a specific project on a crash.

Q126 **Chair:** The Governor of the Bank of England has raised concerns about a possible AI boom crashing. You are not doing any work to identify the implications or the possibility of that?

Kanishka Narayan: The Bank of England is focused on two main risks. The Governor and I have talked about cyber-risks that are immediate. There is a possibility of an economic dislocation, as I mentioned. The Bank continues to look at that. Most of that bubble is in the United States. We are clearly looking at how we can have responsible and appropriately paced development of AI in this country, including on infrastructure, which is where most of those concerns lie.

Q127 **Chair:** Are you feeding into the Treasury's work on assessing the risk of an AI bubble?

Kanishka Narayan: The Treasury and I work extremely closely on looking at how AI development is appropriately paced from a financial stability point of view.

Chair: That is helpful.

Q128 **Kit Malthouse:** I wanted to just give a reminder of my interest that I declared earlier. I speak on behalf of the whole sector when I say that I am hoping that alongside all the clever things you are doing in the Department you will have a blockage unblocking function, which is holding so much adoption of innovation back in Government.

I want to ask some questions about life sciences, if I may, and first about some relationships that come out of that questioning. As I understand it, UKRI, ARIA and OLS are now in BIST, AI strategy is in the Cabinet Office and data is in DCMS. Who is coordinating on AI drug discovery and the health data where all three will meet?

Chris McDonald: The Office for Life Sciences sits across both Health and the Business Department. It always has; the difference with the machinery of government change is that as a Minister in both Departments I now have direct oversight over the full life sciences supply chain, from drug discovery all the way through to application in the NHS.

Q129 **Kit Malthouse:** The plan is that OLS will co-ordinate between the three?

Chris McDonald: Correct.

Q130 **Kit Malthouse:** Okay. The OLS then has MHRA and NICE on regulatory speed, and they still sit in the Department of Health.

Chris McDonald: Yes.

Q131 **Kit Malthouse:** Do they come under you as well?

Chris McDonald: No; part of OLS was always in the Department of Health. Obviously, they have quite different functions. The companies that the Office for Life Sciences interacts with for the purposes of drug deployment would interact with MHRA and NICE. OLS can help them to manage that pipeline. The MHRA and NICE sit with other Health Ministers. That is an important difference of accountability, actually, because my job is to work with the industry. There is a division of responsibilities there that makes sure that the MHRA and NICE are approving the use of the drugs with a separate Minister. That is quite wise.

Q132 **Kit Malthouse:** How will it improve? Sorry, but just explain to us in practical terms how the changes will lead to a greater and swifter throughput of drugs from molecule into patient.

Chris McDonald: There are two things, actually. One is the work that we are doing generally in improving that pipeline. We have reduced the number of days to a clinical trial. Some of that is in response to requests from life sciences companies, but it is also a reflection of the nature of international competition in drug introductions. Clearly, another significant change in the industry has been the most favoured nation status rules that were brought in by the Trump Administration, which will lead to an increase in drugs prices in the UK. That is clearly a challenge for us, but it is also an opportunity to make sure that when it comes to the additional value that the life sciences companies get, there is a quid pro quo in terms of additional value for us too.

We have been so successful at keeping drug prices at a really low level for such a long period of time, but we have to acknowledge that there have been trade-offs for that. It can mean later introduction of drugs into the UK. It can mean companies considering where they invest as well. As a result of the prices increasing, it is an opportunity for us to attract additional investment. We have managed to do that, and we have a strong pipeline of investment now.

Reducing the number of days to clinical trial and the overall drug introduction times makes us a more attractive place for drug introductions. I have said that our ambition is to be the best place to invest in Europe and the third best in the world. If you look at No. 1 and No. 2, the USA and China, we have some advantages over China as well because we have such a trusted and secure pathway for drug introductions. That is an additional advantage we have.

Q133 **Kit Malthouse:** Do you have transparency yet on what the cost is going to be of the increase in drugs? We have asked before in this Committee, and we have never really had an indication of what the cost is going to be. You obviously seem to know what it is.

Chris McDonald: I do not have the figure in front of me now, but over the period of the spending review there are estimates of what that will cost the NHS. The trade-off for that is around investment and greater introduction of drugs. The challenge within Government is that the costs will be felt in the Department of Health but the value will be felt elsewhere. One of the conversations I have had with the Secretary of State for Health is about how we can align incentives among the officials working in the Department of Health, so that they can make the right decisions on a value rather than a cost basis. You would appreciate that is challenging in any organisation, but it is particularly challenging in Government.

Q134 **Kit Malthouse:** We have previously had a Minister specifically for life sciences. You are obviously doing life sciences, alongside lots of other stuff.

Chris McDonald: Patrick did as well. Patrick Vallance covered science and life sciences. I also have investment—

Kit Malthouse: Previously, we have had a dedicated Minister just for life sciences. Do you think that in this wider need for co-ordination there would be value in having a specific Minister? You do not feel overloaded already, do you?

Chris McDonald: I do not, because it is all about prioritisation.

Kit Malthouse: You have lots of time to co-ordinate with lots of other people.

Chris McDonald: It is all about prioritisation, really. This is the point about bringing the science and investment briefs together: there can be a refocusing of the investment and science briefs so that the science is delivering value, and it is delivering value particularly on life sciences both through health outcomes and through investment at the same time. Clearly they are huge briefs, but we have a team and then it is about prioritising within that.

Q135 **Kit Malthouse:** When we had Liz Kendall in front of us as Secretary of

State, we questioned her on the cuts to the STFC. She said sitting at this table that there would be no cuts to the STFC. Yet a number of us, such as Freddie and I, who have constituency interests related to this, are seeing big cuts to some primary drivers of basic UK science. What is the latest on that organisation and that drama that it is turning into?

Chris McDonald: Chair, you asked for very brief answers, but this question is worthy of a slightly fuller answer, if you will allow me, because there are staff concerned with this as well and I want to make sure that they hear this.

If you think of the words that the previous Secretary of State said to you, de facto they are true; the STFC budget increased, but we have to acknowledge that costs have increased as well. The costs are inflationary costs, staff costs and so on. If you look at this restructuring that is happening within STFC, which includes withdrawing funding from certain facilities and cancelling certain investments, it is important that we think about what is happening, why it is happening and how it is happening. I will just very briefly touch on those points.

There is a cutback in funding for some facilities such as the Boulby underground laboratory, which is fairly near me. Equally, STFC is prioritising keeping open its core interdisciplinary facilities such as the Diamond light source, including half a billion pounds of additional investment there. As to why, I have explained that although the budget has gone up the costs have gone up, but actually that, for me, is not the real reason. The fundamental problem was a lack of good financial control.

Q136 **Kit Malthouse:** We went through all this before. Given the foundational nature of the functions of the STFC to UK science and the alarm across the community, we do not understand why, in the same way that the Departments are absorbing the machinery of government costs, they cannot absorb these overruns and keep the laser facility at Harwell, for example, open and functioning.

Chris McDonald: UKRI has allocated an additional £135 million, I think, to support STFC through this transition over the period of the spending review. However, the important point is that STFC needs to have good financial management. That is the important point. The Public Accounts Committee actually just yesterday rightly pointed out that the overruns in STFC's budget and that lack of appropriate financial control should have been picked up earlier by UKRI. I will accept that, but we would all agree it should have good financial control.

Kit Malthouse: We all agree. The issue is that that is historic, but we face a current problem, which is that basic physics and capability are going to be eroded at a time when we are at the limits of human discovery.

HOUSE OF COMMONS

Q137 **Freddie van Mierlo:** I have some questions on this as well. My constituency is on the border of Harwell, so I have a particular interest in this. The previous Secretary of State for DSIT told us that where cuts fall is a matter for UKRI and STFC, not the Government. As you have implied, that is despite the critical importance of the facilities at Harwell. Do you take the same view?

Chris McDonald: Yes, I do. STFC needs to have financial control and live within its budget. It is right that that prioritisation is done by the science community, and it has been. STFC has used its own expert panels, and if you had the Astronomer Royal here I am sure she would have said the same—

Q138 **Freddie van Mierlo:** Sorry to interrupt, but we are short on time. What conversations have you had with Cabinet colleagues, for example the Secretaries of State for Health and Defence, around what the impacts of closing those facilities may be for their Departments, given the important work they do?

Chris McDonald: The conversations I have had, particularly with the Secretary of State for Business, are exactly as I have outlined. There is—

Freddie van Mierlo: I was specifically asking about Defence and Health.

Chris McDonald: I have had no conversations with the Secretary of State for Defence or the Secretary of State for Health.

Q139 **Freddie van Mierlo:** Even though the Diamond is involved in maintaining our nuclear deterrence?

Chris McDonald: As I have mentioned, the Diamond facility, ISIS and Muon are remaining open.

Q140 **Freddie van Mierlo:** Will you have a conversation with the Secretary of State for Defence, then?

Chris McDonald: I would like to just finish the question, if I could. You raised this with the Business Secretary this week as well in the House, of course. The Diamond, ISIS and Muon facilities are remaining open. They are remaining open and they are being invested in: half a billion pounds in Diamond. A lot of concern was raised around Jodrell Bank, so I asked whether there were any particular issues around Defence, not with the Secretary of State for Defence but with my effective opposite number in the MOD. We received no concerns from the MOD on that either. No concerns have been raised by the MOD.

Q141 **Freddie van Mierlo:** I was not asking about Jodrell Bank, which is a much smaller facility than the three at Harwell. I will move on. As I mentioned last week at oral questions, I have received information that further cuts are being required at Harwell, beyond the cuts that have already been announced for STFC. Can you comment now, on the record,

as to the level of shortfall that is required?

Chris McDonald: Are you referring to the UKRI restructuring or to additional efforts on STFC?

Q142 **Freddie van Mierlo:** Additional shortfall at Diamond, Isis and the Central Laser Facility.

Chris McDonald: There are two things going on. It is possible that there is a conflation; that would be completely understandable because they are both happening at the same time. Last week, on Wednesday afternoon, STFC confirmed with its staff the prioritisation, which you are fully aware of, and how it affects these facilities. On Tuesday, UKRI separately launched its voluntary severance scheme with its staff as part of the UKRI restructuring. I appreciate that both those things coming together in the same week could lead to a conflation. However, the STFC plan remains unchanged. It is a plan to put STFC on a sound financial footing—

Q143 **Freddie van Mierlo:** I am speaking specifically about information I have received that there is at least a £100 million shortfall in addition to the cuts that have already been announced, and that people involved have been asked to sign confidentiality agreements.

Chris McDonald: There might be a conflation there between the UKRI scheme and the STFC announcement.

Q144 **Chair:** Can you come back to us to confirm that?

Chris McDonald: Yes, I can. I suspect that is what it is, because they both affect Harwell. There will be a reduction of staffing in Harwell because—

Q145 **Freddie van Mierlo:** On a staff call, staff were informed that if there is a facility to be closed, it will be the ISIS Neutron and Muon facility. Is that correct?

Chris McDonald: You have already heard from me that STFC has made a commitment to keeping the Diamond light source, ISIS and the Central Laser Facility operational. I am not—

Freddie van Mierlo: That was said on a staff call.

Chris McDonald: Maybe you could give me further information about that in writing and I could look at it, but I have a commitment to those facilities that I have just described staying open.

Q146 **Freddie van Mierlo:** On the record, you are committing to those three facilities at Harwell staying open over the next six months and through until 2028, when those gates are passed through?

Chris McDonald: I will tell you quite explicitly and clearly that the STFC plan is intended to keep the Diamond light source, ISIS, Muon Source

and the Central Laser Facility open and financially sustainable, which they have not been. That is the current plan.

Q147 **Freddie van Mierlo:** Intended?

Chris McDonald: Yes, that is right. It is the intention of the plan to do exactly that.

Q148 **Freddie van Mierlo:** Okay. Will you commit to finding additional funds if the shortfall that I have outlined is true? Come what may, will you keep those open?

Chris McDonald: I am not going to commit to finding additional funds for a hypothetical shortfall that I have not heard about previously, but if you provide me with further information about that, I will endeavour to validate it and give you an answer one way or another.

Q149 **Chair:** I would just like to say that the concerns you have expressed now about the financial practices at STFC were identified by this Committee at the beginning of this year, in our hearing. I am glad to see them now acknowledged. What I have not heard is a plan to address that financial best practice. Maybe you could write to us. *[Interruption.]* I am not going to ask you to answer now, I am afraid.

Chris McDonald: I just wanted to say thank you—that was all I wanted to say. Yes, I will write back to you on that.

Chair: Yes, we raised that at that time and I am not sure we received such a positive response from the Ministers concerned. I appreciate that we are over time. We have two more questions to ask.

Q150 **George Freeman:** I have a very quick question. I should declare my interests: I chair the all-party parliamentary group for the polar regions, advise the Astra Carta sustainability initiative and advise a quantum fund, Firgun, a British charity in quantum biology, and a life science fund. None of those are relevant to this, but I wanted just to make sure I had declared them.

I want to ask Minister McDonald about how AI is transforming the way science is done. The traditional model is short-term funding: scientists reveal a bit more of the answer, then ask for more money, then we give them a bit more money and then they reveal a bit more. AI is going to reveal huge amounts of answers at pace, so science will become a very different activity. I am not asking you to give us the whole answer to this, but when I was Minister for UKRI, it was struggling with basic digitalisation, let alone AI-empowered research allocations. Are there any plans for turning UKRI from a pretty clunky, old-fashioned analogue research administration body to an AI-enabled funder that can fund properly in the global race?

Chris McDonald: Yes, this is a really great question. It also goes back a bit to what I have just said to Freddie about the voluntary severance scheme that UKRI launched last week. That is the product of exactly the kind of thing you are talking about—a massive transformation in the organisation, and one that we really feel the pressure to do at pace. If you think about the implications of AI in the field of science, I was so sad, actually; I heard a leading physicist say just over the summer that the opportunity for human discovery in physics and mathematics is probably gone now. It is great because it means we are progressing in those areas, but it is also slightly sad to feel that. As a scientist, your role is going to be really quite different now.

Q151 **George Freeman:** I understand. My question really is about UKRI, which is trying, but it is still basically a pretty analogue bureaucratic machine for allocating money. Are you confident that it is modernising at pace to deal with this new world?

Chris McDonald: Yes. I am confident it is modernising at pace, but we cannot get away from the fact that this is a real race to do this. In the time it takes us to produce a plan, the technology has moved on even further. If you talk about that specific area of grant allocation that you have just mentioned, AI has the potential to completely break the whole method for grant allocation—

Q152 **Chair:** Sorry, Minister McDonald, but we need to come to an answer. Are you looking to provide a plan?

Chris McDonald: The short answer is yes; we are working on it. Again, this is something we could explore much more here. We could maybe bring UKRI along as well and have much more detailed discussions about this because it is not just science discovery, but as you say, the allocation of funds element of this.

George Freeman: I know time is short. We would welcome your plans because it is going to have a major implication for the way science is done and the way we allocate money.

Chair: Yes, that is a very good point.

Chris McDonald: It has the potential to erode British competitive advantage unless we move really fast on this, too.

Q153 **Emily Darlington:** For the sake of time, I am just going to pivot that question. It is a question for Chris and for Kanishka. AI is still in a developmental stage. Obviously, we are looking at quantum and neuromorphic computing, both of which have UK advantages that are included in AI tech and innovation, but many of them are still within the research lab at this point. How are you co-ordinating our current AI plans plus our R&D spend to make sure that we are at the forefront of quantum, neuromorphic and these other AI developments, so that we do

not repeat the mistakes of the past in terms of our power and weight?

Chris McDonald: There are two things: there is the applications bit you have mentioned, but there is also the industry itself. Do you want to do the industry bit?

Emily Darlington: No, I am talking about the basic research that feeds into these further developments in quantum and neuromorphic, which are all within the AI space. I am trying to understand how it sits between Kanishka's, "I do AI," and your role of, "I am UK R&D," particularly that blue-sky research funding into our amazing universities. How is that being co-ordinated across?

Chris McDonald: You are right. If we go back to the discussions around STFC or whatever, there is investment in new capability there, clearly. If you look at quantum, for instance, you will be familiar with the ProQure programme and what we are doing at the quantum centre. The reason I made the point about the industry versus the applications is that actually some of that new fundamental science is coming from the application side and from industrial companies.

I could pick an area such as life sciences or engineering biology—the use of artificial intelligence for molecule discovery, let us say. When we are all supporting research in molecule discovery or a new dementia treatment, using brain cell analysis on a slide or whatever, that is a really practical example. That is all AI-enabled. It is using and developing AI technology at the same time.

Emily Darlington: You are not quite getting my question.

Chris McDonald: Oh, I am sorry about that.

Emily Darlington: My question is about those core bases that provide the basic science and research. AI is not "Tick, done, it has been discovered."

Chris McDonald: No, exactly.

Q154 **Emily Darlington:** I am not asking about AI applications. I am asking about the further research and development in the further extensions of how AI works. That is not all coming from industry, particularly when you are looking at really exciting areas such as quantum and neuromorphic. Just to add into that, quantum is the nearest one: we are talking about Q-Day within the next five years. The way we keep quantum within the UK also links to another bit of what your Department is doing, which is the manufacturing strategy. The way we make that investment sticky is to have a quantum manufacturing strategy.

I am trying to understand how you and Kanishka are working together in this wider economic, social and exciting role from basic through to regulatory, through to application, but also through to manufacturing

around AI. We keep getting the answer that Kanishka does AI. I get that, but he is not necessarily doing these other bits, which from my perspective sit with you and other Ministers in whatever the Department is now called.

Chris McDonald: Yes, maybe I understand the question a bit better now. I am saying that essentially the research is multidisciplinary.

Q155 **Chair:** Research into AI is multidisciplinary?

Chris McDonald: No, because it is not just about research into AI. If someone is—

Q156 **Emily Darlington:** That was the question about AI in research. This is a different question. This is about research in AI.

Chris McDonald: What I am saying is that some research in AI that is driving new development in AI is being done in a multidisciplinary team that is focused on an application. The application need is then causing the AI development to happen. It is set up as a multidisciplinary team, essentially.

Kanishka Narayan: Just to add to what Chris has said, there are three ways in which we are trying to work very closely together on the intersection of some technologies you have described in AI. First, as Chris says, there is the AI for science strategy. That was a joint strategy with me and the Science Minister at the time, focused both on applying AI to science and crucially on the science of AI in some part. What Chris is saying about multidisciplinary teams shaping where AI is going, in the light of need being designed up front, is really critical.

Q157 **Chair:** That is in Minister McDonald's Department?

Kanishka Narayan: AI for science is a strategy that at the time the science Minister Lord Vallance and I wrote together. I do AI for science. Chris does a series of areas of application, including life sciences and quantum. Secondly, specifically in the quantum and neuromorphic computing areas you described, Emily, which are really critical, a lot of that is really focused on one bit of AI, which is developing the next generation of computer chips. It is extremely important, because that is where a lot of our focus has been. It is not the only thing that quantum is relevant for, but it is one important area.

We are trying to fund across the portfolio, all the way from ARIA, supporting really future-oriented, high-risk support for aspects of next generation compute, through to procurement that we are doing. My hope is that when we build a heterogeneous compute cluster on AI, that effectively is a pathway to what we are trying to do on an advance market commitment on quantum as well. We are trying to make sure that right across the financing and procurement landscape, we are tightly tied up on compute specifically as it relates to quantum and

neuromorphic computing developments. Those are things that we are working on.

Finally, when we are focused on areas of AI and trying to do plans, for example, the AI hardware plan, we are trying to look at the entire pipeline and say, "How do we support both PhDs, postgraduates at the earliest stages, and teams in the research lab on where the future of these technologies goes?" You cannot really answer that question centrally, especially on AI, if you do not take the future of quantum being an important part of that seriously as well. My expectation is that with the work we are doing on those functional blocks of PhD support, for example, when they are thinking about chip engineering and electrical engineering, they end up ultimately, in some small part at least—a growing part—becoming quantum-adjacent PhDs as well.

Q158 **Emily Darlington:** Within that stack, you are the one who will be looking at manufacturing, then, rather than BIST?

Kanishka Narayan: I am a BIST Minister as well. Advanced manufacturing is not my specific area.

Chris McDonald: Advanced manufacturing and digital and tech are two separate strands—well, they are two strands in the industrial strategy. I should not say they are separate; of course, there is a massive overlap between the two. Hopefully, that generates the end-to-end approach. Yes, the industry is there, the applications are with me, and then the reindustrialisation Minister owns the industrial strategy.

Q159 **Chair:** Great. Thank you very much, Emily, that was a really important question. To further clarify, the funding is all with you, Minister McDonald?

Chris McDonald: Yes. All UKRI funding flows through me.

Q160 **Chair:** Okay, the funding for what we have talked about is with you. We have kept you over time; we are very grateful for that. I have just two—hopefully brief—questions of clarification, because we have talked about devolution and science and innovation but we did not mention the Department for devolution, which is the Ministry of Housing, Communities and Local Government. Are you working with that Department on the devolution of science and innovation? Who is the key Minister there?

Chris McDonald: Yes, in short. In fact, I attended a cross-Whitehall Ministers of State meeting just yesterday where we discussed this. Actually, the co-ordination is being done through No. 10 North, and there will be more information around this in the Prime Minister's "Rewiring the State" speech.

Q161 **Chair:** Is there a Minister responsible for the devolution of innovation in the Ministry of Housing, Communities and Local Government?

Chris McDonald: I am the Minister responsible for the devolution of innovation.

Q162 **Chair:** Okay. Finally, Baroness Lloyd, we have mentioned previously that the "State of Digital Government Review" said that there were £45 billion in unrealised savings and productivity benefits from the digitisation of public services. Do you still stand by that figure, given the machinery of government changes and your responsibilities there? Are you looking at new work to identify the current overall savings?

Baroness Lloyd: The £45 billion figure was an estimate of long-term productivity gains. It was not a one-off figure for savings.

Chair: Yes. We wrote to you about that.

Baroness Lloyd: We shared the methodology with you last year. In terms of practical steps forward, the Department is focusing on the implementation of the road map and blueprint for a modern digital Government. That is how we will prioritise the areas for digitisation, the areas where the public sector can really transform. Those are costed. There are initiatives that set out what the potential benefits are going to be. There are quarterly updates on those initiatives, which I think you have seen.

Q163 **Chair:** Yes. They do not represent all the savings or all the programmes that are across Government. It sounds to me like you are not using that £45 billion figure as a target.

Baroness Lloyd: As I understand it, that figure was never a target or a cashable savings figure. That was never what it was intended to describe.

Chair: Right. Thank you very much.

I am very grateful for your attendance. It has been a really good session. We have gone beyond simply the machinery of government changes; as could be expected, we have looked deep into some responsibilities, how they have evolved and how they will impact our economic growth, security, safety and so on. I am really grateful to the Committee, but particularly to our witnesses. It shows that scrutiny of science and technology in the new Government is going to be just as detailed and intensive as this incredibly important subject requires.