

Science and Technology Committee

Oral evidence: [The science budget and the Spending Review](#), HC 761

Tuesday 19 January 2016

Ordered by the House of Commons to be published on 19 January 2016.

[Watch the meeting](#)

Members present: Nicola Blackwood (Chair); Victoria Borwick; Stella Creasy; Jim Dowd; Chris Green; Dr Tania Mathias; Derek Thomas; Valerie Vaz; Matt Warman

Questions 1-89

Witnesses: **Rt Hon Sajid Javid MP**, Secretary of State for Business, Innovation and Skills, and **Gareth Davies**, Director General, Business & Science, Department for Business, Innovation and Skills, gave evidence.

Q1 Chair: Secretary of State and Mr Davies, welcome to our one-off session to consider some of the outcomes of the spending review for the Department for Business, Innovation and Skills, and thank you for being so flexible with your time today. The best plans were somewhat thwarted by the changes of voting time today. We are very grateful to you for taking the time.

Obviously, the Committee was very pleased with the outcome of the spending review in general terms because, despite an overall cut of 17% to BIS, both the resource and capital budgets have been inflation-proofed each year to the end of this Parliament, which is good news. Following the announcement of the spending review, we have had confirmed that the resource budget will also be ring-fenced. This is good news, but there are a few questions remaining. I want to follow up on that, because there have been some concerns from the science community about whether there would be any tucking in and how the ODA budget—the grand challenges fund—would be allocated.

I would like to start by asking a couple of questions following on from the letter you wrote me in response to questions I asked you. You wrote that the “ring fence has been retained, meaning the budget has been set for...the duration of the Spending Review period. No new organisations have been added to the science ring fence” budget. I am very pleased to hear that no new organisations have been added. I would like to clarify whether any new spending lines or programmes have been added or any additional spending lines, or whether the budget is exactly as it was in the last Parliament, because that would be helpful reassurance and clarification for the scientific community.

Sajid Javid: Thank you very much, Madam Chairman. I am grateful for this opportunity to give evidence to the Committee. Can I take this opportunity to thank you and the

Committee for its work and the scrutiny it provides of science and research throughout Government, not just my Department? It makes a contribution to making the UK a world leader in science and research. I am pleased that the Committee looks well on the recent spending review settlement, and I am happy to answer questions about that or anything else. If I may say something more broadly about the settlement, I hope it helps to show the priority the Government give to science and research. One of the reasons we do that is that the Government's strategy for the next five years is to boost productivity, which is all part of our economic plan for the country. Investment in science, whether by the public or private sector, is a huge part of meeting that productivity challenge.

Turning to your question about the finances and the settlement in particular, as you say, the resource ring fence has been maintained in real terms. Therefore, five years from now, at the end of this Parliament, it will be approximately £4.7 billion in real terms. You asked specifically about whether there has been any tucking in. I have come across that phrase before, so I can tell you that there has been no tucking in. As I said in my letter, that means both that no new organisations' spending has been put into that ring fence and that no other product lines or initiatives have been put into that number. What I would highlight is the global challenges fund, which you may want to discuss later, which is part of the resource spending. It is a fund that over this Parliament will reach about £1.5 billion in total and that is part of the ring fence resource spending.

Q2 Chair: To understand how you have come to the calculation of a real-terms increase, is it right that it would be a flat cash settlement without the grand challenges fund? Does the addition of the grand challenges fund within the calculation for resource funding make that a real-terms increase?

Sajid Javid: That is correct. If the grand challenges fund element was not there, you could see it as a flat cash spending settlement for resource spending. With the grand challenges fund, which by the end of the Parliament will amount to around £500 million in resource spending in the final year, taken together that would mean it is protected in real terms.

Q3 Chair: Obviously, how that money is allocated and the rules by which that money is allowed to be allocated will be of great importance. I know that one of my colleagues wants to come to that in a bit more detail in a moment. One of the points that I know will be important is how the rest of the money is allocated—the section that is not ODA money. You wrote in your letter to me: “Further details will follow as part of the science budget allocations,” but at the point you wrote to us in January you were not in a position to give us that information. Can you tell us when you might be in a position to outline the full science budget allocations?

Sajid Javid: Yes, in the next four to five weeks, around the middle of February.

Q4 Chair: That is very helpful. Have you made a decision yet about what will happen to HEIF?

Sajid Javid: No, we have not.

Q5 Chair: My final question is about the spending review setting a separate resource and capital budget for science, but with the new ESA-10 accounting changes. We have had a response from you that this would have very few policy implications for your Department and the research councils. We want to understand whether the newly combined budget will be fully ring-fenced in the same way as the current resource element.

Sajid Javid: No. The ESA-10 standard is already reflected in the ONS's national accounts. I believe it is already reflected in OBR projected numbers in a recent fiscal statement. It now needs to be pushed down, as it were, from the Treasury into respective Departments for their own budgeting. I am not sure when it will happen—that is a Treasury decision—but I do not expect it to change any of the picture in terms of what we see today as resource spending and what we are calling today capital spending. If I have correctly understood your question to be whether that somehow expands or changes the ring-fenced amount in real terms, it does not.

Q6 Jim Dowd: You are quite right, Secretary of State: we do wish to pursue the issue of the global challenges research fund a bit further. Could you give us an indication of its genesis? Where did the idea come from? Was it your Department, the Treasury or DFID? Could you also indicate why it was felt to be necessary? There is a feeling that the current system already allows for high-level research and that research councils already manage the allocation of money under the fund?

Sajid Javid: I do not think we could pin the idea on one particular Department. As I am sure you appreciate, there is constant discussion and dialogue between the three Departments you mentioned—BIS, DFID and the Treasury. All of them are involved or have an important role to play. I would add another important group—the research councils themselves—because that leads to the second part of your question. As you say, the research councils already do some work that will primarily benefit developing countries. The purpose of having a fund dedicated to that is to give more focus and structure to dealing with some of those challenges. The kinds of things the research councils would look at as primarily benefiting from the funding, whether flood, famine or disease, would be things that in particular have an impact in the developing world.

Q7 Jim Dowd: Fine. When it comes to approving projects under the new fund, will it be any different from the submissions made currently, or will they have to meet a separate set of DFID criteria?

Sajid Javid: They will fully respect the Haldane principle. They will be part of ODA, so spending will go towards the Government's overall commitment of 0.7% of GNI per annum, but the decisions on how that funding is spent and what the priorities are within the ODA framework will be made by the recipients of the funds according to, and fully consistent with, the Haldane principle.

Q8 Jim Dowd: You have anticipated my final question, which is about what relationship it has to the 0.7%. You are saying that the moneys released under the fund will count towards it.

Sajid Javid: Part of the 0.7%.

Q9 Jim Dowd: You say part of it. What does that mean?

Sajid Javid: The total 0.7% that the Government spend each year will include the money spent under the global challenges fund.

Q10 Jim Dowd: But all of the fund would count towards that.

Sajid Javid: That is correct.

Jim Dowd: That is excellent. Thank you.

Q11 Chair: Mr Dowd asked whether there would be an additional application process for ODA funds—for the grand challenges fund. I suppose that has to be worked out by the research councils, but do you envisage that it would just be another question or another box to be filled in on the application form—“How does your research assist the developing world?”—in the same way that impact got added through the REF? Will it just be considered by the research councils, or will it be a whole other part of the process—an additional layer of bureaucracy? I am trying to understand how it will work in practice.

Sajid Javid: At this point we are still working on the full governance and set-up between ourselves and DFID. We are talking to the research councils. What we could not do is say, “Whatever you are doing that fits this goes against the fund,” because it might be more than the fund or it might not reach what is available in a particular year. There will have to be some process that matches what will be available in a particular year. For example, at the end of this parliamentary period, if there is approximately £500 million from that particular fund, it will have to work with the research councils to make sure it matches that, but we have not set out the full governance. We will set that out in the coming months.

Q12 Derek Thomas: Was your decision to replace some innovation grants with loans driven by the need to make budgets go further, or were other factors involved?

Sajid Javid: It was driven by, first, making sure that innovation remains a priority for the Government. As you know, a lot of the spending by my Department on innovation is through Innovate UK. The idea of changing the funding mix, not just having a grant base but looking at loans as well, came from recognition of the practices in some other countries that do a good and interesting job supporting innovation, such as France, Finland and others. We should learn from that and offer a different set of products alongside regular grants.

Q13 Derek Thomas: Will the total amount of money disbursed as loans or grants be the same as previously?

Sajid Javid: Approximately, if you take grants and loans. By 2019-20 it should still be around the £500 million mark. I do not have the exact number with me, but I recall that by then the amount we expect to be in non-grant form would be about £165 million, so about a third would be in non-grant form. We are now working on the final form it takes and how it is distributed and allocated. We are doing some market testing around it and speaking to stakeholders, but we will roll out what I would see as a suite of non-grant products to support innovation.

Q14 Derek Thomas: Some sectors, such as aerospace, have already raised some concern about the potential impact of moving to loans rather than grants. What are you saying to them? Are they right to be worried?

Sajid Javid: For aerospace, absolutely not, because it is separate from the announcement you rightly asked about. In the spending review, we increased the amount available in terms of Government support for the R&D part of aerospace. I think the increase is about £900 million in total, and that is also against an extension of the number of years when it is available. Similarly, for the auto industry there is an increase in R&D spending of £225 million and in the number of years they can use that. That is grant-based. You mentioned aerospace in particular. I do not think the aerospace industry would be thinking about loans.

Q15 Derek Thomas: You inherited the industrial strategies from the coalition Government. Is that still how you shape policy? Is there anything in the strategies that you would rewrite or change, if you could? Do they cover the right sectors, and will the opportunity for Innovate UK to produce its own strategy effectively reshape the industrial strategies?

Sajid Javid: I think 11 formal industrial strategies have been put together by the relevant industries and BIS. They are still an important part of the framework and dialogue that we have with the respective industries. The dialogue continues; it is as strong as ever. Your question is about whether those industrial strategies are still the relevant ones. Many of the industries themselves, whether aerospace or automotive, would like them refreshed, because they realise that when you put a strategy in place, even two or three years ago, things change, whether at home or in the global economy. I expect that over the coming year or so we will refresh a lot of the strategies, but working with industry through the respective dialogue we have. I have had a meeting with a number of the relevant sector councils for each industry to discuss just that process.

On your question about the strategy for Innovate UK, of course we have a role in selecting the executive and the board and providing the funding, but it will come up with its own strategy. Maybe we will come to it later, but you will know about some of the recommendations Sir Paul Nurse's review made about putting Innovate UK in a wider research and innovation body. That might have an impact as well.

Q16 Derek Thomas: What plans are there to improve the fiscal incentives for start-ups and others to get research commercialised? Do businesses have any particular tax issues that they regularly raise?

Sajid Javid: When we talk about fiscal incentives in research space, we have to put the available R&D tax credits at the top of the list. I think they are among the most generous in Europe; on a pre-tax basis they are worth about 11p in every pound that a company puts towards eligible research. Together, they add up to about £1.4 billion a year.¹ That is a significant amount. That is probably the biggest fiscal intervention to support research. On top of that, we have the patent box, which has worked well since the UK introduced it. Other countries are trying to see whether they can do something similar. That is a particular type of fiscal support. Lastly, I would also highlight the seed enterprise investment schemes and some of the other tax-friendly investment vehicles. They do not exist just for scientific or innovative projects, but they are certainly being used in that way.

Q17 Chair: I want to clarify the points about the industrial strategy. In the spending review, the Chancellor was very clear about the commitment to the aerospace and automotive industries in announcing the funding, but there are nine other industries in the industrial strategy. I imagine that the ones that did not get a specific mention will want to know whether they have continued commitment and whether their status remains the same as for the others announced in the spending review. Could you give such an indication, because it is quite important?

Sajid Javid: Aerospace and automotive have had a particular R&D strategy where they work alongside Government in partnership. I think it is a ratio of 50:50 Government funding and private sector funding that they pool together and use for R&D and innovation. That continues. For industries outside those two, there is not much change in terms of their ability to come up with requests and apply for either grants or, in the future, non-grant aid. I hesitate to say that all the other industries, whether or not they have a formal strategy, will definitely get some kind of R&D or innovation grants. That is not a decision for me. It is a decision that will be made independently, based on the quality of their application.

Q18 Chair: It is just that those industries—aerospace, agritech, automotive, construction, innovation economy, international education, life sciences, nuclear, offshore wind, oil and gas and so on—were presented as ones that had strategic importance for the United Kingdom. That is why they were part of a wider industrial strategy.

Sajid Javid: Yes.

Q19 Chair: I am trying to understand whether that is still the Government's position, or whether they are considering realigning them in any way. Are they still there and you have not realigned them, but you are going to do that?

Sajid Javid: All the industries you mentioned are still important and they still benefit from having, through their sector councils, a dialogue with Government. I would emphasise, however, that there are other industries that do not have those kinds of formal industrial strategies: perhaps the hospitality industry, which includes tourism, or the creative industry, which is one of our biggest and most successful industries. One thing I am very

¹ Note by witness: The figure is £1.75bn

keen to put out as a message is that there is an open door at my Department for all industries, including newer ones or those that do not have formal strategies. I do not see it as the job of my Department, or any Government Department for that matter, to pick particular industries and say they are the only ones we are there to help. Our job is to say that there are certain ones we can help in this way, but we are there to help all industry and our door is open.

Q20 Chair: The reason I am asking is that you and the Chancellor have been very clear about your commitment to catapults and your desire to increase the number of catapult centres. There has also been a very clear message to the Government on the need to ensure that the funding for existing catapults is not reduced and that support for those is consolidated so that they remain successful. If that funding is increasing, something will have to give in the rest of the funding for Innovate UK if it is a flat cash settlement. I am trying to understand what will give.

Sajid Javid: Clearly, the funding is there for the catapult centres; in fact, last week the Chancellor announced a new semi-conductor catapult in Wales. It is a programme that we think has worked well, and that partnership and joint funding between industry and Government will continue.

You asked what has to give. Outside the dedicated catapult spending—we have talked about the aerospace and automotive industries—it is open to all other industries, just as they have done in previous years, to bid for funding. Some of them, if they have the right projects and the right return for the taxpayer, will get support and others will not. That competitive process will remain.

Q21 Chair: Will they be bidding for a smaller pot?

Sajid Javid: The structure of the pot has changed. In cash terms it is roughly the same, but the type of support that industry might get will change in some cases if it is a non-grant type of support.

Q22 Valerie Vaz: Secretary of State, thank you for being so flexible with the Committee to allow for the votes. Earlier, my colleague asked you a question about Sir Paul Nurse, and my question is about Sir Paul Nurse's review. We heard from him during one of our Committee sessions. Have you had a chance to consider his report, and when will you be able to make a decision on some of the recommendations he made?

Sajid Javid: Let me first take this opportunity to thank Sir Paul Nurse and put on record the excellent work he has done over a considerable amount of time, working with many others. In general, I am very happy with the work he has produced, from what I have seen, and I have discussed it with him. In terms of taking it forward, we have already said that almost all of his recommendations seem like the right ones. His key recommendation around Research UK and putting the research councils together sounds very sensible, but in terms of a full response and what we finally do, we are not yet at that stage. I wanted to allow stakeholders to respond, and we publicly said that as part of our consultation process on the HE Green Paper people should also take the opportunity to respond to Sir Paul

Nurse's review. That closed last week, and we are now in the process of going through it, but we will soon come out with our final conclusions on it.

Q23 Valerie Vaz: Could I press you on two things? First, you said “almost all”. Is there something specific you have in mind?

Sajid Javid: No, not really. It is just that before saying “all” we should listen to stakeholders and the feedback process.

Q24 Valerie Vaz: Do you have a timeframe for when you are likely to respond?

Sajid Javid: I do not have a set time. It will probably take the Department the next three or four months to finalise it, but I do not have a set time.

Q25 Valerie Vaz: You wrote in your letter—colleagues have touched on it—that Innovate UK would come into Research UK. You said that Innovate UK would launch market research in the new year to try to find the kind of things they are going to fund and do. Do you think that sort of set-up fits with pure research where the majority of researchers do not know where they are going? They ask questions and they want funding for that. Most pure researchers would not be able to marry the two; it is not necessarily about what the outcome is. Sometimes when you do research you do not know what the outcome is. Do you think those two strands sitting together under Research UK will fit properly, or will they have two separate forms of governance?

Sajid Javid: I envisage its being separate governance. You will have the overall organisation and some verticals within that, but I think the reason for having an overall or head organisation is to encourage more collaboration between the research that has been done by the research councils and Innovate UK. It goes back to my opening remarks about the importance of boosting productivity. Why are the Government spending all this money—taxpayers' money? We have to be hugely responsible about every pound we spend. Why are we spending billions on research? One of the reasons has to be that, where there has been excellent research and there is a possibility of commercialising it, we should find better ways to do that. I think that having Innovate UK in the same structure has to encourage more collaboration.

Q26 Valerie Vaz: But, as you say, they will be separate.

Sajid Javid: That is how I see it. Yes.

Q27 Valerie Vaz: One of Sir Paul Nurse's recommendations was a ministerial committee. Do you envisage that a BIS Minister will sit on that, or a Minister from another Department, or no Minister at all?

Sajid Javid: Clearly, if it is a ministerial committee it will have some Ministers on it.

Q28 Valerie Vaz: You could have a delegated Minister: for example, a director general.

Sajid Javid: True. That was an interesting recommendation. I can see where it comes from in terms of having more cross-Government co-ordination on the issue. That co-ordination is important because, as the Committee will know well—it is not that well known outside Parliament—many different Departments work on research. Many of the hundreds of millions of funding that research councils get come from outside BIS. As to whether we have this ministerial committee in exactly the way Sir Paul Nurse suggested, we have yet to make a decision. There are perhaps other options to achieve the same objectives without its being precisely a ministerial committee. The general point he was making about more co-ordination was a good one, but we still need to look carefully at how we finally achieve that.

Q29 Valerie Vaz: One example I gave was whether a Minister, for example, would agree money for a large hadron collider? Would they say it was too expensive, and would they rather go for, say, graphene? I know the Government put a lot of money into graphene because you can see the end results, but I am sure you will accept that in science there is tension. Sometimes you need to do pure research and you do not even know what the end result is. It may not be something you can put a figure on.

Sajid Javid: That takes us back to an earlier point about the Haldane principle. Whether it is that committee or another, I do not envisage its being the one that makes the decisions on what research is actually done by scientists, researchers and others supporting them. The Government's role overall, whether or not you have the committee, does not change; it is to set overall strategic directions and budgets, and to make sure that the research actually done and how the funds are utilised is based on scientific excellence.

Q30 Valerie Vaz: Do you see that committee as a way to try to increase diversity in science? Would you suggest that Research UK would look at, for example, getting more women into science and making sure they have a fair crack of the whip in terms of a scientific career, because I think we are falling behind the rest of the world in that respect?

Sajid Javid: A committee like that could certainly play a role, but I would not want to say that is the only way to do it or that, if the committee was given that objective, we should not work on alternatives. I give an example. In my previous role as Secretary of State for Culture, one of the reasons I was determined to appoint Dame Mary Archer as chairman of the national Science Museum was not only that I thought she was eminently qualified for it but that having a woman leading what I think is the best science museum in the world would help to inspire young women around the country to think of a career in science themselves, and show them that they could reach the very top. There are other ways, but you make a good suggestion too.

Q31 Chair: I have a short follow-up. In our session with Sir Paul Nurse and others on the Nurse review, one matter that came up was the desire that any ministerial committee that was formed would publish its minutes, not only to commit to the desire for open science but to allay any fears that there would be too much political dictatorship in science funding and so on in the new structure. What is your view on that?

Sajid Javid: Before we get to that, we have to decide what kind of committee we would have to try to meet the point Sir Paul Nurse was making. The full answer to your question will have to wait until we have had time to consider not only Sir Paul Nurse's work but importantly all the feedback we have received. I do not think I would be able properly to answer that question at this point.

Q32 Chair: Is it something you would undertake to consider as part of your work on the Nurse review?

Sajid Javid: Yes, of course.

Q33 Matt Warman: My apologies for being late. In the productivity plan "Fixing the foundations", which was published at the same time as the Dowling review, you said that the spending review would respond to the Dowling review. That has not happened yet. Is there a specific reason for the hold-up, and do you have any issues with the recommendations in the Dowling report?

Sajid Javid: No. I do not think it is a question of issues with the report. Let me take this opportunity to thank Dame Ann Dowling for the work she has done. She looked into a very important area—university-business collaboration—and thinking about her recommendations fits in with some of the other work being done. We have just talked about the review by Sir Paul Nurse. They are all looking at funding allocations in that important sector, as did the HE Green Paper published last year. We felt it would be better to get feedback together on all those things and make one whole response. I think that would be more joined up.

Q34 Matt Warman: There is not a plan for a specific response to the Dowling report, because you think it has been covered.

Sajid Javid: There will be a response, but there will be one response from the Government that covers Dowling, Nurse and the HE Green Paper.

Q35 Matt Warman: On a related point, while the science budget has been ring-fenced, the innovation budget currently is not. It has been recommended that the innovation budget is ring-fenced. What are your thoughts on that?

Sajid Javid: Can you say that again?

Matt Warman: Various people, including this Committee, have recommended that the innovation budget is ring-fenced. What are your thoughts?

Sajid Javid: While I can see all the benefits of ring-fencing the innovation budget as well, if we ring-fenced more and more things we would not be able to meet another major objective of the Government, which is to deal with the big deficit we still have. The approach we have taken is to ring-fence in real terms science resource spending, while for innovation spending the total amount available in cash terms could be similar five years from now, but we will change the product mix, as I discussed earlier with Mr Thomas.

That is a better approach, because I have to keep in mind one of the overriding objectives of the Government, which ultimately goes back to our economic plan, namely building confidence by reducing the deficit as well. Ultimately, that is important to all businesses, including those that want to succeed in innovation.

Q36 Matt Warman: You can have too many ring fences, essentially.

Sajid Javid: That is right. I agree. You cannot ring-fence everything.

Q37 Matt Warman: With that in mind, do you think that the way we are currently moving suggests that research in future will skew towards research that can be commercialised, or do you think we will continue to try to balance basic research and commercialisable research, particularly now that Innovate UK is under Research UK?

Sajid Javid: We should keep a balance, but we have to try harder to commercialise research. In the past not enough effort has been put into that. Going back to Sir Paul Nurse's review, I think his idea of an overarching body with the research councils and Innovate UK will help to turn more ideas that can be commercialised into a reality. It is not going to be the only thing that will change that. We can perhaps learn lessons from other countries that have looked at the issue as well, but I would like to see more commercialisation of research, notwithstanding the fact that we have to have the right balance.

Q38 Matt Warman: And more collaboration between research and commercialisation.

Sajid Javid: Yes.

Q39 Matt Warman: How do we best measure the success of that? There is a suggestion in the productivity plan that research commercialisation should get to £5 billion. How did you arrive at that figure? Do you think that is the best way of measuring it? Other suggestions are that you might measure the turnover of companies that have been helped by the various bits of public money. How did you get to £5 billion, and is that the best way of measuring it?

Sajid Javid: The figure of £5 billion is a challenging one for universities. What have we based it on? Today, I understand that the number is about £3.6 billion, so £4 billion is not ambitious; £5 billion is ambitious; and £6 billion might be a bit too much of a stretch. I think it is a good ambition to have.

Q40 Dr Mathias: I apologise for getting back late, but I appreciate your being here, Secretary of State. I want to ask about the higher education Green Paper. That paper envisages the research funding role of the Higher Education Funding Council being absorbed into Research UK or a different body. If it is absorbed into Research UK, how do you envisage that the two strands of the dual support system could be safeguarded?

Sajid Javid: We are absolutely committed to the dual support funding system and, for that matter, the Haldane principle. Those two things very much go together. In many ways it

has been the cornerstone of British policy on Government spending on science and research, and that should not change. How can it work if we take forward Sir Paul Nurse's review? I think that was your question. It can happen. I see that merger with vertical entities each having its own governance and day-to-day running. Coming back to the issue of the dual support funding mechanism, spending can be hypothecated and allocated to a particular stream, so I do not see a particular problem with that.

Q41 Dr Mathias: But if you are doing that with the governance you almost have two bodies again.

Sajid Javid: Not really. Right off the bat, you can see that by having them in one overall body immediate efficiencies arise. All the entities that were previously separate are now sharing certain support systems. I think all the research councils have their head offices in Swindon, so you could have savings on back office and middle office functions that do not affect research. There are certainly efficiencies, but I would also expect that their being in one body, despite having separate governance, would make it a much more fertile environment for collaboration.

Q42 Dr Mathias: So it is just separate governance rather than two new bodies.

Sajid Javid: Yes.

Q43 Dr Mathias: Do you envisage a change in the relative amounts of money under the two systems?

Sajid Javid: No.

Q44 Dr Mathias: Do you have an idea of how much money would be saved by streamlining? Do you have a guestimate or estimate?

Sajid Javid: Are you referring in particular to the higher education research function?

Q45 Dr Mathias: Yes—if it goes into Research UK.

Sajid Javid: No, I do not.

Q46 Dr Mathias: You have no guestimate.

Sajid Javid: No.

Q47 Dr Mathias: Have you had any concerns about the response to the Green Paper?

Sajid Javid: I have not had time to appreciate all the responses yet. The response time closed just last week, but it is a process we are going through now.

Q48 Dr Mathias: If it happens, what do you expect the new role of the Higher Education Funding Council to look like?

Sajid Javid: The HE Green Paper that we published looked at a couple of options. One is that, if HEFCE is no longer responsible for the research bit of higher education, clearly there are other non-research functions it currently carries out with universities. We are yet to make final decisions on this, because it is a Green Paper and we want to listen to stakeholders, but I want to make sure that we have a body—it could be HEFCE or another body—that in its interface with universities puts students, the consumers, first. Sometimes I look at HEFCE and wonder whether it is thinking enough about the consumers versus the producers of higher education. That was the purpose of flushing out some of those thoughts and taking ideas through the Green Paper.

Q49 Victoria Borwick: Again, I apologise for being a few moments late coming back from the vote. I want to take us back to the research excellence framework—the REF—that we have been talking about. I understand that it is now going to be renewed. Can you tell us a bit more about why that is happening? I understand there are changes in the current system and, therefore, you wish to review it.

Sajid Javid: I think you are referring to the review we have asked Lord Nicholas Stern to do. I know there have been reviews before, but I give three reasons. First, when it comes to university research, which is a huge amount of funding each year, we should look at whether it is being allocated efficiently. Are there sufficient incentives and rewards for getting research excellence? Are the researchers incentivised enough? Can we do more to reduce the administrative burden? Those are three points that, overall, I would like the review to look into, and I take this opportunity to thank Lord Stern for taking on that responsibility.

Q50 Victoria Borwick: On that point, to what extent is the review about saving costs for universities and the research councils, and to what extent is it about changing the sort of research that is actually undertaken?

Sajid Javid: It is a bit of both. As to the research that actually takes place, it is not the role of Government to say what the research is and how in particular it happens, but given the amount of public money involved, we should take a fresh look at the quality of the research, the incentives in place, how it is reviewed and, at the same time, whether there is duplication of costs. Can administrative costs be cut so there is more money left over for actual research?

Q51 Victoria Borwick: Excellent. To go back to the metrics being used as part of that assessment, our understanding is that part of the review’s terms of reference is looking at the metrics that might be used in assessing research departments to make it easier. I understand that the “Metric Tide” report last year has looked at that already and made the comment that “no metric can currently provide a like-for-like replacement for REF peer review”. Do you have a view on that?

Sajid Javid: Can you give the quote again?

Q52 Victoria Borwick: I was not here last year, but I understand that the “Metric Tide” report came out last year. Do you agree with its conclusion that “no metric can currently provide a like-for-like replacement for REF peer review”? In other words, they were very pro-peer reviewing, as opposed to, putting it colloquially, just changing the figures around.

Sajid Javid: As I see it, the Stern review will in a way, in terms of metrics, build on the “Metric Tide” report. I think I am right in saying that in the terms of reference for the Stern review we have already made it clear that the peer review system is there to stay. We are not trying to change that, but I think it is right to see whether it can be improved and made even more efficient.

Q53 Victoria Borwick: To take us back to Dr Mathias’s point, in the run-up to the spending review, I believe Jo Johnson halted the HEFCE review of the REF. For the sake of the minutes, that is the research excellence framework; otherwise, we get rather bogged down with initials. Do you see a risk that the latest REF review will not be able to get the university sector’s insights into how a research assessment system has worked in practice? What are your aims for that?

Sajid Javid: I do not see a risk. If your question is whether there is any risk of the review happening without a dialogue with universities, I do not see such a risk because I would fully expect Nicholas Stern to listen to all stakeholders and take evidence from them, including universities.

Victoria Borwick: Excellent. That is very reassuring.

Q54 Chris Green: The Migration Advisory Committee recommended the introduction of an immigration skills charge, an increase of almost £10,000 in the minimum salary threshold for tier 2 visas, going from £20,800 to £30,000. Has your Department analysed the impact these changes could have on the ability of universities to recruit the skilled researchers and academics they need?

Sajid Javid: The purpose of those recommendations is to make sure we have a clear balance between two things. One is the incentives for employers to hire UK workers, and the other is the ability to go out when required to hire skilled migrants to fill gaps or help with growth. I am perfectly happy with the suggestion for the skills charge. It strikes the right balance. As far as the university sector is concerned, the Government have to set it out in more detail, but given the way it is planned I think the universities can cope with it in terms of their own resource needs. I do not see a particular problem.

Q55 Chris Green: In academia it is more than just a job; it is often a vocation. People are prepared to work for less if they are in academia, and often pay is lower in universities. Won’t that crude figure of £30,000 disproportionately cause difficulties for universities? That disproportionate effect on universities has to be taken account of.

Sajid Javid: I do not think the final figures have been set yet. Are you referring to the immigration skills charge? Are you talking about the Migration Advisory Committee's recommendation for the immigration skills charge?

Chris Green: Yes.

Sajid Javid: To be clear, it applies only in the case of tier 2 visas for non-EEA migrants, so there are other avenues open to universities outside where that applies. Even where the skills charge will apply, it strikes the right balance, and I have yet to see evidence that it is going to be a particular problem to universities.

Q56 Chris Green: International students are working in the sort of research areas our economy needs. Do you think they should be included in a cap on immigration from outside the European Union?

Sajid Javid: No. We do not cap the number of international students, whether they come to the UK for research or otherwise. I do not think that should be capped, and there are no plans to cap it.

Q57 Chris Green: Have you received any evidence that visa controls are causing problems for university research departments?

Sajid Javid: No. I have not had cases presented to me, but to be clear, if we are talking about international students coming for research, for example, there is no cap. Going back to your previous question, the immigration skills surcharge does not apply to students. It is for workers—people coming to work; it does not apply to students coming to study.

Q58 Chris Green: With visa controls, the number of Indian students decreased by half from 2010-11 to 2013-14. What was that down to?

Sajid Javid: In the last five years it has decreased by approximately 30,000 a year to 20,000. Was your question what was that down to?

Chris Green: Yes.

Sajid Javid: It is hard to put a finger on it, but a large part of the explanation lies in the crackdown that took place between 2010 and 2013 on what I would call bogus FE colleges. Obviously, those numbers include all types of students, including HE and FE. There were a huge number of so-called colleges in the UK that, frankly, were ripping off people from countries like India and elsewhere. They had no intention of providing any proper education or skills, and they were used more as a way to get round UK migration controls. Thankfully, that crackdown has had an impact on those numbers.

Having said that, there is another issue particularly to do with India. I was there back in November and took with me the largest ever delegation of university vice-chancellors to India. I went with the Universities Minister. One thing that came up again and again among many potential Indian students was the perception, which was wrong, that we had a

cap on international student numbers. Of course we do not, but we have to keep working hard to dispel that perception.

Q59 Chris Green: The apprenticeship levy is going to add a burden to universities. How do you recommend that universities minimise the cost of the apprenticeship levy so they can focus on research and education?

Sajid Javid: I do not think it is a burden for universities; it is a huge opportunity. Any sensible forward-thinking university would look at the apprenticeship levy and say, "This is going to be £3 billion a year by 2020." That is £3 billion that British firms will have to spend on apprenticeships. We are already saying we want a much larger number of those apprenticeships to be degree apprenticeships, so any sensible business-minded university out there will grasp that huge opportunity.

Just to make sure universities understand what an opportunity it is, last week I hosted and chaired a round table of all the Russell Group universities. Not enough of them offer degree apprenticeships. I want to see far more of them offer plans for degree apprenticeships. Some of them said to me at the round table that it would devalue their brand. I think that is a very snobbish attitude to take, and it has gone on for far too long in this country when it comes to the discussion of apprenticeships. It is about time Russell Group universities stepped up to the plate and saw this as an opportunity instead of a burden.

Q60 Chair: Can I take you back to your response to Chris Green a moment ago regarding the proposed rules by the Migration Advisory Committee? They were announced by the Prime Minister on 10 June, but the report came out only today. You said you had no evidence that they would cause problems for the higher education sector. Have you looked for any evidence? Has any impact assessment been done by either your Department or any other Government Department? Has anybody tried to find any evidence?

Sajid Javid: Thank you for reminding me of the report. As you say, it came out today. I have not had time to look at it and digest its findings. The purpose of the report was to look at the evidence. My Department, Ministers and I will look through it carefully and, whatever the final decision of the Government, that report will feed into the decision making. I am sure it will be taken into account.

Q61 Chair: Your Department will now be looking at the impact on university science.

Sajid Javid: Yes.

Q62 Stella Creasy: I am a big fan of Twitter.

Sajid Javid: I did know that.

Valerie Vaz: We all knew that.

Q63 Stella Creasy: I am interested to read your tweets. I avidly read other MPs' tweets, including your own. You said that currently the costs of the EU outweigh the benefits. Do you think that is the case when it comes to science research and investment?

Sajid Javid: I do not think you have finished it. That was not the whole tweet, was it? Do you have the rest of it there?

Q64 Stella Creasy: Yes. "Unless we get a major reform, nothing's off the table."

Sajid Javid: That is right.

Q65 Stella Creasy: I am interested in your use of the word "currently". Currently, do you think we get a good deal from the EU on science investment and research?

Sajid Javid: The funds available under the Horizon 2020 programme and its predecessors, which go into the billions, clearly are helpful in all the types of research they support, but I do not think in any way that what is driving the debate around the EU today is research funding or Horizon 2020; it is about more fundamental things than that. Those are the things the Prime Minister has set out: competition, red tape and fairness between euro and non-euro members. That is what the reform process that the Government are leading is about.

Q66 Stella Creasy: That is very interesting. Let's look again at the concept of fundamental. We are talking about £8.5 billion-worth of investment. We are the single largest beneficiary of science research investment from the European Research Council, bigger than any of the other European nations. The evidence suggests that £1 spent on research in the UK by European science grants generates £4 to £7 for our economy. Do you recognise that picture—the benefits of research from the £8.5 billion that we get?

Sajid Javid: I absolutely accept that all the funding, whether from Europe or domestically—the funding we talked about earlier and the resource spending by the Government—helps to generate new business in the wider economy.

Q67 Stella Creasy: I am talking explicitly about the money we get from the European Research Council. You said it was not a fundamental point, but this is one of the issues we have to look at.

Sajid Javid: I do not think there is any evidence that it is any more productive than funding we ourselves provide from our own taxpayers.

Q68 Stella Creasy: That is an interesting point. Let's have a look at that. The House of Lords took evidence just before Christmas from scientists who said that things like the laboratory for fusion research and projects looking at genome and biometric data would not be possible without the joint European funding we receive. The collaboration that comes from being able to work with other countries through the European Research Council would

not be possible. Do you recognise the concerns that they put to the House of Lords at that time?

Sajid Javid: I totally see the benefit of collaboration, but I may have misunderstood your earlier point. I thought you were suggesting that somehow the funding we get from Europe that is applied to science spending is more productive than the pounds we put in from the UK.

Q69 Stella Creasy: No. I was simply feeding back your comment about its not being a fundamental part of the debate. One of the things we are interested in on the Science and Technology Committee is the money that goes into science research. Do you consider £8.5 billion to be a substantial sum?

Sajid Javid: Of course.

Q70 Stella Creasy: So one of the questions for us is: were we to leave the European Union—you suggest that currently that is not a benefit that is fundamental—what would the consequences be? Perhaps the alternative would be to take on the role some other countries have of associated country status. Could you let us know what you think about that? What would be the impact on science research in Norway, for example, if it was an associated research partner rather than a full partner of Europe?

Sajid Javid: I cannot say I have looked at Norway's position when it comes to science spending vis-à-vis the EU, but it is probably not ideal to look at funding in isolation from the EU. Of course, the UK gives £10 billion or more a year to the EU and receives funding back, but it is important to realise that it is not just incoming funds from the EU; the UK also sends money out to the EU. That is an important part of the equation.

More broadly, the UK is a world leader in science. We are by many measures seen as the most productive when it comes to science spending in the G7, even if you include China. We have three of the world's top 10 universities and we have had 13 Nobel prizewinners in science since 2003. Whether we are in or out of the EU, we will still be a global science giant.

Q71 Stella Creasy: There is an obvious issue over that, isn't there? The EU spends 34% more than the Americans on science research because we are able to collaborate. Can I take you back to the question? What impact do you think the UK leaving the European Union would have on our science research, or do you think there would be an impact, given that Europe is such a large contributor by joint working in those ways?

Sajid Javid: I do not think the issues around science spending vis-à-vis the UK's membership of the EU are in any way driving the reform process in the EU. The issues that the Prime Minister is rightly focusing on in his negotiations are not about science spending but about competition, the single market—

Q72 Stella Creasy: But there would be consequences, wouldn't there? There would be consequences for that £8.5 billion-worth of investment in science research if we left the European Union.

Sajid Javid: Whether we leave the EU or not is not a decision for me or you. Your vote and my vote will be the same.

Q73 Stella Creasy: But you must have a view. You said earlier that you thought it wasn't fundamental.

Sajid Javid: It will be a decision for the British people. If you are trying to suggest that, in making that decision, science spending will be at the top of British people's minds, I do not think that will be the case.

Q74 Stella Creasy: Do you as the Secretary of State responsible for this area think that they should look at these issues given that, as we have heard, they might affect fusion research?

Sajid Javid: Who is "they"?

Q75 Stella Creasy: The British public. Do you think they should consider that £8.5 billion?

Sajid Javid: I do not think it should be at the top of their mind.

Q76 Stella Creasy: So research into cancer—

Sajid Javid: My Department is much more focused on the single market and what that means for British companies and productivity, including our investment in science and innovation. That is part of the reform package we want. We want a deeper, more competitive single market, and in terms of my Department's involvement in the reform process that is really where our focus is.

Q77 Stella Creasy: It is interesting to know you are not looking at science research. What about business research? We know that one of the concerns of the Government is about the take-up of business research grants available from things like Horizon 2020? You will know that London is due to get a 51% increase in science investment grants from the Horizon 2020 programme. Has your Department done any cost-benefit analysis of the impact on those projects of leaving the European Union and what it would mean for British businesses that will benefit from them?

Sajid Javid: My Department is not looking at plans to leave the European Union; it is working on the reform process that we want. All Government Departments, rightly, are focused on that. The Prime Minister has rightly said that we want significant reform of the European Union, and then we put that decision to the British people. I think that, rightly, my Department should focus on that.

Q78 Stella Creasy: I am a little confused, Secretary of State. You said you were not looking at science investment. You recognise that £8.5 billion is a lot of money to come into the British economy. As we have said, it has a massive multiplier effect, but you are not doing any research into the impact of that. When you say that the costs of the EU outweigh the benefits, are you saying that we have not yet looked at, say, the cost to science investment in the UK? Perhaps we should.

Sajid Javid: We should focus on what we are currently doing, which is to look at the major things that need reforming in the EU around competition, the single market, red tape and in-work benefits. Those are the key issues. That is where we can get changes. We will wait and see what the final deal looks like, but that is where the focus of my Department and other Departments should be.

Q79 Stella Creasy: Again, I am a little confused. Are you saying that your Department is relaxed about losing that £8.5 billion worth of investment in science and research in the UK if we leave the European Union?

Sajid Javid: Not at all. I am saying that our priority is to support the reform process that the Prime Minister started.

Q80 Stella Creasy: What work is your Department doing on science investment in the UK from the European Union to understand what would happen if we were to leave?

Sajid Javid: When it comes to the debate on EU reform, the work we are doing is supporting the reform process. That is about other issues that are key to the reform, and they are important ones in terms of the changes we want to see. That is not being led by the science debate.

Q81 Stella Creasy: So that is not an important part of it.

Sajid Javid: I am not saying it is not important.

Q82 Stella Creasy: But you just said there were other important issues.

Sajid Javid: That is what you are saying. With respect, you keep asking the same question and you are trying to put words into my mouth. Of course, science and the funding we get from the European Union are important. The numbers speak for themselves. When you have that kind of number, of course it is important. My point is that, in the context of the European reform debate, the changes we are trying to get are not focused on science but on competition, the single market, red tape and all the issues the Prime Minister and others have talked about a number of times.

Q83 Stella Creasy: I do not want to put words into your mouth, Secretary of State. Just so that I am clear, what impact do you think leaving the European Union would have on that investment in science and research in the UK?

Sajid Javid: I have not been doing analysis on leaving the European Union.

Q84 Stella Creasy: So we do not have a viewpoint on it.

Sajid Javid: I am focused on getting the reform.

Q85 Jim Dowd: If the nation votes to leave the European Union, would you see it as your responsibility, assuming you are still in your current role at the time, to ensure that the British science and research base was no worse off than it is now? You were saying we would not have to pay contributions to the EU and, therefore, there would be other money. Would you see it as your responsibility to ensure there is no degradation of the current position?

Sajid Javid: I am not going to guess what the outcome of the referendum might be. It is important that, as part of the reform process, we focus on getting the reforms and then have the referendum and let the British people decide. Whatever the result of the referendum, Britain will remain one of the leading players in science.

Stella Creasy: Secretary of State, I am trying to understand this.

Q86 Chair: Ms Creasy, we have to move on. You have had over 10 minutes.

Secretary of State, I know you have to go, and you have been generous in rearranging your time this evening. There is a final point on resource and capital spending about which we made recommendations in our report. I have had some contradictory responses to our recommendations and I would like to clarify them with you before you go. We made recommendations about a review of the way in which the Department makes its resource and capital allocations, because we had disturbing evidence from different institutions that, even though they had capital allocations, they did not have the necessary resource to run appropriately. One piece of evidence from Innovate UK was clear that two of the Centre for Process Innovation's major centres, although they had adequate capital, did not have adequate resource support to be able to run effectively, which is clearly not a sensible way to manage budgets.

Last night, we received from you a response to our report, in which you were clear that you were considering how you would be determining your allocations and how you would fund institutions. But I received a separate response from you in your letter to me in January in which you said that all capital was funded against five-year business plans. Some existing business plans will end during this Parliament; those take into account the need for capital and resource expenditure and, therefore, there should have been no problem in the first place. My concern is that if nothing changes in the way resource and capital is allocated, while you are making your resource and capital allocations now, we may have a repeat of the problems that occurred in the last Parliament. We may find ourselves having the same evidence session in two or three years' time, which I do not want and I do not think you would want as Secretary of State. Could you clarify this issue for the Committee?

Sajid Javid: I welcome the work that you and others have done on this. We certainly do not want to see the kind of situation you have mentioned. At this point we have allocated

the budgets in general. We talked earlier about the resource budget. We did not spend much time on the capital budget. The total capital spend to 2020-21 will be £6.9 billion, which I think is the highest ever science capital spending over that time period. Although it is not part of a ring fence as such—when we talk about the ring fence we are referring to resource spending—it is a rock solid commitment. It is part of the Conservative manifesto commitment and it will be met.

We have yet to set out how that spending breaks down, as we spend the capital and the resource funding necessary to maintain, say, a catapult centre, or somewhere else. As I mentioned earlier, I expect to do that in the next four to five weeks, by mid-February, and I hope that at that time we will have clearly taken on board what you have said and written to us, and what other Committee members have talked to me about. I hope at that time you will be reassured that your concerns should be met.

Q87 Chair: To be clear, are you going to put in place some different processes and stronger assurance mechanisms to make sure that the business plans and the resource allocations are met going forward, or will it just stay as it was before?

Sajid Javid: I have asked officials to look at just that issue to make sure we do not have a situation where batteries are not included.

Q88 Chair: Would you write to the Committee when those allocations are made to explain to us how you have done that, because it is something we are very concerned about?

Sajid Javid: Of course.

Q89 Chair: Secretary of State, thank you. You have spent over an hour and 10 minutes answering questions. I know you had to rearrange your schedule in order to come before the Committee today, given the voting situation. We are very grateful to you. Thank you for your time.

Sajid Javid: Thank you.