



House of Commons  
Innovation, Universities,  
Science and Skills Committee

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**Science Budget  
Allocations:  
Government Response  
to the Committee's  
Fourth Report of  
Session 2007–08**

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**Seventh Special Report of Session 2007–08**

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to be printed 11 June 2008*

## The Innovation, Universities, Science & Skills Committee

The Innovation, Universities, Science & Skills Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Innovation, Universities and Skills.

### Current membership

Mr Phil Willis (*Liberal Democrat, Harrogate and Knaresborough*)(Chairman)  
Dr Roberta Blackman-Woods (*Labour, City of Durham*)  
Mr Tim Boswell (*Conservative, Daventry*)  
Mr Ian Cawsey (*Labour, Brigg & Goole*)  
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Mr Rob Wilson (*Conservative, Reading East*)

### Powers

The Committee is one of the departmental Select Committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No.152. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk)

### Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at [www.parliament.uk/ius](http://www.parliament.uk/ius)  
A list of reports from the Committee in this Parliament is included at the back of this volume.

### Committee staff

The current staff of the Committee are: Dr Lynn Gardner (Clerk); Glenn McKee (Second Clerk); Dr Edward Waller (Second Clerk); Dr Christopher Tyler (Committee Specialist); Dr Joanna Dally (Committee Specialist); Ana Ferreira (Committee Assistant); Camilla Brace (Committee Secretary); and Jonathan Olivier Wright (Senior Office Clerk).

### Contacts

All correspondence should be addressed to the Clerk of the Innovation, Universities, Science & Skills Committee, Committee Office, 7 Millbank, London SW1P 3JA. The telephone number for general inquiries is: 020 7219 2793; the Committee's e-mail address is: [iuscomm@parliament.uk](mailto:iuscomm@parliament.uk).

# Seventh Special Report

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On 30 April 2008 the Innovation, Universities, Science and Skills Committee published its Fourth Report of Session 2007–08, *Science Budget Allocations* [HC 215-I]. On 3 June 2008 the Committee received a memorandum from the Government which contained a response to the Report. The memorandum is published as an appendix to this Report.

## Appendix: Government response

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### Introduction

1. The Government welcomes the report of the Select Committee's inquiry into the science budget allocations. This response has been coordinated by the Department for Innovation, Universities and Skills (DIUS). It takes account of contributions from the Treasury (HMT), and the Research Councils. This introductory section sets out the Government's views on how the broad thrust of future allocations should be made, learning lessons from CSR07. It provides the context for the responses to individual recommendations in the rest of this document.

2. The science budget has doubled in real terms since 1997 from £1.3bn to £3.4bn in 2007/08. The CSR07 allocation sees the science budget increase to almost £4bn in 2010/11. This is an average increase of 2.7% a year in real terms over the next three years. Within a tight fiscal framework, this strong settlement highlights the Government's long standing support for science and research in the UK as set out in the 10 Year Science and Innovation Investment Framework<sup>1</sup>. The Framework recognises the advantages of providing stable and predictable funding to ensure the research base can provide the best value for the nation.

3. In allocating this budget, the Government's overriding objective was to ensure the continued excellence of the UK research base. The Government is absolutely committed to supporting excellent fundamental research, which expands the frontiers of our knowledge. In addition, it is important to recognise the wider benefits fundamental research brings. It produces highly skilled people; attracts inward investment; and can be translated into many successful products and services. It is critically important that every possible benefit is extracted from our world class research base. As such, driving up the economic impact of the research base goes hand in hand with supporting excellent science.

4. By operating within this overarching policy framework, Government support has helped the UK research base sustain a strong global performance. The UK is second only to the US in global scientific excellence. With 1% of the world's population, we carry out 4.5% of the world's research and claim 8% of scientific publications. The UK has increased its share of highly cited papers to 13.3%. The proportion of uncited papers produced by the UK continues to fall. At the same time, knowledge transfer between research and business continues to grow. UK universities are now producing spin-out companies of equivalent number and quality to some of the US's top institutions. Since 2003 there have been 30

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1 *"Science and Innovation Investment Framework 2004-2014"*, HM Treasury, DTI, DfES July 2004

companies floated on stock exchanges at a value of £1.5bn at initial public offering (IPO). Furthermore, there have been a number of high profile trade sales—seven of these in the last two years have raised £1.9bn. University income from business and user engagement has risen rapidly, now standing at around £2bn per year.

5. It is the duty of Government to set the strategic direction for the research base. To do this, the Government took a number of high level decisions when allocating the CSR07 science budget. For example over CSR07: research will be funded at 90% of its full economic cost; the Sainsbury and Cooksey reviews will be implemented; and work in collaboration with the Technology Strategy Board and Energy Technologies Institute will be supported. The Government also decided certain broad areas of research were of strategic importance to the country, for example medical research and research addressing the key challenges facing the nation (such as energy supply and the environment).

6. For many years, the British Government has been guided by the Haldane Principle, believing that detailed decisions on how research money is spent is for the science community to make through the Research Councils, once the Government has set some overarching parameters. The basis for funding research is also enshrined in the Science and Technology Act 1965. The allocation of the CSR07 science budget has been consistent with the Haldane Principle.

7. John Denham, Secretary of State for Innovation, Universities and Skills, recently restated the Government's position on the Haldane Principle in his speech at the Royal Academy of Engineering on 29<sup>th</sup> April. He made clear that:

- it is researchers, through their participation in peer review, who are best placed to determine detailed research priorities;
- the Research Councils act as the "guardians of the independence of science"; and
- the Government's role is to set the over-arching strategy and framework.

8. The Haldane Principle is underpinned by the peer review process. Research Councils fund research on a competitive basis following independent expert peer review. This system is regarded as an international benchmark of excellence in research funding, and thus provides a guarantee of the quality of UK research.

9. The peer review processes employed are designed to be sensitive to the different needs and cultures that exist within the academic community. They reflect the variety of mechanisms employed to support different types of research and the need to encourage adventurous or multidisciplinary research. The Government refers the Committee to the RCUK report *Peer Review Benchmarking of Grant Review in the UK*.<sup>2</sup>

10. The Government understands how those whose work is not funded may well question those who gave it a lower priority. This is particularly the case when, as will so often be the case in a scientifically strong nation, rejected research proposals are themselves of real scientific quality. However, it is hard to conceive of an alternative that does not shift the

responsibility away from scientists themselves. The Government does not want the success or failure of detailed lines of research to be determined by political lobbying.

11. For the peer review system to work, senior researchers must give up their time to provide valuable expertise. A number of eminent scientists have assisted STFC in its peer review process. This involved making difficult decisions. Peer review lies at the heart of the research decision making process and it is important for the Government and researchers to defend it robustly. The Government regards the Committee's criticism of the outcome of STFC's peer review process, and of those researchers who have undertaken it, to be unhelpful and damaging.

12. The relationship between DIUS and the Research Councils balances the Government's duty to set the strategic direction of the research base with the Research Councils' responsibility for prioritising research spending through peer review. DIUS and the Research Councils work hard to optimise this balance, avoiding inappropriate direction of Research Council priorities whilst ensuring high level strategic objectives are sufficiently aligned.

13. To ensure a robust allocation process, the Government asked all Research Councils to submit detailed draft delivery plans. These set out detailed plans under a number of different funding scenarios. The rationale for this was to ensure that each Council undertook a vigorous prioritisation process. Coupled with the Research Council delivery plans, the Government also collected independent evidence on other funding lines, such as Science Research Investment Fund (SRIF). Through bodies such as the Funders' Forum and through bi-lateral meetings with the Research Councils, the Government regularly communicated with the community. This body of evidence underpinned the allocation of the science budget.

14. Research Councils have a duty regularly to review their activities in the light of changing priorities and the resources available to them. The Government made clear from the outset that rigorous reprioritisation would be of particular importance in the context of the CSR07 allocations.

15. DIUS Ministers considered that the final Delivery Plan drawn up by STFC following the receipt of its allocation in October 2007 raised two strategic issues, which merited further independent advice. They therefore asked Sir Tom McKillop to extend his work with the North West Development Agency to advise on the future development of the Daresbury Campus, and asked Research Councils UK to initiate a review of the health of physics as a whole, given the interest of a number of Research Councils in this subject. This review is being led by Professor Bill Wakeham of Southampton University. In due course, RCUK will carry out a series of similar reviews of individual disciplines.

16. The Government is working with STFC to review the way in which this allocation was handled and to ensure all the relevant lessons are learnt for the future. In particular, STFC have recognised that it could have communicated its plans better, and is taking steps to address this. STFC will take account of these lessons as it takes forward an organisational review. The review will cover strategy and planning, customer and stakeholder engagement, governance and risk management processes, delivery, value for money and management of change.

17. Further detailed information on the science budget allocations can be found in the DIUS publication “*The Allocations of the Science Budget 2008/9 to 2010/11: December 2007*”.<sup>3</sup>

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3 “*The Allocations of the Science Budget 2008/9 to 2010/11*”, DIUS, December 2007.  
<http://www.dius.gov.uk/publications/URN07114.pdf>















































