Department for
Innovation, Universities &
Skills

Investing in our Future

Departmental Report 2008

Department for Innovation, Universities and Skills

Departmental Report 2008

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by the Secretary of State for Innovation, Universities and Skills
by Command of Her Majesty

May 2008

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FOREWORD
SECRETARY OF STATE
RT HON JOHN DENHAM

This is the first Departmental Report for the Department for Innovation, Universities and Skills (DIUS).

In introducing DIUS I want to emphasise how essential the work we do is to national prosperity and social justice.

With responsibility for all post-19 education and training in universities and colleges, DIUS aims to improve the nation's skills at every level and ensure that high-quality learning opportunities are available to people at every stage of their adult lives. Skills offer us all the means to better wages and more secure lives. Learning raises aspirations and helps to create a society where no one is left behind and where we make best use of everyone's talents.

The same ambitions inform our drive to create a leading knowledge economy. By supporting an excellent science and research base, and by encouraging innovation in all sectors, we will improve quality of life in this country through new technologies and improved public services. Our aim is to make the UK the leading place in the world in which to be an innovative business, public service or third sector organisation.

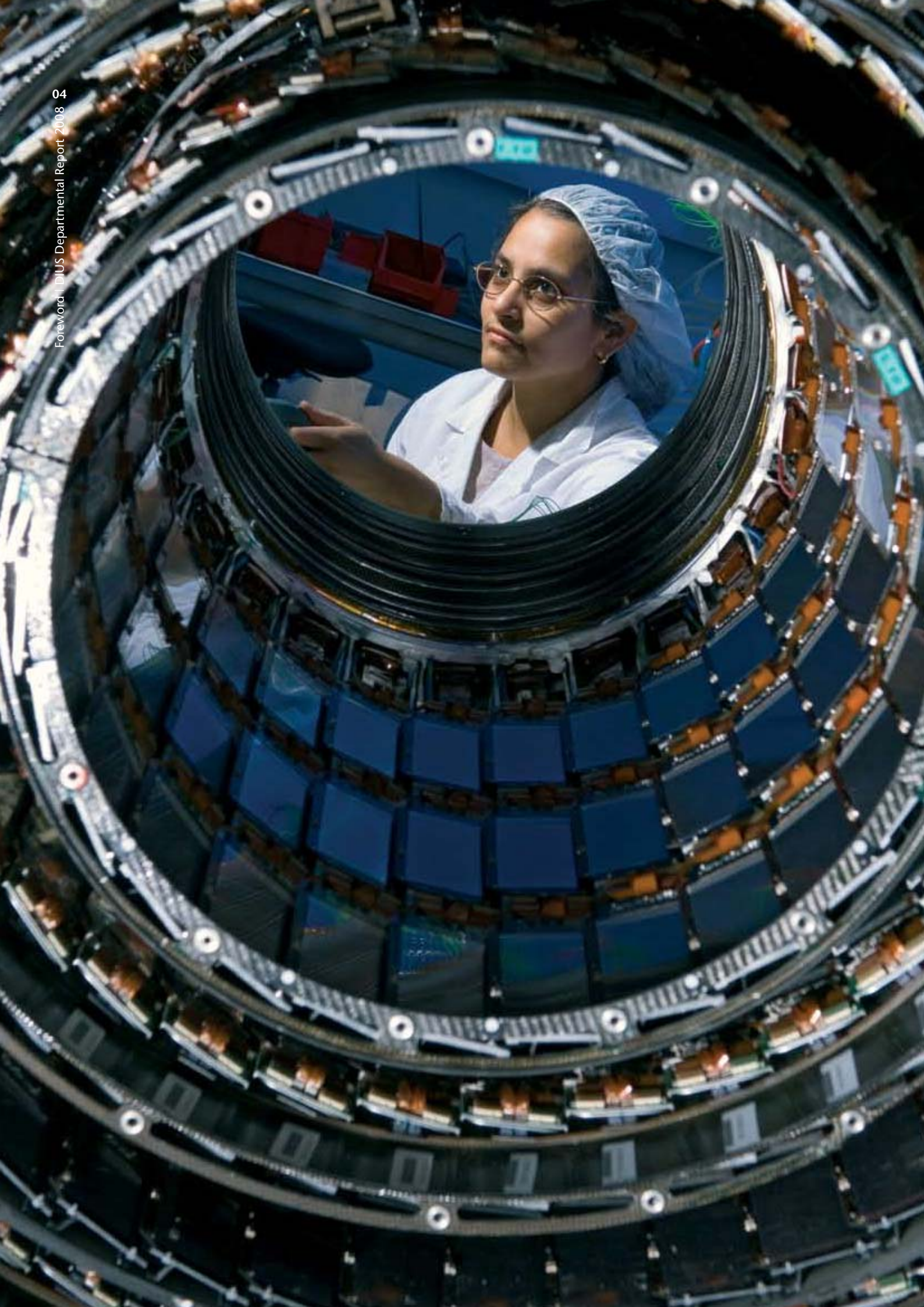
We want to build an 'Innovation Nation' by unlocking the talents of all our people and creating the right environment for new ideas to flourish – a Britain of stable and secure communities in which everyone can aspire to a brighter future for themselves and their children.

We were created on 28 June 2007 to fulfil that vision. It's a daunting task, but this report shows how much we have already achieved. It is also candid about how much remains to be done by us and by our partners across the country.

I hope that, as you read the report, you will get a real sense of how important and exciting this work is.

John Denham

Rt Hon John Denham MP
Secretary of State for Innovation, Universities and Skills



FOREWORD
PERMANENT SECRETARY
IAN WATMORE

I am delighted to have been appointed as the first Permanent Secretary for the Department for Innovation, Universities and Skills (DIUS). The scale of the Government's ambitions for what our Department needs to achieve have been clear from the very first day of our existence. So has the fact that our success would depend on building a strong and effective Department, working closely with its partners and focused on delivering ministerial objectives.

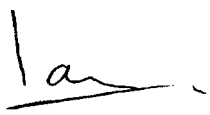
In our first year, we have concentrated on three key tasks: finishing the programme of work that we inherited from the 2004 Spending Review (SR04); setting a new policy direction for Innovation, Universities and Skills; and establishing the corporate Department in time for the start of the 2007 Comprehensive Spending Review period.

We also know that we need to realise the potential that we have as a new Department and to make the best use of our staff and those of the members of the "DIUS family" – our delivery partners. To make that start to happen, we have identified what will enable us to operate as a high-performing organisation.

The Secretary of State's vision, in his foreword, is complemented by our corporate strategy, as set out in our Departmental blueprint. This describes how we will develop our capability in our strategy, our impact, our people and culture and our business operations.

We have come a long way in the last nine months and you will read in the pages of the report about many outstanding policy achievements. We have also made good progress in building the new Department, including: moving all London-based staff into one building; moving all staff onto a single, new IT system; developing an increasingly strong DIUS "brand"; and the many other steps forward that are described in the report.

We have already built a Department whose staff are proud of it. That's a great step towards delivering our challenging policy agenda.



Ian Watmore
Permanent Secretary for the Department for Innovation, Universities and Skills

CHAPTER ONE
INTRODUCTION

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INTRODUCTION

Britain can only succeed in a rapidly changing world if we develop the skills of our people to the fullest possible extent, carry out world-class research and scholarship, and apply both knowledge and skills to create an innovative and competitive economy. The DIUS mission is to work with our partners to meet these challenges.

Skills

For millions of people, improving their skills is the key to improving their lives, by getting into work, getting on at work, and building a better life for themselves and their families.

Too many adults still do not have the basic literacy and numeracy skills needed even to start to climb the skills ladder. That's why, in each of the next three years, we will spend about £1.5 billion on basic skills initiatives.

We must also bring learning opportunities to all adults in the workplace and encourage them to seek out the skills they need to get on. We will continue our campaign for more employers to sign the Skills Pledge, which after only one year already covers 3.7 million employees. More employers are utilising training opportunities via our brokerage service, Train to Gain, on which we will be spending over £1 billion by 2011. And we have over 18,000 union learning representatives supporting people wanting to increase their skills.

It can be as hard to move from a low-skilled, low-paid job, to a better one, as it is to move from unemployment into work. So to ensure people can get the advice they need on their skills, jobs and careers options, we will establish an adult advancement and careers service, to be fully operational by 2010–11. There will be a single point of contact under a single public brand – one phone number and one website, plus face-to-face support in a range of locations for those who need it.

We will also continue the expansion of Apprenticeships. The number of Apprenticeships has doubled and the completion rate has nearly trebled. At present, one in 15 young people does an Apprenticeship. Our ambition is to increase that to one in 5. This expansion will be underpinned by an Apprenticeship Bill, which will legislate to give every suitably qualified young person the right to an Apprenticeship.

We are continuing to invest in the further education (FE) infrastructure. We have committed £2.3 billion over the next three years, to build colleges for the future. These will be built to the highest BREEAM (Building Research Establishment Environment Assessment Method) excellence standards, and all contractors will have to have a training plan in place.

Higher education

By 2011, funding for higher education will have increased by over 30 per cent in real terms since 1997. By increasing the number of students in higher education we will deliver a highly skilled workforce and world-class research to ensure an economically competitive UK fit for the 21st century. We have begun developing a 10-15 year framework with the sector, to maintain our world-class higher education system.

The proportion of young people from lower socio-economic groups in HE is increasing, as are the aspirations of young people and their parents. We are working to widen participation and improve fair access to higher education. We are maintaining Aimhigher, and are introducing the Aimhigher associate scheme which will see 5,000 university students working with over 20,000 pupils in schools and colleges from age 14 upwards, to support them in applying to higher education.
Our increased student finance package will mean that a third of eligible students will receive a full grant, with a further third receiving a partial grant. We are giving most financial support to those who are least well off, but we are also supporting hard-working middle-income families who are doing the right thing by helping their young people through university. We are encouraging formal, long-term, structural links between universities and schools, in the form of universities sponsoring trusts or academies to drive up standards across the board, improve aspirations of parents, teachers and pupils, and to support young people applying to higher education. We are working with the Department for Children, Schools and Families (DCSF) to improve information, advice and guidance available to pupils aspiring to higher education.

But by 2020, 40 per cent of our working-age population will need degree-level skills compared with 31 per cent now. Nearly three-quarters of the 2020 workforce has already left full-time education. The challenge is to encourage the 6 million adults in the workforce with the equivalent of A levels but no degree, to take up further study.

Our *Higher Education at Work: high skills, high value* strategy will offer universities and employers strong incentives to embrace this challenge. Our New University Challenge will enable 20 towns and cities to develop university centres, bringing higher education closer to those with the potential to benefit from it. These new university campuses will also drive local economic regeneration.

Science and innovation

Public investment in scientific research is already at record levels, having doubled since 1997. It will rise still further over the next three years. Our science is the most productive in the G8. With only 1 per cent of the world's population, we carry out 4.5 per cent of the world's research and claim 8 per cent of scientific publications. We are second only to the US in research output and reputation. We have put the UK research base on a financially stable footing with increased funding to pay 90 per cent of the full economic costs of research.

Both the Research Councils and the Higher Education Funding Council for England will continue to encourage researchers to find opportunities to turn their research into world-beating products and services. The work of the UK Intellectual Property Office provides the legal framework that allows this to happen.

Our scientific research also enables us to help solve the problems facing Britain and the world. For example, we are supporting the Technology Strategy Board, the Energy Technology Initiative and the Office for the Strategic Co-ordination of Health Research. And we have earmarked funding to drive forward research into the "grand challenges" including living with environmental change, energy, ageing, and global threats to security.

Our ambition is for Britain to become an innovation nation. By supporting an excellent science and research base, and by encouraging innovation in all sectors, we will improve quality of life in this country through new technologies and improved public services. Our aim is to make the UK the leading place in the world in which to be an innovative business, public service or third sector organisation. We must also unlock the talents of all our people and create the right environment for new ideas to flourish.

To support a society where science plays an increasingly important part, we are refreshing our science and society vision for a society that is excited by science, values its importance to our social and economic well-being, feels confident in its use and supports a representative, well qualified scientific workforce.

HIGHLIGHTS IN NUMBERS

£1.4bn

£1.4 billion is being invested in 6 cross-disciplinary research programmes.

100,000

DIUS is well on the way to meeting its ambition for **100,000 Foundation Degree students** by 2010. Some 73,000 students were, or were expected to, register on Foundation Degree programmes in 2007–08.

4.5%

With 1% of the world's population, the UK carries out **4.5 % of the world's research** and produces 8% of scientific publications, making the UK 2nd only to the US in scientific reputation and influence.

80%

82,000 employers, covering 400,000 learners, have used the Train to Gain service with **80% of employers** reporting they were satisfied with the service.

18,000

There are now over **18,000 union learning representatives** with a commitment to increase this to 22,000 by 2010.

4

4 medals including 1 Gold won by the UK Worldskills team in Japan.

4.7m

4.7 million adults have improved their literacy, language and numeracy skills on 10.5 million Skills for Life courses, with over 1.75 million achieving first qualifications.

1/3rd

From next year **1/3 of all eligible full time students** will be entitled to a full maintenance grant, with another 1/3 being entitled to a partial grant.

20

To unlock the potential of towns and people, 'A New University Challenge', will enable communities to bid for new centres for HE provision at **20 new university campuses or centres.**

24%

Public funding for higher education has increased by around 24% from 1997–98 to 2008–09 in real terms and will have increased to over 30% in real terms by 2010–11.

£2.4bn

Over the last ten years **£2.4 billion of funding** has been made available for building colleges for the future.

345,000

As at March 2008, applicants from England who had applied for entry to university in autumn 2008 were **up by 6.2% to 345,000,** compared with the same point in 2007.

29.4%

The proportion of applicants from England aged 18 or under who were classified in the lower socio-economic groups has risen **from 28.7% in March 2007 to 29.4% in March 2008.**

1,000

1,000 'innovation vouchers' will be provided each year by 2011 to help support and fund SMEs to work with a university, FE college or research organisation of their choice to develop a new product or service.

1

One White Paper was published to support the creation of an 'Innovation Nation'.

£6bn

By 2010/2011 DIUS will be spending a total of **£6 billion per year** on science and research.

19

DIUS appointed its first Minister for students and **19 members of the national student forum** were appointed. 5 student juries and hundreds of students met by Ministers as part of student listening work.

4m

World Class Skills – a strategy to help **four million learn new skills,** helping make Britain one of the most skilled workforces in the world by 2020.

1

DIUS has launched a process to deliver by 2010/2011 a fully operational adult advancement and careers service – with just **one point of contact** under one public brand.

10–15

DIUS launched a **10–15 year framework** to ensure HE maintains its world class status.

180,000

Apprenticeships starts have increased from 75,000 in 1997/98 to **180,000 in 2006/07.**

£711m

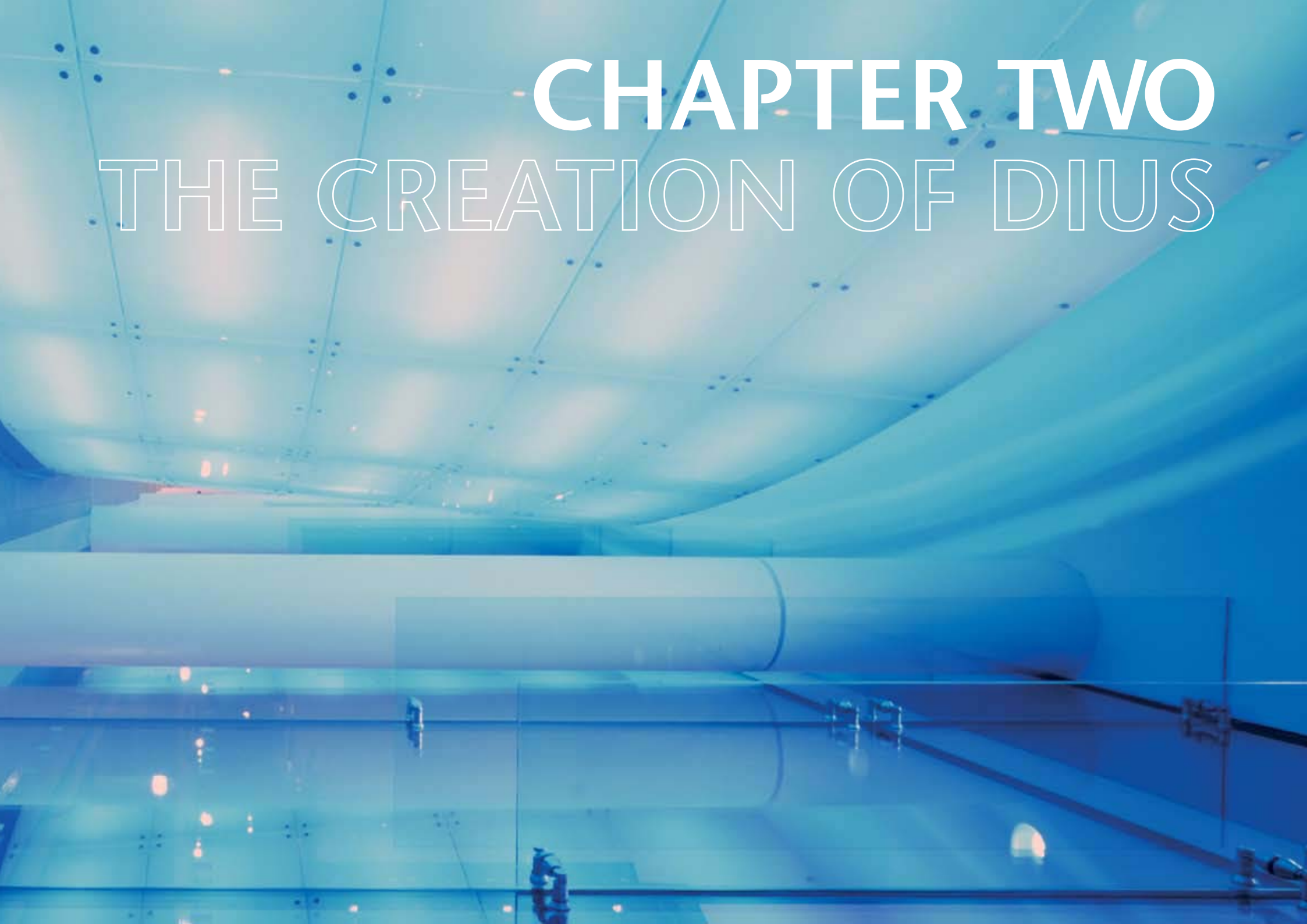
DIUS will increase Government **investment in the Technology Strategy Board (TSB)** to £711m over the next three years.

2,585

2,585 employers have now made the Skills Pledge covering 3.7million employees.

18,000

18,000 Science and Engineering Ambassadors have been announced.



CHAPTER TWO
THE CREATION OF DIUS

CHAPTER TWO
THE CREATION OF DIUS

"I am today announcing the formation of a new Department for Innovation, Universities and Skills (DIUS).

"The new Department will be responsible for driving forward delivery of the Government's long-term vision to make Britain one of the best places in the world for science, research and innovation, and to deliver the ambition of a world-class skills base."

Rt Hon Gordon Brown MP
Prime Minister

CREATING A VISION OF SUCCESS

Our vision is to be able to demonstrate innovation across every aspect of our organisation – from our strategy, our business operations and our employment practices to our buildings, and from our policy development to customer-oriented delivery. This chapter sets out in detail the vision that we are aiming for.

MAKING CHANGE HAPPEN

To help us achieve this vision of success, we have developed a blueprint for success, supported by a detailed Change Programme Framework. The blueprint is underpinned by ten projects that the Change Programme will deliver (see Figure 1 overleaf).

For our customers, there are three particularly important ways in which we can demonstrate the success of the blueprint. These are first to develop true insight into their needs and requirements; next, to engage and communicate with all our stakeholders, including all our customer groups, to ensure in-depth, mutual understanding; and third, to use this knowledge and engagement to develop and implement policies that will deliver what our customers are looking for.

Strategy and impact

Our policy development will be informed by detailed analysis and knowledge of our customers' needs and experience.

Ministers will set the direction of our Departmental policy. We will manage its delivery to ensure that we use limited resources effectively to maximise our impact, supported by the latest methodologies and best practice. Our status as a new Department with a new brand and new approach to working with stakeholders will reinforce recognition of our innovative approach. We will use strategic management information to scrutinise our budget and how well we use it, and to provide evidence of the impact and added value we deliver.

INNOVATION AND CHANGE

Innovation by name, innovation by nature

- Our reputation for innovative policy-making approaches, fresh policy insights, bold points of view
- Innovative practices and buildings make a statement about the organisation we aspire to be

STRATEGY

Customer experience

- Strategic priorities developed using customer insight drive our work programme and resource allocation
- Knowledge management and shared evidence base rigorously underpin the way we work

POLICY DELIVERY

Ministerially led

- Programme-managed policy pipeline
- Professional policy delivery led by ministers, supported by latest delivery methodology and best practice

SHARED SERVICES

Corporate centre zero to nearest 100

- Cost-effective corporate services procured by small corporate centre enable Department to focus on policy delivery

COMMUNICATIONS

Brand new = new brand

- Brand Department as new, innovative and different from rest of Whitehall
- New model of communications delivery telling the story and engaging stakeholders in new ways

BUSINESS OPERATIONS

Civil Service exemplar

- We use existing Civil Service best practice, and pioneer new best practices working in conjunction with the Cabinet Secretary

FINANCE AND PERFORMANCE MANAGEMENT

Value added

- Strategic management information for intelligent scrutiny, throughout the Department's delivery chains
- Budgets and resources managed as a Departmental portfolio (subject to HM Treasury ring fences)

ORGANISATION, CAPABILITY, DELIVERY MODELS

Punch above our weight

- Strive to excel in all segments of the Capability Model
- Balance corporate memory, flexible deployment and career opportunity
- Close and professional relations with arm's length bodies and delivery chain

SKILLS & INCLUSIVENESS

Extended family

- Practise what we preach by having exemplary skills development
- Bring diverse skills, insights and people from across society together to ensure professionalism and inclusivity

PEOPLE, CULTURE, VALUES

One Department

- One DIUS set of values, built on those of the Civil Service
- DIUS values, culture management and HR processes support a high-performing organisation

Figure 1 The DIUS blueprint for success

Understanding our customers

DIUS exists and is structured to deliver valuable, life-enhancing services to our customers. So it is vital that all of our people have a very clear understanding of who our customers are:

- employers and businesses, charities, non-profit organisations and the public;
- learners, from those developing their basic skills through to post-doctoral researchers;
- further and higher education intermediaries (such as staff in further and higher education, training providers, and research and innovation establishments) and private training providers;
- other Government Departments, through the work of the Government Office for Science, through Government Skills and through our own innovative policy-making approaches, fresh policy insights and excellent use of evidence; and
- wider society, through our contributions to promoting more prosperous and cohesive communities.

Our people and culture

- A new, shared set of values will help us ensure we work as a unified high-performing Department that fully realises the benefits of bringing together skills, science and research and innovation into an integrated whole.
- We will make full use of our extended family, including Whitehall and our delivery partners, to bring together diverse skills, insights and people from across society. An exemplary skills strategy will also mean that we practise what we preach and ensure that our own people have the opportunity to develop.
- We will strive to excel in everything we do, building a professional Department that balances the need for flexibility with the development of specialist knowledge and career development paths that are interesting, challenging and rewarding.

Our business operations

So far we have made progress along the following lines.

Strategy	• Customer insight portal available to all staff • Public Service Agreements (PSAs) and Departmental Strategic Objectives (DSOs) agreed
Policy Delivery	• DIUS Delivery Unit established • Policy self-assessment scorecard developed
Innovation	• New Innovation Directorate established • Work Foundation supporting project developed to make us innovative in name and nature • An online consultation mechanism successfully established to seek views on innovation policy
Organisation design	• Full executive and non-executive Board recruited • New organisational model agreed, based on strong Civil Service professions • Pre-capability review baseline identified key areas we need to strengthen • Flexible policy pool established
People, Culture, Values	• Good working relationship established with Trade Unions • Gaps in terms and conditions identified • Reward strategy developed for staff • Objective setting framework report agreed for all staff
Communications	• Strategic Communications, Internal Communications and Press Office function established • DIUS story agreed with Ministers and published • Branding completed; strapline developed • DIUS intranet developed and available to staff at all locations

Skills and Inclusiveness	• DIUS Group established • Government Skills transferring to DIUS • Business and employer engagement strategy agreed
Finance and Performance Management	• Comprehensive Spending Review (CSR) settlement agreed • New Board reporting framework agreed • Successful negotiation of DIUS budgets with Department for Business, Enterprise and Regulatory Reform and Department for Children, Schools and Families • Accounting Officer functions in place
Business operations	• Successful move of all staff into one London building • All staff issued with modern, lightweight laptops • Innovative new IT platform adopted • Sheffield New Accommodation Project agreed and on track
Shared Services	• Shared Services model adopted and scope agreed • Decision on Shared Service provision agreed between Board and Ministers

We intend that our business operations will set new standards for the Civil Service. We will implement best practice where it exists and work with the Cabinet Secretary to pioneer new ways of delivering corporate services. We will focus on customer-facing policy development and delivery and through the use of shared services operate with a small corporate centre.

This will mean that we can succeed in being innovative in name and nature, through adopting innovative working practices and workspaces, as well as in policy development and delivery.

ADDRESSING EQUALITY AND DIVERSITY

Our policies impact on a wide range of people, and customers will experience them in different ways. We recognise, however, that some customers can face particular barriers, for instance because of disability, race or gender. DIUS has a responsibility to promote equality, diversity and social inclusion, as an employer, as a policy-making Department, and as the sponsor of the further and higher education sectors and the nation's science and innovation agendas.

Our Single Equalities Scheme, details of which are available from the DIUS website, sets out how we will discharge this responsibility, with particular regard to disability, race and gender. We plan to extend this work in future to cover additional aspects of equality (including age, sexual orientation and religion or faith).

Engaging with our stakeholders

The valuable input that stakeholders make to the development and implementation of policy and communications is also crucial. Stakeholder engagement has direct business benefits to the Department, such as:

- a "right-first-time" approach to policy-making;
- better communication with our customer groups;
- the smoother passage of new or amended legislation through the Parliamentary process;
- more specific consultation processes;
- greater risk awareness and better risk management; and
- a reputation for intelligent stakeholder engagement, creating a willingness to do business with DIUS.

Activity within DIUS centres around ensuring that our working relationships with stakeholders are both positive and appropriate. This is irrespective of whether we hold them directly, or indirectly through our non-departmental public bodies (NDPBs), other partners or larger stakeholder bodies. The breadth of individuals and organisations with an interest in DIUS policy presents a significant challenge, and the DIUS Group performs an important function in bringing this knowledge back to us.

Our approach to stakeholder engagement includes a number of commitments:

- stakeholders will be engaged throughout policy development work to ensure issues are correctly defined and the resulting solutions are genuinely innovative;
- DIUS staff will proactively seek and share understanding of our stakeholders, both within DIUS and across our partners. We will learn from each other before asking to learn from stakeholders;
- we will engage stakeholders, as far as possible, through their existing forums and networks, seeking to minimise additional burdens on them; and
- we will act professionally – we understand that not all stakeholders will necessarily be happy with our policies but we want them to be happy with the processes to develop them.

These principles apply at all levels across DIUS, with Ministers already directly involved in a wide range of stakeholder activity.

As a core economic Department, many of our goals and programmes are designed to increase Britain's economic competitiveness and productivity. We have introduced the Business and Employer Engagement Programme to help us achieve a strong and productive relationship with business and employers. This aims to improve the interaction between publicly and privately funded skills and innovation activity, drawing on public funds to encourage greater investment in research, innovation, training and skills by businesses and employers.

Gaining individual customer insight

We have a wide range of customers – and we must never forget that all our customer groups are made up of individuals, with personal ambitions, concerns and desires.

For us to succeed in meeting our objectives, it is vital that our activities reflect the needs of our individual customers and that we deliver our policies, services and communications in ways that they all find accessible and engaging.

This understanding of the Department's customers is not the responsibility of an individual or team within the Department, but for everyone. And this is why customer focus is a thread that runs through every aspect of our activity. For instance, some of our customers attended the Department all-staff conference, which presented a unique opportunity for all our staff to build a common understanding of our customers' needs, and highlighted to everybody our commitment to customer focus.

Having first-hand experience of our customers is also recognised in the Department's skills strategy, where enabling our people to gain an understanding of customers is identified as a priority which we will address by encouraging our staff to use some of the time set aside for development (five days per employee) in visiting and working with our customers and delivery partners.

We are now rolling out across the Department a customer insight programme that will help everyone understand our customers. This is designed to embed a truly customer-focused approach to business planning and policy making throughout the Department.

To ensure that we have a shared understanding of our customers' needs, we are producing Customer Intelligence Packs for each of our major customer groups. This will provide the common foundation for developing the specific insights we will need for each area of policy, service or communications. Our policy and communications teams will build these specific insights in the planning stages of their work, using methods like customer experience or journey mapping.

Thanks to the programme, we will value and treat our customer insights as a true business asset that can be captured, managed and shared with others.

CHAPTER THREE

OUR FOCUS UNTIL 2011

CHAPTER THREE
OUR FOCUS UNTIL 2011

As the Department for Innovation, DIUS is committed to finding and delivering fresh solutions for a better future. Here, we describe our action plan for helping build national prosperity and success through the work of DIUS over the next three years.

OUR PUBLIC SERVICE AGREEMENTS (PSAS)

In October 2007, just a few months after DIUS was created, the Government published its Comprehensive Spending Review (CSR07).

This included a number of PSAs, setting out the priority objectives for the next spending period (2008–11). At the same time, it also effectively set our agenda for the next three years by giving us primary responsibility for two PSAs that are fundamental to building a more prosperous and successful nation.

- PSA 2: Improve the skills of the population, on the way to ensuring a world-class skills base by 2020.
- PSA 4: Promote world-class science and innovation in the UK.

As well as these, we will also have an important contribution to make in achieving many of the Government's PSAs, reflecting the key role that skills, science, research and innovation have to play in the Government's longer-term cross-Departmental priorities. You can see all these in Figure 2, on page 24.

Supporting the achievement of our PSA objectives are the six DSOs which provide a more detailed strategic framework for our work. We will measure our performance against these through the Key Performance Indicators (KPIs) that we describe in the following pages.

CHAPTER THREE

DEFINING OUR OBJECTIVES

Our six DSOs help us to define our activities between now and 2011.

1. Accelerate the commercial exploitation of creativity and knowledge, through innovation and research, to create wealth, grow the economy, build successful businesses and improve quality of life.

2. Improve the skills of the population throughout their working lives to create a workforce capable of sustaining economic competitiveness, and enable individuals to thrive in the knowledge economy.

3. Build social and community cohesion through improved social justice, civic participation and economic opportunity by raising aspirations and broadening participation, progression and achievement in learning and skills.

4. Pursue global excellence in research and knowledge, promote the benefits of science and society, and deliver skills in science, technology, engineering and mathematics in line with employer demand.

5. Strengthen the capacity, quality and reputation of the further and higher education systems and institutions to support national economic and social needs.

6. Encourage better use of science in Government, foster public service innovation, and support other Government objectives which depend on DIUS expertise and our remit.

WHAT WE'RE AIMING TO DELIVER IN THE NEXT YEAR

Within the overall framework of our PSAs and DSOs, we have numerous important tasks to deliver, policies to realise and initiatives to set in motion – all designed to make a significant difference to people's lives. The most high-profile of these are set out below, and we plan to review them in July 2008.

Over the year we will seek to establish the following strategic messages:

The strands of policy brought together in DIUS work together to help unlock everyone's talents.

The skills system is supporting British people in accessing jobs and getting on in the workplace and in life.

The higher education system is making the most of our talent by establishing the importance of fair access throughout the system and widening participation.

DIUS is an advocate for students through, among other things, the National Student Forum.

We are continuing to invest in science to maintain and build on our world-class research base and to focus on providing solutions to the problems facing society.

DIUS is working to make the UK the country of choice for innovative businesses.

We are building DIUS and the Government Office for Science as a champion for science, and the leader of innovation across Government.

We are committed to equality, inclusiveness and social cohesion through all our policies.

Our key policy deliverables are:

Driving forward the policies set out in *Innovation Nation* to make the UK the leading place in the world to be an innovative organisation and publishing the first **annual innovation report**.

Developing and implementing an international strategy which includes effective leadership of the Science and Innovation Network.

Maintaining progress to create a demand-led skills system that is responsive to the needs of employers, including the need for higher-level skills.

Supporting individuals in making the most of their talents – getting into work, getting on at work; delivering a wide-ranging informal learning experience.

Designing a new post-19 funding body and successfully establishing the National Apprenticeship Service.

Stimulating the debate about the future of higher education by identifying what a world-class higher education system of the future should look like, and establishing the 10–15-year framework needed to get there.

Leading the debate within higher education on the role of academic freedom in building shared values and tackling violent extremism.

Incorporating the student voice and perspective into the full range of our policy-making.

Working with the National Council for Education and Excellence in particular (and others) **to widen participation in higher education and deliver fair access.**

Supporting families through delivering the comprehensive package of support for students announced in July 2007.

Working with stakeholders to deliver radical improvements to employer/business and university links.

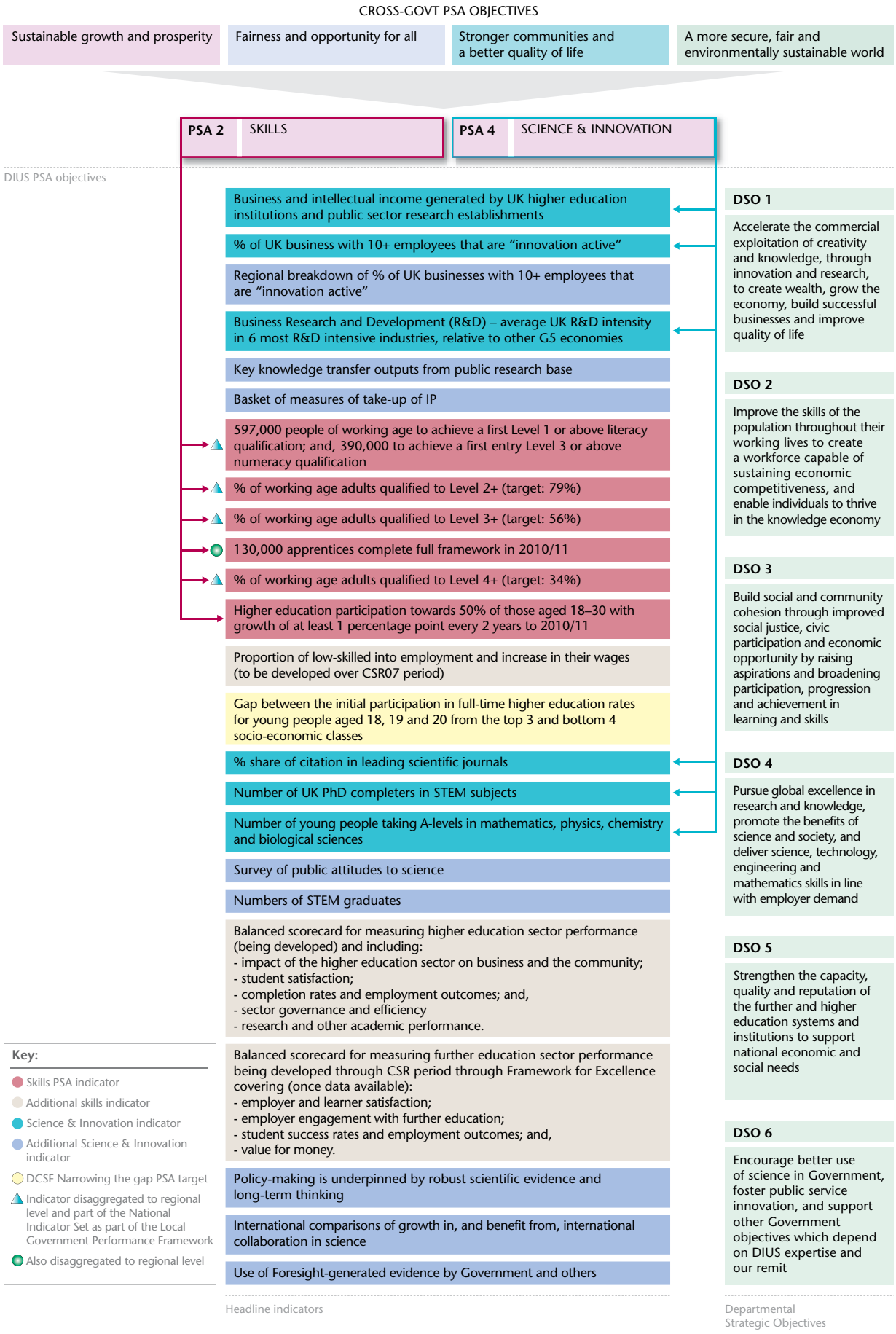
Working with the research community to ensure that the Wakeham and McKillop reviews are successful.

Establishing a refreshed strategy on science and society, including through a revised and expanded Science, Technology, Engineering and Maths (STEM) agenda.

Maximising the effectiveness of the refocused Intellectual Property (IP) strategy in translating IP into value.

Work with other Government Departments to deliver Government's wider priorities including promoting the low-carbon economy, community cohesion and delivering a successful 2012 Games.

Figure 2 DIUS PSA and DSO Key Performance Indicators



PERSONALISING OUR SERVICES

To help us, we will be adopting the Government's Service Transformation Agreement (STA). As well as underpinning the delivery of the PSA framework, this sets out a vision for building truly personalised public services around the citizen. As our contribution to realising the vision, we will be:

- grouping services in ways that are meaningful to the customer. For example, we will streamline access to online services by progressively moving them on to just two websites (Directgov for citizens and Businesslink.gov for businesses) where they can be presented and linked in the ways that customers find most helpful;
- understanding and responding to the needs of citizens and business. We will conduct regular surveys of the views and priorities of our customers, helping us better track, understand and act on the issues that are most important to them;
- rationalising services to improve efficiency and service quality. For example, we will gradually transfer responsibility for dealing with student support applications from Local Authorities to a single assessment contact centre;
- developing public sector innovation policy. As part of our Science and Innovation Strategy, we will help other Government Departments design new policies and public management systems that encourage and enable them to build truly personal public services; and
- making better use of the customer information the public sector already holds. We will, for example, concentrate on improving how the Student Loan Company (SLC), the Universities and Colleges Admissions Service (UCAS) and the Identity and Passport Service share their data.

In these and other ways we will pioneer a new approach to Government that makes sense to people at a personal, individual level.

CHAPTER FOUR
ORGANISING OUR PEOPLE

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ORGANISING OUR PEOPLE

Effective people working together towards the same goals are at the heart of any effective organisation, and DIUS is no different. Here we explain some of the key human dimensions of this new Department.

THE MINISTERIAL TEAM

The Ministerial team is responsible for the overall political and strategic direction of the Department as well as holding the Department to account for its performance in delivering Government objectives.

The team is made up of the following individuals:

- Rt Hon John Denham, MP, Secretary of State for Innovation, Universities and Skills;
- Bill Rammell, MP, Minister of State for Lifelong Learning, Further and Higher Education;
- Ian Pearson, MP, Minister of State for Science and Innovation;
- David Lammy, MP, Parliamentary Under-Secretary of State for Skills; and
- Baroness Delyth Morgan, Parliamentary Under-Secretary of State for Intellectual Property and Quality.

THE DEPARTMENTAL BOARD

The Departmental Board is responsible for helping the Permanent Secretary (as Accounting Officer) with the overall running of the Department. It operates as a partnership between professional, policy, delivery and corporate colleagues that:

- creates and delivers a Departmental strategic agenda in support of Ministers, aligned with the Government-wide agenda, leading and implementing best practice and subject to Parliamentary and public scrutiny and probity;
- balances the Departmental agenda with local priorities, and ensures that the whole Department succeeds together;
- inspires a diverse workforce to add value, achieve outcomes and be proud to work for DIUS; and
- manages Departmental Civil Service values, behaviours, reputation and risks.

Ministers

Minister of State for Lifelong Learning, Further and Higher Education
Bill Rammell MP

Parliamentary Under-Secretary of State for Intellectual Property and Quality
Baroness Delyth Morgan

Secretary of State
Rt Hon John Denham MP

Non-Executive Board Members

Alan Aubrey

Julia King CBE

Dame Julie Mellor

Department for Innovation, Universities and Skills

GCSA and Head of Government Office for Science
Prof John Beddington
(Reports directly to the Secretary of State and the Prime Minister)

Permanent Secretary
Ian Watmore

PRIVATE OFFICES

Strategy and Communications
Zina Etheridge

Higher Education
Ruth Thompson

Science and Research
Alun Evans

Innovation
David Evans

Deputy Head Government Office for Science
Jeremy Clayton

International
Ashley Ibbett

Science in Government
Judy Britton
Tony Whitehead

Foresight
Sandy Thomas

Higher Education Strategy
Martin Williams

Student Finance Strategy
Michael Hipkins

Research Base
John Neilson

BNSC
David Williams

UK-IPO
Ian Fletcher

NWML
Peter Mason

Minister of State for Science and Innovation
Ian Pearson MP

Parliamentary Under-Secretary of State for Skills
David Lammy MP

Kristina Murrin

There are four non-Executive Directors on the Board to provide a non-Departmental perspective in decision-making. They provide an independent judgement on issues of strategy, planning, performance and standards of conduct. Although they advise and question, they do not make executive decisions, and they remain independent of management and free from any other relationships with Government that might interfere with their role.

Further Education and Skills
Stephen Marston

Finance and Performance
Nick Edmonds

Operations
Simon Morys

HR and Shared Services
Shirley Pointer

Joint International Unit*
Win Harris

Learning Quality and Systems
John Landeryou

Skills
Stephen Hillier

Further Education and Skills Performance
Susan Pember

Key:

Ministers

Non-Executive Board Members

The Board

BNSC British National Space Centre

GCSA Government Chief Scientific Adviser

HR Human Resources

*** Joint International Unit (JIU)**
staffed from the Department for Children, Schools and Families, DIUS and the Department for Work and Pensions

NWML
National Weights and Measures Laboratory (Agency)

UK-IPO
UK Intellectual Property Office (Trading Fund)

AUDIT AND RISK COMMITTEE

A Departmental Audit and Risk Committee has been established. It meets five times a year to advise the Accounting Officer and the Board on audit, risk and control issues; to make recommendations on risk management strategy; and to ensure that we meet corporate governance requirements. Details of the Audit and Risk Committee are at Annex 3.

OUR POLICY GROUPS

We are organised into four main policy groups:

- Further Education and Skills;
- Higher Education;
- Science and Research; and
- Innovation.

In addition, the Government Office for Science is located in DIUS.

Further Education and Skills

The Further Education and Skills Group works with the Learning and Skills Council and delivery partners to create a workforce capable of sustaining economic competitiveness; building social and community cohesion and economic opportunity; and strengthening the further education sector so that it becomes world class. In doing so we help to exploit knowledge through innovation, create wealth and grow the economy, promote the benefits of science in society, and support the work of other Government Departments.

We aim to unlock the talent and potential of all, focusing on people with low or no skills who are more likely to be socially and economically disadvantaged. This requires innovative approaches in the way we excite and connect with disadvantaged communities. The outcome we seek is that employers will be able to recruit and retain people with the right skills for business success; and adults will have the skills for employability and further learning, to be active citizens and good parents. We also work with the Department for Children, Schools and Families to prepare all young people for adulthood, skilled jobs and further learning.

Higher Education

The Higher Education Group works with and through our delivery partners to ensure that higher education remains an ever-improving national asset and its excellence in teaching and research is world recognised. Our approach is driven by our customers. Policy is informed by the voice of the student and the demand from employers for the high-level skills needed to meet the recommendations of Lord Leitch's report. Higher education is central to our continued success in research and a driver of innovation in the workforce and the economy.

DIUS is committed to a future higher education system where:

- students are satisfied with their experience, the challenge of their education and the skills with which it equips them;

- everyone, no matter what their background, is able to benefit from higher education and gets the chance to realise their full potential, and institutions work to widen participation beyond young people leaving college or school with good A-levels;
- learners, business and employers are at the heart of all provision; and
- universities and colleges strengthen their leading international position through excellent teaching and innovative research.

Science and Research

Investment in science and research is critical to the UK's economic success and the wider health and well-being of our society. The £3.6 billion UK Science Budget is used to ensure DIUS:

- funds only the very best research in our universities and public laboratories;
- provides the very best training and development opportunities for those who wish to pursue careers in research; and
- exploits as quickly and effectively as possible the knowledge generated by research for the good of the UK economy and society.

As part of this remit, we fund the seven Research Councils which allocate the science budget to support research projects and teams.

Innovation

DIUS is responsible for driving forward innovation across business and society. It supports research and development technology transfer and other innovation activity in business through a range of delivery partners and works with other parts of Government to promote innovation in the public sector. Within DIUS, the Innovation Group draws on support from all the other policy groups to help grow the UK's innovation capability.

Government Office for Science

The Government Office for Science, headed by the Government Chief Scientific Adviser (GCSA) Professor John Beddington, is located within DIUS. The GCSA is responsible to the Prime Minister and Cabinet for the quality of scientific advice within Government.

OTHER DIUS ORGANISATIONS

As well as these policy groups, we also work closely with the Joint International Unit (JIU), shared across other Departments, a range of delivery partners and have two Executive Agencies, detailed below and also represented on the diagram on page 32.

The Joint International Unit

The JIU provides support, advice and guidance to Ministers and policy-makers on the international dimension in education and plays a key role in taking forward the DIUS international agenda. It ensures effective representation in cross-Whitehall Departmental groups, the EU and other international fora so that the UK's education policies and programmes are promoted and explained. The JIU also takes the lead in developing and promoting collaboration in education with our priority countries.

The DIUS Family

A wide range of delivery partners are crucial to helping DIUS to develop and deliver its wide range of policies. These include agencies and NDPBs such as the Higher Education Funding Council for England, the SLC, the Learning and Skills Council, Research Councils and the Technology Strategy Board.

These organisations work across a wide range of areas, including promoting fair access to higher education, providing advice to Ministers and improving standards of teaching within the FE system. Further information about our key partners is at Annex 9. Further information on their performance can be found in their individual Annual Reports, available on their websites.

DIUS Executive Agencies

The DIUS group also contains two Executive Agencies – the National Weights and Measures Laboratory (NWML) and The UK Intellectual Property Office (UK-IPO).

National Weights and Measures Laboratory

The NWML is responsible for ensuring that the system of weights and measures is fair, accurate and legal. This is a fundamental part of a sustainable trading economy and enables consumers and businesses to be confident that they are getting what they pay for.

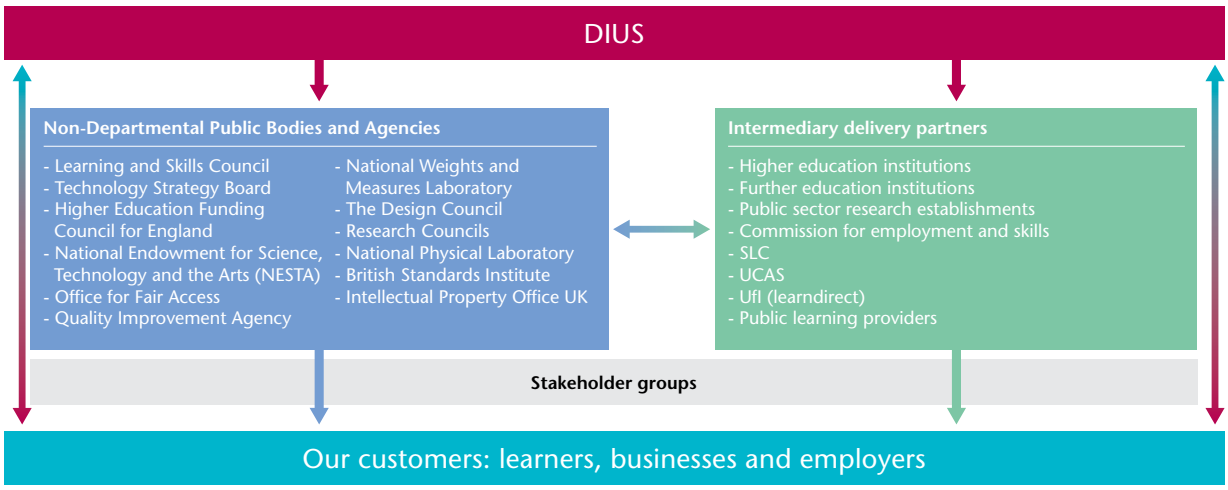
Please refer to its Annual Report and Accounts (www.nwml.gov.uk) for details on performance during 2007–08.

UK Intellectual Property Office

UK-IPO is an executive agency and trading fund and is responsible for the national framework of Intellectual Property Rights. It works closely with DIUS on all aspects of its business, including international engagement on IP and Education. It works collaboratively in these areas as well as on matters such as international institutional reform.

For further information, see its Annual Report and Accounts (www.ipo.gov.uk) which records its principal activities and financial performance over the last financial year.

Figure 3 The DIUS family



CHAPTER FIVE

HOW WE WILL MEET OUR OBJECTIVES

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DIUS has six DSOs against which, alongside our two PSAs, we are focusing our efforts.

Together the DSOs provide the benchmark for achieving the Government's vision of developing knowledge, innovation and skills towards economic development, social justice and community cohesion.

The themes of the DSOs do not sit in isolation – there are clear links between knowledge, skills and innovation. A more highly-skilled and more expert workforce will generate new ideas and exploit high-value business strategies based on innovation. This will in turn allow organisations to innovate. If we are able to exploit creativity and knowledge through innovation and research, that will allow us to generate wealth, grow the economy and improve lives.

Encouraging an environment in which business and the public and third sectors can innovate and exploit creativity and knowledge requires stronger interaction between employers and higher education institutions. Meeting the DSOs demands that we create the right environment and funding models to connect business and learning.

Research and knowledge not only benefit business and the economy, they also bring improvements for society as a whole, whether it is in the challenges of energy demand and use, climate change, global threats or ageing.

But education is not just about business and the economy. Learning and skills training also enables people to change their lives for the better. Progression and achievement in learning and skills bring benefits for society and improved social justice, through civic participation and economic opportunity, by raising aspirations and broadening participation.

In order to realise the benefits of innovation and knowledge both for society and the economy we need to strengthen the capacity, quality and reputation of the further and higher education systems.

Here, against each of the DSOs, we look in detail at how we are planning to deliver against the objectives and meet the needs of all our customers.

CHAPTER FIVE

DEPARTMENTAL STRATEGIC OBJECTIVE 1: ACCELERATE THE COMMERCIAL EXPLOITATION OF CREATIVITY AND KNOWLEDGE, THROUGH INNOVATION AND RESEARCH, TO CREATE WEALTH, GROW THE ECONOMY, BUILD SUCCESSFUL BUSINESSES AND IMPROVE QUALITY OF LIFE.

The *Innovation Nation* White Paper and Sainsbury Review of Science and Innovation have set an ambitious vision for enhancing the innovative capability of this country – aiming to make it the leading place in the world to be an innovative business, public sector or third sector organisation.

DIUS will lead on the delivery of this vision, working with partners in central Government, the regions, the wider public sector, the private and the third sectors.

Key innovation objectives for 2008–09 are to:

- publish the first Annual Innovation Report for the UK, in autumn 2008;
- work with the Technology Strategy Board to implement its strategic and delivery plans for the period 2008–11 and help the UK become a global leader in innovation;
- work with the Regional Development Agencies (RDAs) and Research Councils to ensure their corporate plans are aligned with the Technology Strategy Board's Strategy, and that they will deliver on their aligned funding commitments of £180 million and £120 million;
- work within the EU to establish the European Institute of Innovation and Technology;
- use Government procurement to promote innovation through every Department's development of an innovation procurement plan;
- work with NESTA and other partners to develop an Innovation Index for the UK;
- pilot and roll out a reformed Small Business Research Initiative across Government;
- deliver a complementary set of business support products for innovation;
- produce an Implementation plan for the new UK space strategy via the BNSC;
- work via UK-IPO with partners to further build understanding of Intellectual Property and intellectual assets issues;
- publish a strategic plan for the National Measurement System (NMS) that will set out the future focus and priorities for stimulating technological innovation; and
- continue to develop facilities for the National Physical Laboratory (NPL) to allow it to work at the forefront of measurement science.

CASE STUDY
ATTRACTING A EUROPEAN SPACE AGENCY

The BNSC is negotiating with the European Space Agency (ESA) on the establishment of a UK-based ESA Research and Applications Facility. Negotiations are at an advanced and promising stage, but they rely on the UK being seen to play a significant role in key ESA programmes such as GMES (Global Monitoring for the Environment and Security), Aurora (Exploration) and ARTES (Advanced Research into Telecommunications Satellites).

If approved, it is intended that the facility will be hosted by the Harwell Science & Innovation (S&I) campus and will comprise three complementary areas of activity, all of which play to UK expertise and aspirations. These are:

- Global/climate change
- Integrated applications
- Exploration, including science and technology aspects

The facility will place an emphasis on exploiting the benefits of space for terrestrial users, along with knowledge exchange and development to support the future ESA programme. It will bring a steady inflow of ESA investment (around €30 million per annum) and world-class skills.

The first Annual Innovation Report

The Government is committed to implementing the Sainsbury Review recommendation to publish the first Annual Innovation Report on this country's innovation performance.

It will report on the contribution of central Government Departments in key areas such as regulation and procurement, the progress made by the Technology Strategy Board and the science research base, the RDAs, the work of the higher education and further education sectors and of the wider public and third sectors.

It will also assess the level of investment by the private sector in research and development and innovation, drawing both on existing indicators and new ones developed as part of the Innovation Index. In addition, it will provide an update on the progress towards implementing the commitments contained in *Innovation Nation* and the recommendations of the Sainsbury Review.

There is a clear link between skills and innovation. The successful acquisition of skills by employees will underpin improvements in innovation within organisations. A more highly-skilled and more expert workforce, through an increased supply of intermediate, graduate and post-graduate attainment, will be more able to generate new ideas and to introduce and adapt to new technology, handle organisational change and exploit high-value business strategies based on innovation.

Our High-Level Skills Strategy will provide the overall framework for driving increases in demand and supply of the high-level skills that contribute to innovation in business.

Increasing and improving the interaction between business, employers and higher education institutions, particularly in teaching and learning, is vital to ensuring the higher education sector responds to the high-level skills needs of the nation. Many higher education institutions are already extremely successful in engaging both public and private sector employers and we value this excellent work. The challenge is to scale up these partnerships, spread best practice, and develop a new tradition of higher education that is flexible, relevant and responsive to the needs of learners and employers.

The CSR07 settlement will provide at least £50 million of new resources by 2010–11 to support co-funding in the higher education sector, working closely with business to make real progress in responding to the skills needs of employers and their staff. We have asked the Higher Education Funding Council for England to develop a new funding model that is co-financed with employers, achieves sustained growth in employer-based student places, and introduces the principle of demand-led funding.

CASE STUDY
INCREASING SKILLS IN CUMBRIA

The new university development in Cumbria will not only deliver higher education in one of the most isolated and deprived areas of England, but it will also provide, with partners, the skilled workforce needed to decommission the Sellafield nuclear power plant.

The University of Cumbria was launched last year as a new kind of institution with distributed campuses to meet the diverse needs of learners in urban and rural locations. It was also designed to serve employers and employees in both the public and private sectors throughout Cumbria and beyond. The creation of Britain's newest university, which is expected to cost over £145 million during its first five years, will benefit from funding from the Higher Education Funding Council for England, the North West Regional Development Agency and other partners.

Source: *A New University Challenge*

DEPARTMENTAL STRATEGIC OBJECTIVE 2: IMPROVE THE SKILLS OF THE POPULATION THROUGHOUT THEIR WORKING LIVES TO CREATE A WORKFORCE CAPABLE OF SUSTAINING ECONOMIC COMPETITIVENESS, AND ENABLE INDIVIDUALS TO THRIVE IN THE KNOWLEDGE ECONOMY

World Class Skills: Implementing the Leitch Review of Skills in England (published in July 2007) was the Government's implementation plan following on from Lord Leitch's December 2006 report *Prosperity for all in the global economy – world class skills*. It sets out the ambition and strategy needed to ensure that the workforce in England has world-class skills by 2020.

Employers must lead the way on skills. The newly established UK Commission for Employment and Skills will strengthen the employer voice, and Sector Skills Councils will continue to identify skill needs and priorities as well as providing employer influence over the design and supply of skills. At DIUS, we will continue to recognise good employer training through the employer training recognition programme pilots where employers get their qualifications accredited.

We will introduce a new partnership for the workplace. The expansion of Train to Gain through *Plan for Growth* will vastly improve the skills of the workforce. Employers will take local ownership and increased responsibility for the skills of their workforce by making the Skills Pledge. *World-class Apprenticeships: Unlocking Talent, Building Skills for All* sets out how the Government is creating a new National Apprenticeships Service to take end-to-end responsibility for the Apprenticeships programme.

We will support individuals to help them improve their skills and progress in work. *Opportunity, Employment and Progression: Making Skills Work* sets out the next steps in developing Integrated Employment and Skills (IES) services. We will, with the Department for Work and Pensions, move more people into sustainable employment and progression. Trials of IES services will be developed in the Autumn of 2008, including Skills Accounts, the Adult Advancement and Careers Service, continued improvement of the Employability Skills Programme, a flexible New Deal, Local Employment Partnerships and city strategies.

The High-Level Skills Strategy supports our aims of providing more (and more employable) graduates and raising the skills and capacity for innovation and enterprise of those already in the workforce.

The CSR07 outcome means an additional 60,000 students will be allocated higher education places in full-time equivalent terms by 2010–11. At least 20,000 of these places come from our policy of increasing opportunities for first-time entrants to higher education by redeploying teaching grants for students who already hold an equivalent or lower level higher education qualification.

The Leitch report recognised that high-level skills are an important and growing part of the agenda. Labour market projections suggest that 18 million jobs will become vacant between 2004 and 2020, and that half of these will be in the occupations most likely to employ graduates. There is particular demand for graduates that can combine high-level STEM skills and knowledge with the capacity to work effectively in industry. The 2008 CBI Skills Survey noted that STEM skills are in demand but in short supply, with six out of ten firms employing STEM-skilled people saying they are having difficulty recruiting. The same survey showed that the majority (86 per cent) of employers ranked positive attitude and 'employability' in their top three demands when recruiting graduates. The sorts of skills that make people employable (such as team working, problem solving, analytical skills and leadership) also tend to be a hallmark of successful innovators. Higher education providers have a crucial contribution to make and should ensure they are developing and expanding students' existing cognitive skills.

CASE STUDY
FINE-TUNING NISSAN'S WORKFORCE

The 21-year-old Nissan Motor Manufacturing (UK) plant in Sunderland is the North East's largest privately owned single-site employer, with around 4,300 people.

In 2006 the company won a National Training Award for the NVQ Level 2 (the equivalent of five GCSEs at A* to C grade) and Skills for Life training it provides to its staff, and it was the region's first employer to sign up to make the Skills Pledge.

Everyone starting at the car manufacturing plant now goes through NVQ Level 2 training in Performing Managing Operations as well as a Skills for Life assessment to determine their abilities in maths and English. Through Train to Gain, Nissan is also able to identify and target employees who do not have a first full Level 2 qualification, so helping to ensure consistent high standards among the workforce.

Steve Pallas, Training and Development Manager, Nissan Motor Manufacturing (UK), commented: "We were proud to make the Skills Pledge, because it underpins our ongoing commitment to innovation and leadership in training in our sector."

DEPARTMENTAL STRATEGIC OBJECTIVE 3: BUILD SOCIAL AND COMMUNITY COHESION THROUGH IMPROVED SOCIAL JUSTICE, CIVIC PARTICIPATION AND ECONOMIC OPPORTUNITY BY RAISING ASPIRATIONS AND BROADENING PARTICIPATION, PROGRESSION AND ACHIEVEMENT IN LEARNING AND SKILLS.

Education remains a route for all individuals, whatever their background, to change their lives for the better by providing wider perspectives, fresh ideas and a better chance for self-fulfilment.

Over the next three years, the focus of public funding on those most in need and with the lowest skill levels, will be a powerful means of improving the opportunities and job prospects of the most disadvantaged people

At DIUS, we will lead work across Government to deliver a more coherent approach to providing English for Speakers of Other Languages (ESOL) with a firmer focus on community cohesion. Funds for Personal and Community Development Learning and for people with learning difficulties and disabilities will be safeguarded.

We will also use large projects such as the 2012 Games and Thames Gateway to co-ordinate provision of services that give local people the chance to further their skills.

We will work closely with the Department for Children, Schools and Families to strengthen links between schools, colleges and universities, both building on the joint prospectus issued last year to encourage university engagement in Academies and Trust Schools, and taking forward work being advanced through the National Council for Educational Excellence. Together we will also strengthen the information, advice and guidance services that ensure young people can access timely, high-quality services that include up-to-date information on progression to high-level skills, including higher education.

The CSR07 settlement has allowed us to announce the continuation of the popular and successful Aimhigher programme. We are also introducing a new strand of activity – Aimhigher Associates – which will support the building of long-term relationships between university students and school and college pupils, some as young as 14, before they take their GCSEs.

It is planned that such relationships will develop over time with the mentors on hand to provide support and guidance to pupils as they make important decisions about their education that will affect the rest of their lives.

We will be working with the Higher Education Funding Council for England, the Office for Fair Access and the sector as a whole to look at how institutions can bring coherence, greater openness and transparency to the broad range of widening participation activities in which they are currently involved. We will seek to support institutions as they bring together a range of existing statements and policies into a single document.

DEPARTMENTAL STRATEGIC OBJECTIVE 4: PURSUE GLOBAL EXCELLENCE IN RESEARCH AND KNOWLEDGE, PROMOTE THE BENEFITS OF SCIENCE AND SOCIETY, AND DELIVER SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS SKILLS IN LINE WITH EMPLOYER DEMAND.

The Government is responding to the key challenges facing the UK in energy, climate change, global threats and ageing, in a number of ambitious programmes. These are funded by the Science Budget and span more than one Research Council. These programmes will involve new ways of multi-disciplinary working and combine resources from a range of bodies.

The Medical Research Council will be leading on a cross-Council research programme on ageing that will be worth over £480 million over the CSR07 period. The programme is designed to improve our understanding of the ageing process and how to keep people healthy as they get older. For example, recent advances in research may lead to better treatment of aortic aneurysm, Alzheimer's and Parkinson's diseases, diabetes and stroke.

Over the next two years, DIUS will focus on boosting the effectiveness and sustainability of the Research Councils. This will see them deliver value for money savings of £243 million by 2010–11 (against a baseline of 2007–08 expenditure, adjusted for inflation). Savings fall into a number of categories, including a reduction in the proportion of expenditure on administration, increasing the efficiency of Research Council Institutes, growing co-funding of research and post-graduate training and re-prioritising expenditure. Research Councils will also provide quarterly reporting and publish their Annual Delivery Plan in June 2009.

DIUS will also be seeking to improve the long-term financial sustainability of UK universities through the new Research Capital Investment Fund, a permanent funding stream that replaces the temporary Science Research Investment Fund scheme with a continued contribution from the Science Budget. Together with funding from the Higher Education Funding Councils, this will help universities to maintain their research infrastructure in the future and avoid a backlog in investment re-occurring.

Continuing to encourage and facilitate knowledge transfer from universities and other research bodies to where it can benefit real people in the real world, is a key policy objective. During the coming year, we will continue to support knowledge transfer from universities and Public Sector Research Establishments through the Higher Education Innovation Fund (see also page 77) and the Public Sector Research Exploitation Fund.

We have also commissioned an independent look at how universities manage their intellectual property for their own benefit and for the wider economy. This is being led by Paul Wellings of Lancaster University.

Achieving the social targets set out in DSO4 are fundamental aspects of our future focus, with a particular focus on improving access to rewarding scientific studies and careers during the CSR07 period. Specific tasks include:

- analysing the demand for STEM skills from employers in private and public sectors;
- improving the output framework format for the National Academies;
- evaluating the UK Resource Centre for Women in Science, Engineering and Technology (UKRC) reporting by the end of 2008;
- reviewing the outcomes of the Black and Minority Ethnic (BME) pupils pilot initiative to help guide and drive future work in this area;
- publishing a Science and Society Strategy and agreed implementation plan following consultation throughout summer 2008; and
- launching an Expert Resource Centre for Public Dialogue on Science and Innovation (ERC) in May 2008, as the next phase of the existing Sciencewise programme. This will build capacity across Government (both Departments and Agencies) for dialogue on key science issues. It will capture and disseminate best practice from across the UK's Science and Society community, with the aim of integrating public engagement and dialogue in policy development.

CASE STUDY
BME STEM ACCESS GRANTS

Schoolchildren living in Luton might not immediately think of a career in agriculture or the biotechnology of food crops, but a STEM grant of £17,614 from 2006 to 2009 has enabled Challney High School for Girls to demonstrate to its pupils the relevance of both to their daily lives. Links with Rothamsted Research, a local centre of excellence for science supporting sustainable land management, have allowed students access to cutting edge fundamental and applied science, with research ranging from studies of genetics, biochemistry and cell biology.

Around 180 students took part in STEM activities, of which 126 are from families of Asian origins, predominantly from Pakistan. Rothamsted hosts around 75 visiting workers, nearly all from developing countries, whom the students were able to meet.

Further education and skills help to increase society's perceived value of science. The Catalyst programme, which we will drive, will encourage links between further education and engineering employers.

We are taking action to boost STEM skills at each stage – from stimulating early interest at school, through college and university to the workplace.

Continued professional development (CPD) tools for science, maths and engineering will be developed to improve teaching and learning in further education.

In response to the Sainsbury Review, knowledge transfer will be an assessed outcome for subject specific-CPD programmes. We will also research the best available means of making sure that learners are aware of the benefits of taking STEM A-levels.

The Higher Education Funding Council for England will spend £160 million over five years to increase the demand for, and supply of, students doing strategically important and vulnerable subjects, of which the large majority will be spent on STEM subjects. The forthcoming DIUS Science and Society Strategy will address issues of a diverse STEM workforce.

The work on developing a replacement for the Research Assessment Exercise after 2008 will move into the piloting phase this year.

Following consultation, an additional 12 months have been built into the timetable for designing the new Research Excellence Framework, which will provide a single unified funding and assessment framework for all subject areas. The extra time allowed for testing and piloting will give maximum assurance that the new arrangements are workable, without compromising the Government's overall objective of having them fully operational in time for the beginning of academic year 2014–15.

CASE STUDY
NEW INTERNATIONAL FELLOWSHIP PROGRAMME

In November 2007, we announced a new international fellowship scheme with linked alumni engagement, which aims to make the UK the destination of choice for many leading international researchers and to encourage greater collaboration between the UK and overseas scientists. With £13.4 million allocated over the CSR07 period, the scheme will be run in partnership by the three National Academies and Research Councils UK. It will be supported by a linked alumni engagement programme, which aims to ensure that potentially valuable collaborative relationships are not lost in the longer term.

DEPARTMENTAL STRATEGIC OBJECTIVE 5: STRENGTHEN THE CAPACITY, QUALITY AND REPUTATION OF THE FURTHER AND HIGHER EDUCATION SYSTEMS AND INSTITUTIONS TO SUPPORT NATIONAL ECONOMIC AND SOCIAL NEEDS

Proposals for new pre and post-19 further education systems are set out in *Raising Expectations: enabling the system to deliver*. Together with the Leitch Implementation Plan, they will create a further education system that will deliver the Government's ambition for skills in England.

The major challenge for DIUS is to develop and establish a new post-19 system. This will replace the Learning and Skills Council with a streamlined Skills Funding Agency, the National Apprenticeship Service, the Adult Advancement and Careers Service and the National Employer Service. It will give our customers a shorter and simpler delivery chain from Ministers to our policy outcomes.

The further education White Paper *Raising Skills, Improving Life Chances* explained that we would introduce performance indicators for providers of further education, alongside overall performance ratings. This approach, known as Framework for Excellence, will provide an increasing range of information for learners and employers about different types of provider. This will help people make informed choices and give the Government assurance about the performance of the system as a whole.

While providers carry the primary responsibility for their own performance and improvement, all can benefit from external support, especially those that are failing to improve the quality of their work with sufficient urgency. The Quality Improvement Agency and the Centre for Excellence in Leadership are therefore merging into a single powerful, focused force for improvement.

An overarching National Improvement Strategy will drive up quality and performance, underpinned by specific plans for strategically significant areas of activity such as workforce and technology. The capital investment strategy will continue to renew and modernise further education establishments to create state-of-the-art facilities.

Overall, the higher education system faces the future from a position of strength. But, to ensure a diverse and sustainable sector, as well as unlock talent and support economic growth, it is important to establish what a world-class system looks like, what it should seek to achieve, and what are the current barriers to its development. To this end, the Secretary of State announced proposals for a wide-ranging debate on the higher education system in February 2008, working towards developing a 10–15-year framework for the expansion and development of higher education.

The Secretary of State has invited a number of individuals and organisations to contribute to the process, which will inform Government policy but also stimulate debate and discussion in the sector. These external contributions are expected in Autumn 2008.

As part of the Student Listening Programme launched in October 2007, we have established a National Student Forum to strengthen the student voice at the heart of the policy-making process. The Forum will meet at least four times a year and each autumn will produce an annual report to Government, to which Ministers have pledged to respond publicly.

DEPARTMENTAL STRATEGIC OBJECTIVE 6: ENCOURAGE BETTER USE OF SCIENCE IN GOVERNMENT, FOSTER PUBLIC SERVICE INNOVATION, AND SUPPORT OTHER GOVERNMENT OBJECTIVES WHICH DEPEND ON DIUS EXPERTISE AND OUR REMIT

Under the GCSA, the Government Office for Science aims to improve the quality and use of science and technology advice across Government, and build public confidence in the Government's use of science and technology.

The Government intends to publish a paper this summer which sets out the forward agenda and vision for the issues for which the Government Office for Science is responsible. These will include enhanced working with Departmental Chief Scientific Advisers to ensure high-quality advice on key issues such as counter-terrorism, biofuels and food security. In addition, the framework and guidance for the management and use of science in Government will be consolidated and improved, including implementing the outcome of the review of the system for Departmental science reviews. At least two new Foresight projects will be started, probably including one on farming and food, and two will be completed – on Mental Capital and Wellbeing and on Sustainable Energy Management in the Built Environment. The Council for Science and Technology will complete further reports, including one on improving the relationship between universities and policy makers. The GCSA's role as Head of Science and Engineering Profession in Government will be further developed.

The Government's STA aims to change public services so they more often meet the needs of people and businesses, rather than the needs of Government. The result will be services that are better for the customer, better for front line staff and better for the taxpayer.

The Customer First programme underpins the STA by delivering a new, fully integrated, Student Finance Service, administered by a single national delivery organisation.

The key characteristics of the transformed service include:

- a primarily online service designed around the needs of customers, which sits alongside UCAS applications;
- the provision of consistent, higher-quality information, advice and guidance, especially for those from non-traditional student groups; and
- a stronger partnership between the SLC and Her Majesty's Revenue and Customs to improve further the customer experience and loan collection rates.

The new service will be phased in over three years. The first cohort to benefit will be those new full-time students applying in 2008 to enter higher education in the 2009–10 academic year

In the 2007 Budget, the Government announced that we would begin a programme of sales from the income-contingent repayment student loan book (loans made available to students since 1998). It is intended that this will be an ongoing, long-term programme that will become a regular feature of how Government spending is funded. Subject to market conditions, it will proceed during the CSR07 period.

DIUS will make a crucial contribution to the strategic objectives of other Government Departments through much of its work, including:

- our work on offender learning will support PSA 23, to make communities safer;
- the work of the Research Councils on meeting environmental challenges;
- building the skills of those working in Government, through the work of Government Skills (the Sector Skills Council for Government).

JOINT INTERNATIONAL UNIT

The work of the JIU contributes to the achievement of all six DSOs in that it co-ordinates our UK-based activities with the wider global economy.

It seeks to enhance international collaboration over innovation, to understand and make sure we can attract and fulfil the needs of overseas students, to work with EU developments on social reform and to benchmark our progress against international standards.

Over the next five years, the key objectives of the JIU are:

- to drive forward skills, innovation and small and medium enterprise (SME) growth as key elements in the EU economic and social reform agenda, building on the Lisbon Agenda;
- to facilitate the development of more partnerships between domestic and overseas institutions to enhance international collaboration and mobility from and into the UK for students, researchers and scientists;
- to improve the UK position as a destination for overseas students – with more students having a better student experience – and as an exporter of education goods and services;
- to maximise opportunities for benchmarking UK performance and learning about what works elsewhere by shaping the agendas of key organisations in this field and through our bilateral relationships; and
- to support the development of further and higher education curricula which help support the development of global citizens by instilling a strong global dimension to the learning experience.

CHAPTER SIX
KEY ACHIEVEMENTS

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KEY ACHIEVEMENTS

A FIRST YEAR OF SIGNIFICANT PROGRESS

The first few months of DIUS' life were very busy, as we threw ourselves into refining policies and developing and delivering new services.

Whilst Chapter 5 sets out an overview of how we will deliver our DSOs over the CSR07 period, this chapter gives a more practical description of delivery. It gives an insight into how we have already acted and how we will continue to in order to deliver our objectives. It covers a wide range of activities and achievements for each of our policy areas, each of which contributes to the outputs and outcomes we seek to achieve.

More formal measurement of achievements against the specific targets set as part of the SR04 PSAs is set out in Annex 1.

Science

In 2004 the Government set out the first ever long-term vision for science, with the overall ambition of making the UK the most attractive location in the world for science and innovation.* Achieving this ambition requires continued investment in the UK's world-class research facilities and scientists. Key tasks for DIUS on science are to:

- invest in world-class research at the UK's strongest centres of excellence;
- increase the responsiveness of the publicly-funded research base to the needs of the economy and public services;
- ensure a strong supply of scientists, engineers and technologists; and
- increase confidence and awareness across society in scientific research and its innovative applications.

In 2007–08 DIUS invested £3.4 billion in science research through the Science Budget. Highlights from the year include the following.

Office for Strategic Co-ordination of Health Research

In a highly significant step, we have made good progress in taking forward the recommendations set out in the Cooksey Review, the aim of which was to ensure that publicly-funded health research is carried out in the most effective and efficient way.

* *The Science and Innovation Investment Framework 2004–2014, HM Treasury, Department of Trade and Industry, Department for Education and Skills*

CASE STUDY
WORKING TOGETHER TO EVALUATE HEALTH TECHNOLOGIES

The MRC and NIHR announced new joint arrangements for clinical trials in November 2007, and the first call for proposals for the Efficacy and Mechanisms Evaluation Programme (EME) was in February 2008.

The EME programme will be funded by the MRC and administered by the NIHR (as the lead organisation). It will complement the already established NIHR Health Technology Assessment programme, which will continue to provide information about the effectiveness, costs and broader impacts of health technologies.

We therefore worked with the new Office for Strategic Co-ordination of Health Research (OSCHR) and the Department of Health to submit a bid to HM Treasury for a single health research fund. The total resulting uplift to the Single Health Research Fund has been £300 million each year, creating a Single Health Research Fund that will rise to £1.7 billion by the end of the next CSR period.

Under the oversight of the OSCHR Board, the Medical Research Council (MRC) and the National Institute for Health Research (NIHR) have been developing co-ordinated plans for the following areas:

- translational medicine research;
- public health research;
- e-health research;
- methodology research; and
- building up human capital.

A Translational Medicine Board and an E-Health Records Research Board have been established to provide strategic oversight in these areas.

The MRC and NIHR are focused on developing a coherent strategy for translational medicine research that will cover the whole spectrum – from the discovery to the evaluation of promising new therapies.

Research Councils

Research Councils have successfully completed the first three-year cycle of their performance management system, and Research Councils UK (RCUK) is also co-ordinating and monitoring the progress of major cross-Council programmes. These are long-term programmes with outputs over a number of years, including (for example) the Living with Environmental Change Programme (LWEC). This has seen:

- the creation of a formal LWEC partnership that connects natural, engineering, economic, social, medical, cultural, and arts and humanities researchers with policy-makers, business, the public and other key stakeholders; and
- the foundation of the LWEC partners' Board and the appointment of Lord Selborne as its Chair.

The RCUK Gershon efficiency project has successfully achieved its target of delivering savings (of £170 million) on reprioritisation, co-funding, the restructuring of Research Council institutes and reductions in administrative spending by individual Research Councils.

RCUK has undertaken a review of the effectiveness and efficiency of Research Council peer review systems, and the report's recommendations are now being implemented.

Energy Technologies Institute

The Energy Technologies Institute (ETI) was formally established in December 2007, with a potential £1 billion budget. It is a unique partnership between the public and private sectors, and brings DIUS together with some of the world's biggest companies (BP, Caterpillar, EDF Energy, EON UK, Rolls-Royce and Shell) to establish the UK as one of the leaders in global clean energy technology development.

In December 2007 the ETI issued its first calls for expressions of interest from industry and academia to participate in projects to address off-shore wind and marine energy.

Encouraging the creation of large scientific research facilities

DIUS asked RCUK to consult on the wide range of large scientific research facilities needed for scientific research by UK scientists, both in the UK and overseas.

Priority projects include the proposed UK Centre for Medical Research and Innovation (UKCMRI), for which a business case will now be developed by the MRC and its partners (the Wellcome Trust, Cancer Research UK and University College London). Another is the redevelopment of the Laboratory of Medical Biology in Cambridge.

Other major capital investment developments have included the formation of a joint venture (involving the Science and Technology Facilities Council and the UK Atomic Energy Authority) with a private sector partner (to be announced shortly) to create the Harwell Science and Innovation Campus.

CASE STUDY
NEW COLLABORATIVE LEARNING CENTRE

The Government is committed to develop the Daresbury site into a Science and Innovation Campus as first announced in the 2006 Budget. This Campus will provide a location for collaboration in world-class scientific research, technology development, knowledge exchange and investment in a highly skilled workforce. A major step in realising this vision was the announcement made by Science Minister Ian Pearson in April 2008 of a £25 million investment at Daresbury by St Modwen Properties plc to provide additional space for researchers and companies on the Campus.

Supporting the financial sustainability of science research facilities

To maintain modern university research facilities across the UK, capital funding from the Science Research and Investment Fund (SRIF) totalled £500 million in 2007–08. This investment has been very successful in ensuring the continued refurbishment of university infrastructure. For example, an investment of over £8 million from SRIF enabled the establishment of state-of-the-art imaging facilities at the Cardiff University Brain Imaging Centre.

Encouraging knowledge transfer

During the last year DIUS announced the introduction of fully formulaic funding for knowledge-transfer activities in English universities. This will give universities a regular, predictable funding stream, helping them to develop long-term strategies for knowledge transfer.
DIUS also launched the fourth round of the Public Sector Research Exploitation Fund, which will provide up to £29 million to support the commercialisation of research in public sector organisations.

Promoting science in society

DIUS supports initiatives to encourage young people to find science interesting and to encourage the supply of science graduates into the UK workforce, with a particular emphasis on issues affecting women.

DIUS works closely with the Department for Children, Schools and Families on the STEM skills agenda so that:

- the needs of employers are better matched;
- the science curriculum is sufficiently challenging for all ability levels, especially those progressing to higher STEM qualifications;
- the scientific literacy of the population at large is increased; and
- science education provides good enrichment and enhancement activities.

DIUS has made a major investment in STEMNET (the science, technology, engineering and mathematics network) and its Science and Engineering Ambassadors (SEAs) programme. This is a part of the Government's strategy to increase the number of young people studying STEM subjects. There are now 18,000 SEAs across the UK.

National Academies

A large proportion of the Science Budget allocations for the National Academies – the Royal Society, the Royal Academy of Engineering and the British Academy – is used to support and develop the best researchers, both in the UK and from abroad. This year has seen the expansion of fellowship schemes and the further development of research links and collaborations with the best researchers overseas.

UK Resource Centre for Women in Science, Engineering and Technology (UKRC)

UKRC works with SET businesses to help recruit and retain women with SET expertise, playing a key role to help close the skills gap that is damaging UK competitiveness. The UKRC has established links with over 700 major employers and is now working closely with 200 of these (a 200 per cent increase in the last year). Over 1,300 women have benefited from its portfolio of services.

STEM access grants

£1.5 million was made available for STEM access grants from 2006–08. A pilot initiative, run by STEMNET, is designed to increase the engagement in science of black and minority ethnic pupils, specifically Bangladeshi and Pakistani girls and African and Caribbean boys. Schools from across England and Wales were invited to apply for up to £10,000 per annum to support innovative and exciting activities in their schools for the target groups. A total of 57 schools are now receiving support.

Understanding public attitudes to science

With RCUK, DIUS published the third in a series of surveys on Public Attitudes to Science in 2008. The main findings were as follows:

- overall attitudes to science are positive, and interest in science has increased since 2000 (79 per cent feel that it is important to take an interest in science, compared to 74 per cent in 2000);
- science education is viewed more positively among younger people compared with the older generations, and yet for many younger people a career in science is not viewed as interesting or relevant; and
- confidence in the regulation of science has increased, although knowledge of how science and engineering is regulated is poor.

We also launched a debate in November 2007 on how the Government should refresh its approach to science and society.

Engaging the public in science

The Sciencewise Programme is targeted at providing the public with a legitimate voice in informing decisions on key science issues. Almost £2 million has been committed to 12 projects on a range of critical science challenges, including brain science, stem cell research, nanotechnology and a range of new and emerging technologies identified through the Horizon Scanning Centre. DIUS also provides support for the annual National Science and Engineering Week, the UK's largest celebration and showcase of science, engineering and innovation.

Innovation

At DIUS, our innovation policy is to "implement an effective programme to support innovation, delivered through the Technology Strategy Board, Regional Development Agencies (RDAs) and other delivery partners".

In the past 12 months major achievements included the establishment of the Technology Strategy Board as an NDPB and publication of the science and innovation White Paper *Innovation Nation*, which set out a clear framework for this country's innovation policy.

CASE STUDY
NATIONAL SCIENCE AND ENGINEERING WEEK

Almost 800,000 people took part in over 3,000 events in 2007 in the 15th annual national week of celebration of the sciences, technology and engineering. DIUS Ministers took part in over 10 events.

The principal mass engagement activity was 'The Big Question', challenging politicians, celebrities and the public to pose their burning scientific questions. The public sent in a total of 2,087 Big Questions and 259 scientists and engineers helped to answer and discuss 699 of them. They will continue to answer as many as possible.

"Ready to Learn? The Experiment" was the main schools activity. This nationwide experiment, organised by Teachers TV, investigated how diet, sleep and exercise can influence children's memories and concentration. A total of 682 schools and over 78,000 children took part.

Technology Strategy Board

The Technology Strategy Board's mission is to drive forward the Government's Technology Strategy by facilitating the rapid deployment of new knowledge into innovative products and services.

With a focus on business and business needs, the Technology Strategy Board is well placed to bring a new impetus and direction to the innovation agenda. It promotes innovation through a range of mechanisms, including:

Knowledge Transfer Networks (KTNs)

These are national networks in a specific field of technology or business application, bringing together members from businesses, universities, research and technology organisations and the finance community. There are currently 22 KTNs with a total membership of around 13,000.

Collaborative research and development (R&D)

This involves business and research communities working together on research and technology projects to deliver successful new products and services. There are currently over 600 CR&D projects under way, representing over £900 million of investment (about half from DIUS and half from the businesses involved).

Knowledge Transfer Partnerships (KTPs)

Previously known as the Teaching Company Scheme, this programme has been running successfully for many years. A KTP is the placement of a high-calibre, recently-qualified graduate into a business to work on innovation projects. There are currently around such 1,000 placements under way.

Innovation Platforms

A focused method of working on a particular issue, an Innovation Platform aims to address a major policy and societal challenge in a number of ways. These include working with business and research organisations to identify appropriate responses and development needs, and supporting programmes to deliver innovative solutions.

Emerging technologies

The Technology Strategy Board is working to identify and support areas of technology that are at an early stage and which show real commercial potential.

European Institute for Innovation and Technology

At the EU level, DIUS has also helped steer the development of legislation to establish the European Institute for Innovation and Technology (EIT). This was passed by the European Parliament in February.

Design Council and NESTA

DIUS has also worked closely with the Design Council and NESTA to maximise their contribution to the innovation agenda.

The Design Council continued to strengthen and support the UK economy by inspiring and enabling the best use of design through:

- Designing Demand, its business support programme for SMEs;
- its design innovation demonstrations in the public sector; and
- its education and sector skills development work.

NESTA continued its work on the transformation of the UK's capacity for innovation by investing in early stage companies, informing and influencing policy and delivering practical programmes to help innovation flourish.

British Standards Institution

We also worked with the British Standards Institution (BSI) to develop standards that support innovation. BSI responded to the growing interest in the concept of carbon footprint by developing a single authoritative method of calculating greenhouse gas emissions.

UK Intellectual Property Office (UK-IPO)

First year achievements of the UK-IPO under its new name included:

- the IP Health Check Pilot Scheme, aimed at helping businesses identify their IP and access advice on how to protect and maximise its value;
- the China Roadmap, offering guidance on the Chinese Intellectual Property protection and enforcement system;
- 'Cracking Ideas', the biggest primary school innovation project of its type, fronted by Wallace and Gromit;
- the opening of the Patent Highway between the UK and Japan, with a 12-month pilot scheme to speed up processing patent applications;
- the online patent application service, allowing users to apply for patents online and provide their inventorship information using a web-based interface; and
- the ratification by France of The London Agreement during 2007. This comes into effect in 2008, and is expected to almost halve current translation costs on European patents.

National Measurement System (NMS)

We implemented the recommendations of a strategic review of the NMS. As a result the science portfolio has been streamlined into fewer programmes with improved strategic focus. A new Measurement Board has been convened to steer the NMS and advise DIUS on priority needs. The transfer to new facilities of scientists at the National Physical Laboratory has largely been completed.

British National Space Centre (BNSC)

The UK Civil Space Strategy was published in February 2008. Space contributes around £7 billion a year to the national economy and BNSC wants to increase our share of this fast-growing international sector.

BNSC also led the way in maintaining this country's innovation in satellite telecommunications. Investment in the ESA ARTES programme has enabled this country to pioneer the delivery of Inmarsat's AlphaSat, the most advanced mobile telecommunication satellite built to date. Through BNSC leadership, three RDAs (LDA, SEEDA and EEDA) have combined to provide funding for the project – the first time a project of this size has been funded from the regions.

Government Office for Science

Significant Government Office for Science achievements during the last year included:

- completing a highly influential Foresight project on obesity;
- supporting and challenging lead Departments on their use of science in a range of emergencies from flooding to animal disease;
- building the Energy Research Partnership and transferring the chairmanship to the Department for Business, Enterprise and Regulatory Reform;
- reviewing the evidence on bovine TB and badgers;
- supporting the Council for Science and Technology in advising Government on nanotechnology policy and making strategic choices on which technologies to support;
- consulting on and launching a revised Code of Practice for Scientific Advisory Committees; and
- completing and publishing a science review of the Home Office and Ministry of Justice.

CASE STUDY
SCIENCE REVIEW OF THE HOME OFFICE AND MINISTRY OF JUSTICE

The Government Office for Science published a science review of the Home Office and Ministry of Justice in December 2007, the fifth in a series of reviews examining how Government Departments can continue to improve their use of science carried out for the GCSA. Key recommendations included:

- that the Home Office and the Ministry of Justice should develop a more strategic approach to identifying the need for new science; and
- that strategic science should be underpinned by a more prominent role, on the Departmental Board, for the GCSA.

International initiatives

EU Joint Technology Initiatives (JTIs)

JTIs are major new multi billion euro EU initiatives which aim to establish long-term public-private partnerships to invest in industrially-driven research in key technologies. The Government Office for Science was instrumental in reaching agreement for the first four JTIs, covering Innovative Medicines (IMI), Aeronautics and Air Transport (Clean Sky), Embedded Computing Systems (ARTEMIS), and Nanoelectronics (ENIAC).

European Research Council (ERC)

In the ERC's first competition for Starting Independent Investigators, nearly 20 per cent of grants were awarded to researchers hosted by a UK institution. Some 300 up-and-coming research team leaders will receive grants worth up to €400,000 per year for a period of up to five years.

Dorothy Hodgkin Postgraduate Award Scheme

This public-private scholarship scheme is designed to attract the best postgraduates from developing countries. To date 482 students have been funded under the scheme. The fifth cohort of students in 2008–09 attracted private sector sponsorship from Siemens, BT, Cadbury Schweppes, Microsoft, MSD, Tesco, Rolls-Royce and ICI.

Infectious diseases

Foresight worked in close partnership with leading African scientists and policy makers to promote the consideration and uptake of Foresight's report *Infectious Diseases: preparing for the future*. This calls for the development of a pan-African strategy for the long-term management of the future risks of infectious diseases.

Further Education and Skills

Around 1.76 million adults have improved their basic skills since 2001, and we are on course to meet the 2010 PSA target early. The proportion of the adult workforce qualified to Level 2 or above rose from 74 per cent in 2006 to 74.7 per cent in 2007, and the percentage qualified to Level 3 or above rose from 52.5 per cent to 53.7 per cent over the same period.

The entire delivery system is currently facing the challenge of creating a workforce that boasts world-class skills – from basic literacy and numeracy through to the highest qualifications.

In July 2007, the Department published *World Class Skills: Implementing the Leitch Review of Skills in England*. The skills PSA (PSA 2: Improve the skills of the population, on the way to ensuring a world-class skills base by 2020) provides the context for what we need to do to achieve the ambitions set out in the document. (We have already made progress against the SR 2004 PSA target to raise adult skills levels, which has been subsumed in the skills PSA.)

Welfare and skills

Two major recent publications, *Opportunity, Employment and Progression: making skills work* (published in November 2007 by the Department for Work and Pensions and DIUS) and *Ready to Work, Skilled for Work: Unlocking Britain's Talent (*published in January 2008 by the Department for Work and Pensions and DIUS), showed how the welfare and skills systems are working to mobilise everyone's talents, helping people to move from benefits to sustained employment.

Skills Accounts

The Department is currently developing plans for an ambitious national system of skills accounts, which will give individuals greater personal ownership of and choice in their training – and more purchasing power. Skills accounts will be phased in from 2010 to 2013, with trials beginning in two regions in autumn 2008.

In the 2008 Budget, the Government announced £60 million in additional funding for adult skills, focused on Level 3. This will provide more opportunities for everyone to achieve their potential.

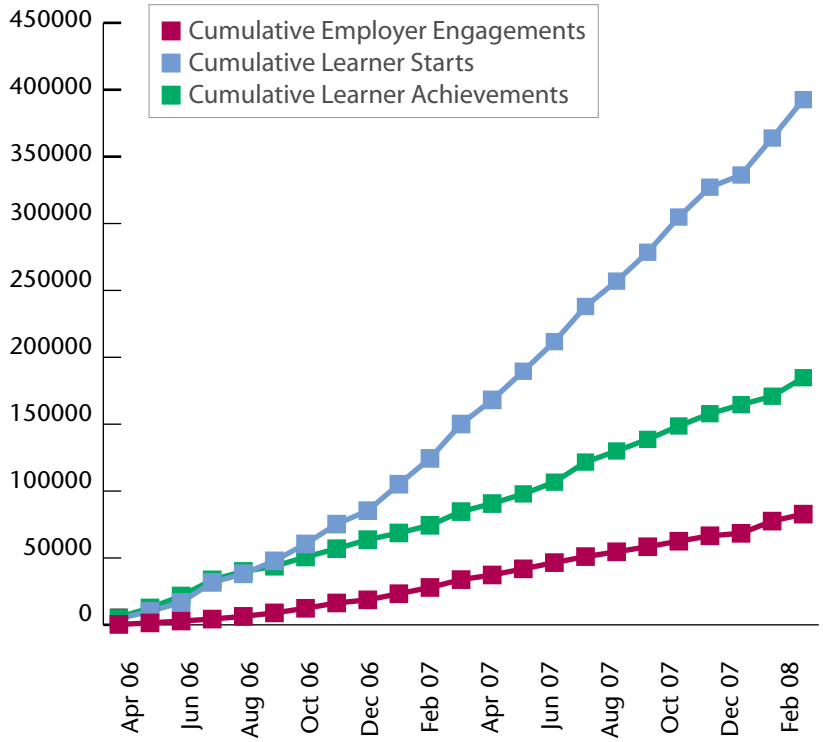
Adult Advancement and Careers Service

We are committed to creating a new Adult Advancement and Careers Service that will drive progress both in learning and in work.

Key features of the new service will include:

- support for the delivery of skills accounts;
- skills 'health checks' to better identify individuals' needs and increase effectiveness;
- better access to financial support for learning for the most disadvantaged; and
- online and telephone support where appropriate.

Figure 4 Headline progress
April 2006 to February 2008



Train to Gain

The Train to Gain programme went national in August 2006, and has already made huge progress. Over 82,000 employers are now engaged with the programme (75 per cent of whom were classified as 'hard to reach'), taking advantage of skills brokerage services, free basic skills, Level 2 learning and subsidised Level 3 learning.

Around 185,000 learners have so far achieved a qualification via Train to Gain.

To help ensure that Train to Gain meets the needs of every sector, the Department is developing new skills compacts with each sector through the Sector Skills Councils.

By July 2011, around a third of the adult skills and further education budget (over £1 billion) will be routed through Train to Gain.

Skills Pledge

The Skills Pledge, launched in June 2007, is a voluntary public commitment made by an employer to support employees in improving their skills and gaining new qualifications. Any employer that makes the Pledge is able to access support through Train to Gain.

At the end of March 2008, 2,585 employers had made the Skills Pledge, representing 3.7 million employees. The employers that have signed the Pledge have made a commitment to support their staff to achieve literacy and numeracy qualifications, and to work towards their first full Level 2 qualification. (Employers that require higher-level skills have shaped their Pledge commitment around these.)

CASE STUDY
NEW SKILLSET, NEW CAREER

Jaclyn Basham, a 27-year-old mother of one from South Shields, is all set to start a new career in Social Work after retraining to get the qualifications she needed to join a degree course in September.

In her Access course at South Tyneside University Jaclyn studied Sociology, Criminology, Quantitative Methods, Communications and Biology. She has now moved on to a degree course at Northumbria University.

As she explains: "Now I've finished my Access course I've got the chance to get a degree and fulfil my ambition of becoming a fully qualified Social Worker – something I never would have been able to do without learning a new skill."

CASE STUDY
A CLEAR VISION OF TRAINING SUCCESS

Dollond & Aitchison, the UK's longest-established chain of high-street retail opticians, has an impressive heritage of employee training that it has strengthened by making the Skills Pledge to all its people.

Following an assessment by the Learning and Skills Council, Dollond & Aitchison identified literacy and numeracy as key issues affecting staff productivity. These core skills are now assessed as part of the company's overall NVQ training programme for existing employees, while new staff are assessed at interview stage to spotlight their training needs from the outset.

Learning and Development Manager Wendy Albutt believes that the business benefits of training are evident. "We are set to double economic productivity through up-skilling our staff, and our reputation for training has helped make us the optical employer of choice," she said.

Leisure meets learning at Center Parcs

Newark-based Center Parcs, which operates holiday villages across the UK, was the first East Midlands employer to sign up to the Skills Pledge. The organisation is committed to helping its 6,200 employees to work towards relevant, valuable qualifications – at least at Level 2 – and to develop numeracy and literacy skills.

Center Parcs HR Manager Judi Leavor says: "We are already committed to developing our people, and currently have around 150 employees working towards a Level 2 qualification."

The company also maximises its own training programme by working with Train to Gain and the National Employer Service.

Apprenticeships

In the light of *World-class Apprenticeships: Unlocking Talent, Building Skills for All* (published by DIUS and the Department for Children, Schools and Families in January 2008, we have recently set out how we will expand and improve the Apprenticeship programme, including delivering the new entitlement for young people.

In 2006–07, 180,000 young people started an Apprenticeship – up from 65,000 in 1996–97. And standards are continuing to rise – the proportion of apprentices who complete the full framework was 53 per cent in 2005–06, compared with just 25 per cent in 2001–02. Over 130,000 employers now offer Apprenticeships.

Specialisation and innovation

The *Innovation Nation* White Paper positioned specialisation as the driver for business innovation in further education. We are pushing specialisation forward through:

- a revenue-based Specialisation and Innovation Fund, which will drive capacity-building pathfinder projects in further education;
- a doubling of KTP activity through the Technology Strategy Board;
- the Specialisation and Innovation Capital Fund, which will support this effort with specialist further education facilities.

Specialisation and innovation are also being pursued via the NSAs, which are employer-led, sector-based education and training organisations. NSAs build on the network of centres of vocational excellence and on prototype organisations like the Fashion Retail Academy, and are designed to enable high levels of employer involvement. They attract significant levels of sponsorship and investment from employers.

Of the 12 NSAs currently under development, six have been approved (in the construction, manufacturing, financial services, food and drink manufacturing, nuclear and process industries) and the remaining six are still at the business-planning stage.

In addition, the Training Quality Standard (formerly the New Standard) for employer responsiveness and vocational excellence has already been achieved by 26 organisations.

Vocational qualification reform

The new Qualifications and Credit Framework is expected to be approved by Ministers in England, Wales and Northern Ireland in summer 2008 and rolled out fully from August 2008. We plan to make vocational qualifications unit-based and more flexible, and we are seeking to make them both more appealing to individuals and more valuable to businesses. The first reformed qualifications have already been awarded as part of the trials of the new framework.

A programme to recognise bespoke training built by employers, further education colleges and other providers has already resulted in several organisations being recognised as being able to award their own qualifications. In addition, 30 employers have had their training recognised through an existing awarding body.

UK Commission for Employment and Skills

The new UK Commission for Employment and Skills (UKCES) has been established to give employers a new and influential voice in shaping employment and skills services, and to encourage greater involvement and investment by employers in skills development.

The UKCES's initial focus will be on:

- simplifying the skills system;
- preparing for its review of progress in 2010; and
- preparing its first annual report on the state of the UK's skills and employment services.

Re-licensing of Sector Skills Councils

DIUS has worked closely with the Department for Business, Enterprise and Regulatory Reform, the Department for Work and Pensions, the devolved administrations, the Sector Skills Development Agency, the UKCES and the Learning and Skills Council to ensure that there is a robust re-licensing process for Sector Skills Councils. The key employer document and the Sector Skills Council re-licensing framework will be available early in 2008–09.

All Sector Skills Councils have now completed sector skills agreements for England. These agreements set out the skills needs and priorities for each sector.

Industry Training Boards

We continue to sponsor the Construction Industry Training Board and the Engineering Construction Industry Training Board. The Parliamentary Order to establish an industry training board for the film industry came into effect from December 2007, and a Chair has already been appointed.

2012 Games

We are continuing to work with our partners (including the Olympic Delivery Authority and the Department for Work and Pensions) to ensure that the 2012 Games are used to stimulate low-skilled individuals to improve their skills. The aim is to create a skilled local workforce that will be available to any business bidding for 2012 Games contracts.

WorldSkills

The UK team, managed and supported by UK Skills (a not-for-profit organisation that champions skills and learning for work through competitions and awards), competed successfully at WorldSkills in Japan in November 2007. The team of 20 was awarded four medals (including one gold medal and nine Medallions of Excellence), and was ranked 12th out of a total of 49 countries – the fourth-highest European country.

Right to basic and intermediate skills

Through the Education and Skills Bill, we have continued to press ahead with legislation that will ensure that people can exercise their right to basic and intermediate skills development. We want to ensure that there is free access to functional literacy and numeracy courses, full Level 2 courses and Level 3 learning (for 19- to 25-year-olds).

Regional skills

Regional skills partnerships have reviewed their priorities in the light of the publication of *World Class Skills: Implementing the Leitch Review of Skills in England*. In London, the Mayor has consulted on a draft strategy for skills in the capital.

DIUS is ensuring that skills indicators are well represented in the final Local Area Agreements, which will be signed off in June 2008. We are also working with Local Authorities and others on the proposals for Multi-area Agreements.

Informal adult learning

In January 2008, we launched a wide-ranging consultation, *Informal Adult Learning: Shaping the Way Ahead*. We aim to use the consultation process to bring together diverse partners in a discussion that will lead to a new and coherent vision for informal adult learning for the twenty-first century.

English for Speakers of Other Languages (ESOL)

The January 2008 consultation *Focusing English for Speakers of Other Languages on Community Cohesion* set out a radical aim: for ESOL funding to be targeted to support community cohesion and integration.

The consultation seeks support for a new partnership approach to planning for ESOL – at both the local and community level. The aim is that ESOL provision is much more closely aligned with Local Area Agreements and city strategies.

First Steps learning

Over the current CSR period we plan to spend around £1.5 billion each year to enable adults to enjoy a wide range of learning opportunities below Level 2. This includes the Foundation Learning

Tier, Skills for Life, personal and community development learning, and provision for learners with learning difficulties and/or disabilities (all known as First Steps learning).

Offender learning

In August 2007, the West Midlands and East of England were launched as offender learning test-bed regions, pressing forward the three priorities for action set out in *Reducing Re-Offending Through Skills and Employment: Next Steps* (published in December 2006 by the Department for Education and Skills, the Department for Work and Pensions and the Home Office).

Data from the Learning and Skills Council shows that prisoner engagement in learning continues to rise. Unaudited figures for August 2007 to January 2008 show that prisoner engagement in Learning and Skills Council-funded learning increased to 37.9 per cent in public sector prisons in England. This compares with a monthly average of 36.1 per cent for 2006–07.

A new system for adult skills

Following the announcement to transfer funding for 16–19 education and training from the Learning and Skills Council to Local Authorities, DIUS published its proposals for new systems for funding pre- and post-19 education and training. These were set out in *Raising Expectations: enabling the system to deliver* (published by DIUS and the Department for Children, Schools and Families in March 2008).

The proposals include streamlining the adult skills system so that it better supports the plans set out in *World Class Skills: Implementing the Leitch Review of Skills in England*. The aim is to make faster progress towards the 2020 skills ambitions.

Capital investment

We are continuing to invest in colleges to ensure that the sector can offer world-class training in modern buildings with industry-standard facilities. Through the Further Education Capital Programme, the Learning and Skills Council spent £560 million on capital funding in 2007–08 (forecast on LSC outturn 2007–08). We will be investing a record £2.3 billion in the modernisation and renewal of the further education estate during the current CSR period – compared with earmarked expenditure of £0 in 1997. This builds on the £2.4 billion invested in the previous ten years.

Building Colleges for the Future: The LSC's National Capital Strategy for 2008–09 to 2010–11 (published by the LSC in March 2008) sets out our strategy for this increased investment over the next three years. All new projects will be required to meet the highest building standards for sustainable design. Furthermore, all contractors will have to have in place formal training plans to increase access to Apprenticeships and other training opportunities.

Simplification and self-regulation

We and our partners in the further education system are achieving administrative savings that can be redirected into frontline services. These are the result of reductions in audit, planning and reporting requirements on colleges and providers, as well as a reduction in the number of intermediary organisations. (Mergers have taken place between Ofsted and the Adult Learning Inspectorate, and between the Quality Improvement Agency and the Centre for Excellence.)

In a further move towards simplification and self-regulation, further education colleges are now able to offer their own qualifications and become awarding bodies, with some going on to award Foundation Degrees. The Qualifications and Curriculum Authority is rationalising the qualifications system through the introduction of Diplomas, the new Qualifications and Credit Framework and an online accreditation system.

Quality and standards

The performance of the further education system has improved considerably over the past few years. College success rates were at 77 per cent in 2005–06, compared with 59 per cent in 2000–01. The target is to achieve a success rate of 80 per cent by 2010.

The proportion of apprentices who complete the full Apprenticeship framework was 53 per cent in 2005–06, compared with just 25 per cent in 2001–02. The results of independent inspection also indicate improved standards and capacity across the sector.

The Framework for Excellence, which will be fully operational by 2009, will provide an increasing range of information (including measures of financial and business efficiency) about different types of provider. The Framework for Excellence was piloted in 100 colleges and work-based providers during 2007–08.

Intervention

A small minority of providers are still performing at an unacceptable level. The Learning and Skills Council is developing an intervention strategy (due to be published in September 2008) that will set out a sharper, faster process for eliminating inadequate provision.

Personalisation and learner voice

The further education system is seeking to deliver a more personalised learning experience for each individual, helping learners to acquire the skills needed for success.

DIUS is working with (and actively promoting) the National Learner Panel, which has been in place since November 2006 and which ensures that the learner perspective is taken into account in all relevant policy issues.

Workforce reform

The Workforce Strategy for the Further Education Sector in England 2007–2012 (published in January 2008 by Lifelong Learning UK) provides a national framework for the development of a responsive workforce that is able to meet the needs of both learners and business. An implementation plan, *The Workforce Strategy for the*

Further Education Sector in England 2007–2012: Implementation Plan was published by Lifelong Learning UK in April 2008.

As part of our commitment to workforce reform, in September 2007 we launched the Qualified Teacher Learning and Skills award for all new entrants to further education teaching. The award covers both taught and practical skills, and includes two stages: an initial 'passport to teaching' module and full teacher training (which would typically take up to five years to complete).

We have also put in place a new regulatory framework for continuing professional development, and have set a requirement for college principals to obtain a new leadership qualification.

Promoting community cohesion and preventing violent extremism

In partnership with the Association of Colleges, we have helped to open up a wide-ranging debate on the role of further education providers in promoting community cohesion, fostering shared values and preventing violent extremism. We have also created, with the Department for Communities and Local Government, a new qualification in faith community development.

Further education international strategy

We have been working closely with sector bodies to define a clear framework for international activity within further education. This will be aligned with our emerging international strategy and will form the basis for a major Global Skills Conference early in 2008–09.

Sport in further education

The Prime Minister has announced £6 million in funding for further education sports co-ordinators, and we are making good progress towards defining the necessary implementation programme.

Unlocking creative talent

Creative Britain, New Talents for the New Economy was published jointly by the Department for Culture, Media and Sport, DIUS and the Department for Business, Enterprise and Regulatory Reform in February, setting out the Government's strategy for building on the global success of our creative industries by giving everyone the opportunity to unlock their creative talent.

The strategy sets out how we will develop more structured pathways into the creative industries by creating up to 5,000 creative apprentices by 2013, by developing better careers advice, and by encouraging co-operation between schools and further and higher education institutions. The strategy also outlined how we will support research and innovation to enhance the competitiveness of our creative industries, through additional funding for collaborative research and development and through the creation of a Knowledge Transfer Network by the Technology Strategy Board.

Protecting intellectual property is the key to turning creative activity into creative products and services and the Creative Britain strategy sets out a number of additional actions that will be taken forward by the UK-IPO, in particular on IP crime and education and awareness-

raising. It also states the Government's intention to consult on legislation to require internet service providers and rights holders to co-operate in taking action on illegal file sharing of copyright-protected works without permission.

Higher Education

To compete successfully in tomorrow's global economy, we will need a higher proportion of people to have the sorts of skills that are acquired through higher education.

The higher education system makes an enormous contribution to the economy of this country. Across the UK, it operates on an annual turnover of over £17 billion and employs 340,000 people. Economists have estimated that (both directly and indirectly) UK higher education institutions stimulate activity that is worth £42 billion to the economy,* plus over £3 billion in export earnings. And it is estimated that every job in a higher education institution creates another one elsewhere in the economy.

Much progress has been made. The English higher education system is currently teaching many more students – from more varied backgrounds – than ever before. And institutions' sources of income have broadened: almost across the board, core government funding (via the Higher Education Funding Council for England) provides less than half the total.

Record numbers of students are applying to higher education every year (307,000 applicants from England were accepted for entry in 2007) and the total number of higher education students in England has increased by approximately 18 per cent since 1997 – to 1.9 million in 2006/07.

The supply of graduates has also been steadily rising – from 259,000 in 1997 to 319,000 in 2007. Similarly there has been a growth in STEM first degree graduates – the number of first degree science graduates increased by over 20 per cent between 1996/97 and 2006/07.

High-level skills

In particular, we will take forward the high-level skills strategy we published as *Higher Education At Work – High Skills: High Value*, taking into account the response to our consultation. We are determined to meet the Leitch ambition of at least 40 per cent of adults qualified to Level 4 or above by 2020, supporting the achievement of PSA 2 under CSR07.

However, many of our competitor nations are already well ahead of us in terms of the proportion of their population with high-level skills. More needs to be done to widen participation in higher education and to build new partnerships with employers, businesses and communities. Our activity in 2007–08 has already gone some way towards supporting this, but will continue through the CSR07 period.

Increased participation

The latest higher education initial participation rate figure dropped between 2005/06 and 2006/07 (see Table 3 on page 75), but this was expected: the total number of entrants increased rapidly in 2005/06, prior to the introduction of variable fees in 2006/07, and there was also dramatic overall growth in the 18–30 population.

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* Universities UK (UUK) *The Economic Impact of Higher Education Institutions*

We fully expect the initial participation rate to recover. UCAS shows that students accepted for entry in 2007 are up by 6 per cent, and latest applicant figures for 2008 entry are also up by 6 per cent.

There are now almost 30,000 more students under 30 entering higher education than there were nine years ago, and yet we have maintained the funding available to institutions per student as this number has risen. We remain committed to making progress towards the target 50 per cent participation figure.

But successfully increasing and widening participation in higher education will continue to depend on interventions across the education system. Attainment remains a key determinant of participation patterns, so the Department for Children, Schools and Families' school improvement agenda – based on raising standards for all and narrowing attainment gaps – is crucial to increasing and widening participation.

Building links

Working closely with the Department for Children, Schools and Families, we are encouraging more and stronger links between schools, colleges and universities. This will raise standards and attainment among the under-19s and will raise aspirations among those groups that are currently under-represented in higher education.

As of 1 May 2008, 26 universities have signed up to sponsor an academy, with another 30 in discussions. Meanwhile, 59 universities are listed by trust schools as working with them or planning to do so, and 14 of those universities are already named as legal partners of a trust.

Progress towards fair access

Progress is being made towards achieving fairer access to higher education: between 2002/03 and 2005/06, the gap in participation among young people from higher and lower socio-economic classes closed by 3.5 percentage points. Table 1 shows the proportion of young UK-domiciled entrants from state schools and disadvantaged groups to full-time, first degree courses at universities in England.

Table 1 Young UK-domiciled entrants from state schools and disadvantaged groups to full-time, first degree courses at universities in England (1997/98 to 2005/06)

	State schools	Lower social classes (IIIM, IV,V)*	Lower socio-economic classes (4–7)*	Low participation neighbourhoods
1997–98	**81.0**	**24.7**	**N/A**	**11.4**
1998–99	**84.4**	**24.9**	**N/A**	**11.6**
1999–00	**84.1**	**25.1**	**N/A**	**11.7**
2000–01	**85.0**	**25.3**	**N/A**	**11.8**
2001–02	**85.2**	**25.5**	**N/A**	**12.4**
2002–03	**86.4**	**N/A**	**27.9**	**12.5**
2003–04	**86.1**	**N/A**	**28.2**	**13.3**
2004–05	**85.9**	**N/A**	**27.9**	**13.1**
2005–06	**86.9**	**N/A**	**29.1**	**13.5**

Source: Performance indicators in higher education (published by the Higher Education Statistics Agency)
* The national statistics socio-economic classification was introduced in 2002/03 to replace the social class groupings. The two classifications are not directly comparable.

Aspiration is an essential element of determining whether or not individuals choose to go on to higher education. The Higher Education Funding Council for England's Aimhigher programme has already had a positive impact in this area, and with its funding now having been secured until 2011 it will continue to build partnerships between schools, colleges and higher education institutions to design and deliver progressive, attainment-raising and aspiration-raising activities.

Completion rates

Student retention rates in this country compare very well with those of other countries – a fact that was acknowledged in a recent National Audit Office study. (The report on the Public Accounts Committee hearing following the National Audit Office study was published in February, and the Departmental response was published in the form of a HM Treasury Minute on 15 May 2008.)

According to the Organisation for Economic Co-operation and Development, the UK ranks fifth in terms of first-degree completion rates (out of the 23 countries that report this data).

But we remain committed to both cutting rates of non-completion and widening participation: £245.9 million of the Higher Education Funding Council for England's £356.3 million widening participation allocations for 2007/08 have been focused directly on improving retention rates.

Student Listening programme

In October 2007, the Secretary of State launched the Student Listening Programme. Designed to amplify the student voice in Government, it is made up of four elements:

- a new Minister for Students, Baroness Delyth Morgan, has explicit responsibility for listening to and speaking up for students' views and interests;
- since the start of the academic year, DIUS Ministers have been visiting higher education institutions, taking questions from students and listening to their concerns and aspirations;
- a National Student Forum has been set up to advise the Government and policy-makers; and

Table 2 Projected outcomes[1] for UK-domiciled full-time, first degree starters at higher education institutions in England (1997/98 to 2004/05)[2]

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Obtain a degree	77.3	77.4	77.3	78.1	78.4	78.1	77.7	78.1
Obtain another award	1.3	1.4	1.7	1.4	1.2	1.6	2.0	2.2
Transfer	5.2	5.2	5.1	5.3	6.3	6.0	5.8	5.8
Neither award nor transfer[3]	15.8	15.9	15.8	15.0	13.8	13.9	14.4	13.8
Not known	0.4	0.2	0.2	0.2	0.3	0.4	0.2	0.2

Source: Performance indicators in higher education (published by the Higher Education Statistics Agency)
1 The projected outcomes for a cohort based on the assumption that their patterns of progression will follow those of students currently in the system.
2 Figures for 2005/06 will be published by HESA in June 2008.
3 A student is assumed to have left with no award if they have been inactive for two years.

CASE STUDY
BRISTOL STUDENT JURY

As part of the Student Listening Programme, DIUS held five student juries between November 2007 and February 2008. These innovative events, based on the citizens' jury model, give the users of public services an opportunity to have their say in how those services should be delivered. One of the jury sessions was held at the offices of the Higher Education Funding Council for England in Bristol on 1 February 2008.

Among the priority areas discussed were:

- the need for better information, advice and guidance at all stages;
- the need to improve the quality of teaching and learning support; and
- the difficulties in meeting the needs of diverse student groups (such as mature, part-time, disabled and international students) in one institution.

Independent facilitators prepared a full report on the juries' discussions. This was fed into the first meeting of the National Student Forum at the end of February, along with reports from the four other juries, informing its agenda for its first year.

- five student juries have already been held, giving students around the country an opportunity to speak their minds.

The National Student Forum met for the first time in February 2008, with reports from the five student juries informing discussions about the agenda for the forthcoming year.

International

After the US, the UK is the most popular study destination for international students. There were approximately 310,000 international students studying in the UK in 2006/07 – up 54 per cent since 1997/98. This included students from the European Union.

But incoming international students are only one aspect of our activity. We are also working with the higher education system to encourage UK students to spend periods of study abroad. This is beginning to bear fruit with the numbers of UK participants in

Erasmus, the higher education strand of the EU Lifelong Learning Programme, increasing to 11,000 this year, having been around the 7,000 mark in recent years.

- In May 2007, the UK hosted a Ministerial meeting on the (higher education) Bologna process attended by representatives from 46 member countries as well as from the European Commission and the Council of Europe. It was the culmination of two years in which the UK provided the secretariat for the Bologna process and helped steer the process towards achievement of the goal of creating a European Higher Education Area by 2010.
- Over the last three years the Organisation for Economic Co-operation and Development (OECD) has been conducting a major review of tertiary education which has involved the voluntary participation of 24 countries from across the OECD. The purpose was to assist countries to understand how the organisation, management and delivery of tertiary education can help them achieve their economic and social objectives. The review has involved each participating country producing a report on their higher education system and DIUS has co-ordinated the UK involvement in the review, supported by a Steering Group of sector representative bodies. A near final report of this work was published by the OECD to coincide with a conference taking place in Lisbon on 3 and 4 April to mark the end of the review. The review reflects favourably on the UK.

Further details of DIUS' international activity can be found in the JIU sections in Chapter 5.

Foundation Degrees

We are continuing to expand Foundation Degrees as a flexible and accessible route to higher-level qualifications. Integrating academic study with work-based learning, Foundation Degrees are delivered

CASE STUDY
FOUNDATION DEGREES

Foundation Degree Forward (FDF) is a national body, funded by the Higher Education Funding Council for England. Its aim is to support the development and validation of work-based Foundation Degrees.

In April 2007, FDF and the Institute of Telecommunications Professionals (ITP) – along with a consortium of leading employers from the IT and telecommunications sector – launched the ICT Foundation Degree Project to work on how Foundation Degrees might better meet skills requirements, delivered through a network of higher education providers in a way that suits their business needs.

BT is represented on the project steering group. According to Paul Excell, Chief of Operations at BT Group Technology: "Foundation Degrees give you a number of benefits. First of all, it's this ability to tailor the content to the needs of your industry, which is so vital. Rather than a general degree right across the patch, you're able to focus on the things that are important for your industry. That means people coming out of the programme are ready to be productive at day one."

flexibly. They are well suited to people who would not usually consider taking up higher education – particularly those already in work.

According to the Higher Education Funding Council for England report published in May 2008, nearly 73,000 students were registered (or were expected to register) on Foundation Degree programmes in 2007/08. So we are well on the way to meeting our target of 100,000 by 2010.

UCAS Foundation Degree acceptances increased by 24 per cent between 2006/07 and 2007/08, and there are currently around 2,600 Foundation Degree courses available, with over 800 more in development.

Student finance

In July 2007, we announced major changes to the system of support for students in higher education. From September 2008, the minimum threshold (of family income) for a full maintenance grant will be raised from £17,500 a year to £25,000 a year. The maximum threshold has been raised to £60,005.

A third of all eligible students in England entering higher education are expected to be entitled to a full, non-repayable maintenance grant worth £2,835. Another third are expected to be entitled to a partial grant, meaning 50,000 more students on a full grant and a further 50,000 on a partial grant.

In addition, all students starting a higher education course in 2008/09 or later (who will probably be taking out their first student loan with a repayment start date of April 2012 or later) will also be entitled to a repayment holiday. They will be able to take up to five years off from repaying their loans – from 6 April 2012 onwards.

In addition, the Secretary of State has announced a guaranteed minimum level of maintenance support from 2008/09 for young people who choose to participate in higher education and who receive the Education Maintenance Allowance.

In Autumn 2007, DIUS delivered a £4.5 million student finance information and advertising campaign. The aim was to provide the facts and to raise awareness of the improved student finance package in England among students, their parents, and key influencers and advisers.

A New University Challenge

The Department launched its *New University Challenge* initiative in March. In recent years funding has been provided by the Higher Education Funding Council for England in partnership with RDAs and other partners for eleven new local university centres, with a further six agreed in principle for funding. The new Challenge sets out the Government's ambition to fund twenty more centres over the next six years. New university centres make higher education available at community level in places where it has not previously existed. Recent examples include urban centres such as Southend, Barnsley and Peterborough; and dispersed rural areas such as Cornwall, Cumbria and Suffolk. New local provision can be transformative not just of individuals' life chances but of local social and economic conditions.

Preventing violent extremism in universities

We are undertaking a range of activities which contribute to the Government's counter-terrorism strategy, involving improving the capacity of universities and colleges to tackle violent extremism and providing support to vulnerable students and learners who may be at risk from violent extremist groups. This has included revising and reissuing guidance to help universities to:

- promote and reinforce *shared values* and the creation of space for free and open debate; and to listen to and support mainstream voices;
- break down *segregation* among different student communities including supporting inter-faith and inter-cultural dialogues and understanding, and engaging all students in playing a full and active role in wider society;
- ensure *student safety* and campuses free from bullying, harassment and intimidation;
- protect and support *vulnerable* students; and
- take responsibility for *tackling violent extremism*.

Work is also under way with the higher education sector on using academic freedom to challenge violent extremism.

Voluntary giving

We launched the voluntary giving initiative in April 2008. Through it, we will provide £200 million in match-funding both to encourage more universities to boost their own fundraising efforts and to stimulate further investment in higher education by individuals and private investors.

The initiative is intended to stimulate additional private cash donations of over £400 million to the sector, potentially generating a total of £600 million.

National Student Survey

The National Student Survey (NSS), launched in 2005, collects the views of final-year students in England, Wales and some Scottish universities on the quality of their teaching and their learning experience. In the first three years of the NSS, overall student satisfaction with course quality was consistently at around 80 per cent.

Table 3 opposite shows the growth in the total number of full-time equivalent students in higher education in English institutions. The top line relates to all students in the system, and includes self-financing students from abroad who are attracted by the quality of education they receive in this country. Table 3 also shows historical and projected growth in DIUS-funded students (those funded by the Higher Education Funding Council for England).

Following the decision to redeploy about £100 million of the £325 million currently used to support equivalent or lower-qualification students by 2010 to support more than 20,000 additional full-time equivalent students, there will be a number of transitionally protected students in the system.

Table 3 splits the projected growth into 'core' students and transitionally protected students, illustrating the fact that the headline growth

figures mask a considerable growth in core students – dampened by a reduction in transitionally protected existing ELQ students as they complete their courses by 2010/11. No decision has yet been taken on whether to redistribute additional sums after 2010/11.

Table 3 Higher education student and staff numbers in England, 2001/02 to 2010/11

(000s)

AY figures	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	actual	actual	actual	actual	actual	provisional	projected	projected	projected	projected
Total FTEs[1]	1,320	1,380	1,425	1,449	1,474	1,491				
DIUS supported FTEs	1,027	1,059	1,071	1,080	1,108	1,123	1,148	1,159	1,155	1,170
of which:[2]										
Core fundable students[3]					1,058	1,073	1,098	1,118	1,133	1,157
Transitionally protected students								41	22	13
HEIPR[4]	40%	41%	40%	40%	42%	40%				
Academic staff in HE institutions[5]	93.3	95.4	95.8	99.5	101.7	104.8				
Student: Staff ratio in HEIs[6]			18.4	16.7	17.0	16.8				

1 These figures assume an average full-time equivalent (FTE) of part-time students of 0.38. This assumption may be revised in the future.
2 Figures refer to the total full-time equivalent number of students publicly funded by the Higher Education Funding Council for England. Employer co-funded students are not included in these figures. Please note that the projections are estimates based on the best data available at the time. In particular the split between core and transitionally protected students is likely to be revised as better information becomes available.
3 Core students are defined as those students who do not have an existing higher education qualification at an equivalent or higher level, or where this is the case, are still eligible for teaching grant because of the nature of their course.
4 The Higher Education Initial Participation Rate measures participation in higher education of 18- to 30 year-old English domiciled students. More information can be found here: http://www.dfes.gov.uk/rsgateway/DB/SFR/s000780/index.shtml
5 Academic staff figures are from the Higher Education Statistics Agency staff record, and are rounded to the nearest 5.
6 In 2003/04, there were major changes to the content and coverage of the staff record. Figures before 2003/04 are therefore not provided.

Table 4 sets out details of higher education study by level of course and domicile.

Table 4 Home and overseas, full-time and part-time, and mature students[1] in higher education by level of course and domicile, 2001/02[2] to 2006/07

(000s)

Headcount figures	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	actual	actual	actual	actual	actual	provisional
FULL-TIME (TOTAL HEADCOUNT)						
First Degree[3]	760.5	793.4	820.0	838.4	868.5	880.6
of which:						
Home domiciled	683.7	710.6	730.6	741.5	766.6	775.4
EU domiciled	32.4	30.3	28.4	32.8	35.9	38.9
Overseas domiciled	44.4	52.5	61.1	64.0	66.0	66.3
Other Undergraduate	130.7	129.9	128.4	128.0	127.3	121.2
of which:						
Home domiciled	118.7	117.9	116.4	117.5	116.9	111.0
EU domiciled	3.2	2.5	2.6	2.5	2.6	2.9
Overseas domiciled	8.8	9.5	9.4	8.0	7.8	7.3
Post-Graduate	144.4	161.0	171.4	174.9	176.9	185.3
of which:						
Home domiciled	81.1	84.9	88.3	87.5	89.1	90.6
EU domiciled	18.9	19.1	18.7	21.3	22.1	22.6
Overseas domiciled	44.4	56.9	64.4	66.1	65.7	72.2

Table 4 *continued*

(000s)

Headcount figures	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	actual	actual	actual	actual	actual	provisional
PART-TIME (TOTAL HEADCOUNT)						
First Degree	**93.2**	**92.5**	**176.3**	**180.1**	**186.3**	**184.3**
of which:						
Home domiciled	**88.2**	**85.5**	**169.4**	**173.0**	**179.0**	**176.2**
EU domiciled	**1.8**	**1.9**	**1.7**	**2.0**	**2.1**	**2.4**
Overseas domiciled	**3.2**	**5.1**	**5.2**	**5.1**	**5.2**	**5.7**
Other Undergraduate	**453.6**	**474.4**	**409.1**	**399.1**	**394.6**	**389.8**
of which:						
Home domiciled	**445.0**	**463.0**	**396.9**	**386.0**	**381.3**	**376.0**
EU domiciled	**3.4**	**3.9**	**4.1**	**5.2**	**5.3**	**5.5**
Overseas domiciled	**5.2**	**7.5**	**8.1**	**8.0**	**8.0**	**8.4**
Post-Graduate	**200.3**	**205.8**	**211.4**	**213.5**	**213.5**	**210.8**
of which:						
Home domiciled	**178.8**	**182.5**	**186.6**	**186.4**	**186.3**	**183.8**
EU domiciled	**8.0**	**9.8**	**8.8**	**10.8**	**11.0**	**10.8**
Overseas domiciled	**13.5**	**13.6**	**16.1**	**16.3**	**16.1**	**16.2**
PROPORTION OF STUDENTS CLASSIFIED AS MATURE[4]						
First Degree	**45%**	**45%**	**49%**	**49%**	**49%**	**48%**
of which:						
Full-time	**39%**	**39%**	**40%**	**40%**	**39%**	**38%**
Part-time	**92%**	**94%**	**95%**	**95%**	**94%**	**93%**
Other Undergraduate	**87%**	**88%**	**87%**	**87%**	**87%**	**86%**
of which:						
Full-time	**60%**	**62%**	**64%**	**65%**	**65%**	**64%**
Part-time	**95%**	**95%**	**95%**	**94%**	**94%**	**93%**
Post-graduate	**77%**	**75%**	**74%**	**74%**	**74%**	**73%**
of which:						
Full-time	**55%**	**54%**	**53%**	**53%**	**54%**	**54%**
Part-time	**92%**	**92%**	**91%**	**91%**	**91%**	**91%**

Source: Higher Education Statistics Agency Student Records and Learning and Skills Council Individualised Learner Records.
1 DIUS whole year count basis. Includes the Open University.
2 Figures are only available from 2001/02.
3 Figures for part-time first degree and other undergraduate students show a discontinuity between 2002/03 and 2003/04 due to a change in the way these students were reported by an institution.
4 Based on age in current academic year (rather than in the year of entry): 21 and over for undergraduates; 25 and over for post-graduates.

Table 5 provides detail on courses studied.

Table 5 Home first degree graduates from English Higher Education institutions, 2002/03[1] to 2006/07

(000s)

	2002/03	2003/04[2]	2004/05	2005/06	2006/07
	actual	actual	actual	actual	provisional
Medicine and dentistry	4	5	5	6	6
Subjects allied to medicine	18	18	19	21	21
Biological sciences	18	20	21	21	22
Veterinary, agriculture and related sciences	2	2	2	2	2
Physical sciences	10	9	10	10	9
Mathematical and computational sciences	17	19	18	17	16
Architecture and related studies	4	4	4	5	5
Engineering and technology	11	12	11	11	11
Total sciences	84	89	91	93	93
Social sciences	19	20	22	23	23
Law	8	9	10	10	11
Business and financial studies	26	26	25	25	25
Mass communication and documentation	6	6	7	7	7
Languages and related studies	16	15	16	16	16
Historical and philosophical studies	10	12	12	13	13
Creative arts and design	21	22	24	25	25
Education	7	7	8	9	10
Total arts	113	118	124	127	130
Multi-disciplinary studies	9	5	6	7	5
All subjects	206	213	220	227	228

Source: Higher Education Statistics Agency student record.

1 A new method of allocating students to subject groups was introduced in 2002/03, the main effect of which was to reduce the number of students who were allocated to the 'multi-disciplinary' category and to increase the number of those who were allocated to specific subject groups.

2 Since 2003/04, a greater proportion of qualifiers from the Open University have been coded within the individual subject groups rather than as 'multi-disciplinary' studies.

Research

We are committed to maintaining the overall shape of the dual support arrangements for university research.

The Higher Education Innovation Fund (HEIF) is designed to support and develop a broad range of knowledge transfer activities that result in economic and social benefits to the UK. In September 2007, the Government announced a fourth round of HEIF funding from 2008–09, with the amount rising to a final year allocation of £150 million for 2010–11.

The 2008 Research Assessment Exercise (RAE) is currently under way, and the results will be announced at the end of the year. Further information on the development of its replacement, the Research Excellence Framework, can be found in Chapter 5.

Joint International Unit

Earlier this year, the Prime Minister identified the key future strategic challenges that must be addressed if we are to realise the UK's potential over the longer term and unlock the talent of individuals at every stage of their lives.

The JIU has a leading role to play in meeting these challenges. Given that everything the Department does has an international dimension, we are developing an International Strategy to enable the Department to be at the heart of international engagement in education, skills, research, innovation and intellectual property.

Prime Minister's Initiative for International Education (PMI2)

In the first two years of PMI2 (which began in 2006), more than £5 million has been made available to further and higher education Institutions to undertake international partnership activities, representing 197 projects led by UK higher education institutions, benefiting at least 70 further education colleges and attracting 249,450 non-EU higher education students. The British Council has run marketing campaigns to promote UK education in all PMI2 priority countries.*

Projects to enhance the experience of international students in the UK have been undertaken and will continue over the next 3 years. Activity has been informed by research commissioned for PMI2, and a baseline of student numbers and satisfaction levels has been established. Initial indications of progress are positive, with the number of international higher education students in the UK increasing by 7 per cent and satisfaction levels improving in the first full academic year of PMI2, although equivalent figures for further education are not yet available.

European Union

The JIU raised the profile of the skills agenda in Europe and stressed the skills message in the Prime Minister's Global Europe paper. This included successfully securing a call for a European Skills Review. The JIU also raised the number of students taking part in Erasmus, the higher education strand of the EU Lifelong Learning Programme.

The Department was instrumental in reaching agreement during 2007–08 for the first four EU Joint Technology Initiatives (JTIs). The agreed JTIs included UK priorities covering Innovative Medicines (IMI); Aeronautics and Air Transport (Clean Sky); Embedded Computing Systems (ARTEMIS), and Nanoelectronics (ENIAC). JTIs are major new multi-billion euro initiatives which aim to establish long-term public-private partnerships to invest in industrially-driven research in key technologies.

* China (including Hong Kong), India, USA, Nigeria, Ghana, Pakistan, Sri Lanka, Bangladesh, Malaysia, Japan, Korea, Taiwan, Singapore, Mexico, Thailand, Vietnam, Turkey, Canada, Russia, Brazil, Australia, Indonesia, the Gulf States and Saudi Arabia.

UK–China

The Scholarships for Excellence programme has benefited over 100 UK and Chinese PhD and post-doctoral scholars, while the China summer school programme has benefited 200 UK undergraduates.

During the Secretary of State's meeting with the Chinese Minister of Education in October 2008, two Memoranda of Understanding were agreed on higher education collaboration and a graduate work experience programme. The graduate work experience programme has already offered 76 Chinese graduates internship opportunities in the UK.

UK–India Education and Research Initiative (UKIERI)

UKIERI aims to substantially improve educational and research links between India and the UK over the next five years so that, in the longer term, the two countries become each other's preferred partner of choice in education and research. The initiative has evolved into an important and increasingly high-profile initiative, founded on the principles of partnership, academic excellence and mutuality.

ANNEXES

ANNEX 1
PERFORMANCE AGAINST PSA TARGETS

Of the three Public Service Agreement (PSA) targets that the Department took over from predecessor Departments in the Spending Review 2004 (SR04), all are assessed as on course to be delivered. This is in the context of some deliverables being in 2010, and data lags on some of the measures. The table below summarises the targets and the overall assessment of delivery. Further details of each target are then given on the following pages.

SR04 target	Performance
1. **Science and innovation** (Department of Trade and Industry PSA 2) Improve the relative international performance of the UK research base and increase the overall innovation performance of the UK economy, making continued progress to 2008, including through effective knowledge transfer among universities, research institutions and business.	On course
2. **Tackle the adult skills gap** (Department for Education and Skills PSA 13) Increase the number of adults with the skills required for employability and progression to higher levels of training through: • improving the basic skill levels of 2.25 million adults between the launch of Skills for Life in 2001 and 2010, with a milestone of 1.5 million in 2007; and • reducing by at least 40 per cent the number of adults in the workforce who lack NVQ2 or equivalent qualifications by 2010. Working towards this, one million adults in the workforce to achieve Level 2 between 2003 and 2006.	On course
3. **Raise and widen participation in higher education** (Department for Education and Skills PSA 14) By 2010, increase participation in higher education towards 50 per cent of those aged 18 to 30 and also make significant progress year-on-year towards fair access and bear down on rates of non-completion.	On course

PERFORMANCE AGAINST SR04 TARGETS

PSA: Science and innovation (Department of Trade and Industry SR04 PSA 2)
Improve the relative international performance of the UK research base and increase the overall innovation performance of the UK economy, making continued progress to 2008, including through effective knowledge transfer among universities, research institutions and business.

Assessment of progress: ON COURSE

Overall progress

Overall progress remains on course though significant challenges still remain, particularly in raising business research and development (R&D) and increasing the supply of science, engineering and mathematics skills available to the economy.

Progress against this target is measured using a range of 25 indicators across five broad attributes of the science and innovation system. There is significant read-across between these indicators and those used to measure progress on the *Science and Innovation Investment Framework 2004–2014*.[1]

Element 1: World-class research at the strongest centres of excellence in the UK

Current position

Progress against this element is judged against a basket of six indicators including aspects of scientific excellence, productivity and development of trained researchers. These indicators are derived from Evidence Ltd's international benchmarking study into the performance of the UK research base.[2]

The next report on progress is due for publication in May 2008.

Indicator[3]	2002	2003	2004	2005	2006 Target
Share of world citations	11.9%	11.9%	12.2%	11.9%	11.5%
Share of world citations in each of the 9 broad science disciplines	Top 3 in 7 out of 9	Top 3 in 7	Top 3 in 7	Top 3 in 7[4]	Top 3 in 7
Researchers per 1,000 workforce	5.8	5.9	5.9	5.8	6.3
Citations per £1 of publicly performed R&D	Lead G8	Lead G8	Lead G8	Lead G8	Lead G8
Citations relative to GDP	Lead G8	Lead G8	Lead G8	Lead G8	Lead G8
Citations per researcher	Lead G8	Lead G8	Lead G8	Lead G8	Lead G8

1 www.hm-treasury.gov.uk/spending_review/spend_sr04/associated_documents/spending_sr04_science.cfm
2 www.dti.gov.uk/science/science-funding/budget/uk_research_base/page29207.html
3 Sources: Thomson ISI, OECD
4 Biological second, Clinical second, Engineering fourth, Environmental second, Maths third, Physical Sciences fourth, Pre-Clinical and Health second, Social Sciences second and Business second. The broad disciplines are an amalgamation of the 68 Research Assessment Exercise (RAE) subject units of assessment.

Other comments on performance

A number of external factors affect performance, not least increasing competition in scientific excellence from the G8 and the rapidly developing China and India. The Government has more than doubled the science budget over the past decade to support UK researchers in meeting this challenge. However, due to the significant time lags between research project initiation, publication of findings and subsequent accrual of citations, the effect of this increased investment takes time to work itself fully through the system. Recent trends in citations and productivity continue to be extremely encouraging.

Element 2: Sustainable and financially robust universities and public research establishments

Current position

Universities

The UK Higher Education Funding Councils published their first report on monitoring arrangements towards long-term financial sustainability in higher education institutions (HEIs), *Monitoring financial sustainability in UK HEIs*, in April 2006. There are two elements to the monitoring arrangements: institutional frameworks (or statements) towards achieving long-term sustainability, and a related set of "trigger metrics". Looked at together, these provide an indication of the sustainability of an institution's "adaptive capacity".

The key findings from the initial report are positive. In 2003–04, only 0.7 per cent of research income was being directed to institutions where there were some concerns over long-term sustainability. None of this research income could be considered as being directed to institutions with a research-intensive profile.

This will be used as a baseline. The next report is due for publication in May 2008.

Public Sector Research Establishments

Two annual monitoring exercises on Public Sector Research Establishment (PSRE) sustainability covering 2005 and 2006 have been completed,[5] with notes on the outcomes of the exercise being published to coincide with the Annual Report on the Science and Innovation Investment Framework: 2004–2014. The second monitoring exercise indicated improvements in several areas, most notably in the area of PSREs' relationships with their strategic partner.

Assessments will continue to help individual PSREs and their parent Departments identify the issues they need to address in terms of the nature of business, governance and management, financial management, income profile, physical infrastructure and staff and overall sustainability, to reach the long-term goal of achieving sustainability. The results of the next monitoring exercise covering 2007 will be published later this year.

5 www.berr.gov.uk/files/file32024.doc

Other comments on performance

Between 1999 and 2008 the Government has invested £3 billion in university research infrastructure to update and renew university science facilities and buildings. Evidence that this investment is starting to take effect can be seen in the positive trajectories towards sustainability outlined in the Higher Education Funding Councils first report (mentioned above) and in a report by JM Consulting to the Higher Education Funding Council for England, *Future needs for capital funding in higher education*.[6] Recent policy, e.g. Research Councils to pay 80 per cent of the full economic costs of the research they commission, will take some time to have a further impact on these trajectories.

Element 3: Greater responsiveness of the research base to the needs of the economy and public services

Current position

Progress against this attribute is measured by an increase in a basket of indicators from the Higher Education – Business and Community Interaction (HEBCI) survey. The latest available data (covering academic years 2004–05 and 2005–06) continues to indicate an upward trend in the majority of measures.

Higher Education – Business and Community Interaction (HEBCI) survey indicators[7]

Indicator – HEIs	2001–02	2002–03	2003–04	2004–05	2005–06
Business representatives on governing bodies	36%	34%	34%	34%	34%
Full-time equivalent staff employed in commercialisation offices	1,836	2,283	2,706	3,077	3,448
Number of patent applications	960	1,222	1,308	1,649	1,537
Number of patents granted	198	377	463	711	576
Number of licensing agreements	615	758	2,256	2,099	2,699
Income from intellectual property licensing	£47m	£37m	£38m	£56m	£57m
Number of spin-outs	213	197	161	148	187
Income from business consultancy	£122m	£168m	£210m	£218m	£235m

6 www.hefce.ac.uk/pubs/rdreports/2006/rd17_06/
7 www.hefce.ac.uk/pubs/hefce/2006/06_25/

Progress against this attribute can now also be measured for PSREs through the PSRE Knowledge Transfer Survey. The majority of indicators show an upward trend in the first three years covered.

Indicator – PSREs	First annual survey 2003–04	Second annual survey 2004–05	Third annual survey 2005–06
Business representatives on governing bodies	175	214	247
Full-time equivalent staff employed in commercialisation offices	385	368	513
Number of patent applications	316	335	290
Number of patents granted	228	148	193
Number of licensing agreements	621	1,673	1,604
Income from intellectual property licensing	£33m	£46m	£186m
Number of spin-outs	69	84	74
Income from business consultancy	£36m	£31m	£26m

CASE STUDY
IMPACT OF THE PUBLIC SECTOR RESEARCH EXPLOITATION FUND

Earlier rounds of this fund have provided support for a wide variety of commercialisation activities, which allow businesses and other users to access research carried out in the public sector. For example the fund has provided the resources to allow:

- the Forensic Science Service to develop a commercial DNA database package so police can store, search and match forensic DNA profiles;
- the NHS London Innovation Hub to develop a diabetes information pack which has helped patients manage the treatment of this condition; and
- the National Physical Laboratory in Teddington to develop its expertise in emissions detection and monitoring to meet the needs of commercial markets in fields such as security, pharmaceuticals, landfill and nano-manufacturing.

Element 4: Increasing business investment in R&D and increased business engagement

Current position

The target for overall performance is to narrow the gap with the UK's leading international competitors. There are seven indicators for progress against this target. Two of the indicators – on business enterprise research and development (BERD) expenditure and on UK patenting – are available annually with a lag of approximately ten to twelve months.

BERD as share of GDP[8]

Country	1988	1993	1999	2000	2001	2002	2003	2004	2005	2006
Canada	0.75	0.88	1.06	1.16	1.29	1.17	1.13	1.12	1.07	1.03
France	1.30	1.47	1.36	1.34	1.39	1.41	1.36	1.36	1.34	1.34
Germany	1.98	1.53	1.67	1.73	1.72	1.72	1.76	1.74	1.72	1.75
Italy	0.69	0.59	0.50	0.52	0.53	0.55	0.52	0.52	0.55	0.54
Japan	1.92	1.88	2.14	2.16	2.30	2.36	2.40	2.38	2.54	N/A
UK	1.39	1.33	1.22	1.18	1.18	1.16	1.12	1.06	1.07	1.08
USA	1.87	1.75	1.98	2.05	2.01	1.86	1.84	1.79	1.83	1.84
OECD average	1.52	1.40	1.51	1.55	1.57	1.51	1.51	1.49	1.53	N/A

BERD expenditure as a proportion of GDP was 1.08 per cent in 2006, up slightly from the revised value of the previous year. The figures show that BERD expenditure in real terms fell in 2003 and 2004, resulting in a decline in the ratio in 2003 from 1.16 per cent to 1.12 per cent of GDP, and in 2004 from 1.12 per cent to 1.06 per cent.[9]

However, it is likely that this performance reflects the sectoral mix of the UK economy, in which 75 per cent of output is accounted for by service sectors that invest in other categories of innovation than traditional R&D. R&D investment in the UK is dominated by five sectors: pharmaceuticals and biotechnology; aerospace and defence; software and computer services; fixed-line telecommunications; and automobiles and parts. Investment by companies in these sectors is comparable with global averages, as benchmarked in the UK's R&D Scoreboard. In 2006, the top 850 companies in R&D increased their spending on R&D by 9 per cent. The UK's 75 largest R&D investors (accounting for two-thirds of R&D in the UK) increased investment in R&D by 11.9 per cent in 2006; globally, the average increase was 9.9 per cent. Although the level of increase was lower, smaller companies within the top 850 also increased their investment.

8 Sources: ONS for UK, OECD remainder
9 www.statistics.gov.uk/STATBASE/Product.asp?vlnk=8206

Patent grants at the US Patent Office per million population[10]

Falls in the patenting rate from 2003 were experienced by all countries in the table below: this may be largely due to administrative and legal delays experienced in the US Patent Office. The UK's patenting rate remained relatively robust in 2005, and its growth from 1995 was second only to Germany's.

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Change 95-05
USA	208.3	225.8	225.3	289.7	299.4	300.2	306.0	300.7	301.0	285.7	250.6	20.3%
Germany	80.5	83.6	85.5	111.1	114.2	124.8	136.9	137.1	138.9	130.7	109.6	35.5%
France	47.5	47.0	49.6	61.5	63.4	63.2	66.5	65.6	62.6	54.7	46.3	-2.4%
UK	43.0	42.6	46.4	59.7	61.4	62.6	67.3	64.9	61.2	58.0	52.4	21.7%
Italy	19.2	21.1	22.1	28.1	26.4	29.9	30.3	30.8	29.9	27.6	22.5	17.2%

Innovation in the market

R&D and patents are not the only measures of business innovation. The UK's strengths in knowledge-intensive services and creative industries – where innovation is less likely to be picked up by indicators such as R&D – probably mean that the UK's innovation performance has been understated by R&D-based indicators. It is estimated that only one-third of business expenditure on innovation in the UK takes the form of R&D (UK 2007 Innovation Survey). Other measures are derived from the Community Innovation Survey (CIS).

The 2007 CIS, covering the period 2004–06, shows a significant improvement in the headline "innovation active" indicator. International comparisons for the 2005 CIS are available on the Eurostat New Cronos website.[11]

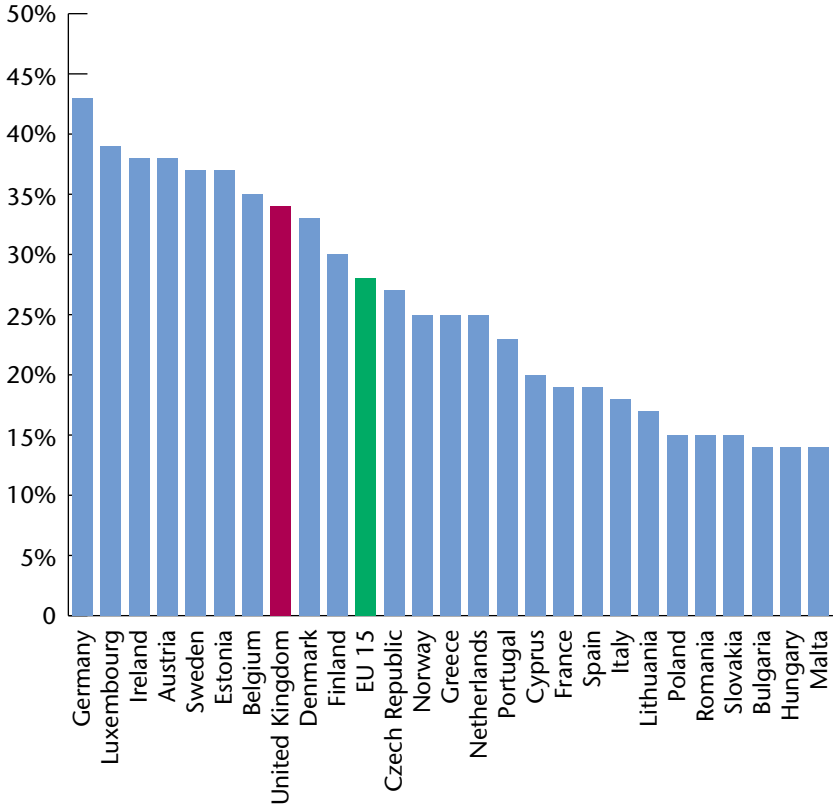
Indicator	2005	2007
Percentage of establishments that had introduced a new product, service or process improvement in the three years preceding the survey:		
• product	25%	23%
• process	16%	12%
Average percentage of establishments' turnover accounted for by new or significantly improved products and services in the three years preceding the survey	41%	56%
Percentage of establishments that were "innovation active" in the three years preceding the survey	57%	64%
Employment of qualified scientists and engineers in business	7%	5%
Proportion of businesses that collaborated with HEIs	4%	3%

10 Source: US Patent and Trademark Office and OECD's Patent Database and Main Science and Technology Indicators. The data is for the inventor's country of residence

11 http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1090,1&_dad=portal&_schema=PORTAL

Figure 1 Proportion of enterprises with product innovations, 2002–04

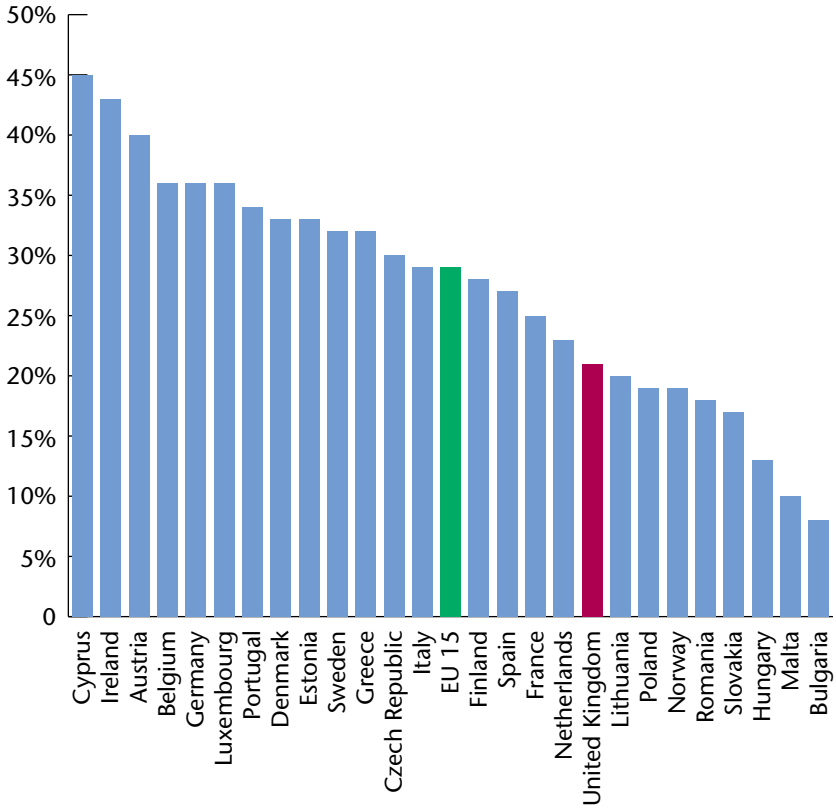
All enterprises



Source: UK Innovation Survey 2005

Figure 2 Proportion of enterprises with process innovations, 2002–04

All enterprises



Source: UK Innovation Survey 2005

International comparisons

The gap between the UK and other major economies on innovation indicators has closed or, in some cases, been eliminated since the previous innovation survey. For example, in product innovation (goods and services) indicators (Figure 1) show the UK outperforming France, Italy and the Netherlands and similar to Finland. (Germany is still ahead, but there are statistical reasons for thinking its results are over-optimistic.) UK firms fare less well on process innovation compared with their European competitors (Figure 2), but there has still been an increase in activity.

It is notable that many smaller countries and new member states of the EU record relatively high shares of businesses with innovation, especially in organisation and marketing. We think this mostly reflects a process of catching up with the more advanced economies, rather than indicating that effective innovation in these countries is ahead of the UK.

Other comments on performance

On R&D, several studies (e.g. the R&D Scoreboard,[12] the OECD review of the UK[13] and DTI economics paper no 11)[14] have shown that one of the most important factors influencing the long-term trend of a country's BERD to GDP ratio is its industrial structure. This tends to change slowly over time and the direction of that change can be hard to predict. Short-term changes in the ratio (such as the 2004 drop in UK figures) can be due to unrelated factors such as the cyclical nature of some business sectors.

Element 5: A more responsive supply of science, technology, engineering and maths skills to the economy

Current position

On the two indicators for this attribute the targets are:

- to increase the numbers of science students receiving enterprise training; and
- for the UK to maintain its international ranking (second place) within the G8 countries for PhDs awarded per head of population.

In 2004 (the most recently available data), the UK lay second (behind Germany) within the G8 for PhDs awarded per head of population.

Indicator[15]	**2001**	**2002**	**2003**	**2004**
Number of science and engineering students receiving enterprise training	11,143[16]	7,908	N/A	N/A
PhDs awarded per 1,000 population	0.24	0.24	0.25	0.26

12 www.innovation.gov.uk/rd_scoreboard/index.asp
13 www.oecd.org/publications/html
14 www.berr.gov.uk/files/file9656.pdf
15 Sources: Science and Enterprise Centres, HEBCI survey; OECD
16 Includes one-off initiative to provide short computer-based courses to all SET students in Scotland; if this were excluded from the return, the figure would be 3,032

Other comments on performance

The Government is investing £100 million per year to implement the key recommendations of the Roberts review[17] on the supply of scientists and engineers with regard to improving significantly the pay and training offered to Research Council PhD students and postdoctoral researchers.

PSA: Tackle the adult skills gap (Department for Education and Skills SR04 PSA 13)
Increase the number of adults with the skills required for employability and progression to higher levels of training through:

- improving the basic skill levels of 2.25 million adults between the launch of Skills for Life in 2001 and 2010, with a milestone of 1.5 million in 2007 (element 1); and
- reducing by at least 40 per cent the number of adults in the workforce who lack NVQ2 or equivalent qualifications by 2010. Working towards this, one million adults in the workforce to achieve Level 2 between 2003 and 2006 (element 2).

Assessment of progress: ON COURSE

Overall progress

Overall progress is on course, with the 2007 and 2006 milestones having been met and the 2010 targets on course for achievement.

Element 1: Improving the basic skill levels of adults

Current position

Against a baseline of nil in 2001, the latest outturn shows the 2007 milestone of 1.5 million adults benefiting from improved basic skill levels has already been exceeded, with over 1.7 million learner achievements. This represents good progress towards the 2010 target.

Other comments on performance

Participation in Skills for Life courses remains strong. Over 4.7 million people have taken up over 10.5 million learning opportunities between 2001 and July 2006. We expect to report that we have exceeded 2 million achievements when we receive the next update from the Learning and Skills Council (LSC).

In terms of the quality of the administrative data used to measure this target, the Department is working with the LSC to monitor progress on Skills for Life using individual learner record data. Adjustments are made to this data to reflect the fact that only first achievements count towards this target. LSC data systems now cover both Prison Service and JobCentre Plus activity which has been delivered through the LSC since 2006.

17 www.hm-treasury.gov.uk/documents/enterprise_and_productivity/research_and_enterprise/ent_res_roberts.cfm

Element 2: Reducing the number of adults in the workforce who lack Level 2 qualifications

Current position

The interim target of an additional one million adults in the workforce to achieve Level 2 between 2003 and 2006 was reached in 2006. We now have 74.7 per cent of the economically active workforce qualified to at least Level 2 – which represents approximately 18.2 million adults compared with 16.1 million adults in 2001. There is, however, a very challenging growth trajectory to 2010, requiring an increase in publicly funded first Level 2 achievements from 148,000 in 2005/06 up to almost 400,000 in 2009/10.

Other comments on performance

In terms of data collection, the Department continues to assess the quality of the Labour Force Survey (LFS) qualifications data that is the basis of measurement and take action to address issues that are identified. Question changes implemented from 2007 should allow qualification levels to be assigned more accurately. The latest Highest Qualification Statistical First Release (SFR) included more details of how qualifications have been apportioned to National Qualification Framework levels, improving disclosure, and documentation of how highest qualification estimates are calculated has also been improved.

PSA: Raise and widen participation in higher education
(Department for Education and Skills SR04 PSA 14)
By 2010, increase participation in higher education towards 50 per cent of those aged 18 to 30 (element 1) and also make significant progress year-on-year towards fair access (element 2) and bear down on rates of non-completion (element 3).

Assessment of progress: ON COURSE

Overall progress

Progress against all the measures is positive, indicating that the Department is on course to achieve this target.

Element 1: Increased participation in higher education

Current position

Baseline: 39 per cent in 1999/2000
Latest outturn against trend: 40 per cent in 2006/07

The participation rate of 18–30-year-olds – the Higher Education Initial Participation Rate (HEIPR) for 2006/07 – is 40 per cent, down from the final figure for 2005/06 of 42 per cent.

The fall in the HEIPR was expected. It is due to a large increase in entrants in 2005/06 prior to the introduction of variable fees in 2006/07, and a dramatic increase in the underlying 18–30 population. We expect the position to recover next year, reflecting the latest data from the Universities and Colleges Admissions Service,

which shows that students accepted for entry in 2007 are up by 6 per cent and the latest applicant figures for 2008 entry are also up by 6 per cent.

This target will continue through CSR07 Skills PSA *to improve the skills of the population on the way to ensuring a world class skills base by 2020*.

Element 2: Progress towards fair access to higher education

Current position

Baselines:
1) state sector: 84.1 per cent in 1999/2000
2) lower socio-economic classes (NS-SEC): 27.9 per cent in 2002/03
3) low participation neighbourhoods (LPN): 11.7 per cent in 1999/2000

Latest outturn against trend:
1) state sector: 86.9 per cent in 2005/06
2) NS-SEC: 29.1 per cent in 2005/06
3) LPN: 13.5 per cent in 2005/06

The performance indicators are all at their highest ever levels since they were first collected. But they are still lower than we would like, so fair access to higher education remains a priority for the Government. This is reflected in the CSR07 PSA *to narrow the gap in educational achievement between children from low income and disadvantaged backgrounds and their peers*, which includes a key performance indicator to narrow the gap between the rates of initial participation in full-time higher education for young people aged 18, 19 and 20 from the top three and bottom four socio-economic classes. Between 2003–04 and 2005–06 this gap has closed by 3.5 percentage points.

Element 3: Bear down on rates of non-completion

Current position

Baseline: 15.9 per cent in 1999/2000
Latest outturn against trend: 13.8 per cent for English HEIs in 2004/05

Student retention rates in this country compare very well internationally, a fact acknowledged in a recent National Audit Office study into retention in higher education. The UK ranks fifth in the OECD for first degree completion rates, out of the 23 countries that report data in this area.

Non-completion also remains a priority for the Government; however, it is not a key indicator for the CSR07 PSA *to improve the skills of the population, on the way to ensuring a world-class skills base* by 2020. The PSA contains an output measure, in the form of increasing the proportion of the workforce with higher-level skills, and as such the separate focus on non-completion within the PSA is not needed – because students who do not complete will not count towards the target's achievement. We will, however, continue to calculate and publish non-completion rates as one of a number of performance measures that do not form part of the PSA.

Measurement

Data system:

Element 1 – HEIPR
Element 2 – Annual performance indicators from table T1 published by Higher Education Statistics Agency (HESA)
Element 3 – Annual performance indicators from table T5 published by HESA

Method of data collection:

Element 1 – The HEIPR has been compiled from students domiciled in England in full-time or part-time higher education in the UK.
Element 2 – Measured by increases in the representation from:

- the state sector;
- NS-SECs; and
- LPNs

in the UK-domiciled young (under 21) full-time first degree entrant population at English higher education institutions.
Element 3 – Measured by the proportion of full-time first degree entrants who are projected neither to obtain an award nor to transfer to another course.

Issues with data systems:

Element 1 – The time series was revised down in March 2006. The baseline was reduced from 41 per cent to 39 per cent. The data system is robust and reliable and the majority of risks to data quality are addressed.
Element 2 – For the NS-SEC indicator, the wider population categorised in the lower socio-economic groups is falling over time. Maintaining the proportion of entrants coming from these groups is therefore increasing the proportion of the groups that participate in higher education.

CSR07

The SR04 PSA targets are continuing through CSR07 predominantly through the Skills PSA *to improve the skills of the population on the way to ensuring a world-class skills base by 2020*.

PERFORMANCE AGAINST PREVIOUS PSA TARGETS STILL OUTSTANDING

Spending Review 2002 (Department for Education and Skills PSA Target 8)
Challenging targets will be set for minimum performance and value for money in FE colleges and other providers by the Government and the Learning and Skills Council (this is also the Department's value for money target)

Assessment of progress: ON COURSE

Comments

A goal was set in the Further Education Reform White Paper, *Further Education: Raising Skills, Improving Life Chances* to eliminate inadequate or unsatisfactory provision by 2008. Value for money in the further education sector has been significantly improved through the Department for Education and Skills efficiency programme, particularly as a result of rising success rates in further education. The commitment in the White Paper to develop a balanced scorecard for the performance of all providers in the sector (Chapter 5, paragraph 5.15) will provide a more robust and comprehensive basis for monitoring performance and value for money, and taking intervention action as necessary. Details of the content of the balanced scorecard – the Framework for Excellence (FfE) – were published in March and June 2007. The first pilot phase of FfE is well advanced and ran through to April 2008 with analysis of pilot data now taking place. Final modelling for version 1 of FfE will be completed shortly and will be launched for all colleges and work-based learning providers in summer 2008. Version 2 for other providers and provision will follow in summer 2009 after piloting in parallel with the roll-out of version 1.

ANNEX 2
CORE AND ADDITIONAL TABLES

INTRODUCTION TO CORE AND ADDITIONAL FINANCIAL TABLES

The aim of these tables is to give an overview of what DIUS spends money on. They cover the past year (2007–08) as well as the three future years covered by allocations in the Comprehensive Spending Review 2007 (CSR07). The tables provide an analysis of Departmental expenditure in resource terms, showing resource consumption and capital investment.

Tables 1, 2 and 3 include a breakdown of expenditure by major budget category: Annually Managed Expenditure (AME) and Departmental Expenditure Limit (DEL). AME is primarily demand-led expenditure related to student loans and is agreed as part of the Budget and Pre-Budget Report process. DEL is spending within the Department's direct control and which can therefore be planned over an extended period, such as the costs of its own administration and payments to third parties – for example to universities (via the Higher Education Funding Council for England) or colleges of further education (via the Learning and Skills Council).

DEL provision is settled with HM Treasury during the Spending Review process – the most recent being CSR07 allocations to March 2011 announced in October 2007. Additionally, the tables identify near-cash expenditure within resource budgets (near-cash being Treasury control used to assess expenditure which affects the "Golden Rule").

The individual tables are described below. Tables 1 to 9 are the "core tables" required by the Treasury for this report. Tables 10 to 16 provide additional and different analysis of data that we think should be helpful to readers of this report.

Table 1 – Total Departmental spending

This table sets out a summary of the expenditure on functions which are now administered by the Department, covering the period from 2002–03 to 2010–11. As the Department was only formed during 2007, past years' figures have been determined on the basis of the expenditure incurred by each of the various business areas brought together by the Machinery of Government changes in June 2007. Current and future year figures reflect the budgeted figures agreed with HM Treasury for the Department as it is now. The split of spend is by broad policy area within the Department.

Consultancy spend of £5,069,245 by DIUS during 2007–08 is included in the expenditure shown in this table.

Table 2 – Resource budget DEL and AME

This table provides additional information about the resource budget.

Table 3 – Capital budget DEL and AME

This table provides details of the capital expenditure plans in the same format as Table 2.

Table 4 – Capital employed

This table shows the capital employed by the Department, in a balance sheet format. It provides a high-level analysis of the value of the various categories of fixed assets and debtor and creditor values, and also of the extent of provisions made. Since the Department was only formed in June 2007, the balances shown for 2006–07 and 2007–08 are draft and not yet audited. Figures for 2002–03 to 2005–06 years reflect the major items relating to student loans only. Future years are also broad estimates.

Table 5 – Administration costs

This table presents in more detail information about the administration costs of running the Department. These costs form part of the Department's DEL budget. For the current year and past years there is an analysis of administration expenditure showing paybill and other costs.

Table 6 – Staff in post

Information on actual and projected staffing in the Department is contained in Annex 11 "People and Plans".

Table 7 – Total identifiable Departmental spending on services by country and region

This table shows expenditure on services which can be analysed as being for the benefit of individual countries and regions.

Table 8 – Identifiable Departmental spending on services by country and region, per head

This table shows expenditure per head of population on services which can be analysed as being for the benefit of individual countries and regions. This is a more informative measure than the total expenditure information presented in Table 7, as the size of the population varies significantly between regions.

Table 9 – Identifiable Departmental spending on services by function, country and region 2006–07

This table shows the expenditure for 2006–07 given in Table 7, broken down into the functional categories set across government by the Treasury.

Tables 10 and 11 – Total spending within Departmental Expenditure Limits and **Detailed breakdown of spending by function within Departmental Expenditure Limits, 2002–03 to 2010–11**

These are additional tables to those required by the Treasury and show total spend, combining both resource and capital, both in a high-level analysis (Table 10) and in a more detailed analysis.

Table 12 – Breakdown of expenditure by the Learning and Skills Council within Departmental Expenditure Limit, 2002–03 to 2010–11

Table 13 – Numbers of adult learners in England, 2006–07 to 2010–11

Table 14 – Total amounts allocated to further education colleges by the Learning and Skills Council for England, 2001–02 to 2006–07

Table 15 – Funding per full-time equivalent student in further education

Table 16 – Funding per full-time equivalent student in higher education

Table 1 Total Departmental spending

(£000)

	2002–03 Outturn	2003–04 Outturn	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Estimated outturn	2008–09 Plans	2009–10 Plans	2010–11 Plans
RESOURCE BUDGET									
Resource DEL									
Higher education	6,019,866	6,384,303	6,439,231	6,876,712	7,426,635	8,199,332	8,764,411	9,215,087	9,737,189
Further education and skills	3,529,752	3,864,390	3,857,678	3,992,313	3,830,869	4,167,530	4,247,234	4,372,482	4,682,123
Innovation	177,269	126,220	249,084	267,471	237,849	357,848	329,764	375,208	372,213
Science	1,641,297	1,732,118	2,003,035	2,393,560	2,520,532	2,758,959	2,913,620	3,067,920	3,285,799
Activities to support all functions[1]	56,545	61,606	66,155	63,624	62,617	55,107	123,482	124,182	129,303
Total resource budget DEL	11,424,729	12,168,637	12,615,183	13,593,680	14,078,502	15,538,776	16,378,511	17,154,879	18,206,627
of which: Near-cash	10,575,497	11,351,804	11,952,218	12,771,872	13,401,126	14,513,804	15,020,506	15,626,096	16,565,163
Resource AME									
Higher education[2]	2,946	–	–1,598	–	–11,079	–	–	–	–
Further education and skills[3]	118,599	127,538	131,398	152,241	164,101	316,259	170,177	170,177	170,177
Science	50	–	11,192	15,100	17,202	–40,800	42,543	42,543	27,400
Total resource budget AME	121,595	127,538	140,992	167,341	170,224	275,459	212,720	212,720	197,577
of which: Near-cash[4]	–15,671	–83,118	–126,619	–191,178	–230,954	–613,954	–891,069	–1,127,190	–1,401,455
Total resource budget[5]	11,546,324	12,296,175	12,756,175	13,761,021	14,248,726	15,814,235	16,591,231	17,367,599	18,404,204
of which: Depreciation	94,020	96,448	92,872	116,362	108,504	138,164	147,409	164,476	177,464
CAPITAL BUDGET									
Capital DEL									
Higher education	339,879	421,466	455,451	903,988	717,197	739,195	740,508	750,508	775,508
Further education and skills[6]	333,321	315,817	411,741	392,643	404,224	474,964	491,820	616,820	636,820
Innovation[7]	12,780	–4,315	–13,426	–37,759	27,896	21,425	22,971	22,211	18,911
Science	415,392	565,789	575,190	745,212	732,805	792,702	732,569	813,569	826,569
Activities to support all functions[8]	497	393	292	339	14	270	2,000	2,000	2,000
Total capital budget DEL[9]	1,101,869	1,299,150	1,429,248	2,004,423	1,882,136	2,028,556	1,989,868	2,205,108	2,259,808

Table 1 *continued*

(£000)

	2002–03 Outturn	2003–04 Outturn	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Estimated outturn	2008–09 Plans	2009–10 Plans	2010–11 Plans
Capital AME									
Higher education	1,863,201	1,906,037	1,879,973	2,065,138	2,819,109	3,692,000	4,754,856	5,362,627	5,736,249
Further education and skills	5,322	3,622	2,929	1,793	3,157	4,276	3,758	3,758	3,758
Total capital budget AME	1,868,523	1,909,659	1,882,902	2,066,931	2,822,266	3,696,276	4,758,614	5,366,385	5,740,007
Total capital budget	2,970,392	3,208,809	3,312,150	4,071,354	4,704,402	5,724,832	6,748,482	7,571,493	7,999,815
TOTAL DEPARTMENTAL SPENDING									
Higher education	8,223,899	8,709,770	8,768,239	9,841,295	10,950,908	12,627,922	14,257,170	15,325,617	16,246,341
Further education and skills	3,968,371	4,291,192	4,390,577	4,515,858	4,386,936	4,945,967	4,896,519	5,146,767	5,476,408
Innovation	187,541	121,342	230,381	225,995	262,879	371,872	349,372	393,489	386,806
Science	1,985,843	2,224,233	2,519,809	3,068,902	3,181,270	3,399,764	3,563,761	3,785,072	3,994,879
Activities to support all functions	57,042	61,999	66,447	63,963	62,631	55,378	125,482	123,671	122,121
Total departmental spending[10]	14,422,696	15,408,536	15,975,453	17,716,013	18,844,624	21,400,903	23,192,304	24,774,616	26,226,555
of which:									
Total DEL	12,435,545	13,374,000	13,945,930	15,484,571	15,854,330	17,431,321	18,223,421	19,197,962	20,291,422
Total AME	1,987,151	2,034,536	2,029,523	2,231,442	2,990,294	3,969,582	4,968,883	5,576,654	5,935,133

1 "Activities to support all functions" in resource DEL includes, from 2008–09, an unallocated reserve of around £50 million a year that will be allocated during each year. Similar reserves in earlier years will have been transferred to spending programmes during those years. Otherwise, it is largely administrative costs. In the years to 2007–08, some administrative costs have been assigned to specific policy areas in line with the estimate treatment in those years.

2 Higher education resource AME shown derives from technical adjustments made in earlier years in respect of imbalances between repayments of student loans and payments to students.

3 AME spend for further education in 2007–08 is out of line with adjacent years due to some offsetting receipts not being recorded at the time the data was compiled.

4 This near-cash line is mainly made up of the (negative) interest receivable on student loan borrower accounts. The interest receivable nets off to zero with other resource AME non-cash student loan accounting expenditure, including the inflation adjustment, unwinding of provisions and cost of capital charge.

5 Includes expenditure by non-departmental public bodies, which is financed by voted grants. Also includes non-cash items, i.e. capital charges, depreciation and provisions.

6 The increase in further education and skills capital DEL during the CSR07 period reflects increased capital grants to support improved delivery of skills. This includes the modernisation of the further education estate and supporting the modernisation of specialist training provider facilities.

7 Reduced spend on innovation capital in the years to 2005–06 is due to a technical reclassification of Patent Office reserves.

8 Under "Activities to support all functions", the amounts for 2008–09 to 2010–11 have been adjusted from those published by the Treasury in the *Supplementary Budget Information 2008–09*. This is to better reflect some £170/234/265 million which is now classified under Departmental Science Programmes.

9 Includes capital expenditure by non-departmental public bodies, which is financed by voted grants.

10 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and the capital budget DEL less depreciation in DEL, and total AME is the sum of the resource budget AME and the capital budget AME less depreciation in AME.

Table 2 Resource budget DEL and AME

(£000)

	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans
RESOURCE DEL									
Higher education	6,019,866	6,384,303	6,439,231	6,876,712	7,426,635	8,199,332	8,764,411	9,215,087	9,737,189
of which:									
Student loans	779,052	818,455	560,890	652,268	659,836	971,309	1,275,834	1,408,232	1,500,552
Student grants	541,052	542,009	614,046	758,614	860,418	1,004,749	1,033,261	1,105,049	1,159,803
Higher Education Funding Council for England	4,582,630	4,904,556	5,161,571	5,379,466	5,827,498	6,129,750	6,337,955	6,577,583	6,932,218
Other support for higher education	117,132	119,283	102,724	86,364	78,883	93,524	117,361	124,223	144,616
Further education and skills	3,529,752	3,864,390	3,857,678	3,992,313	3,830,869	4,167,530	4,247,234	4,372,482	4,682,123
of which:									
Learning and Skills Council	3,196,290	3,498,959	3,455,374	3,602,093	3,544,036	4,005,317	3,795,910	3,860,771	4,139,159
International services	29,483	29,233	33,336	34,126	43,062	45,246	48,501	50,472	53,478
Other support for further education and skills	303,979	336,198	368,968	356,094	243,771	116,967	402,823	461,239	489,486
Innovation	177,269	126,220	249,084	267,471	237,849	357,848	329,764	375,208	372,213
of which:									
Knowledge transfer and innovation	171,069	119,205	239,292	260,620	231,458	351,437	323,547	368,982	366,002
Enterprise growth and business investment	6,200	7,015	9,792	6,851	6,391	6,411	6,217	6,226	6,211
Science	1,641,297	1,732,118	2,003,035	2,393,560	2,520,532	2,758,959	2,913,620	3,067,920	3,285,799
of which:									
Expenditure of Research Councils	1,535,117	1,633,586	1,835,392	2,235,077	2,334,434	2,565,859	2,720,625	2,852,081	3,049,151
Departmental science programmes	106,180	98,532	167,643	158,483	186,098	193,100	192,995	215,839	236,648
Activities to support all functions[1]	56,545	61,606	66,155	63,624	62,617	55,107	123,482	124,182	129,303
Total resource budget DEL	11,424,729	12,168,637	12,615,183	13,593,680	14,078,502	15,538,776	16,378,511	17,154,879	18,206,627
of which:									
Near-cash	10,575,497	11,351,804	11,952,218	12,771,872	13,401,126	14,513,804	15,020,506	15,626,096	16,565,163
of which:[2]									
Pay	520,350	552,474	587,609	608,505	682,962	709,452	–	–	–
Procurement	271,160	381,026	350,044	527,129	490,931	445,250	534,232	598,375	633,317
Current grants and subsidies to the private sector and abroad	12,371,188	13,622,434	14,551,459	15,691,915	16,952,714	18,153,196	19,173,219	19,901,167	21,043,458
Current grants to local authorities	1,493,765	1,592,407	1,665,821	2,122,089	1,946,949	2,046,320	2,106,881	2,183,881	2,262,881
Depreciation	91,053	93,787	98,501	113,532	106,308	136,011	144,958	162,025	175,013

Table 2 *continued*

(£000)

	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans
RESOURCE AME									
Higher education	2,946	–	–1,598	–	–11,079	–	–	–	–
Student loans	2,946	–	–1,598	–	–11,079	–	–	–	–
Further education and skills	118,599	127,538	131,398	152,241	164,101	316,259	170,177	170,177	170,177
of which:									
Other support for further education and skills	118,599	127,538	131,398	152,241	164,101	316,259	170,177	170,177	170,177
Science	50	–	11,192	15,100	17,202	–40,800	42,543	42,543	27,400
of which:									
Expenditure of Research Councils	50	–	11,192	15,100	17,202	–40,800	42,543	42,543	27,400
Total resource budget AME	121,595	127,538	140,992	167,341	170,224	275,459	212,720	212,720	197,577
of which:									
Near-cash[3]	–15,671	–83,118	–126,619	–191,178	–230,954	–613,954	–891,069	–1,127,190	–1,401,455
of which:[4]									
Pay	33,462	36,445	38,956	44,060	64,422	52,573	–	–	–
Procurement	76,764	85,551	–86,655	–80,873	–20,894	122,760	–26,905	–26,905	–26,905
Current grants and subsidies to the private sector and abroad	–	–	181,550	182,422	132,821	136,513	137,102	137,102	137,102
Depreciation	2,967	2,661	–5,629	2,830	2,196	2,153	2,451	2,451	2,451
Total resource budget[5]	11,546,324	12,296,175	12,756,175	13,761,021	14,248,726	15,814,235	16,591,231	17,367,599	18,404,204

1 "Activities to support all functions" in resource DEL includes, from 2008–09, an unallocated reserve of around £50 million a year that will be allocated during each year. Otherwise, it is largely made up of administration costs.
2 The breakdown of near-cash by economic category in resource DEL exceeds the total near-cash resource DEL reported above because of other income and receipts that score in near-cash resource DEL but are not included as pay, procurement or current grants and subsidies to the private sector, abroad and local authorities.
3 This near-cash line is mainly made up of the (negative) interest receivable on student loan borrower accounts. The interest receivable nets off to zero with other resource AME non-cash student loan accounting expenditure, including the inflation adjustment, unwinding of provisions and cost of capital charge.
4 The same observation applies to the resource AME near-cash breakdown as to the resource DEL in near-cash breakdown – see note 2.
5 Includes expenditure by non-departmental public bodies, which is financed by voted grants; and non-cash items, i.e. capital charges, depreciation and provisions. Includes figures in both DEL and AME.

Table 3 Capital budget DEL and AME

(£000)

	2002–03 Outturn	2003–04 Outturn	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Estimated outturn	2008–09 Plans	2009–10 Plans	2010–11 Plans
CAPITAL DEL									
Higher education	339,879	421,466	455,451	903,988	717,197	739,195	740,508	750,508	775,508
of which:									
Student Loans Company	6,295	1,667	1,184	542	384	4,011	4,011	4,011	4,011
Higher Education Funding Council for England	333,584	419,799	454,267	903,446	716,813	735,184	736,497	736,497	736,497
Other support for higher education	–	–	–	–	–	–	–	10,000	35,000
Further education and skills	333,321	315,817	411,741	392,643	404,224	474,964	491,820	616,820	636,820
of which:									
Learning and Skills Council	237,229	295,122	407,874	388,271	402,268	473,825	489,100	614,500	614,500
Other support for further education and skills	96,092	20,695	3,867	4,372	1,956	1,139	2,720	2,320	22,320
Innovation	12,780	–4,315	–13,426	–37,759	27,896	21,425	22,971	22,211	18,911
of which:									
Knowledge transfer and innovation	12,780	–4,496	–14,026	–37,935	27,856	21,389	22,731	22,131	18,831
Enterprise growth and business investment	–	181	600	176	40	36	240	80	80
Science	415,392	565,789	575,190	745,212	732,805	792,702	732,569	813,569	826,569
of which:									
Expenditure of Research Councils	224,990	259,830	344,331	363,811	426,541	432,414	296,177	320,992	346,432
Departmental science programmes	190,402	305,959	230,859	381,401	306,264	360,288	436,392	492,577	480,137
Activities to support all functions[1]	497	393	292	339	14	270	2,000	2,000	2,000
Total capital budget DEL	1,101,869	1,299,150	1,429,248	2,004,423	1,882,136	2,028,556	1,989,868	2,205,108	2,259,808
of which:									
Capital expenditure on fixed assets net of sales	109,691	161,494	222,319	263,764	239,971	212,001	321,499	345,554	367,694
Capital grants to the private sector and abroad	1,002,384	1,187,507	1,252,284	1,879,586	1,678,557	1,896,752	1,709,688	1,877,126	1,812,829
Capital support to public corporations	–166	–30,166	–30,166	–40,166	–166	–253	–	–	–

Table 3 *continued*

(£000)

	2002–03 Outturn	2003–04 Outturn	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Estimated outturn	2008–09 Plans	2009–10 Plans	2010–11 Plans
CAPITAL AME									
Higher education	**1,863,201**	**1,906,037**	**1,879,973**	**2,065,138**	**2,819,109**	**3,692,000**	**4,754,856**	**5,362,627**	**5,736,249**
of which:									
Student loans[2]	**1,863,201**	**1,906,037**	**1,879,973**	**2,065,138**	**2,819,109**	**3,692,000**	**4,754,856**	**5,362,627**	**5,736,249**
Further education and skills	**5,322**	**3,622**	**2,929**	**1,793**	**3,157**	**4,276**	**3,758**	**3,758**	**3,758**
of which:									
Other support for further education and skills	**5,322**	**3,622**	**2,929**	**1,793**	**3,157**	**4,276**	**3,758**	**3,758**	**3,758**
Total capital budget AME	**1,868,523**	**1,909,659**	**1,882,902**	**2,066,931**	**2,822,266**	**3,696,276**	**4,758,614**	**5,366,385**	**5,740,007**
Total capital budget[2,3]	**2,970,392**	**3,208,809**	**3,312,150**	**4,071,354**	**4,704,402**	**5,724,832**	**6,748,482**	**7,571,493**	**7,999,815**
of which:									
Capital expenditure on fixed assets net of sales[4]	**115,013**	**165,116**	**225,248**	**265,557**	**243,128**	**216,277**	**325,257**	**349,312**	**371,452**
Less depreciation[5]	**94,020**	**96,448**	**92,872**	**116,362**	**108,504**	**138,164**	**147,409**	**164,476**	**177,464**
Net capital expenditure on tangible fixed assets	**20,993**	**68,668**	**132,376**	**149,195**	**134,624**	**78,113**	**177,848**	**184,836**	**193,988**

1 Under "Activities to support all functions", the amounts for 2008–09 to 2010–11 have been adjusted from those published by the Treasury in the *Supplementary Budget Information 2008–09*. This is to better reflect some £170/234/265 million which is now classified under Departmental Science Programmes.
2 From the financial year 2006–07 includes cash provision for issuing student loans net of anticipated receipts from repayments of student loans (principal), following Treasury reclassification into resource AME.
3 Includes capital expenditure by non-departmental public bodies financed by voted grants; includes figures in both DEL and AME.
4 Expenditure by the Department and non-departmental public bodies on land, buildings and equipment, net of sales. Excludes spending on financial assets and grants, and public corporations' capital expenditure.
5 Included in resource budget.

Table 4 Capital employed

(£000)

	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
	Indicative outturn	Indicative outturn	Indicative outturn	Indicative outturn	Actual outturn	Estimated outturn	Plans	Plans	Plans
ASSETS ON BALANCE SHEET AT END OF YEAR[1]									
Fixed assets	–	–	–	–	140,048	148,320	148,321	148,320	148,320
of which:									
Intangible assets	–	–	–	–	61	97	98	97	97
Tangible assets	–	–	–	–	139,987	148,224	148,224	148,224	148,224
of which:									
Land and buildings	–	–	–	–	120,181	118,043	118,043	118,043	118,043
Investments	8,725,834	10,904,334	13,000,654	15,492,884	17,850,890	21,958,381	26,024,248	30,401,441	34,831,921
Current assets	560,465	560,465	642,703	589,500	173,903	662,151	341,000	200,000	200,000
Creditors – less than 1 year	–	–	–	–	–220,139	–508,235	–150,000	–150,000	–150,000
Provisions	–3,758,673	–3,477,845	–3,650,029	–3,491,795	–3,492,706	–5,018,208	–5,425,968,	–5,474,765	–5,606,154
Capital employed within main department[2]	5,527,626	7,986,954	9,993,328	12,590,589	14,451,997	17,242,409	20,937,602	25,124,996	29,424,087
NDPB net assets	897,427	1,108,961	1,405,785	1,525,135	1,685,254	1,665,650	1,665,650	1,665,650	1,665,650
Total capital employed in departmental group[3]	6,425,053	9,095,915	11,399,113	14,115,724	16,137,251	18,908,059	22,603,252	26,790,646	31,089,737

1 The capital employed for 2002–03 to 2005–06 includes only the student loans and related provisions which have transferred from DCSF, further detail not being available. A full split of assets and liabilities has been calculated from 2006–07 onwards. Information for 2006–07 and 2007–08 is in draft and subject to audit.

2 The capital employed by the Department includes the following assets and liabilities for the Department and the National Weights and Measures Laboratory:
- intangible assets – software;
- tangible assets – property, leased land, office equipment, fixtures and fittings, scientific equipment, and IT equipment;
- investments – loans to students and UK Intellectual Property Office loans;
- current assets – cash at bank, student loans repayable within 12 months, trade debtors, accrued income, prepayments, imprests and advances;
- current liabilities – trade creditors, accruals, money due to the Consolidated Fund; and
- provisions:
  - student loan interest subsidy provision;
  - student loan write-off provision (a provision for the estimated cost of cancelling debts due to disability, death or the borrower not reaching the repayment threshold) and
  - student loan debt sale subsidy provision (a provision for payments to the owners of student loan debts sold in 1999 and 2000).

3 The forecast balances from 2008–09 onwards are based on the assumption that there are no material movements in the DIUS balance sheet other than for continued increases in the student loan asset (within the investment line on the table) and some rationalisation of inter-Departmental balances affecting current assets and creditors. In particular, the planned student loan debt sale is not reflected.

Table 5 Administration costs

(£000)

	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans
Administration expenditure									
Paybill	**44,556**	**48,049**	**51,986**	**47,656**	**48,760**	**53,154**			
Other	**28,028**	**28,298**	**32,931**	**21,395**	**21,667**	**16,253**			
Total administration expenditure[1]	**72,584**	**76,347**	**84,917**	**69,051**	**70,427**	**69,407**	**70,000**	**68,000**	**67,000**
Administration income	**–3,078**	**–3,200**	**–3,316**	**–3,638**	**–4,148**	**–1**	**–**	**–**	**–**
Total administration budget	**69,506**	**73,147**	**81,601**	**65,413**	**66,279**	**69,406**	**70,000**	**68,000**	**67,000**

1 Administration costs within the administration costs control regime.

Table 6 Staff in post

Details of staff in post are contained in Annex 11, "People and plans".

Table 7 Total identifiable Departmental spending on services by country and region

(£million)

	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
North East	587.18	640.43	688.4	759.9	788.3	779.3	783.4	818.8	863.9
North West	1,452.85	1,545.05	1,678.8	1,818.6	1,892.0	1,831.0	1,997.4	2,093.0	2,211.4
Yorkshire and Humberside	1,062.02	1,183.09	1,292.1	1,400.7	1,443.8	1,394.1	1,494.2	1,564.1	1,651.5
East Midlands	850.06	917.88	1,014.3	1,082.3	1,127.2	1,070.1	1,154.3	1,208.7	1,277.2
West Midlands	1,052.61	1,131.93	1,208.0	1,294.1	1,357.5	1,265.8	1,350.9	1,418.1	1,500.1
Eastern	1,115.84	1,141.25	1,138.6	1,264.8	1,367.9	1,344.2	1,481.9	1,554.6	1,642.7
London	2,200	2,440.74	2,617.7	2,878.5	3,042.0	3,092.2	3,344.6	3,499.0	3,688.5
South East	1,835.74	1,851.83	2,059.3	2,207.9	2,344.7	2,051.0	2,253.0	2,358.7	2,491.3
South West	923.32	968.45	1,061.5	1,195.1	1,250.2	1,213.8	1,305.8	1,366.8	1,444.4
Total England	11,079.62	11,820.65	12,758.7	13,901.9	14,613.6	14,041.5	15,165.5	15,881.8	16,771.0
Scotland	142.00	146.98	160.5	203.3	217.5	229.9	294.2	303.6	312.4
Wales	55.63	56.36	76.2	108.0	100.9	67.6	84.4	87.4	90.5
Northern Ireland	17.17	8.56	9.4	11.3	14.3	14.3	19.5	20.0	19.9
Total UK identifiable expenditure	11,294.42	12,032.55	13,004.7	14,224.5	14,946.2	14,353.4	15,563.6	16,292.7	17,193.8
Outside UK	222.40	230.48	250.1	280.7	263.5	275.4	363.7	383.5	406.0
Total identifiable expenditure	11,516.82	12,263.03	13,254.9	14,505.2	15,209.7	14,628.8	15,927.3	16,676.2	17,599.8
Non-identifiable expenditure	495.69	648.94	641.6	757.3	883.3	1,133.0	819.1	952.7	986.1
Total expenditure on services	12,012.51	12,911.97	13,896.5	15,262.5	16,093.0	15,761.8	16,746.4	17,628.9	18,585.9

Tables 7, 8 and 9 show analyses of the Department's spending by country and region, and by function. The data presented in these tables is consistent with the country and regional analyses published by HM Treasury in Chapter 9 of *Public Expenditure Statistical Analyses* (PESA) 2007. The figures were taken from the HM Treasury public spending database in December 2006 and the regional distributions were completed in January and February 2007. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report.

The analyses are set within the overall framework of total expenditure on services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure total managed expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the Department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities' own expenditure.

TES is a near-cash measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in Departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2007.

The data is based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded. Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

Table 8 Identifiable Departmental spending on services by country and region, per head

(£ per head)

	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
North East	231.1	252.0	270.8	298.0	308.4	305.8	306.5	319.4	335.9
North West	214.3	227.2	246.2	265.9	276.1	265.4	287.9	300.0	315.2
Yorkshire and Humberside	212.3	235.3	255.2	274.2	280.8	269.9	287.0	298.0	312.1
East Midlands	201.4	215.8	236.4	250.1	258.3	243.6	260.3	270.0	282.7
West Midlands	198.8	213.1	226.8	241.9	252.9	243.9	249.2	260.1	273.6
Eastern	205.4	208.5	206.6	227.4	244.0	237.5	259.2	269.2	281.7
London	298.8	331.4	354.3	386.1	404.9	408.2	437.9	454.3	474.9
South East	228.1	229.0	253.4	269.8	284.6	247.4	269.6	280.0	293.4
South West	185.7	193.5	210.5	234.9	244.0	234.7	250.0	259.2	271.2
Total England	223.1	237.0	254.6	275.5	287.9	274.8	294.5	306.1	320.7
Scotland	28.1	29.1	31.6	39.9	42.5	44.7	57.0	58.7	60.2
Wales	19.1	19.2	25.9	36.6	34.0	22.7	28.2	29.0	29.9
Northern Ireland	10.1	5.0	5.5	6.6	8.2	8.1	11.0	11.2	11.1
Total UK identifiable expenditure	190.4	202.0	217.3	236.1	246.7	235.4	253.4	263.4	275.9

See note to Table 7.

Table 9 Identifiable Departmental spending on services by function, country and region 2006–07

	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East
INNOVATION, UNIVERSITIES AND SKILLS								
General public services								
Basic research	–	–	–	–	–	–	–	44.7
General services	–	–	–	–	–	–	–	–
Total general public services	–	–	–	–	–	–	–	44.7
Economic affairs								
General economic, commercial and labour affairs	0.6	1.3	0.9	0.8	1.1	0.9	1.7	1.5
Economic affairs n.e.c.	0.7	1.9	1.4	1.2	1.5	1.6	2.2	2.3
R&D economic affairs	49.7	140.6	100.0	81.1	77.6	234.8	267.0	222.8
Total economic affairs	51.0	143.8	102.4	83.1	80.2	237.2	270.9	226.6
Environmental protection								
R&D Environmental protection	1.0	10.3	19.3	2.1	2.8	15.9	13.9	11.7
Total environmental protection	1.0	10.3	19.3	2.1	2.8	15.9	13.9	11.7
Health								
Central and other health services	5.4	40.4	7.9	7.7	8.4	26.7	76.4	46.7
Total health	5.4	40.4	7.9	7.7	8.4	26.7	76.4	46.7
Recreation, culture and religion								
R&D recreation, culture and religion	3.1	7.2	6.2	3.0	3.9	10.5	39.4	16.3
Total recreation, culture and religion	3.1	7.2	6.2	3.0	3.9	10.5	39.4	16.3
Education (includes training)								
Secondary education	–	–	–	–	–	–	–	–
Post-secondary non-tertiary education	188.0	435.7	307.2	253.8	369.8	294.6	526.5	454.6
Tertiary education	466.0	1,085.2	876.9	676.6	751.5	639.9	1,918.5	1,365.2
Education not definable by level	63.2	145.0	111.1	86.5	120.9	126.3	164.7	152.2
Subsidiary services to education	2.2	5.0	3.5	2.9	4.2	3.4	6.0	5.2
R&D education	0.1	0.3	0.2	0.2	0.2	0.2	0.3	0.3
Education n.e.c.	8.2	19.1	9.1	11.2	15.5	13.1	25.4	21.2
Total education (includes training)	727.7	1,690.3	1,308.0	1,031.2	1,262.1	1,077.6	2,641.5	1,998.7
TOTAL FOR INNOVATION, UNIVERSITIES AND SKILLS	788.3	1,892.0	1,443.8	1,127.2	1,357.5	1,367.9	3,042.0	2,344.7

See note to Table 7.

(£million)

South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside UK	Total identifiable expenditure	Not identifiable	Total
–	44.7	–	–	–	44.7	–	44.7	–	44.7
–	–	–	–	–	–	–	–	–	–
–	44.7	–	–	–	44.7	–	44.7	–	44.7
0.9	9.7	1.1	0.8	–	11.6	11.7	23.3	–	23.3
1.4	14.3	–	–	–	14.3	–	14.3	–	14.3
87.3	1,260.9	150.8	40.6	10.7	1,462.9	167.6	1,630.5	440.7	2,071.2
89.6	1,284.9	151.9	41.4	10.7	1,488.8	179.3	1,668.1	440.7	2,108.8
23.2	100.3	15.8	3.5	0.2	119.8	43.0	162.8	183.6	346.4
23.2	100.3	15.8	3.5	0.2	119.8	43.0	162.8	183.6	346.4
10.7	230.3	21.6	5.5	0.5	257.8	6.3	264.1	259.0	523.0
10.7	230.3	21.6	5.5	0.5	257.8	6.3	264.1	259.0	523.0
4.7	94.4	7.5	2.5	1.1	105.5	0.1	105.6	–	105.6
4.7	94.4	7.5	2.5	1.1	105.5	0.1	105.6	–	105.6
–	–	–	–	–	–	31.3	31.3	–	31.3
303.9	3,134.2	–	–	–	3,134.2	–	3,134.2	–	3,134.2
699.4	8,479.3	–	37.7	–	8,517.0	2.9	8,519.9	–	8,519.9
101.9	1,071.9	20.0	10.0	1.8	1,103.7	–	1,103.7	–	1,103.7
3.5	35.9	–	–	–	35.9	–	35.9	–	35.9
0.2	2.0	–	–	–	2.0	–	2.0	–	2.0
13.1	135.8	0.7	0.3	–	136.9	0.7	137.6	–	137.6
1,121.9	12,859.1	20.7	48.0	1.8	12,929.6	34.9	12,964.5	–	12,964.5
1,250.2	14,613.6	217.5	100.9	14.3	14,946.2	263.5	15,209.7	883.3	16,093.0

Table 10 Total spending within Departmental Expenditure Limits[1]

(£000)

	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans
Consumption of resources									
Higher education	6,359,745	6,805,769	6,894,682	7,780,700	8,143,832	8,938,527	9,504,919	9,965,595	10,512,697
Further education and skills	3,863,073	4,180,207	4,269,419	4,384,956	4,235,093	4,642,494	4,739,054	4,989,302	5,318,943
Innovation	190,049	121,905	235,658	229,712	265,745	379,273	352,735	397,419	391,124
Science	2,056,689	2,297,907	2,578,225	3,138,772	3,253,337	3,551,661	3,646,189	3,881,489	4,112,368
Activities to support all functions	57,042	61,999	66,447	63,963	62,631	55,377	125,482	126,182	131,303
Total for Department for Innovation, Universities and Skills[2]	12,526,598	13,467,787	14,044,431	15,598,103	15,960,638	17,567,332	18,368,379	19,359,987	20,466,435

1 This table only includes figures in DEL and is therefore not directly comparable with Tables 1, 2 and 3, as they include figures within AME. Amounts include both resource and capital expenditure, and depreciation.
2 The total may differ slightly from the sum of the individual lines because of rounding errors.

Table 11 Detailed breakdown of spending by function within Departmental Expenditure Limits, 2002–03 to 2010–11[1]

(£million)

	2002–03 Outturn	2003–04 Outturn	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Estimated outturn	2008–09 Plans	2009–10 Plans	2010–11 Plans
Higher education	6,360	6,806	6,895	7,781	8,144	8,939	9,505	9,966	10,513
of which:									
Higher Education Funding Council for England	4,916	5,324	5,616	6,283	6,544	6,865	7,074	7,314	7,669
Student Loans RAB Charge[2,4]	457	444	718	581	582	560	573	584	606
Student Fee Loans RAB Charge	–	–	–	–	128	341	596	722	782
Student loans management of provision[3,4]	282	325	-207	18	-105	10	23	26	33
Student Support Grants	541	542	614	758	860	1,005	1,033	1,105	1,160
Access funds and bursaries	97	98	78	72	64	56	50	50	50
Student support administration	46	51	51	54	55	64	88	81	83
Other miscellaneous programmes	20	21	25	15	15	38	68	85	130
Adult further education and skills	3,863	4,180	4,269	4,385	4,235	4,642	4,739	4,989	5,319
of which:									
Learning and Skills Council (adult further education and skills)[5]	3,447	3,798	3,852	3,989	3,853	4,192	4,284	4,475	4,754
Funding not routed through the LSC:[6]									
Adult Education and Skills Strategy	245	172	182	191	168	176	216	264	334
Career development loans (non-LSC element)[7]	14	14	16	2	2	2	2	2	2
Union Learning Fund (non-LSC element)[7]	7	2	2	2	5	18	18	18	18
Ufi Learndirect (non-LSC element)[7]	50	45	13	–	–	–	–	–	–
Offenders' learning and skills (non-LSC element)[7]	59	101	105	92	36	21	10	10	10
Further education improvement (formerly Post-16 Standards)	13	21	53	73	127	158	159	168	146
Other miscellaneous programmes	27	27	46	36	45	75	50	52	55
Innovation	190	122	235	230	266	379	353	397	391
of which:									
Technology strategy activities	–	–	–	38	105	232	198	257	267
Design Council	6	7	10	7	6	6	6	6	6
Space	85	42	38	38	28	51	65	50	36
Other innovation programmes	99	73	187	147	127	90	84	84	82
Science	2,057	2,298	2,578	3,139	3,253	3,551	3,646	3,881	4,112
of which:									
Arts and Humanities Research Council	–	–	–	66	89	106	103	104	109
Biotechnology and Biological Sciences Research Council	253	269	296	318	374	393	397	432	471
Economic and Social Research Council	78	90	106	267	146	156	165	171	178

Table 11 *continued*

	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans
Engineering and Physical Sciences Research Council	510	376	484	555	645	750	757	795	844
Medical Research Council	349	409	401	397	545	552	585	638	707
Natural Environment Research Council	238	294	316	377	370	385	392	408	436
Particle Physics and Astronomy Research Council	249	273	297	333	332	–	–	–	–
Council for the Central Laboratory of the Research Councils	40	117	163	212	217	–	–	–	–
Science and Technology Facilities Council	–	–	–	–	–	656	617	624	652
Research Councils' Pensions Scheme	28	30	31	–	–	–	–	–	–
Royal Society	29	29	31	33	36	41	43	46	49
Royal Academy of Engineering	5	5	6	6	8	10	10	12	13
British Academy	–	–	–	14	17	21	23	25	26
Diamond Synchrotron	15	37	85	74	45	–	–	–	–
Joint Infrastructure Fund	85	44	25	1	1	–	–	–	–
Science Research Investment Fund	105	262	206	383	305	360	267	258	215
Higher Education Innovation Fund	23	24	70	65	78	82	85	99	113
Other minor science programmes	36	22	44	33	39	30	97	130	36
Large Facilities Capital Fund[8]	–	–	–	–	–	–	105	138	265
Administration	14	16	17	8	8	9			
Activities to support all functions	57	62	66	64	64	57	125	126	131
Total Department for Innovation Universities and Skills DEL	12,527	13,468	14,044	15,598	15,961	17,567	18,368	19,360	20,466

This table provides for further analysis of Table 10.

1 Figures for 2008–09 to 2010–11 exclude any funding to be financed from Departmental end-year flexibility. Totals may not sum due to rounding.

Higher education

2 The Student Loans RAB Charge represents the future cost to government of subsidising and writing off the student loans issued in that year: it does not represent the amount of cash lent to students, which has risen each year since the introduction of student loans. From 2005–06 the Student Loans RAB Charge is based on a discount rate of 2.2% rather than 3.5%.

3 The student loans management of provision line reflects the standard accounting transactions that are made each year to manage the provision for the outstanding loan stock as well as one-off changes to the level of provision, such as adjustments for under and over-provision in previous years. During 2004–05 forecast models used in predicting the Student Loans RAB Charge were updated, resulting in a £252 million credit adjustment to the amounts previously set aside on the Department's balance sheet to meet the expected future costs of student loans. In 2006–07 a similar credit adjustment of £109 million was made. Since the DfES DAR2007 the management of provision line has been significantly adjusted. This was due mainly to a classification change of key elements of this line from DEL into AME as well as making appropriate adjustments for an underprovision on the provision set aside for maintenance loans. This reclassification reduced the total higher education DEL by around £500 million in 2007–08.

4 Planned and actual expenditure on Welsh students has been removed from the Student Loans RAB Charge and Student Support Grants to reflect the devolution of student support to the National Assembly of Wales (but cannot be excluded from the management of provision line).

Adult further education and skills

5 This line covers funding which the LSC manages on DIUS policies for further education and skills. DIUS and the LSC also manage funding on behalf of the Department for Children, Schools and Families. See Table 14 for further detail of all LSC expenditure.

6 The majority of funding for further education and skills is managed by the LSC. In addition, the following funding is not routed through LSC, although the LSC also manages some funding on these programmes which is included in the LSC line.

7 These lines do not show the full expenditure on these programmes as some expenditure is included in the LSC line above. In particular where funding reduces significantly, this is because funding has been transferred to LSC and expenditure is included in the LSC line above.

Science

8 Large Facilities Capital Fund budget where specific allocations have not yet been confirmed.

Table 12 Breakdown of expenditure by the Learning and Skills Council within Departmental Expenditure Limit,[1] 2002–03 to 2010–11

The LSC is responsible for the funding of all post-16 education and skills except higher education and therefore covers both DIUS and Department for Children, Schools and Families (DCSF) investment. Investment through the LSC in the further education system has increased by 52% in real terms between 1997–98 and 2006–07. The LSC Statement of Priorities, published in November 2007, stated that total LSC planned expenditure (excluding funding allocated for administration) would rise to £11.4 billion for 2008–09, increasing to £12.4 billion by 2010–11. Planned participation funding for adults is set to rise to £3.6 billion by 2010–11.

In line with the LSC Statement of Priorities (November 2007), public investment continues to be focused on supporting adults to acquire the skills necessary for economic success and social inclusion. On average we plan to invest around £1.5 billion per year over the Comprehensive Spending Review (CSR) period to support a full range of first step and progression programmes encouraging adults into learning. As well as improving skills levels and employability, this learning will help strengthen families and communities, and improve social justice and community cohesion.

Reconfirming the Government's commitment to transforming the further education system, capital investment will total over £2.3 billion over the CSR period. This will enable capacity building to ensure that further education colleges and providers are equipped to provide training that meets the skills needs of employers.

The table below provides a breakdown of expenditure by LSC from 2002–03 to 2010–11. The presentation of this table reflects the Machinery of Government changes of June 2007 which led to the LSC being funded by two departments (Department for Innovation, Universities and Skills; and Department for Children, Schools and Families).

(£million)

Programme	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
	Outturn	Outturn	Outturn	Outturn	Provisional outturn	Forecast	Planned	Planned	Planned
EXPENDITURE ON BEHALF OF THE DEPARTMENT FOR CHILDREN, SCHOOLS AND FAMILIES									
DCSF participation									
School sixth forms	1,399	1,525	1,655	1,783	1,944	2,040	2,054	2,082	2,101
16–19 Further education	1,824	2,211	2,297	2,802	3,063	3,132	3,300	3,416	3,556
16–18 Apprenticeships	532	565	615	592	587	593	637	705	776
Entry to employment	74	206	247	222	187	198	185	186	191
Specialist provision for learners with learning disabilities and/or difficulties	79	105	125	146	170	203	196	236	276
Total DCSF participation	3,907	4,613	4,938	5,546	5,951	6,166	6,372	6,625	6,900
DCSF learner support and development	104	147	161	596	716	823	711	677	665
14–19 Capital grants	18	20	15	1	30	95	210	210	240
Total DCSF	4,029	4,780	5,114	6,142	6,697	7,084	7,293	7,512	7,805
EXPENDITURE ON BEHALF OF THE DEPARTMENT FOR INNOVATION, UNIVERSITIES AND SKILLS									
DIUS participation									
19+ Further education	1,726	1,882	1,902	2,011	1,915	1,874	1,785	1,719	1,741
Ufi/learndirect	115	194	169	201	171	156	168	168	168
Apprenticeships and work-based learning	211	213	243	232	218	263	319	353	375
Train to Gain	7	33	89	142	194	331	657	777	1,023
Adult safeguarded learning	198	225	241	229	222	221	210	210	210
Offender learning and skills service	–	–	9	35	101	115	122	125	128
Total DIUS participation	2,257	2,547	2,654	2,849	2,821	2,960	3,261	3,352	3,645
DIUS learner support and development	719	706	562	477	420	487	337	333	333
19+ Capital	217	279	393	376	397	465	484	610	610
LSC administration[1]	265	269	244	290	216	237	215	210	206
Total DIUS[2]	3,457	3,801	3,852	3,991	3,853	4,149	4,297	4,505	4,794
Total	7,487	8,581	8,967	10,134	10,550	11,233	11,590	12,017	12,599

Source: LSC published accounts to 2005–06, LSC unaudited accounts 2006–07, forecast LSC outturn 2007–08 and planned LSC expenditure from 2008–09 onwards

1 Administration includes the costs of fixed assets and provisions for liabilities and charges. It also includes £13 million, £6 million and £17 million in 2008–09, 2009–10 and 2010–11 respectively, planned to be funded from Departmental non-cash end-year flexibility.

2 The totals in this table differ slightly from LSC totals for DIUS shown elsewhere in the Departmental Report as they include some funding for Train To Gain, which is routed through RDAs, show gross expenditure, excluding some income, and exclude programmes not funded by DIUS or DCSF. The totals in this table also include some non-cash resources planned to be financed from departmental end-year flexibility.

Table 13 Numbers of adult learners in England, 2006–07 to 2010–11

The table below sets out the projected numbers of adults in learning across the range of LSC-funded programmes from 2006–07 to 2010–11. These are based on LSC modelling and are consistent with those presented in the LSC Statement of Priorities (November 2007). It is expected that over the CSR period public investment will support on average over 3 million adult learners per year.

(000s)

	2006–07	2007–08	2008–09	2009–10	2010–11
Total learners	3,063	3,086	3,129	2,898	3,142
of which[1]					
Foundation learning tier	371	375	378	381	384
Skills for Life	1,138	1,147	1,227	1,227	1,227
Full Level 2	427	631	736	780	825
Full Level 3	160	210	273	301	521
Apprenticeships	92	106	113	123	125
Adult safeguarded learning	658	660	630	605	585
Developmental learning[2]	–	–	508	219	116

Source: Learning and Skills Council's annual Statement of Priorities

1 Due to the overlap of some categories of learning the figures in each category will not sum to the total.
2 Developmental learning is defined as learning below Level 2 outside of the national qualifications framework and learning above Level 3 and is based on indicative figures published in the LSC Statement of Priorities, November 2007.

Table 14 Total amounts allocated to further education colleges by the Learning and Skills Council for England, 2001–02 to 2006–07

Alongside planned further education participation funding earmarked for colleges, the LSC also records total funding received by colleges. The table below sets out the total amounts allocated to colleges by the LSC between 2001–02 and 2006–07. This includes funding for further education participation, other types of participation (including for work-based provision), raising standards, capacity building and capital, and shows that total college income from public funding increased by over £1.8 billion between 2001–02 and 2006–07. Colleges increasingly have access to funding outside further education participation, for example participation funding through the Train to Gain programme, which will rise to over £1 billion in 2010–11.

In addition over the next three years we expect more people to contribute to the costs of learning where they are able to, with more colleges and providers generating income from their ability to meet existing and growing demand. Furthermore where provision is no longer attracting public funding but is valued by learners/employers we expect colleges and providers to continue to offer it on a full-cost basis.

(£million)

	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07[2]
Total funding provided to colleges[1]	4,102	4,400	4,788	5,081	5,590	5,931

Source: LSC published accounts

1 Colleges refers to general further education colleges, specialist colleges (including agricultural and art and design colleges), external institutions and higher education institutions delivering further education, but excludes work-based learning providers and school sixth forms.
2 The 2006–07 figure is produced on a slightly different basis and reflects the Council's unaudited management accounts rather than the audited statutory accounts used in previous years.

Table 15 Funding per full-time equivalent student in further education

The table below sets out the unit funding per full-time equivalent student in further education between 1997–98 and 2010–11, based on DCSF and DIUS figures for further education participation budgets. Real terms variations in the unit of funding are influenced by a range of factors which are hard to predict, including fluctuations in full-time equivalent student volumes and the timing when funding is brought to account. The increase in unit funding between 2001–02 and 2003–04 reflects the consolidation of previously ring-fenced funds for pay and staff training into core participation funding alongside the Success for All strategy, and an increase in the numbers of adults taking short courses.

The unit funding series shows a break in 2003–04 to reflect a change in the month in which the number of learners was measured on the LSC Individualised Learner Records.

As demonstrated in earlier tables, the LSC fund a wide range of programmes outside of further education including apprenticeships and work-based learning, Train to Gain, the foundation learning tier and a range of adult safeguarded learning. The new funding approach for 2008–09 introduces the concept of standard learner numbers, a measure of volume of learning which can be applied across funding streams. The Department will continue to look at future presentation of further education funding per full-time equivalent in this context.

	1997 –98	1998 –99	1999 2000	2000 –01	2001 –02	2002 –03	2003 –04	2004 –05	2005 –06	2006 –07	2007 –08	2008 –09	2009 –10	2010 –11
	Outturn[3]	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn[5]	Outturn	Outturn[9]	Outturn[9]	Estimated outturn[9]	Plans	Plans	Plans
Funding per full-time equivalent student[1]														
Funding for participation (£)[2,4,7,8]	**3,070**	**3,090**	**3,290**	**3,470**	**3,810**	**3,940**	**4,360**							
Real terms index[6]	**100**	**98**	**102**	**107**	**114**	**115**	**123**							
Funding per full-time equivalent student[1]														
Funding for participation (£)[2,4,7,8]							**4,240**	**4,320**	**4,880**	**5,240**	**5,600**	**5,620**	**5,780**	**5,890**
Real terms index[6]							**100**	**99**	**110**	**115**	**120**	**117**	**117**	**116**

1 FTE students funded by the LSC in further education sector colleges, external institutions, specialist designated institutions, dance and drama institutions or higher education institutions.
2 Rounded to the nearest £10.
3 1997–98 only, includes assumed additional employer contributions.
4 From 1999–2000 onwards, excludes 18,500 FTE Higher National Certificate/Diploma students and associated funding, which was transferred to the Higher Education Funding Council for England
5 A break in the series shown in 2003–04. This follows a change in the method of measurement, meaning that learners leaving between October and November are now captured by the data source, resulting in a larger estimate of FTEs.
6 The real terms funding index has been based with 1997–98 as 100, and rebased in 2003–04 as 100 due to the break in the series, and has been calculated using GDP deflators
7 Unit funding figures from 1997–98 to 2005–06 are based on the actual expenditure by the LSC and actual FTE volumes.
8 Funding for participation includes 16–18 and 19+ further education and LSC specialist colleges for learners with learning disabilities and/or difficulties. It also includes Teachers' Pension Scheme (TPS), Teacher Pay Initiative (TPI) and some Standards Fund resources, which were consolidated in 2003–04. Funding for participation excludes LSC UfI/learndirect or personal community development learning/adult community learning.
9 The funding per FTE figures for 2005–06, 2006–07 and 2007–08 have been adjusted to more accurately reflect the timing of cash demands on colleges across academic years.

Table 16 Funding per full-time equivalent student in higher education

The table below sets out the unit of funding per full-time equivalent (FTE) student in higher education between 2002–03 and 2010–11. The table reflects DIUS expenditure per student and includes both institutional funding (including research grant) and expenditure on student support.

The total expenditure per student line gives a high-level indication of expenditure per student (using all non-overseas students as the denominator). Figures cannot be used to calculate the cash available to students, as loan costs are based on the resource cost to government rather than the cash available to students, and not all students will be eligible for the full student support package. Forecasts from 2008–09 onwards are not provided as expenditure will depend on demand for grants and loans, and the total number of students will be affected by the demand for places by students not funded by the Higher Education Funding Council for England (HEFCE).

The teaching grant per DIUS-supported student line divides the HEFCE recurrent grant for teaching by the number of DIUS-supported students (estimated forward to 2010–11). Historical figures in the real term index series will be influenced by actual inflation rates (compared with our estimates at the time that budgets were set) as well as variations in the numbers of DIUS-supported students entering higher education in comparison with planned estimates.

FY figures	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
	Actual	Actual	Actual	Actual	Provisional	Plans	Plans	Plans	Plans
Total expenditure (£million)	5,604	5,943	6,288	6,884	7,408				
of which:									
HEFCE recurrent grant for teaching[1]	3,610	3,861	4,058	4,339	4,567	4,766	4,915	5,085	5,295
Research grant	974	1,047	1,071	1,204	1,299	1,389	1,444	1,509	1,634
Grant for employer co-funded places	–	–	–	–	–	–	5	10	30
Student support – English and EU students studying in England only – *of which*[2]	1,020	1,035	1,159	1,341	1,542	–	–	–	–
Grants (including Access to Learning Fund)	461	459	573	723	837	–	–	–	–
Loans (RAB cost)[3]	513	525	535	564	650	–	–	–	–
All home and EU domiciled in English higher education institutions (FTEs, '000s)[4]	1,216	1,239	1,256	1,287	1,295	–	–	–	–
Total expenditure per student (cash terms)	£4,607	£4,798	£5,005	£5,348	£5,719	–	–	–	–
DIUS-supported students (FTEs, '000s)	1,048	1,067	1,077	1,098	1,118	1,140	1,156	1,156	1,165
Teaching grant per DIUS – supported student (cash terms)	£3,444	£3,619	£3,768	£3,950	£4,085	£4,181	£4,253	£4,398	£4,544
Real terms index (against planned 2005–06 figure of £3,900)	–	–	–	100	102	101	100	101	101

1 HEFCE teaching and research grant expenditure is based on planned expenditure. Figures exclude participation funding for employer co-funded places.
2 Student support expenditure includes costs associated with administering student support. It does not include expenditure on English domiciled students studying in non-English institutions. Nor does it cover expenditure by the devolved administrations on Welsh, Scottish and Northern Irish students studying in English institutions.
3 Loan figures are the latest estimated resource cost to the government of providing the loans and do not represent the cash available to students.
4 Numbers include students who are not HEFCE fundable or eligible for student support, and are based on an assumption that the average FTE of a part-time student is 0.38. This assumption may be revised in the future.

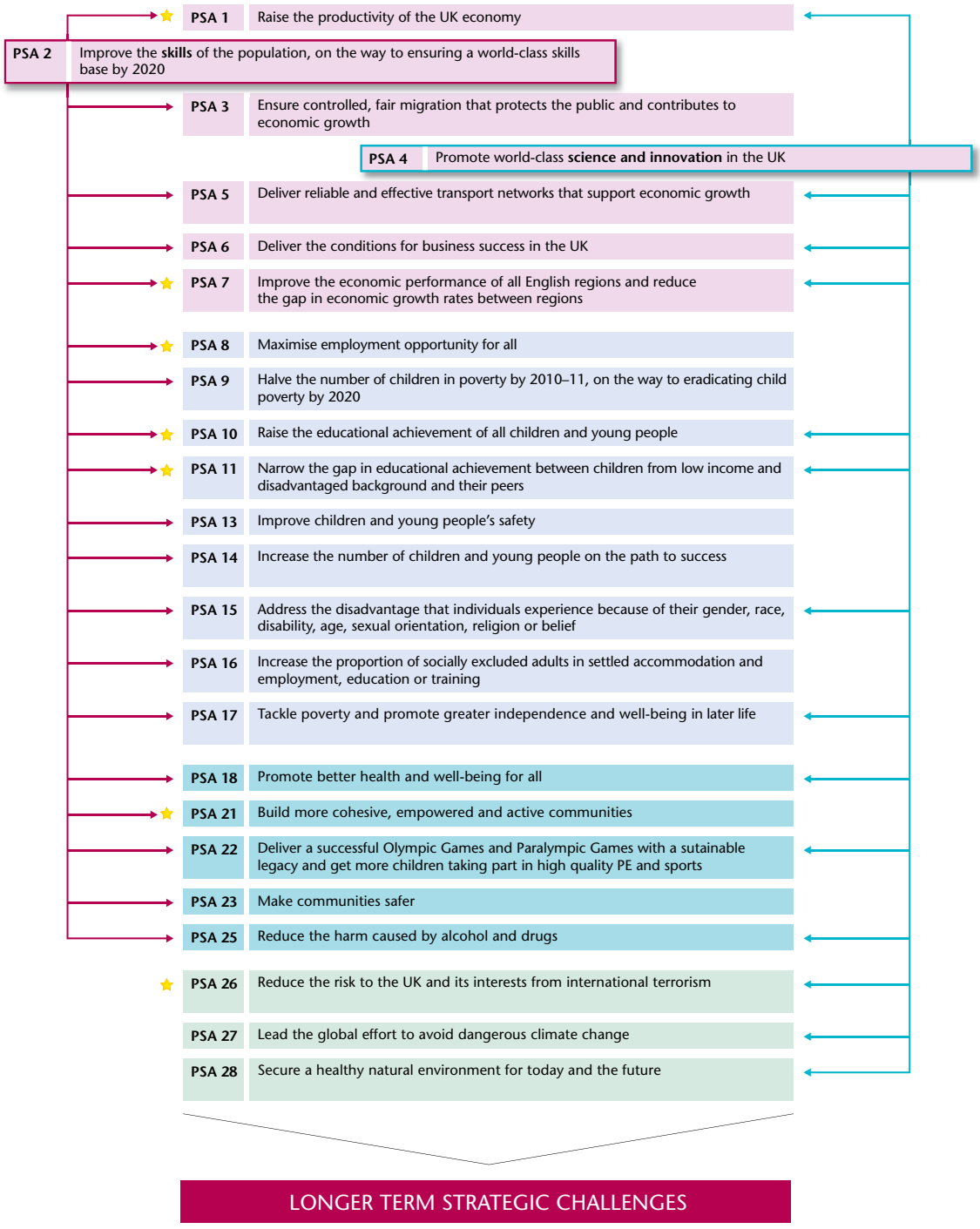
ANNEX 3
DIUS RISK COMMITTEE

THE RISK COMMITTEE

A Departmental Audit and Risk Committee (ARAC) has been established, meeting five times a year, to advise the Accounting Officer and the Board on audit, risk and control issues, to make recommendations on risk management strategy, and to ensure that we meet corporate governance requirements.

Risk	Owner
Failure to ensure that better education, research and innovation outputs translate into better economic and social outcomes	Ministerial team and Board
Failure to persuade employers and/or learners that it is worth investing more of their time, money and energy in education, training and skills on the scale needed to meet the Government's objectives	David Lammy and Stephen Marston
Budget pressures because: (i) so much of our budget is based on external, demand-led factors for which forecasts are difficult as a result of recent policy change; and (ii) new Department creates additional challenges in managing budgets	Ian Watmore and Nick Edmonds
The sale of student loans does not generate the expected income for Government due to weak market conditions that create poor value for money	Baroness Delyth Morgan and Ruth Thompson
Sector instability and reform overload in further education – that the key delivery partners become distracted from delivering "business as usual" due to uncertainty over the future organisational shape of the sector, or as a result of the sheer scale of change	Bill Rammell and Susan Pember
DIUS' reputation for investment in science and innovation is damaged because we do not succeed in communicating the impact of our investment to key stakeholders and media commentators	Ian Pearson and Alun Evans
Failure to deliver on the vision for the Department (through the blueprint) due to poor prioritisation, misaligned resources or insufficient influence in Whitehall	Ian Watmore and Gareth Davies

ANNEX 4
CROSS-GOVERNMENT (PSAs)



★ DIUS SITS ON DELIVERY BOARD

For all other PSAs listed, DIUS is responsible for activities or programmes which will contribute to the achievement of the PSA objective, but does not sit on the delivery board. Annex 1 of this business plan provides further detail on how we will contribute to the achievement of these cross-government PSAs. DIUS's delivery partners also have a key role to play in the delivery of many of the above cross-government PSA objectives.

ANNEX 5
REPORTING AGAINST EFFICIENCY PROGRAMMES

TARGET SETTING

The Spending Review 2004 (SR04) efficiency targets were agreed prior to the creation of DIUS by the Department of Trade and Industry (DTI) and the Department for Education and Skills (DfES), as follows:

- The total target for annual efficiency gains for DfES was £4.35 billion and for the DTI was £380 million by 2007–08.
- DfES committed to a total reduction of 1,960 posts and the DTI to a reduction of 1,010 posts in the core department by 2007–08.
- DfES committed to relocation out of London and the South East of 800 posts and the DTI to the relocation of 710 posts by 2010.

Responsibility for the attainment of these targets is now shared with DIUS and it has an agreed indicative share of the targets in the areas that are now part of the Department: science, innovation, further education and skills and higher education. The Permanent Secretaries of each of the departments have jointly committed to the achievement of the legacy targets.

THE TARGETS

Following Machinery of Government changes in June 2007, DIUS has taken on shared responsibility for delivery of efficiency lines that have been transferred from the DTI and DfES. DIUS plans to:

- contribute to the annual efficiency gains over the SR04 period, by achieving in excess of its indicative target contribution of £622.2 million;
- relocate 223 posts from the Department and its partner organisations out of London and the South East by 2010.

Headcount targets set by the DTI and DfES for the SR04 period remain in their entirety with the Department for Business, Enterprise and Regulatory Reform (BERR) and the Department for Children, Schools and Families (DCSF).

PERFORMANCE

Annual efficiency gains: A contribution of £847.9 million of efficiency gains has been recorded by the end of December 2007 in those areas for which DIUS is now responsible, of which £569 million is cashable. Performance exceeds the Department's total indicative target of £622.2 million. DIUS is in discussion with HM Treasury over carrying forward £63.2 million of this overachievement, plus a proportion of any further overachievement, in recognition of its early progress against its new Comprehensive Spending Review (CSR) targets. The exact figure agreed for any carry forward will be dependent on final outturns once SR04 efficiency data is finalised against the legacy DfES and DTI efficiency targets.

Relocations: Achievement of the total target is on course – 75 relocations have been recorded against a target of 223 posts planned to be delivered by 2010.

BASELINES

The baselines for performance measurement are set out in the DTI and DfES Efficiency Technical Notes, which are available on the BERR and DCSF websites respectively.

WORKSTREAM DESCRIPTIONS

The Department is continuing to support the achievement of targets set by its predecessor Departments, delivering a number of key initiatives across its services, including:

- for higher education and further education and skills – improving procurement practice, improving use of capital assets and estate modernisation, improving efficiency in corporate services, reducing administration costs and improving use of ICT;
- for science and innovation – improving efficiency in the Research Councils, improving the use of capital assets and reducing administration costs.

The Department has achieved gains in a number of key areas, including improving procurement practices.

Further descriptions of each major workstream, including measurement metrics and methodologies, data sources and quality assurance measures are included in the DTI and DfES SR04 Efficiency Technical Notes.

QUALITY

A number of quality measures are being tracked to ensure that the efficiencies do not lead to reductions in quality. In parallel with reporting on efficiency, DIUS is reporting on its progress towards the achievement of its Public Service Agreement targets.

DATA SUFFICIENCY

Quarterly reports of efficiency savings are presented to the Permanent Secretary and externally to the Office of Government Commerce and HM Treasury, following the standard classification guidelines and across four dimensions – measurement methodology, data maturity, service quality and data assurance – to enable reporting at government-wide level on progress against Gershon targets.

TRANSITION FROM SR04 TO THE CSR VALUE FOR MONEY PROGRAMME

The Department has made substantial progress in achieving efficiency gains through its SR04 Efficiency Programme and has identified scope to build on this and go further in the next spending period. The Department has published its Value for Money Delivery Agreement for the CSR period, setting out how it plans to achieve value for money gains in excess of £1.5 billion. Progress against the new plans will be set out in the Department's Autumn Performance Report.

CASE STUDY
IMPROVED PROCUREMENT PRACTICE

Regional procurement network meetings are encouraging collaboration across the further education sector and, where possible, the post-compulsory education system as a whole. In the South West, this has led to significant savings being realised in both the further education and higher education sectors.

Mike Pearce, Procurements Contracts Officer at the University of Exeter, explained: "Working with the Learning and Skills Council Networking Group has enabled us to reach out to a wider group of institutions, resulting in a shared direction and increased savings and efficiencies.

"We've been able to allow colleges to participate in new contracts for waste management and vehicle hire. The combined savings for all participating institutions committed to date is £1.9 million over the lifetime of the two agreements."

John Ward, Procurement Officer at Cornwall College, agrees: "Although still in its infancy, the regional collaboration and sharing of services with procurement colleagues in the higher education sector has already proved to be extremely beneficial to Cornwall College. The additional leverage we've accrued has resulted in cashable savings and added value."

Finally, North Western Universities Purchasing Consortium, members of the English National Purchasing Consortium and the Crescent Purchasing Consortium of further education colleges have entered into closer collaborative arrangements with OGCbuying.solutions.

The consortia have identified advantageous buying solutions framework agreements and are actively marketing those deals to their members, reducing duplication and potential confusion in the marketplace. Deals that are being promoted include: mobile solutions, consultancy, property and facilities management, postal services, printing and travel.

ANNEX 6
REPORTING AGAINST BETTER REGULATION PROGRAMMES

BETTER REGULATION IN DIUS JUNE 2007 TO MARCH 2008

DIUS is committed to the Government's better regulation agenda – it encourages innovation and is helping the Department to become an exemplar in policy-making. DIUS has been working to integrate the principles of better regulation into its policy work right from the start; for example, responsibility for better regulation is embedded across the Department in its policy teams and non-departmental public bodies. In turn, they are supported by a single Better Regulation Lead post in the corporate centre. This has helped to provide continuity and ownership, while at the same time creating a strategic, cross-departmental resource to provide consistency, support and leadership.

Some examples of better regulation work which took place in 2007–08:

- **The Further Education and Skills Peer Review Group**. This group has been set up to work with policy teams, helping them to fully assess the impacts of their policy options and really think through all the costs and the benefits of proposed interventions, including the impact on learners, employers and providers. In this first year it has made a difference, by embedding the importance of impact assessment; 11 draft impact assessments have been reviewed by the group and it has given advice on amendments and improvements. In addition, the group has organised and run training workshops to give policy staff support and guidance on undertaking impact assessments.

- **The Higher Education Regulation Review Group (HERRG)**. This group is the independent gatekeeper for higher education. It includes senior managers from the sector and is chaired by Steve Bundred, Chief Executive of the Audit Commission. Its task is to review the administrative burdens placed upon higher education institutions by the Government and its agencies, and to identify how those burdens might be reduced. In 2007–08, HERRG continued to encourage Departments and agencies to become signatories to its Higher Education Concordat for quality assurance and data collection and 29 have now committed themselves to a risk-based approach and to reduce unnecessary burdens from external bureaucracy and regulation. Largely due to

the success of the Concordat, HERRG's main objective has been achieved; there has been a systemic improvement to the way higher education in England is regulated, with the main funding and regulatory bodies clearly buying into the principles of better regulation. HERRG is now considering the best way to ensure that the higher education sector embeds these principles in the way it works, and will be making recommendations to Ministers during summer 2008.

- **The London Agreement**. Although originally negotiated some time ago, this year enough member countries have now ratified this European agreement to allow it to come into effect. It is expected to significantly reduce the cost of applying for patents through the European Patent Office by almost halving the current costs of translating an average European patent. The Intellectual Property Office has also launched an online patent application service, allowing users to apply for patents online and provide their inventorship information using a web-based interface.

Simplification and administrative burden reduction

In 2006, the Government accepted the recommendation of the Better Regulation Task Force to measure and then reduce the administrative costs imposed on businesses by government legislation. Each government Department has an administrative burden target of 25 per cent. The estimated administrative burden of the regulations which passed to DIUS in June 2007 totalled £542 million per year (calculated as at May 2005). Of this, simplifications saving £121.7 million (22 per cent) had been delivered by December 2007.

In autumn 2007 DIUS published its first simplification plan. The plan outlined nine initiatives to reduce bureaucracy that DIUS has completed since the Department was formed. A further 33 measures listed in the plan are either under way or identified, and will be completed between April 2008 and May 2010.

ANNEX 7
REPORTING ON SUSTAINABILITY

DIUS has successfully delivered eight of the nine Sustainable Development Action Plan (SDAP) commitments inherited from the Department of Trade and Industry, covering the work of the Research Councils, Energy Technologies Institute, Technology Strategy Board and GO-Science. DIUS will also reassess and address relevant commitments inherited from the Department for Education and Skills SDAP. For example, through the Learning and Skills Council's capital investment programme Building Colleges for the Future, we are now introducing new standards that will encourage innovation in sustainable design and construction, which will lead to a reduction of the further education sector's carbon footprint. We have also underscored the importance of sustainability issues in the higher education sector in the annual Higher Education Funding Council for England (HEFCE) grant letter, and in particular provided capital support for the HEFCE "revolving green fund", which will fund invest-to-save introductions of energy-saving technologies.

We are currently undertaking a scoping study to identify the activities already under way in DIUS and its delivery bodies so as to enable us to baseline what we are doing to tackle climate change with a view to:

- identifying where delivery bodies are already working on climate change, including with other government Departments;
- identifying areas where DIUS might do more to tackle climate change;
- mapping significant stakeholders;
- mapping other initiatives from across government that are being communicated to our areas; and
- mapping other initiatives from the voluntary or private sector that are being communicated to our areas.

Furthermore, following the completion of a preliminary analysis of the Department's six Departmental Strategic Objectives (DSOs), we are looking to develop an SDAP that both informs and reflects the activities of this Department going forward. The SDAP will identify how sustainable development fits with DIUS's core business, activities and objectives, and will set out how we will action sustainable development in practice in both operations and policy-making. The SDAP will also identify key commitments for the year ahead.

ANNEX 8
SPENDING ON SPONSORSHIP AND ADVERTISING

Strategy and Communications Directorate holds the central advertising and publicity budget, which was £3.294 million for the financial year 2007–08. A total of £2.855 million has been spent supporting the Department's policies and programmes. The Student Finance campaign used the majority (£2.215 million) of the budget and was in addition to policy expenditure on the same campaign. The remainder was used to communicate with stakeholders, for skills communications and ongoing work on the Departmental website and other channels. Examples of the type of communications we have supported are:

- working alongside DWP in a joint venture hosting a conference for employers (£96,000);
- a joint venture with the TUC on online guidance (£7,000); and
- supporting the Olympic Skills Legacy (£11,750) as well as building information on customer journeys to inform future communication.

ANNEX 9
OUR KEY DELIVERY PARTNERS

	Higher Education Funding Council for England (HEFCE)	Student Loans Company (SLC)	Office for Fair Access (OFFA)	Learning and Skills Council (LSC)	
Chief Executive	David Eastwood	Ralph Seymour-Jackson	David Barrett (Assistant Director)	Mark Haysom	
Type of body	NDPB	NDPB	NDPB	NDPB	
DIUS sponsor (group and named individual)	HE Strategy – Dave Laing	HE Strategy – Dave Laing	HE Strategy – Dave Laing	FE and Skills – Chris Thompson	
Approximate full-time equivalents	240	1,280	3	3,630 (establishment figure)	
Budget (£m) **2008–09** **2009–10** **2010–11**	 7,466.7 7,706.3 8,061.0	 82.3 74.7 77.1	 0.5 0.49 0.48	 11,589 12,017 12,599	
Key functions	• Distribute public money to higher education institutions • Promote high-quality education and research • Ensure accountability and promote good practice	• Provide financial services to higher education institutions and students throughout the UK • Administer the collection of repayments	• Promote and safeguard fair access to higher education for under-represented groups	• Funding and commissioning post-16 learning (up to but not including higher education) in England	

	Commission for Employment and Skills (CES)	New FE sector-owned improvement body	National Weights and Measures Laboratory (NWML)	UK Intellectual Property Office (UKIPO)	Research Councils (RCs)
	Chris Humphries	Sue Dutton (interim CEO)	Peter Mason	Ian Fletcher	Philip Hesler; Steve Visscher; David Delpy; Ian Diamond; Leszek Borysiewicz; Alan Thorpe; Keith Mason
	Executive NDPB and company limited by guarantee	tbc	Executive agency	Executive agency and trading fund	NDPB
	Joint sponsor team to be established, DIUS led, including DWP, BERR, NI, Scotland and Wales	Learning, Quality and Systems Directorate – Stuart Edwards	Innovation – David Evans	Science and Research – Alun Evans	Science and Research – Alun Evans
	85	120	51	959	9,909 (figure from 2006–07 reports and includes institute/ scientific and technical staff)
	69.7 (DIUS funding) 68.1 (DIUS funding) 67.9 (DIUS funding)	140–150 tbc tbc	4.3 5.2 5.3	57.8 59.9 60.1	3,111.8 3,239.1 3,395.6
	• Assess progress towards 2020 Leitch objective • Work effectively across the four UK nations to support the world-class skills agenda • Advise Ministers and monitor the contribution of the employment and skills system • Advise on the integration of employment and skills-related services • Manage the performance of the Sector Skills Councils	• Strategic commissioning body to support further education organisational development • Improve standards of teaching and learning for the benefit of learners, employers and the wider community	• Responsible for the UK's weights and measures framework • Provision of statutory and commercial metrology services	• Responsible for the UK's intellectual property framework • Responsible for the UK's engagement on intellectual property issues	• The Research Councils aim to deliver a world-class research base and through this create a higher level of economic impact and a better quality of life for people in the UK. The integration of three key outputs is vital to achieving this objective: skilled people, knowledge and innovation

	Technology Strategy Board	Design Council	National Endowment for Science, Technology and the Arts NESTA)	National Physical Laboratory (NPL)
Chief Executive	Iain Gray	David Kester	Jonathan Kestenbaum	Steve McQuillan
Type of body	NDPB	NDPB	NDPB	Government owned contractor operated agency
DIUS sponsor (group and named individual)	Innovation – Fergus Harradence	Innovation – David Evans	Innovation – David Evans	Innovation – Robert Gunn
Approximate full-time equivalents	75	65	95	575
Budget (£m) **2008–09** **2009–10** **2010–11**	 180 243 253	 6.035 6.035 6.035	 38 38 38 Note: NESTA is funded by an endowment from the National Lottery rather than grant-in-aid	 58 59 47
Key functions	• Manage programmes to support technological innovation for DIUS	• Strengthen and support the UK economy and society by inspiring and enabling the best use of design	• Support and promote talent, innovation and creativity in the fields of science, technology and the arts	• NPL is the UK's National Measurement Institute and is a centre of excellence in developing and applying accurate measurement standards, science and technology. • DIUS provides NPL with guaranteed funding to maintain and disseminate current measurement standards and to perform research into new standards, techniques and instrumentation that will support future UK needs and stimulate innovation. • NPL also represents the UK in the international measurement arena.

ANNEX 10
PUBLIC ACCOUNTS COMMITTEE RECOMMENDATIONS

PUBLIC ACCOUNTS COMMITTEE

The Public Accounts Committee (PAC) is the parliamentary committee that examines how well government has used its resources. In the period to 31 December 2007, one Treasury Minute was published replying to a report concerning the Department and its associated bodies.

Follow-up action on recent reports from the Public Accounts Committee recommendations

Details of the main recommendations in the PAC report, the Government's Treasury Minute reply and subsequent action are given below.

The associated National Audit Office (NAO) report can be accessed through www.nao.org.uk and the full PAC report (incorporating the transcript of the hearing) and Treasury Minute replies are available on the PAC site, accessible through www.parliament.uk.

Improving procurement in further education colleges in England

NAO report published: 25 October 2006 – HC 1632 Session 2005–06
PAC hearing: 18 April 2007
PAC 41st report published: 4 October 2007 – HC 477 Session 2006–07
Treasury Minute published: 29 November 2007 – Cm 7275

The 2004 Gershon Efficiency Review proposed procurement as one of the main sources of efficiency savings in the public sector. The Learning and Skills Council (LSC), which funds England's 380 further education colleges, estimates that from an annual procurement expenditure of £1.6 billion, colleges could make savings of £75 million by March 2008.

The savings made by colleges would be available to be redeployed into front-line services for learners. Until recently, many colleges have tended to treat procurement as a low priority and have not taken advantage of modern procurement methods such as purchasing consortia and procurement cards.

In 2004 the former Department for Education and Skills established the Centre for Procurement Performance (CPP), which is tasked with helping the English education system achieve the Gershon procurement efficiency targets. Now located in the Department for Children, Schools and Families, CPP assists DIUS under shared services arrangements.

Main points in PAC report	Progress reported in Treasury Minute	Action since publication of Treasury Minute
1. Many further education colleges have not given sufficient priority to procurement to make real improvements. Available technology has made efficient, electronic procurement more accessible and is enabling organisations to make savings by changing how they buy goods and services. College principals and governing bodies should identify in their business strategies the opportunities for achieving better value for money in procurement, and freeing up resources to be reinvested in front-line services for learners.	Until recently, many colleges have tended to treat procurement as a low priority. With the assistance of the LSC, the CPP has started to draw the attention of the further education sector to the potential savings that could be made by introducing modern procurement measures. The CPP and the LSC have embarked on a stakeholder engagement strategy to raise the issue of procurement among principals and governors.	In its annual grant letter in March 2007, the LSC issued guidance to colleges to describe in their 2007–08 budgets the measures they are implementing to achieve savings. Seminars and workshops in procurement governance have been delivered at the Association of Colleges' principals' and governors' conferences held in November 2007 and March 2008. During the first quarter of 2008, regional meetings of the colleges' finance directors group were given a presentation about procurement and the efficiency agenda to help raise the profile of the programme and the work that is being done. A routemap to help colleges put a governance structure in place for procurement will be published in July 2008.

Main points in PAC report	Progress reported in Treasury Minute	Action since publication of Treasury Minute
2. Poor management information and systems are major barriers to improving procurement in many colleges. The LSC should work with colleges to improve their systems and management information to a point where all can, as a minimum, easily identify expenditure patterns, suppliers and prices for basic items such as fuel, catering and stationery, so that they can assess whether alternative suppliers would offer better value.	Sound management information is a vital component in professional procurement practice, as are improving the availability of procurement management information and the way it is analysed and applied. Colleges have been encouraged to appoint Procurement Liaison Officers to identify current contracts and suppliers; the numbers of transactions; and the amount spent under broad categories of spending. In addition to the above, the Department and the LSC are funding and organising the Unity II e-procurement pilot project in ten colleges and delivering training on the In-Tend Lite e-procurement system in 18 colleges. These systems streamline procurement practices, increase efficiency and also automate the production of up-to-date and accurate procurement management information.	Colleges are continuing to make increasing use of procurement data to improve their procurement practices. The results of the pilots of the In-Tend Lite e-procurement system, due to be completed shortly, will be used to develop systems and practices tailor-made for the further education sector. Following the pilot, In-Tend Lite is being promoted to colleges at network meetings. To date it has been used to support 32 external colleges who have run 50 procurement exercises involving 500 suppliers. Online training is scheduled to go live in May 2008. Spend analysis in almost 30 colleges is under way or completed. Each college will have access to an accurate breakdown of each spend by category and value, helping it to identify procurement and process opportunities; 20 colleges will receive a tailored action plan as well.

Main points in PAC report	Progress reported in Treasury Minute	Action since publication of Treasury Minute
3. The Department's and the LSC's small support teams have to reach 384 colleges with widely varying capacities for procurement. The Department and the LSC should develop ways of getting more expertise into colleges, for example by encouraging more 'self-help' such as sharing experience of particular systems or consortia, and sharing lessons via the website, where colleges may add their own materials to develop a resource for the whole sector.	The support has taken a number of forms, ranging from guidance and a dedicated website (the Further Education Library of Procurement – FELP) to visits to colleges to help identify directly where savings can be made. Building procurement capacity in the sector is vitally important. To that end, the Department has funded 100 National Vocational Qualification (NVQ) places in procurement for college staff. Early analysis of the results points to an improvement in procurement practices in those colleges with one or more completers. Further investment has been put into the FELP website. Some 210 colleges are now registered. The FELP discussion board was launched earlier in the summer allowing colleges to share information and best practice. The LSC organises regional procurement network group meetings where colleges come together to discuss procurement issues, share information on contracts, consortia and systems, and share best practice. Twenty-two regional procurement groups have been set up across England.	As at 31 March 2008, 47 staff from 34 colleges out of the 100 staff in training had completed their NVQ training. The capacity to provide NVQ training for a further 100 college staff was put in place at the start of March 2008 and, by the end of March, 24 had already completed a preliminary test. The FELP website, which contains guidance tools and templates, is subscribed to by over 230 colleges. In December 2005, the NAO conducted a national survey of further education colleges to establish a baseline of procurement activity and processes across the sector. Some 154 colleges completed the survey. A follow-up survey, to measure how far the sector has travelled, was undertaken by the Department and the LSC in March 2008 and 166 colleges participated. Analysis of the survey started in April 2008. The results will be reported back to the sector to encourage best practice.

Main points in PAC report	Progress reported in Treasury Minute	Action since publication of Treasury Minute
4. Some colleges' reluctance to share good practice is another main barrier to improving procurement. Colleges are most persuaded that procurement savings are worth the effort where they see evidence of other colleges making savings, but have been hesitant to publicise savings. The LSC should encourage colleges to recognise how they can strengthen their reputation as well-managed organisations by demonstrating innovation and achievement. It should reaffirm its commitment that the savings colleges make will be available for them to spend on their learners.	Colleges may have been worried that there was a 'hidden agenda' to eventually claw-back any reported savings. This is being countered at all levels in all the LSC's and the Department's communications to the sector on this issue. Every effort is being made to stress to colleges that savings will remain with individual colleges to reinvest in front-line services for the benefit of students. The sharing of best practice and the dissemination of case studies through network group meetings and the CPP newsletter is having a positive effect and helping to break down the reluctance to share information and successes. Reporting savings has been made easier for colleges by the development of the Efficiency Measurement Model FE. Some 73 colleges are using and have submitted Efficiency Measurement Model FE reports, 39 of which were new submissions for August 2007. Submissions are being analysed to establish best practice, which will be communicated back to the sector as a whole.	Regional training workshops were held between November 2007 and February 2008, providing over 130 colleges with training in the Efficiency Measurement Model. As at 31 January 2008, 148 colleges had submitted at least one Efficiency Measurement Model return reporting actual procurement efficiency savings of £25.3 million, which has been cautiously extrapolated to equate to £73 million.

Main points in PAC report	Progress reported in Treasury Minute	Action since publication of Treasury Minute
5. There is a risk that colleges may not fully exploit the opportunities that consortia provide. As at April 2007, some 300 colleges had joined the Crescent Purchasing Consortium (CPC), the main consortium operating in the further education sector. The LSC should establish a dialogue with the main consortia to ascertain progress and trends in colleges' expenditure routed through them. It should expect the consortia to develop cost-effective arrangements for joint purchasing beyond straightforward items such as paper and standard items of stationery, for example by making available framework contracts.	The Department and the LSC recognise the importance of consortia in delivering major savings and have promoted the specialist further education purchasing consortium CPC to the sector. CPC has increased its membership to over 355 colleges and is still growing. Between 2006 and 2007, 322 colleges spent £39 million through CPC contracts. The Department and the LSC Procurement Development Team have been working with the College Finance Directors' Group to implement the Department and LSC's procurement improvement strategy to deliver efficiencies. The group supports the collaboration approach and recognises the benefits of working with consortia.	Benchmarking activity takes place regularly and results show consortia pricing to be nearly always the cheapest. For example, the purchase of paper through consortia is on average 4 per cent cheaper, while plumbed water coolers were 35 per cent cheaper on average.
6. At present, 60 colleges are members of the Government Procurement Card scheme, while a further 192 are members of commercial schemes. All colleges should use procurement cards for relevant purchases, and the Council should develop clear guidance on using the cards including how, by using them appropriately, colleges can strengthen expenditure controls and reduce the risk of improper purchasing and fraud.	The Department and the LSC accept that Government Procurement Cards offer a simple and cost-effective form of procurement and are working with Barclays to promote these to the sector. Since the April 2007 hearing, a further 72 colleges have adopted or expressed an interest in introducing cards.	As at 31 March 2008, 140 colleges are using the Government Procurement Cards.
7. The target of £75 million savings from procurement efficiencies could prove to be unambitious. As colleges report progress in March 2008, the LSC should consider setting a new target to reflect the large potential for procurement savings in further education colleges.	The Department and the LSC agree that it is important to continue the momentum of encouraging colleges to continue to make savings. When the savings made up to March 2008 are known, then an appropriate new target will be set	The saving to March 2008 is assessed at £73 million. Over the period 2008–09 to 2010–11, the new target of savings from procurement efficiencies is a further £40 million.

ANNEX 11
PEOPLE AND PLANS

1. INTRODUCTION

DIUS is a new and relatively small Government Department. We have the second lowest headcount in Whitehall but the sixth largest budget. DIUS brings together staff and responsibilities for science and innovation from the former Department of Trade and Industry (DTI) and for skills, further and higher education from the former Department for Education and Skills (DfES).

The majority of the Department's staff transferred from these legacy Departments (now respectively the Department for Business, Enterprise and Regulatory Reform (BERR) and the Department for Children, Schools and Families (DCSF)). Pending harmonisation of pay scales and contractual terms and conditions of employment, employees remain on their pre-existing pay scales and contractual terms and conditions of employment. Moreover, the Department presently operates on the Human Resource systems and processes of these legacy Departments, pending transition to its own dedicated arrangements. Considerations of Departmental size and remit have led to the conclusion that DIUS should have a small corporate centre and secure efficiencies at the outset through the negotiation of a Shared Services contract for all employee-related services. Work is also under way to develop core 'people' policies that reflect DIUS's values and the Departmental Blueprint, underpinned by a Single Equality Scheme and a skills strategy. The following sections profile the DIUS workforce and describe these developments.

2. OVERVIEW OF EMPLOYMENT IN DIUS

When DIUS was established in June 2007 its headcount of transferred employees was 762 and the complement presently totals 809. The transferring functions did not initially include Corporate Services (Finance, Human Resources, Communications, the Press Office and Facilities Management) and the Department has subsequently recruited into these functions. On transfer, there were also a number of existing vacancies that have subsequently been filled.

Staff by grade as of 31 March 2008

Grade	Headcount	FTE
EA/1–4	81	73.0
EO/5–6	125	118.5
HEO/7–8	177	170.6
SEO/9	123	118.4
Grade 7/Range 10	172	168.7
Grade 6/Range 11	57	55.7
SCS	56	54.4
Specialist	18	17.5
Total	**809**	**776.8**

Salaries of Senior Civil Servants at 31 March 2008

Salary range £s	No	Salary range £s	No	Salary range £s	No
55,000 to 59,999	8	90,000 to 94,999	3	125,000 to 129,999	1
60,000 to 64,999	7	95,000 to 99,999	3	130,000 to 134,999	2
65,000 to 69,999	5	100,000 to 104,999	1	135,00 to 139,999	0
70,000 to 74,999	5	105,000 to 109,999	0	140,000 to 144,999	0
75,000 to 79,999	6	110,000 to 114,999	1	145,000 to 149,999	0
80,000 to 84,999	6	115,000 to 119,999	2	150,000 to 154,999	1
85,000 to 89,999	3	120,000 to 124,999	0	Above this level	2
	40		**10**		**6**

Projection of staff in post – 2008–11

April 2008 actual headcount	April 2009 projected headcount	April 2010 projected headcount	April 2011 projected headcount
809	820	779	740

This projection is based on the following assumptions:

- The requirement to achieve a 5 per cent year-on-year administration budget reduction has been directly reflected in the headcount reductions. In practice, the Department will explore other means of achieving efficiencies to avoid this outcome.

- Government Skills transferred into the Department on 1 April 2008, with a headcount of 28 and carrying some 27 vacancies. Subject to funding, recruitment to these vacancies will take place in 2008–09. The April 2009 figure assumes this addition to headcount.

3. SHARED SERVICES

The creation of DIUS provided the opportunity develop a full Shared Services provision of corporate services by working with DCSF and BERR. Our strategy is to share transactional services wherever possible in order to maximise cost efficiency and improve quality by adopting best practice. This model reflects the Civil Service strategy for the modernisation of Government.

Having established transitional service arrangements with both BERR and DCSF, work started on the longer-term DIUS strategy for Shared Services in the autumn of 2007. The key criteria used in evaluating the shared services options included:

- the need to minimise the risk of disruption to the Department's business through the significant change programme that this strategy inevitably entails;
- the need to ensure that DIUS corporate services are delivered in a manner consistent with the DIUS Blueprint and strategy; and
- the need to ensure that our Shared Services provision is affordable within the context of our overall administration budget settlement and that we are able to achieve efficiencies moving forward that are consistent with the CSR settlement.

The intention is to have a lean and strategically focused corporate centre with general responsibility for corporate policy development, allowing DIUS to share all other services wherever possible. This is based on the DIUS Blueprint for Shared Services, which is that the corporate centre should have a total headcount of no more than 49 full-time equivalents (FTEs).

DCSF has been chosen to deliver the majority of DIUS's Shared Services. Most of DIUS's funding, HR administration activity and correspondence is currently handled by DCSF systems, including business-critical components such as the Student Loans finance system. DCSF will be able provide the services required for the whole Department at the lowest level of risk (relative to other options) and at an affordable cost in the context of the administration budget settlement.

In addition, DCSF will be one of the first Departments to move to an integrated Enterprise Resource Planning (ERP) system, integrating the HR, Finance and Procurement systems and providing a self-service environment for these core processes. This system will be provided by the Department for Work and Pensions and will allow DIUS to bring together key transactional data in a more effective way sooner than if these services were sourced from a different provider or providers. This decision is in line not only with DIUS's objective to follow best practice in Whitehall, but also with Gus O'Donnell's vision for a streamlined, Government-wide system.

4. RECRUITMENT PRACTICES

The contractual terms and conditions of employment, policies and recruitment processes of those Departments – now respectively the Departments for Children, Schools and Families (DCSF) and Business, Enterprise and Regulatory Reform – are continuing to apply in DIUS until the Department introduces its own arrangements. The legacy Department recruitment arrangements do differ and the DIUS submission tries to reflect the challenges, risks and interim coping measures that have been put in place until it is able to make its own arrangements.

5. DIVERSITY

In order to attract the talent we need to deliver our business plans, the Department's approach to equality and diversity is vital. By accessing, recruiting and developing talent from the widest possible talent pool, we can gain an insight into the different needs of our customers and stakeholders and generate greater creativity and innovation in anticipating such needs. This is reflected in the Department's early actions, as follows:

- a member of the DIUS Departmental Board has been appointed as 'diversity champion' – thus putting senior management commitment and drive behind the development and progression of the Department's approach to equality issues;
- a Diversity and Inclusion Programme Board has been set up – chaired by the diversity champion and accountable to the Departmental Board – to set and deliver an effective strategy for the Department and guide our external policies; and
- the Programme Board has run staff workshops, cascading information and consulting staff on the priorities for the new Department and also about how best to continue to involve staff in taking forward priorities.

The Department has information about the composition of its staff from two separate databases taken from its predecessor Departments, and equality-related information about staff is also collected on different bases and definitions. There are also significant levels of non-declaration in key areas of equality-related information. Preliminary analysis suggests the following staff composition, but this needs to be validated as we move to a common data-collection system.

- Currently three out of ten members of the DIUS Board and three out of four non-executive Board members are women.
- Thirty-two per cent of DIUS Senior Civil Servants are women (the Cabinet Office target for the whole civil service is 37 per cent); however, around half of the total staff are women.
- Where ethnic origin has been declared, some 6 per cent of the total employee population are from a black and minority ethnic (BME) background. This proportion exceeds current Cabinet Office targets for the workforce as a whole.
- Where status is known, disabled people form 8 per cent of the total employee population, which exceeds the Cabinet Office targets.

Gender

Grade	Male headcount	Male proportion	Female headcount	Female proportion
EA/1–4	30	37%	51	63%
EO/5–6	55	44%	70	56%
HEO/7–8	72	41%	105	59%
SEO/9	65	52%	58	48%
Grade7/ Range 10	93	54%	79	46%
Grade 6/ Range 11	30	53%	27	47%
Specialists	12	67%	6	33%
SCS	38	68%	18	32%
Total	**395**	**49%**	**414**	**51%**

Ethnic background

Ethnicity	Proportion
White	61%
BME	6%
Total known	67%
Prefer not to say	2%
Unknown	31%

Disability

Disability status	All grades below SCS	SCS	Total	Proportion of total employees
No disability	507	42	549	68%
Reported disability	69	0	69	8%
Total known	576	42	618	76%
Prefer not to say	18	1	19	2%
Not known	159	13	172	22%
Total number of employees	**753**	**56**	**809**	**100**

Note: The classification of disability and quality of data held will also be revisited as DIUS moves to an integrated database in 2009. The information held is self-reported.

In addition to valuing a diverse workforce, the Department recognises that the culture of the organisation needs to enable everyone to contribute. To this end, staff have already been encouraged to take part in developing the Department in a number of ways.

- The Permanent Secretary has held 'Speak Out' telephone conference sessions, giving all staff the opportunity to ask questions about DIUS and to put forward their views on how the new Department should be structured and developed.
- An "all staff" conference was held on 30 April 2008 to help everyone to influence and take forward the changes necessary to establish the new Department.
- Skills and Inclusiveness has been identified as a specific, priority stream of work in establishing the new Department.
- All staff are being given the opportunity to have their say on how we can achieve our aspiration to lead across central Government in the way we adopt innovative working practices.
- A census staff survey will take place in autumn 2008, including items about the achievement of the diversity and inclusiveness agenda.

A draft Single Equality Scheme for the Department has been developed and is presently the subject of widespread consultation. The associated diversity strategy has been informed by the Civil Service strategy. The following priorities have been identified:

- the creation of a single database for DIUS staff which brings together and reports on consistent definitions, building on the information available from the two predecessor Departments;
- a commitment in principle to the setting of targets on representation (and the actions necessary to meet them) for staff groups which remain under-represented; and
- the development of a diversity policy for staff which makes clear individual and line management responsibilities and which helps drive through into staff behaviours and actions the rationale and imperative for DIUS to draw on the widest pool of talent possible.

While the setting of targets should guide the specific actions the Department needs to take, there are clearly a number of basic actions that can be taken to get the foundations in place to support DIUS's aspirations to draw from as wide a range of talent as possible.

- We are also committed to examining staff appraisal ratings each year for any signs of bias in awards relating to staff characteristics, and are committed to take appropriate action, depending on the outcome.
- Staff perceptions of diversity and inclusion will be sought in annual staff surveys – the next will be in October 2008 – and the findings will be used to inform the actions we are taking as an employer, including helping to set our equality priorities and targets.
- We support staff engagement in the development of the Department's approach to equality issues.
- As part of our wider approach to training and staff development, we will help raise awareness of equality issues and ensure all those who can benefit from training have that opportunity.

6. TRAINING AND DEVELOPMENT

The Department also intends to apply the same aspirations to its employees as it has for employees of other organisations, including the following:

- A commitment to provide up to ten Apprenticeship places as part of a wider initiative to ensure that Government is taking up the opportunities offered by Apprenticeship training. While these places will be awarded on merit, we will encourage and support applications from under-represented groups.
- Like all Departments, DIUS has signed the Skills Pledge. It commits us to support **all** our staff to achieve a first full Level 2 qualification, with support for basic literacy and numeracy where needed. Wherever staff do not meet these skills and qualifications, we will make it a priority to help them achieve them.
- We are proposing to give **all** staff an entitlement to training and development of five days for personal development. We will put skills centre-stage by requiring all managers to discuss throughout the year the development needs of their staff and how they will use their development days.
- We are also proposing, as a corporate priority, that all staff spend time with our customers and delivery, enabling them to gain a better understanding of their needs and how our policies affect them.
- We will seek Investors in People accreditation, using the new profile assessment during 2009.

The Department will be implementing these actions over 2008–09 and 2009–10 and progress will be reported to the Departmental Board on a half-yearly basis.

ANNEX 12
HEALTH AND SAFETY POLICY STATEMENT

POLICY STATEMENT FROM THE BOARD

The Department for Innovation, Universities and Skills is committed to providing a healthy and safe working environment for all its staff and other people who work in or visit our premises. I have overall responsibility for ensuring that the Departmental Health and Safety Policy is implemented and have the full support of Ministers and the Board. The Director of Operations of Corporate Services, Simon Morys, is responsible for keeping the DIUS Board briefed on all Health and Safety issues.

The Department for Innovation, Universities and Skills manages occupational risks to the same standards it applies to its core business activities. The overall objective is to prevent exposure to risks, injuries and work-related ill-health to all people engaged in or affected by the Department's work. To achieve this, DIUS will:

- comply with all statutory health and safety requirements
- provide appropriate resources
- maintain effective management arrangements
- define health and safety responsibilities and competences
- assess and control health and safety risks
- provide competent advice on all health and safety issues to staff, visitors and contractors
- monitor and review regularly all health and safety activities
- report annually on performance.

The Department seeks the support of all staff, contractors and the Departmental Trade Union Side in achieving these aims.

The Department is committed to continuous improvement in health and safety. I am confident that everyone will play their part fully in ensuring that exemplary standards are maintained throughout the Department.

Ian Watmore
Permanent Secretary
May 2008

ANNEX 13
PERFORMANCE AGAINST TARGETS ON CORRESPONDENCE

All Whitehall Departments and agencies have published targets for answering correspondence. This Department's target is to reply to 95 per cent of all correspondence within 15 working days.

The Permanent Secretary is required to report to the Cabinet Office bi-annually on the Department's performance against this target. Ministers are also held to account by the Cabinet Secretary. Members of the public are entitled to complain if they do not receive a reply within 15 working days or if they consider their correspondence has not been dealt with correctly. In these cases they have the right to ask their Member of Parliament to raise the matter with the Independent Parliamentary Commissioner for Administration who will review the complaint and how it has been handled.

Since the machinery of Government changes, and the creation of the Department on 28 June 2007, correspondence has been handled by an interim arrangement which relied on our legacy Departments. The Department for Children Schools and Families has handled correspondence relating to skills, further and higher education and the Department for Business Enterprise and Regulatory Reform has dealt with correspondence about science and innovation. Regrettably there have been occasional operational and technical issues which have caused delays in correspondence being despatched to correspondents, particularly MPs. The Department is implementing a system which will unite correspondence onto a single handling system and therefore raise performance and service to its customers.

Since June 2007, the Department has received 11,367 pieces of correspondence from the general public, MPs and Peers. Replies were sent to 84 per cent of correspondents within the deadline.

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