Department for **Innovation, Universities** & **Skills**

Departmental Report 2009

Department for Innovation, Universities and Skills

Departmental Report 2009

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Contents

Foreword from the Secretary of State for Business, Innovation and Skills 1

Introduction 2

Chapter 1: DIUS response to the economic downturn 6

Chapter 2: Departmental Strategic Objectives 9

- Improving skills 9
- Building social and community cohesion 11
- Pursuing excellence in research and knowledge 12
- Accelerating commercial exploitation of creativity and knowledge 16
- Strengthening further and higher education 18
- Encouraging science and innovation in the public sector 21
- Report from the Government Office for Science 23
- Report from Government Skills 26

Chapter 3: Progress against 2007 Comprehensive Spending Review Public Service Agreements 29

Chapter 4: Progress against 2004 Spending Review Public Service Agreements 47

Annexes:

Annex 1 Finance tables 58

Annex 2 Comprehensive Spending Review 2007 Value for Money Programme 80

Annex 3 Cross-Government PSAs 89

Annex 4 Arrangements for working with other government departments 91

Annex 5 Staff statistics 93

Annex 6 Health and safety policy statement 95

Annex 7 Reporting on better regulation 96

Annex 8 Reporting on sustainability 97

Annex 9	Performance against targets on correspondence	98
Annex 10	Risks to delivery	99
Annex 11	Public Accounts Committee recommendations	101
Annex 12	Departmental complaints procedure	109
Annex 13	Complaints to the Parliamentary Ombudsman	110
Annex 14	Spending on publicity and advertising	111
Annex 15	Spending on consultancy and professional services	112

Foreword from the Secretary of State for Business, Innovation and Skills

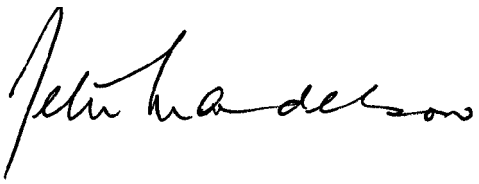
This is the final annual report of the Department for Innovation, Universities and Skills (DIUS), for the period of April 2008 to March 2009. During this period, the Rt Hon John Denham MP served as Secretary of State for Innovation, Universities and Skills and I am proud to have the opportunity through the newly created Department for Business, Innovation and Skills to build on what he and DIUS achieved.

This report shows the vital role DIUS played in helping Government put in place a range of support for businesses and individuals in Britain to help them through the current downturn as quickly as possible and to prepare for the opportunities that a return to global growth will bring in the future. This included introducing additional flexibilities into the Train to Gain programme to help small and medium-sized enterprises, and securing extra funding to provide additional training for those facing redundancy. The former BERR and DIUS also successfully collaborated on the Government's industrial strategy, **New Industry, New Jobs**.

DIUS established a particular focus on helping young people, for whom this is going to be a difficult year to be leaving education or training. The Office for Graduate Opportunities was set up in April 2009 to support young people leaving higher education to go on to employment, volunteering or further study, and DIUS also expanded the number of Apprenticeship places available in the public and private sectors.

The merger of the Department for Business, Enterprise and Regulatory Reform and DIUS puts the policy levers to compete in a global economy and create the jobs of the future in one place, with one strategic commitment to build Britain's future strengths. Our mission is to build a dynamic and open knowledge economy in the UK, driven by excellence in education and skills, high-level productivity and growth, and strategic government investment in the capabilities and resources our people, businesses and society need to prosper in a global economy.

BIS inherits from DIUS strong relationships with the UK's research base and higher and further education sectors, committed and experienced staff, and a record of success in many policy areas. In combination with the expertise of the former BERR, these offer us a powerful foundation from which to start our work.



Rt Hon Peter Mandelson,
Secretary of State for Business,
Innovation and Skills

Introduction

This document is the Annual Report of the Department for Innovation, Universities and Skills. The Report summarises the Department's performance during the year April 2008 – March 2009.

The Department was succeeded by the new Department for Business, Innovation and Skills (BIS) in June 2009. Information in this Report about the Department's work beyond June 2009, when it was transferred to the new Department, should be taken to refer to BIS.

About DIUS

The Department for Innovation, Universities and Skills (DIUS) was created in June 2007 with the mission to invest in science and research, skills and innovation to secure the future prosperity of the UK. The Department's work to promote excellence in research and scholarship, to develop people's skills, and to ensure these are applied to create innovative and competitive businesses, public- and third sector organisations, has been a central part of the Government's strategy for the economic success of the country. The Department has also had a major role in the Government's work to achieve social justice, offering people the means to earn better wages and live more secure lives through helping them to develop their skills, and supporting improved quality of life in the UK through maintaining excellence in science and research and encouraging innovation in all sectors.

The world around us has changed significantly since the publication of DIUS's last Departmental Annual Report in May 2008. During this time, an important priority for the Department has been to help the country to manage the effects of the global downturn and prepare for the opportunities ahead. This has involved working closely with other Government Departments, particularly the former Department for Business, Enterprise and Regulatory Reform (BERR), in order to prepare UK business to take advantage of the upturn and the opportunities that will arise from the new drivers for global economic growth, such as low-carbon technology, manufacturing, construction and healthcare. Further details on the Department's response to the economic downturn can be found in **Chapter 1** of this Report.

The creation of BIS

In April 2009, the Prime Minister, the Secretary of State for Business, Enterprise and Regulatory Reform and the Secretary of State for Innovation, Universities and Skills jointly launched the publication of the White Paper, 'Building Britain's Future: New Industry, New Jobs', the Government's strategic vision for taking a more active approach to building British competitiveness, growth and productivity. As part of this vision the Department for Business, Innovation and Skills was created on 5th June 2009, whose role is to build Britain's capabilities to compete in the global economy. The new Department was created by merging BERR and DIUS to form a single department committed to leading the fight against the recession and building the conditions for future prosperity.

DIUS Objectives in 2008-09

2008-09 was the first year of a new performance management framework for government departments. DIUS had six **Departmental Strategic Objectives**:

- 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

- 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
- Pursue global excellence in research and knowledge, promote the benefits of science in society, and deliver science, technology, engineering and mathematics skills in line with employer demand
- 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
- Strengthen the capacity, quality and reputation of the further and higher education systems and institutions to support national economic and social needs
- Encourage better use of science in government, foster public service innovation, and support other government objectives which depend on DIUS expertise and remit.

These departmental objectives support the wider government objectives set out in DIUS' two **Public Service Agreements** (PSAs), published in the 2007 Comprehensive Spending Review (CSR07):

- **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.

PSAs are agreed targets that define the key improvements that the public can expect government to deliver over the 2008-2011 CSR period. The work of DIUS in these areas will be taken forward by the Department for Business, Innovation and Skills.

Chapter 2 of this Report gives details of DIUS's key achievements during 2008-09 against our Departmental Strategic Objectives. This chapter also includes reports from the **Government Office for Science** and **Government Skills**, two semi-autonomous offices within DIUS.

Chapter 3 sets out our performance against our CSR 07 PSA targets and the data indicators that underpin each PSA and DSO and allow performance to be measured.

Chapter 4 reports on the three SR04 PSA targets that DIUS took over from the former Department for Trade and Industry and Department for Education and Skills.

DIUS also contributed to many other CSR 07 PSAs, reflecting the important roles that skills, science, research and innovation play in achieving the Government's longer-term priorities. Details of these can be found in **Annex 3.**

The Ministerial team during 2008-09

Rt Hon John Denham MP	Secretary of State for Innovation, Universities and Skills
Rt Hon David Lammy MP	Minister of State for Higher Education and Intellectual Property (from 6 October 2008) Parliamentary Under Secretary of State for Skills (to 3 October 2008)
Lord Drayson	Minister of State for Science and Innovation (from 6 October 2008)
Sion Simon MP	Parliamentary Under Secretary of State for Further Education (from 6 October 2008)
Lord Young of Northwood Green	Parliamentary Under Secretary of State for Skills and Apprenticeships (from 6 October 2008)
Rt Hon Ian Pearson MP	Minister of State for Science and Innovation (to 3 October 2008)
Rt Hon Bill Rammell MP	Minister of State for Lifelong Learning, Further and Higher Education (to 3 October 2008)
Baroness Delyth Morgan	Parliamentary Under Secretary of State for Intellectual Property and Quality (to 3 October 2008)

The DIUS Board (as at 31st March 2009)

Executive Board members

Ian Watmore	Permanent Secretary
Prof John Beddington[1]	Government Chief Scientific Adviser and Head of Government Office for Science
Stephen Marston	Director General, Further Education and Skills
Ruth Thompson[2]	Director General, Higher Education
Prof Adrian Smith	Director General Science and Research (from 1 September 2008)
William Dickinson	Director General, Finance and Corporate Services
Zina Etheridge	Director, Strategy
Shirley Pointer	Director, Human Resources
Alun Evans	Director General, Policy and Communications
David Evans[3]	Director, Innovation and International
Susan Pember	Director, LSC Transition to Skills Funding Agency

1 Professor John Beddington reports directly to the Prime Minister and the Cabinet and, within the Civil Service, to the Cabinet Secretary.
2 Ruth Thompson retired on 31 March 2009
3 David Evans retired on 31 March 2009

Non-executive board members

Alan Aubrey	Non-executive member
Julia King CBE	Non-executive member
Dame Julie Mellor	Non-executive member
Kristina Murrin	Non-executive member

DIUS partner organisations

The public services for which DIUS was responsible in 2008-09 are provided through intermediary bodies which are specialists in their own fields. The Department supported Ministers in setting the overall strategy and policy direction, and provided performance management of the delivery system as a whole.

A full list of DIUS partner organisations can be found on the Departmental website at http://www.dius.gov.uk/partner_organisations

Delivering DIUS and wider government objectives in 2008-09 also relied on effective joint working with other government departments. Further details on how we worked with other departments during 2008-09 can be found in **Annex 4**.

Chapter 1: DIUS response to the economic downturn

1.1 A major priority for DIUS in 2008–09 was to provide real help for those people in the UK most affected by the global economic downturn. In response, the Department delivered targeted support to individuals who had been made redundant because of the recession, to graduates entering the job market for the first time and to small and medium-sized enterprises who want to improve the skills of their workforces and find new and more efficient ways of doing business. The Department also brought forward spending on capital projects as part of wider co-ordinated action to stimulate the economy.

1.2 The Department for Business, Innovation and Skills will continue this support for individuals and businesses. It will also play an important role in preparing the country for economic recovery, by driving innovation, developing knowledge and improving skills – especially in those sectors where the UK already has a competitive advantage – to ensure that UK businesses are in the best position to exploit future global growth.

Training opportunities for individuals

1.3 Training is an important way of **helping people get back into work**. In April 2009, the Department introduced extra support for the unemployed, and those who are under notice of redundancy. We are investing £100m in the Response to Redundancy programme to offer support to around 70,000 people to undertake any training they need to get them back into work.

1.4 For people who have been unemployed for 6 months we are also investing £83m to offer an additional 75,000 work-focused training places, tailored to meet people's specific needs and job ambitions. We have committed to offering 80,000 more training places to young people who have been unemployed for 12 months.

1.5 DIUS established the **Office for Graduate Opportunities** in April 2009 to ensure that students leaving higher education (HE) in summer 2009 have the best opportunities to progress into work, volunteering, self employment or further study, and continue to develop their skills and employability. One of the first actions of the office was to launch the **Graduate Talent Pool**, a scheme to help create and match graduates to internships. The aim is for the Graduate Talent Pool to support **5,000 new internships** in 2009, helping graduates to build on the high-level skills gained through their degrees, get transferable work experience, and try their hand at a potential career and prove themselves to prospective employers.

1.6 We are also providing 250 new mini **Knowledge Transfer Partnerships**. Graduates and postgraduates will be able to benefit from 10- to 40-week placements on projects to share academic expertise with UK businesses.

Support for businesses to improve skills

1.7 **Small and medium-sized enterprises** (SMEs) are the top priority for **Train to Gain** funds, including the £350m increase in funding from 2008-09 to 2010-11.

Employees in third sector organisations can also access the broader offer which has been available since January 2009:

- Funding for shorter courses in business-critical areas
- More support for employees who already have qualifications
- Leadership and management support for companies with 5-250 employees
- Contributions to wage costs for employers with fewer than 50 employees.

Exploiting opportunities in the public sector

1.8 Government is a major procurer of goods and services and as such, has a unique role to play in creating and shaping markets. Recognising this, the Department is leading a cross-Government work programme to ensure that the £175bn a year that we spend on **public sector procurement** is harnessed to increase opportunities for skills training and Apprenticeships.

1.9 A number of Departments and agencies have now taken steps to promote skills and training through their procurement exercises. We are supporting training and Apprenticeships through the **Learning and Skills Council's** Building Colleges for the Future programme, where our estimates indicate that around one out of every twenty workers employed on existing college construction projects is an apprentice.[4] The Department for Children, Schools and Families (DCSF) has recently committed to creating an extra 1,000 Apprenticeship places through the Building Schools for the Future programme. The Olympic Delivery Authority has also committed to creating an additional 250 new Apprenticeship places on the Olympic Park and Village, by requiring that 3% of the project workforce on new 2012 construction contracts are apprentices.

1.10 In addition, the **Research Councils** brought forward funding for highly skilled people with industrial experience to return to work in publicly-funded research. This will help address the long-term problem of the flow between academia and business and strengthens the research base with skills that might otherwise have been lost to the UK. Successful candidates for the 20–25 new fellowships and around 100 studentships are expected to take up their places by October 2009.

Bringing forward capital spending

1.11 The 2008 Pre-Budget Report announced that £3bn of capital expenditure would be advanced from 2010-11 into 2009-10 and 2008-09 to support industries and jobs across the country. As part of this fiscal stimulus, DIUS brought forward £442m of capital spending.

Preparing for the future

1.12 While continuing to build the foundations of a competitive economy, the Government is now taking a more active and holistic approach to promoting growth, particularly in those sectors of the economy with high potential.

1.13 A notable example of this is the establishment of the Office for Life Sciences (OLS), led by Lord Drayson.

4 DIUS analysis of MORI survey data (unpublished)

The OLS was tasked by the Prime Minister with working across Government and with industry and other stakeholders to deliver a package of measures that will transform the operating environment for UK life sciences companies. This work has built on the Government's response to 'The Review and Refresh of Bioscience 2015'[5] and will culminate the publication of a Life Sciences Blueprint in July 2009.

This Blueprint will set out action across four major areas:

- Strengthening the NHS as an innovation champion
- Building a more integrated life sciences industry
- Ensuring access to finance and stimulating investment
- Marketing the UK life sciences industry overseas

1.14 The government is also setting aside £50m as part of the Strategic Investment Fund to enhance the ability of the **Technology Strategy Board** to support innovation in areas of high potential for growth, such as low-carbon technologies, advanced manufacturing and the life sciences.

5 The Review and Refresh of Bioscience 2015: A Report to Government by the Bioscience Innovation and Growth Team, www.berr.gov.uk/files/file49805.pdf

Chapter 2: Departmental Strategic Objectives

2.1 In this chapter we look at each of the DIUS Departmental Strategic Objectives, and provide an overview of our progress since our last annual report in May 2008. The chapter concludes with reports from two semi-autonomous offices which sit within the Department: the Government Office for Science, which supports the Government Chief Scientific Adviser and works to ensure that Government policy and decision-making is underpinned by robust scientific evidence; and Government Skills, the sector skills council for central government.

Improving skills

DIUS objective: To 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

2.2 We remain committed to our aim of ensuring a world-class skills base by 2020. Increasingly, skills are an important driver of productivity, enabling the UK to succeed in a competitive global economy. Along with the former Department for Business, Enterprise and Regulatory Reform, DIUS outlined the principles of a new, more strategic, approach to skills in *Building Britain's Future: New Industry, New*

Jobs.[6] Later in 2009, we will publish an 'Active Skills' paper, giving further details on the steps being taken as part of this approach.

Actions in 2008-09 included:

- **expanding the Government's flagship Apprenticeships Programme**. Apprenticeship starts in the first 6 months of 2008/09 (1 August to 31 January) were 140,500. This is an increase of 19.4% from the same period in 2007/08.[7] The National Apprenticeship Service became fully operational in April 2009. It will help to expand the Apprenticeships Programme and provide a single point of contact for employers and individuals interested in Apprenticeships.
- **working to integrate training support with the services offered by Jobcentre Plus**, to help people acquire the skills they need to move into and remain in a job. Trials of integrated support services for job-hunting and training began in 12 job centre districts during 2008-09, with the aim that fully integrated services will be available to every job seeker from 2010–11.
- **continuing to help employers to develop their employees' skills** through the Train to Gain service, National Skills Academies, and the Skills Pledge.
  - **Train to Gain** is a service for employers which puts buying power and information in their hands, supporting them to improve the skills of their employees and the productivity of their businesses. Since its launch in April 2006, over 127,000 employers have engaged with Train to Gain, helping 971,000 people in employment to begin learning, and over 461,000 to achieve a qualification.[8]
  - **National Skills Academies** deliver high-quality training for specific sectors and give employers a role in shaping the further education and skills system to meet their needs. There are now 11 fully operational National Skills Academies (up from 9 in May 2008), with a further 5 in business planning.
  - Since its launch in June 2007, over 17,000 employers have made the **Skills Pledge**, a public commitment by employers to support their employees in improving their skills and gaining qualifications.[9]
- **continuing to support higher education institutions to become more responsive to employers' needs.** The Department, through the Higher Education Funding Council for England (HEFCE) has been encouraging employers to share the funding of places in higher education to support closer links between industry and HE institutions. Through HEFCE, DIUS allocated £148m for the CSR07 period to support employer co-funded higher education places. To date over 70 projects have been approved, involving more than 50 institutions. It is anticipated that the target of supporting an additional 5,000

6 www.berr.gov.uk/files/file51023.pdf
7 The Data Service SFR2, 26 March 2009, http://www.thedataservice.org.uk/statistics/sfrmar09
8 The Data Service Statistical First Release 2, April 2009, www.thedataservice.org.uk/statistics/sfrmar09
9 LSC Skills Pledge Management Information, March 2009

students during 2008–09 will have been achieved.

Building social and community cohesion

DIUS objective: To 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

2.3 Ensuring that everyone in society is able to realise their potential regardless of their background is one of the underlying principles that directs this Government. Talent and hard work should determine success in life – not background or where someone comes from. This was reiterated in the January 2009 White Paper, *New Opportunities: Fair Chances for the Future*.[10]

Actions in 2008-09 included:

- **publishing a refreshed strategy for improving adults' basic skills**, ***Skills for Life: Changing Lives***, backed up by over £1bn of Government funding in 2009-10.[11] Since the launch of the Skills for Life Strategy in 2001, we have made strong progress in improving the literacy, language and numeracy skills of adults in England. Over 2.8 million learners have achieved nationally recognised qualifications, exceeding our public service agreement target to improve the basic skills of 2.25 million adults by 2010.[12] Despite the progress to date we need to go further. Our refreshed strategy sets out how we will support the millions of adults who struggle with the basics and need our support. We are committed to the

10 www.cabinetoffice.gov.uk/media/119101/newopportunities.pdf
11 www.dius.gov.uk/skills/~/media/publications/S/SkillsforLifeChangingLives
12 March 2009 Statistical First Release on Post-16 Education & Skills: Learner participation, outcomes and Level of Highest Qualification held, www.thedataservice.org.uk/statistics/sfrmar09/

ambition that, by 2020, 95% of adults possess at least functional levels of literacy and numeracy.

- **setting out a cross-government strategy to support learning for its own intrinsic value in *The Learning Revolution* White Paper.**[13] The strategy describes how we will build a strong culture of learning across society through additional funding in 2009-10 for innovative projects and wider access to learning for disadvantaged groups and older people, together with a new informal adult learning pledge, campaign and festival.
- **publishing details of our new approach to English for speakers of other languages (ESOL).**[14] This approach allows Local Authorities to determine who their priority learners for ESOL should be, so that support is focused on those who are currently least able to integrate into their local communities. 21 Local Authorities are currently piloting the new approach, which will be rolled out in full from autumn 2009.
- **launching ten prototypes for the new adult advancement and careers service**, bringing together advice on careers, skills and jobs with wider sources of advice on tackling other barriers to learning. Alongside this, regional trials of Skills Accounts were set up to test how these can provide greater choice for learners.
- **continuing to support measures to widen participation in higher education, especially amongst those from disadvantaged backgrounds.** A notable example is the Aimhigher programme, which funds activities such as summer schools, taster days, master classes and mentoring to raise aspirations and develop the abilities of young people from communities that are under-represented in higher education.[15] We are beginning to see the fruits of our continued investment in widening participation. More young people than ever from lower-income backgrounds entered higher education in the academic year 2008-09: final figures for 2008 entry show that accepted applicants from England were up by 7.4% compared to 2007 and that the proportion aged 18 and under who were from lower socio-economic groups increased from 28.0% to 28.9%.[16]

Pursuing excellence in research and knowledge

DIUS objective: To 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

2.4 UK research remains world-class, ranked second only to the USA on most leading scientific indicators.[17] 17% of the UK research assessed by the 2008 Research

13 www.dius.gov.uk/skills/engaging_learners/informal_adult_learning/white_paper
14 www.dius.gov.uk/esol
15 www.direct.gov.uk/en/EducationAndLearning/UniversityAndHigherEducation/DG_073697
16 DIUS analysis of UCAS accepted applicants data for 2007 & 2008 entry. The National Statistics Socio-economic Classification is used to define the 'lower socio-economic groups' (www.ons.gov.uk/about-statistics/classifications/current/ns-sec/index.html). For 2008 applicants, if a student was in full time education, allocation to one of these categories was based on a question about the occupation of the student's highest-earning family member.
17 International comparative performance of the UK research base, July 2008. An independent report by Evidence Ltd for DIUS. http://dius.ecgroup.net/files/75-08-R_on.pdf

Assessment Exercise was classed as being of world-leading quality, and 37% as internationally excellent.[18]

2.5 Budget 2009 saw the Government underline its commitment to the important role of high quality research in supporting economic growth by maintaining the ring-fence around the Science and Research budget at a time of great pressure on public spending. In 2008-09 DIUS spent £3.6bn through the Science and Research budget. In addition, £1.6bn of university research in England was funded by HEFCE through its quality related block grant.

2.6 As well as realising the full economic and social benefits of science, society also needs to engage with, and be confident in, its use. We have a vision for a nation that is excited about science, values its importance to our social and economic wellbeing, and supports a representative and well-qualified scientific workforce.

Actions in 2008-09 included:

- **supporting, through the Research Councils, a number of multi-disciplinary programmes designed to help solve the global challenges of the next 10 to 20 years**:
  - The **Energy Programme** brings together energy-related research and training across the Research Councils to address the outstanding international issues of climate change and security of energy supply. The Councils are working closely with the Energy Technologies Institute, which launched its Technology Strategy in

18 www.rae.ac.uk

January 2009 covering programmes in offshore wind, marine, distributed energy, CCS, Buildings Efficiency, and Transportation

- The **Living With Environmental Change** programme will provide knowledge, tools, predictions, solutions and business opportunities needed to increase resilience to, and reduce economic costs of, environmental changes such as more severe weather and reduced biodiversity. It will also provide information to enable sustainable management and protection of vital ecosystem services, such as clean air, fresh water, healthy soils, and flood and disease protection.
- The Research Councils Programme on **Lifelong Health and Wellbeing** is an interdisciplinary initiative which will provide substantial longer term funding for new interdisciplinary centres targeting themes of healthy ageing and factors over the whole life course that may be major determinants of health and well-being in later life.

- **committing to support European Space Agency programmes including Global Monitoring for Environment and Security.** At the November 2008 European Space Agency (ESA) Council meeting of ministers, the British National Space Centre (BNSC) committed to projects supporting space science and exploration, the development of satellite systems for climate and environment monitoring, and novel telecommunication technologies.[19] One of the programmes BNSC is supporting through ESA is Global Monitoring for Environment and Security. The UK's €102.5m subscription to this flagship European initiative will help to deliver long-term monitoring of environmental and climate indicators.

- **undertaking a wide-ranging consultation on a future UK strategy for the relationship between science and society**.[20] There were over 3,200 responses from 400 individuals and organisations to this consultation, which have helped to develop a UK Science and Society strategy published on 26 May 2009. This strategy is being delivered by five Expert Groups, covering Science for All, Science and the Media, Science and Learning, Science for Careers, and Science and Trust. The Science and Learning group, chaired by Sir Mark Walport, launched a public consultation on 5 June 2009.

- **leading a campaign called 'Science: So what? So everything'** to highlight the relevance and importance of science in all our lives, and to increase and widen public participation in science. The campaign is a partnership with many organisations in the science community and includes a number of high-profile ambassadors from the worlds of entertainment and popular culture.

- **working to secure the future supply of scientists, technologists, mathematicians and engineers that will be critical to the UK's future economic success:**

19 BNSC is a partnership of 10 Government bodies hosted by BIS and reporting to the Science Minister.
20 http://interactive.dius.gov.uk/scienceandsociety/site/

- Research Councils UK and Universities UK together launched a revised concordat to support the **career development of researchers**.
- the **National Academies** jointly developed a common reporting and evaluation framework for their work in developing the best researchers, with an increased focus on economic impact, to be piloted 2009-10. The first 51 Newton International Fellowships, run by the National Academies, were selected from a pool of over 700 high-quality applications.
- the **UK Resource Centre for Women in Science, Engineering and Technology** (UKRC) developed links with over 700 companies advising and supporting on recruitment, retention and progression for women scientists and engineers. Seventy-three organisations have now signed the UKRC CEO charter, through which companies' top management make a public commitment to support the increased participation of women in science. Signatories include BT, the Science and Technology Facilities Council and Google. To date the UKRC has supported 1,700 women to return to, or progress in, their science careers.
- DIUS provided £622,000 towards the organisation of National Science and Engineering Week and the new National Science Competition, and gave **500 National Science and Engineering Week grants** to hard-to-reach schools to increase awareness of the exciting possibilities of a career in science.
- The Prime Minister announced that DIUS and DCSF would work towards a **target of 80,000 A-level mathematics candidates** by 2014, as the existing target was exceeded in 2008.

- **providing funds to help ensure UK scientists have access to world-class research facilities.** An additional £67m has been provided to the Medical Research Council to allow it provide a new building for the Laboratory of Molecular Biology in Cambridge, which will enable the Laboratory to maintain its position as a world leader in basic research and to translate fundamental research into health benefits. DIUS earmarked £397m from the Large Facilities Capital Fund for the proposed development of a number of large facility projects identified in the Research Councils' Large Facilities Roadmap, which are expected to be developed over the period 2009/10 to 2015/16.[21] We also invested £225m via the Research Capital Investment Fund (RCIF) and Science Research and Investment Fund (SRIF) to help universities maintain their research infrastructure.

21 http://www.rcuk.ac.uk/cmsweb/downloads/rcuk/publications/lfroadmap08.pdf

Accelerating commercial exploitation of creativity and knowledge

DIUS objective: To 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

2.7 It is the Government's objective to make the UK the most attractive location in the world for innovative business and to be a world leader in public- and third-sector innovation. In March 2008 DIUS published the *Innovation Nation* White Paper, setting out a strategy for the achievement of the Government's innovation ambitions, including by stimulating demand for innovative products and services through public procurement and regulation, by increasing the innovative capability of the public sector, and by developing a more effective means of measuring and reporting innovation in the UK.[22]

Actions in 2008-09 included:

- **publishing the first *Annual Innovation Report***, a comprehensive assessment of the UK's innovation performance across government and the private sector.[23] This and subsequent reports will enable benchmarking of the UK's innovation performance over time and guide policy interventions.
- **working with the Technology Strategy Board to catalyse investment for business innovation.** Between 2008 and 2011, the Technology Strategy Board is investing over £1bn to support innovation in businesses, in partnership with the regional development agencies and the research councils. In the past year the Technology Strategy Board:

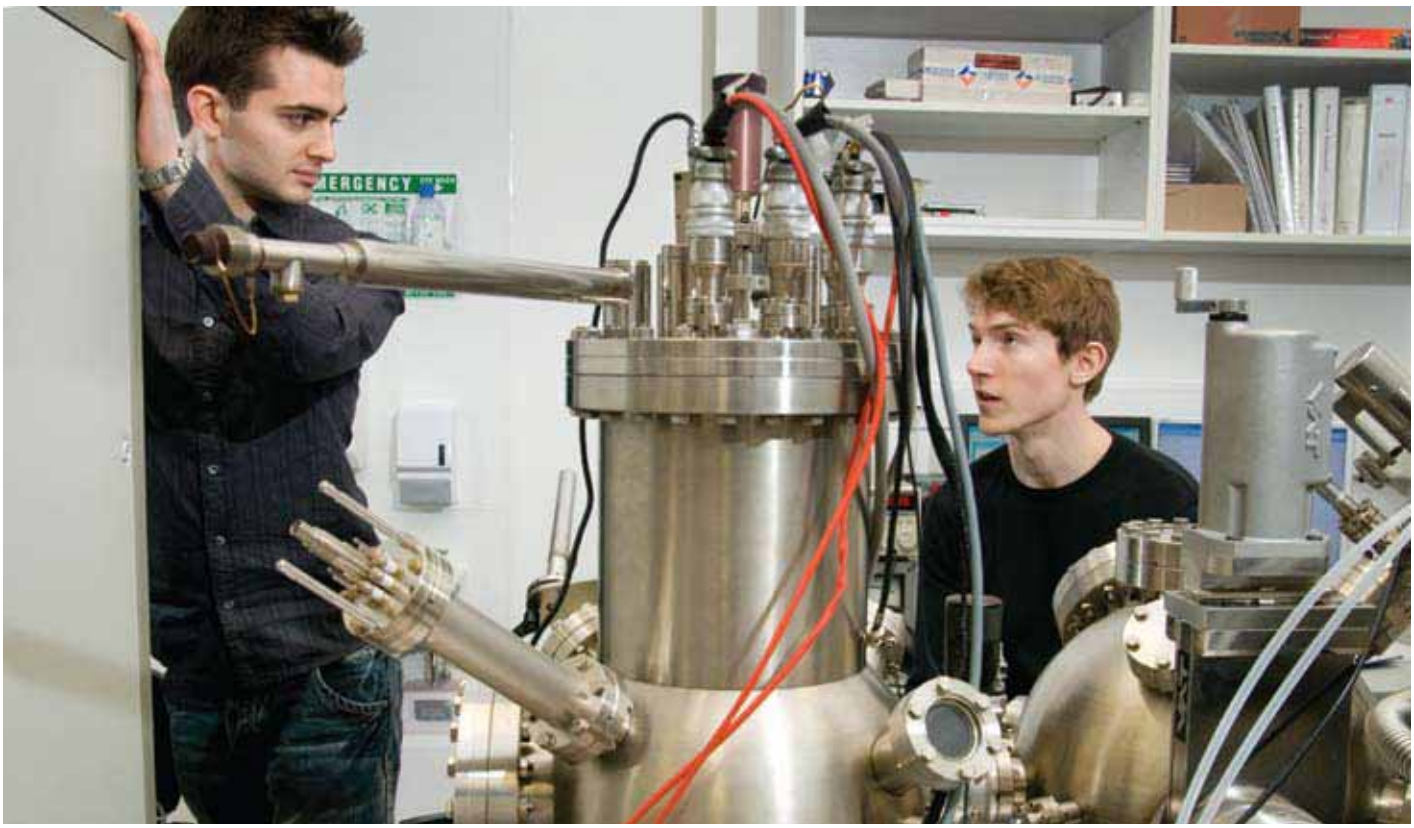
  – published its first strategic plan, *Connect and Catalyse* in May 2008[24]

  – launched the £50m detection and identification of infectious agents **Innovation Platform** in partnership with the Department of Health. Innovation Platforms bring business and government together to generate solutions to major societal challenges.

  – launched a £10m '**Retrofit for the Future**' Small Business Research initiative to encourage development of ideas for improving the environmental sustainability of existing buildings. Working with Northern Way[25] and the Department for Energy and Climate Change, the Technology Strategy Board also announced investment of £15m in the development and demonstration of new carbon-abatement technologies, with an emphasis on tackling CO_2 emissions from power plants and large process industries.

  – established a Knowledge Transfer Network to support **innovation in the creative industries**, in partnership with the Arts and Humanities Research Council (AHRC). These networks encourage co-operation between businesses, universities and research institutions

22 www.dius.gov.uk/reports_and_publications/innovation_nation
23 www.dius.gov.uk/policy/annual_innovation_report.html
24 www.innovateuk.org/_assets/pdf/corporate-publications/technology%20strategy%20board%20-%20connect%20and%20catalyse.pdf
25 www.thenorthernway.co.uk/



to share research findings and newly developed technologies.

- **continuing to support universities and public-sector organisations to maximise the commercialisation of research.** An independent evaluation of the Higher Education Innovation Fund (HEIF) noted considerable progress over the first 10 years of funding specifically for knowledge transfer in higher education institutions. The evaluation indicated that £600m of HEIF funding had generated between £2.9bn and £4.2bn of income for universities.[26]
- **working to ensure that the application of standards is targeted to support innovation.** In October 2008, DIUS launched a cross-Whitehall committee, Taking Standardisation Forward, to establish a consistent government strategy for standardisation, and to maximise the effectiveness of UK involvement in European and international standardisation policy initiatives.
- **helping businesses to capture value from innovation through the intellectual property system.** The United Kingdom Intellectual Property Office launched a consultation on copyright strategy, to build a vision for future UK, EU and international copyright in the context of increasing globalisation. It also launched online databases listing patented inventions free to use or available for licensing, and offered tailored intellectual-property advice to small and medium-

26 "Evaluation of the effectiveness and role of HEFCE/OSI third stream funding", p.14, X11.16, http://www.hefce.ac.uk/pubs/hefce/2009/09_15/

sized enterprises through its free online IP health check. To facilitate university/business collaborations, it launched an updated 'Lambert toolkit' (a suite of model contracts and guidance resources to help simplify negotiations) and online resources to enable business-to-business IP licensing transactions.[27]

Strengthening further and higher education

DIUS objective: To strengthen the capacity, quality and reputation of the further and higher education systems and institutions to support national economic and social needs

2.8 Progress has been made in strengthening the capacity of the further and higher education systems:

- Overall FE college success rates are up from 59% in 2000/01 to 81% in 2007/08.[28] Employer satisfaction is high: 84% of those who have sourced training through an FE college are satisfied with the service provided.[29]
- The HE sector continues to perform well nationally and internationally. Student numbers are increasing, and we have seen strong growth in demand from international students in recent years: their numbers (including those from the EU) in the UK are up 58% since 2000/01.[30] The UK earns more than £5bn from this international market.[31]
- Student satisfaction is also high: according to the latest National Student Survey (2008) 82% of HE students are satisfied overall with their courses, maintaining the high levels of previous years.[32] The National Learner Satisfaction Survey shows that over 90% of FE learners are satisfied with their overall learning experience, including 27% who are extremely satisfied.[33]

2.9 In February 2008, DIUS launched a wide-ranging debate on the future of higher education, seeking contributions from individuals, higher education organisations and employers. This debate will result in the publication of a new HE framework for England setting out a vision for higher education over the next 10 to 15 years. This framework will also set the context for the review of university fees which will begin later in 2009.

Actions in 2008-09 included:

- **working with the Learning and Skills Council to develop the Framework for Excellence**, which will give an independent, quantitative assessment of the performance of post-16 training providers against a set of national standards. Following a pilot in 2007–2008, the Framework was introduced in FE and sixth-form colleges and work-based learning providers in September 2008. It will be rolled out

27 www.innovation.gov.uk/lambertagreements/index.asp?lvl1=0&lvl2=0&lvl3=0&lvl4=0
28 DS/SFR2, 26 March 2009, www.thedataservice.org.uk/statistics/sfrmar09. Success rates are calculated as the number of learning aims achieved divided by the number of learning aims expected to complete, excluding any learners who transferred onto another learning aim within the same institution.
29 Learning and Skills Council (2008) *National Employer Skills Survey 2007: main report*
30 DIUS analysis of HESA student data, 2000/01 to 2007/08
31 'Global Value – the value of UK education and training exports: an update', the British Council, September 2007, www.britishcouncil.org/eumd-information-research-global-value.htm
32 www.hefce.ac.uk/news/hefce/2008/nss.htm
33 http://readingroom.lsc.gov.uk/lsc/National/NLSS_Highlights_Report_final_July08.pdf

across the FE sector over the next two years to cover other providers such as specialist colleges and HE institutions delivering FE. From September 2009, the Framework for Excellence will also be piloted with school sixth forms and local authorities as part of our commitment to introduce a common performance-assessment framework for all post-16 providers. Framework results will be published for the first time in a limited form in June 2009 and in full in June 2010.

- **putting in place the arrangements for the new Skills Funding Agency**. Under changes announced in the Apprenticeships, Skills, Children and Learning Bill 2008-09, the Learning and Skills Council will be abolished in 2010, and responsibility for young people from birth to 19 years of age will pass to local authorities. DIUS is creating the Skills Funding Agency to take responsibility for funding adult and workplace learning, as well as Apprenticeships. It will ensure that provision is driven by the choices of individuals and employers.

- **working to spread the benefits of local higher education across the country.** Investing in higher education is one of the best ways of increasing prosperity, and new higher education centres can play a significant role in regenerating areas. There has been strong interest in DIUS's New University Challenge, launched in March 2008 to encourage local partners to work together to develop a case for a higher education centre or campus, with 27 expressions of interest so far.[34] The new programme aims to spread the benefits

34 www.dius.gov.uk/higher_education/shape_and_structure/new_university_challenge

of local higher education across the country.

- **promoting the UK as a leader in international education.** Phase two of the Prime Minister's Initiative for International Education (PMI2) is investing in programmes to enhance the UK's reputation as a leader in international education, and to sustain the managed growth of UK international education delivered at home and overseas. PMI2 has given financial support to 194 higher education and 56 further education international partnership projects, increasing the profile and influence of UK education.

Reviewing the FE capital programme

2.10 Since 1997 there has been considerable investment in the FE capital programme, which has been widely commended for the benefits it has delivered to students, staff and communities. However, in 2008 the Learning and Skills Council, who administer the programme, realised that that there were many more college building projects in preparation than could be funded.

2.11 In January 2009, DIUS Ministers and the LSC therefore asked Sir Andrew Foster to undertake a review to establish how this situation had arisen and what lessons could be learned. The LSC Chief Executive, Mark Haysom, resigned on 23 March and was replaced by Geoffrey Russell, whose first urgent task was to provide certainty and clarity about the programme.

2.12 The Foster report was published on 1 April 2009.[35] Its key conclusion was that the FE capital programme was a good policy but that it had been compromised by the manner of its implementation. The report's recommendations were accepted by DIUS and the LSC.

2.13 Since then, Geoffrey Russell has put in place a number of changes, including:

- An external team to review the financial data on capital projects to ensure that information is accurate and up to date
- A director to be personally responsible for the capital programme
- Consultation with the sector to prioritise schemes and ensure that the present demand-led approach is replaced by a needs-based strategy with explicit criteria
- A reference panel of college principals to enable early engagement with the sector in finding ways forward on the most pressing matters
- An external team of property specialists to assist the LSC as it meets with colleges to ensure that management information provides a sound basis for making future decisions.

2.14 Budget 2009 announced additional funding of more than £300m during this spending review to support projects that are urgent and in greatest need. The Government has also set out a continuing programme of investment in FE capital beyond the current spending round, with a planning assumption of £300m

35 www.dius.gov.uk/news_and_speeches/announcements/~/media/publications/L/LSC_Capital_Review_acc

a year from 2011–12 to 2013–14, to be confirmed at the next spending review.

2.15 The new money will not be sufficient for all college projects in development to be funded, but alongside the actions set out above (which will ensure greater rigour in the future), it will enable us to get a sustainable programme back on track.

Encouraging science and innovation in the public sector

DIUS objective: To encourage better use of science in government, foster public service innovation, and support other government objectives which depend on DIUS expertise and remit

2.16 Science and engineering make a significant contribution to the development of government policy and the delivery of its services, as well as playing a key role in the broader UK economy. Following the publication of the White Paper *Innovation Nation* in March 2008, the Department has collaborated with partners to promote innovation in the public services.[36] It has also worked to change the way central government operates so that it becomes better at fostering innovation from suppliers, front-line professionals and service users.

Actions in 2008-09 included:

- **launching the Whitehall Hub for Innovation** in autumn 2008, to support leadership for innovation amongst senior decision makers in Whitehall.
- **working with the Technology Strategy Board to design and implement a revised Small Business Research Initiative (SBRI),** following the recommendation of the Sainsbury Review.[37] SBRI provides opportunities for innovative companies to develop technology to solve the needs of government departments. The revised SBRI was successfully trialled in 2008 with pilot competitions from the Ministry of Defence and Department of Health. DIUS and the Technology Strategy Board engaged with other government departments across Whitehall to identify and develop further SBRI projects to be taken forward in 2009.
- **launching the Innovation for Sustainability competition** in November 2008 to promote use of the Forward Commitment Procurement (FCP) model. This addresses the recommendations of the Commission on Environmental Markets and Economic Performance and of the Glover report "Accelerating the SME Economic Engine" to extend the use of outcome based specifications in the public sector. By using FCP, buyers stimulate businesses to develop novel solutions to their needs. Buyers gain better solutions, allowing them to deliver improved public services, while business is encouraged to become more inventive. The competition will support a number of FCP projects in the public sector, providing support and training

36 www.dius.gov.uk/reports_and_publications/innovation_nation
37 www.hm-treasury.gov.uk/sainsbury_index.htm

through the process of developing and implementing each project. The aim is to create a portfolio of around ten flagship projects to be taken forward in 2009/10.

- **sponsoring the launch by NESTA, the National Endowment for Science, Technology and the Arts, of a Public Services Innovation Laboratory**. The lab will focus on issues such as how public services can adapt to the challenges of an ageing population and will explore which approaches work best for stimulating and supporting radical innovations.
- **sponsoring the launch by the Design Council of the Public Services by Design programme.** This programme demonstrates how design thinking and methods can transform public services. The programme has started with three pilots, with a further 14 to follow later this year.

2.17 The Government Chief Scientific Adviser (GCSA), Professor John Beddington, supported by the Government Office for Science (a semi-autonomous unit within DIUS), has made a significant contribution to the Department's work on this objective. Further details of GO-Science's activities are provided on the following pages.

Government Office for Science

Government Office for Science

2.18 Professor John Beddington CMG FRS, the Government Chief Scientific Adviser (GCSA), is responsible for ensuring that the government uses the highest-quality scientific and engineering advice. The GCSA provides advice direct to the Prime Minister and the Cabinet on specific scientific and engineering issues and on aspects of science policy.

2.19 The Government Office for Science (GO-Science) supports Professor Beddington. GO-Science is a semi-autonomous organisation, which is based within DIUS for accounting and employment purposes and contributes to DIUS's Public Service Agreements and Departmental Strategic Objectives. The GCSA and GO-Science are supported on international science, research and innovation issues by the DIUS International Science and Innovation Unit.

2.20 In 2009–10 the Government will set out its overall aims for ensuring that policy and delivery are informed by the latest advances in science and engineering.

Foresight

2.21 **Foresight** and its **Horizon Scanning Centre** are based in GO-Science. Their role is to help government think systematically about the future by combining the latest evidence with futures analysis to help policy-makers tackle complex issues.

2.22 Foresight works in three ways:

- **Foresight reports**: conducting influential, in-depth studies looking at major issues 10–100 years in the future
- **The Horizon Scanning Centre:** working with other departments to apply futures analysis to policy issues
- **Foresight toolkits and networks:** building future-thinking capacity and sharing best practice across government.

2.23 During 2008–09, the Foresight project **'Tackling Obesities: Future Choices'** provided the scientific evidence and strategic framework for the Government's cross-departmental response to obesity.

2.24 The project on **'Infectious Diseases: Preparing for the Future'** played a leading role in the establishment of a £55m government investment in the research and development of diagnostic techniques, through the Technology Strategy Board's 'Identification of Infectious Agents' Innovation Platform.

2.25 The project **'Food and Farming Futures'** was announced in July 2008 as part of the Cabinet Office project 'Food Matters'. The project will take a global perspective to examine how the world can feed a rapidly expanding population.

2.26 In addition, projects on **Mental Capital and Wellbeing** and **Sustainable Energy Management and the Built Environment** were launched in October and November 2008 respectively. The Horizon Scanning Centre contributed scenarios of the future, entitled *UK Futures: Society and Economy 2030*, designed to test policies and strategies across government.

2.27 Plans for 2009–10 include the launching of the **'Land Use Futures'** project. This will help policy makers to assess whether the UK's existing land-use patterns and practices are fit for the future.

Cross-departmental issues

2.28 In addition to the longer-term perspective offered by Foresight, the GCSA and GO-Science support and challenge other departments and facilitate cross-departmental collaboration on a range of issues.

2.29 In 2008–09 these included:

- Security and counter terrorism
- The responsible development of new science and technologies such as nanotechnologies, brain science and cognition enhancers, and mechanisms for enhancing food production
- The use of science in response and planning for civil contingencies, such as flooding and pandemic flu
- Bio-security in laboratories handling dangerous pathogens
- The evidence base for policies on drugs and pesticides

2.30 More generally, the GCSA has championed the need for a coherent global response to issues such as climate change, population growth and the projected increases in demand for energy, food and water, recognising that these problems are inter-linked.

The role of Chief Scientific Advisers

2.31 The GCSA works closely with the network of Chief Scientific Advisers (CSAs) within departments. Departmental CSAs deliver independent analysis similar to the work of the GCSA across government.

2.32 CSAs, acting in collaboration with the Government's Chief Economic Adviser, undertook a peer review of a key Renewable Fuels Agency report on biofuels sustainability, which helped shape biofuels policy at both UK and EU levels.

2.33 Also in 2008–09, the GCSA:

- Set up a Core Issues Group of CSAs with sub-groups on critical issues including climate change, food security and counter terrorism
- Established regular meetings between CSAs and the Chief Executives of the Research Councils
- Revised the code of practice for scientific advisory committees.

2.34 During 2009–10 further CSA appointments will be made so that there will be a CSA in every significant spending department. We are also planning to review the guidelines on scientific analysis in policy making.

Science and Engineering Assurance programme

2.35 Evidence about Departments' management and use of science comes from the Science and Engineering Assurance (SEA) programme (previously Science Reviews) which assesses departments' capabilities in obtaining

and using scientific advice. This has provided departments with confidence in the strength of their evidence base and identified areas where further development would be beneficial.

2.36 During the past year, reviews were completed for the Department of Health and the Food Standards Agency. Both reviews identified significant areas of good practice and highlighted aspects where further improvement could drive still better performance. In 2009–10 the SEA programme will start to undertake benchmark assessments of the other main departments that have not yet been reviewed.

Council for Science and Technology

2.37 GO-Science houses the secretariat for the Council for Science and Technology (CST), the Prime Minister's premier independent science and technology advisory body, made up of eminent scientists, engineers and business people. CST operates at arm's length from government. It is co-chaired by the GCSA and Professor Dame Janet Finch (Vice-Chancellor of Keele University).

2.38 Recent reports published by the CST include **How academia and government can work together**[38] and **Improving innovation in the water industry – 21st century challenges and opportunities**[39]. Findings from this research will inform government policy in the coming year, with GO-Science leading on the implementation of the academia/government report.

2.39 Most recently, CST has published its report, **A national infrastructure for the 21st century,** which was commissioned by the Prime Minister.

Science and engineering capability in the civil service

2.40 The GCSA is also the Head of Science and Engineering Profession (HoSEP) across government. In this capacity he works with departments to build, support and champion the profession, assisted by a network of departmental HoSEPs, responsible for scientific expertise within their departments. Together they ensure that departments recruit and develop the first-class scientists and engineers they need to analyse and deliver their objectives.

2.41 To this end the GCSA has established the Government Science and Engineering (GSE) Community to bring together scientists and engineers across government. The Community already has a membership of over 1,600 from more than 30 government organisations. In January 2009, the GCSA hosted a successful first annual GSE conference, where delegates discussed embedding science and engineering within government and some of the key challenges for the profession. During 2009–10 we will further develop the GSE Community, increase its membership and hold further events. We also plan to develop the skills framework for the science and engineering profession.

38 www2.cst.gov.uk/cst/reports/files/academia-government.pdf
39 www.cst.gov.uk/cst/reports/files/water-report.pdf

government skills
The Sector Skills Council for Central Government

Building professional skills for government

2.42 In 2008, Government Skills – the Sector Skills Council (SSC) for central government – moved into DIUS. This brought together central government's own SSC and the department with overall policy responsibility for Sector Skills Councils in a move designed to ensure Government Skills can make the most of links with the national policy agenda in England.

2.43 Government Skills serves employers UK-wide in the central government sector – government departments and agencies, their non-departmental public bodies and the armed forces. It is a semi-autonomous team within the Department and is led by a board representing sector employers and the trade unions.

Lesley Strathie (Head of Profession for Operational Delivery and Chief Executive of HMRC) helps launch the Skills Strategy at Civil Service Live 08.

2.44 2008–09 began with the **launch of the Skills Strategy for Central Government**[40] by Ministers, Sir Gus O'Donnell (Head of the Home Civil Service) and other senior leaders at Civil Service Live, an event promoting new ideas to support the effective delivery of public services.

2.45 The aim of the Skills Strategy is to improve skills to help employers and staff deliver better public services and better value for money from their learning and development spend. The Strategy sets out a clear agenda for skills development at all levels, built around three themes:

- driving up **professional standards**, through strengthening the professions to develop standards and qualifications
- taking **common actions** to address common skills needs – including a programme to increase significantly the number of civilian **Apprenticeships**
- working with the **higher and further education sectors** so they can provide our current and future workforce with the skills they need.

2.46 The Strategy is being delivered via a partnership of employers, Heads of Profession and Government Skills itself. We supported employers in setting out their plans for implementing the Skills Strategy. This proved a highly successful method of putting the Strategy into action.

40 www.government-skills.gov.uk/skills-strategy/index.asp

Professionalism

In 2008–09, Government Skills developed its **Sector Qualifications Strategy** and agreed it with the UK Commission for Employment and Skills. This sets out the priorities for developing standards and qualifications in the sector.

2.47 The ambition of the Skills Strategy is for every civil servant to be part of a professional community, equipped with relevant, high-quality skills. It builds on Professional Skills for Government (PSG), the competency framework launched in 2005, which identifies the skills requirements of roles in the sector.[41] At this time, two new professions were established – Operational Delivery, for those delivering services directly to members of the public, and Policy, for those translating political ideas into practical policy solutions. Over two-thirds of employees in the sector work in these two areas.

2.48 Government Skills established new teams to support the development of skills standards in these areas, one of the key provisions in the Skills Strategy. The teams have developed workplans for the next two years to develop standards and qualifications for people working in their professional areas. These programmes will use the National Occupational Standards (NOS), established by Government Skills and approved by the regulator during the year. For example, a pilot programme linked to the new policy NOS got under way in Northern Ireland during the year. This was developed by the policy profession and the Northern Ireland Civil Service, and will be evaluated by Government Skills to consider its wider applicability.

2.49 We are also overseeing the re-development of the armed forces qualification portfolio, in collaboration with awarding bodies.

2.50 Government Skills has also cultivated working relationships with the remaining twenty professions recognised across government to identify their priorities for skills development. We extended coverage of the PSG framework by completing a menu of core skills (e.g. people management and financial management) for staff below Grade 7. We then supported employers across the UK to begin incorporating these skills in their HR, learning and development processes.

Common actions

2.51 This workstream is building coalitions of employers and Heads of Professions to collaborate in resolving common training needs. In 2008–09, a pilot project examining policy development was established in partnership with the National School of Government and the policy profession involving at least ten departments, beginning with a Training Needs Analysis. A pipeline of further pilots is planned, and we expect the first savings generated by our analysis to be achieved in 2009–10.

2.52 We also supported OGC Buying Solutions with their new learning and development procurement framework, contributing to potential savings through future

41 http://www.civilservice.gov.uk/people/psg/index.aspx

collaborative procurement. A further common-action agreement brokered by Government Skills has led to DWP's in-house accreditation team undertaking NVQ assessment and accreditation for HMRC.

2.53 Partnered by the Learning and Skills Council, further education colleges and private training providers, we delivered nearly 1,400 new **Apprenticeships** in the civilian part of the sector, against a target at the start of the year of 500. This included supporting the Apprenticeships strand of the Civil Service West Midlands project, an innovative pilot project which aims to make the Civil Service an employer of choice in the region. The Apprenticeships project is a key vehicle allowing employers to realise benefits from the Skills Pledge, which all UK government departments signed in April 2007.

Apprentices on the Government Skills Apprenticeships Pathfinder scheme (including Government Skills' own apprentice John Rotimi – bottom left) meet Civil Service leaders and celebrity entrepreneur, Peter Jones, at Civil Service Live in Gateshead, March 2009.

Higher and further education

2.54 We worked closely with employers to develop this workstream, which progressed into two pilot projects. The first looked at the sector's use of MBAs and MPAs (Masters in Public Administration) and based on the conclusions of this, in 2009-10 we will be exploring with employers and HE the scope for more cost-effective procurement and use of these qualifications in future. The second project will provide its customers – including the armed forces, GCHQ and the FCO – with language training in hard-to-source language skills, where there is currently a gap in supply. Further projects are in the pipeline for 2009-10.

2.55 For those not yet in the workforce, we helped to develop the Diploma in Public Services (for 14- to 19-year-olds in England) in collaboration with public-sector SSCs under the leadership of Skills for Justice.

2.56 Government Skills is responsible for monitoring and reporting progress in implementing the Skills Strategy. The first skills survey in 2007 helped provide the evidence-base for the Skills Strategy for Central Government. The second got underway in February 2009 and will provide data on the progress we are making in delivering the Strategy across all parts of the UK.

www.government-skills.gov.uk

Chapter 3: Progress against 2007 Comprehensive Spending Review Public Service Agreements and Departmental Strategic Objectives

Introduction

Reporting against these PSAs and DSOs began in 2008-09. In some cases, data is not yet available.

For the purpose of interim assessments the terms used to report progress are:

Term	Definition
Strong progress	More than 50% of indicators have improved.
Some progress	50% or less indicators have improved.
No progress	No indicators have improved.
Not yet assessed	50% or more of the indicators are yet to have first time data. Where some but less than 50% of the indicators fall into this category, those that do must still be counted in the calculation for the PSA/DSOs overall assessment.

PSA 2: Improve the skills of the population on the way to ensuring a world-class skills base by 2020

The Government's long-term aim is that the UK should be a world leader on skills, benchmarked against the upper quartile of OECD countries, by 2020. Eradicating skills gaps and shortages, supporting individuals to acquire the skills they need to succeed, and helping employers to up-skill their employees, all contribute to higher productivity, greater social mobility and improved overall UK economic performance. The Government's ambition is to create an economy in which every person has the opportunity to realise their potential, overcome disadvantage and achieve economic well-being. Further details can be found in the PSA2 Delivery Agreement www.hm-treasury.gov.uk/d/pbr_csr07_psa2.pdf

We are committed to stretching ambitions for 2020:

- 95% of adults to achieve the basic skills of functional literacy and numeracy;
- Exceeding 90% of adults qualified to at least level 2, with a commitment to achieve 95% as soon as possible;
- 68% of the adult population qualified to level 3;

- Deliver England's share of the UK ambition to have 500,000 people a year in Apprenticeships by 2020; and,
- Over 40% of the adult population qualified to level 4 and above.

Progress towards the 2020 ambition will be measured by key indicators, to be achieved by 2011 and 2014. These are:

Key PSA 2 Indicators by 2011
597,000 people of working age to achieve a first level 1 or above literacy qualification; 390,000 people of working age to achieve a first entry level 3 or above numeracy qualification.
79% of working age adults qualified to at least full level 2.
56% of working age adults qualified to at least full level 3.
130,000 apprentices to complete the full apprenticeship framework in 2010/11.

Key PSA 2 Indicators by 2014
36% of working age adults qualified to Level 4 and above (with an interim milestone of 34% by 2011). The target is in line with the following participation indicator.
Increase participation in Higher Education towards 50% of those aged 18 to 30 with growth of at least a percentage point every two years to the academic year 2010/11.

Evaluation Assessment

As this PSA (and the associated DSOs) only began formally in 2008-09 it has been evaluated as "not yet assessed" in line with Treasury guidance.

Factual Assessment

There are six indicators against which delivery is measured. Measurement of indicators will be based on increases in those qualified at a number of levels from 2008/09.

The speed of progress over the coming 12 months is likely to be affected by the Government's response to the economic downturn, as public funding is directed towards flexible support for immediate skills needs, particularly small and medium-sized enterprises and the unemployed.

Data Statement by Indicator

PSA2 Indicator 1
a) 597,000 people of working age to achieve a first level 1 or above literacy qualification between 2008 and 2011; and, b) 390,000 people of working age to achieve a first entry-level 3 or above numeracy qualification between 2008 and 2011.

Though achievements delivered prior to 2008/9 do not count towards the new indicator, performance in the years leading up to the target period has been strong, and suggests that we are broadly on track to deliver the indicator.

Over 220,000 first level 1 or above literacy achievements were delivered in each of 2006/7 and 2007/8, based on Individual Learner Record (ILR) data.

Over 90,000 first entry level 3 or above numeracy achievements were delivered in each of 2006/07 and in 2007/08, based on Individual Learner Record (ILR) data.

Quality of Data Systems

Progress towards the literacy and numeracy indicators is measured through the LSC's Individual Learner Record (ILR), which records all publicly-funded learning aims undertaken.

Measurement of progress towards the target requires analysis of the proportion of literacy and numeracy achievements delivered which have enabled people to improve their skills beyond the target 'threshold' levels. This will be estimated annually through analysis of ILR and Awarding Body data.

Impact of any changes in the way in which performance is measured or presented

The 2011 indicator is based on the achievement of 597,000 first literacy and 390,000 first numeracy qualifications. This differs from the 2010 target which was based on the number of learners improving their literacy, language or numeracy skills and gaining a qualification.

Main Contributing Department

DIUS. Other contributing Departments: DWP/JCP, Home Office/ Prison Service and DCSF.

PSA2 Indicator 2
Adult Level 2: to increase to 79% the proportion of working age adults qualified to at least Level 2 by 2011.

The target indicator is to increase to 79 per cent the proportion of working age adults qualified to at least full level 2 by 2011. Formal measurement started in 2008/09, using Quarter 4 2008 data from the Labour Force Survey.[42]

At Quarter 4 2008, 71.2% of adults aged 19-59 (women) /64 (men) were qualified to level 2 or above, which represents 21.2 million people out of a population of 29.8 million.

Since Quarter 4 2001, the proportion of adults aged 19-59/64 qualified to at least full level 2 has increased from 65% to 71.2% as at Q4 2008. Between Quarter 4 2007 and Quarter 4 2008, the proportion qualified to at least full level 2 increased by 0.5 percentage points.

Growth will largely be driven by the number of first full Level 2 achievements amongst adults already in the working age population, which has grown significantly in the past few years – over 165,000 publicly funded first full level 2 achievements were delivered in 2006/07, more than 3 times the number delivered in 2002/03.

42 March 2009 Statistical First Release on Post-16 Education & Skills: http://www.thedataservice.org.uk/statistics/sfrmar09/

Quality of Data Systems

The Labour Force Survey (LFS) is a large quarterly household survey which collects data on a wide range of socio-demographic characteristics such as qualifications. The survey results are weighted to give results that are intended to be representative of the whole working age population. In practice the LFS sampling frame covers about 97% of private households but not most communal establishments. Further details on sampling and the associated effects can be found in the LFS User Guide Volume 1: Background and Methodology.[43] As the LFS is a sample survey there are sampling errors attached to each estimate: approximate 95% confidence intervals for estimates of attainment at level 2 and above are of the order of +/- 0.4 percentage points of the given estimate[44]. The Office for National Statistics (ONS) and DIUS are currently undertaking work to compare the level of education and skills qualifications reported by the Labour Force Survey and those shown by administrative sources. This work is continuing and will be reported on ahead of the SFR released in March 2010.

Impact of any changes in the way in which performance is measured or presented

This indicator differs from the SR04 Adult Skills target, as it measures the whole adult working age population, whereas the Level 2 2010 target focused on the skills of the economically active workforce. Measurement is through the LFS.

Main Contributing Departments

DIUS (lead Department) , DCSF (increasing the qualifications of young people, who subsequently move into the working age population), DWP (working jointly with DIUS on integrated employment strategy to provide employment and training packages for sustainable employment) and CLG (leading on Local Area Agreements, which include targets for first Level 2 and Level 3 achievements).

PSA2 Indicator 3
Adult Level 3: to increase to 56% the proportion of working age adults qualified to at least Level 3.

This is a new PSA indicator. As with level 2, formal measurement started in 2008/09, using Quarter 4 2008 data available in February 2009. The target indicator is to increase to 56% the proportion of adults aged 19-59 (women)/64 (men) qualified to at least full level 3 by 2011.

At Quarter 4 2008, 50.8% of adults aged 19-59/64 were qualified to level 3 or above, which represents 15.1 million people from a population of 29.8 million.

Since 2001, the proportion of adults aged 19-59/64 qualified to at least full level 3 has increased from 44.7% to 50.8% as at Quarter 4 2008. Between Quarter 4 2007 and Quarter 4 2008, the proportion qualified to at least full level 3 increased by 0.2 percentage points.

Growth will largely be driven by the number of first full Level 3 achievements amongst adults already in the working age population. Publicly-funded first Level 3 achievements have grown from 38,000 in 2002/03 to over 73,000 in 2006/07.

43 http://www.statistics.gov.uk/statbase/Product.asp?vlnk=1537

44 Similar confidence intervals apply to estimates of attainment at Level 3+ and Level 4+.

Quality of Data Systems

The narrative for indicator 2 also applies to Level 3 in relation to the LFS (see above).

Impact of any changes in the way in which performance is measured or presented

This is a new indicator, and like the Level 2 and Level 4 indicators, is measured through the LFS.

Main Contributing Departments

DIUS, with DCSF, DWP, CLG (in relation to Regional/ local agenda).

PSA2 Indicator 4

Apprenticeships: 130,000 to complete the full Apprenticeship framework in 2010/11.

The baseline measurement is the 2007/08 achievement data which shows that there were 224,800 starts and 112,600 completions during the year. Both these figures are encouraging, with over 40,000 more starts than in 2006/07 and completion rates remaining high, at 64%. If starts continue to grow and completion rates remain at this level then we would expect to progress to 130,000 framework completions by 2010/11.

Quality of Data Systems

Progress is measured through the LSC's Individual Learner Record (ILR). No estimation of any supplementary information is needed.

Impact of any changes in the way in which performance is measured or presented

This is a new target.

Main Contributing Departments

DIUS and DCSF

PSA2 Indicator 5

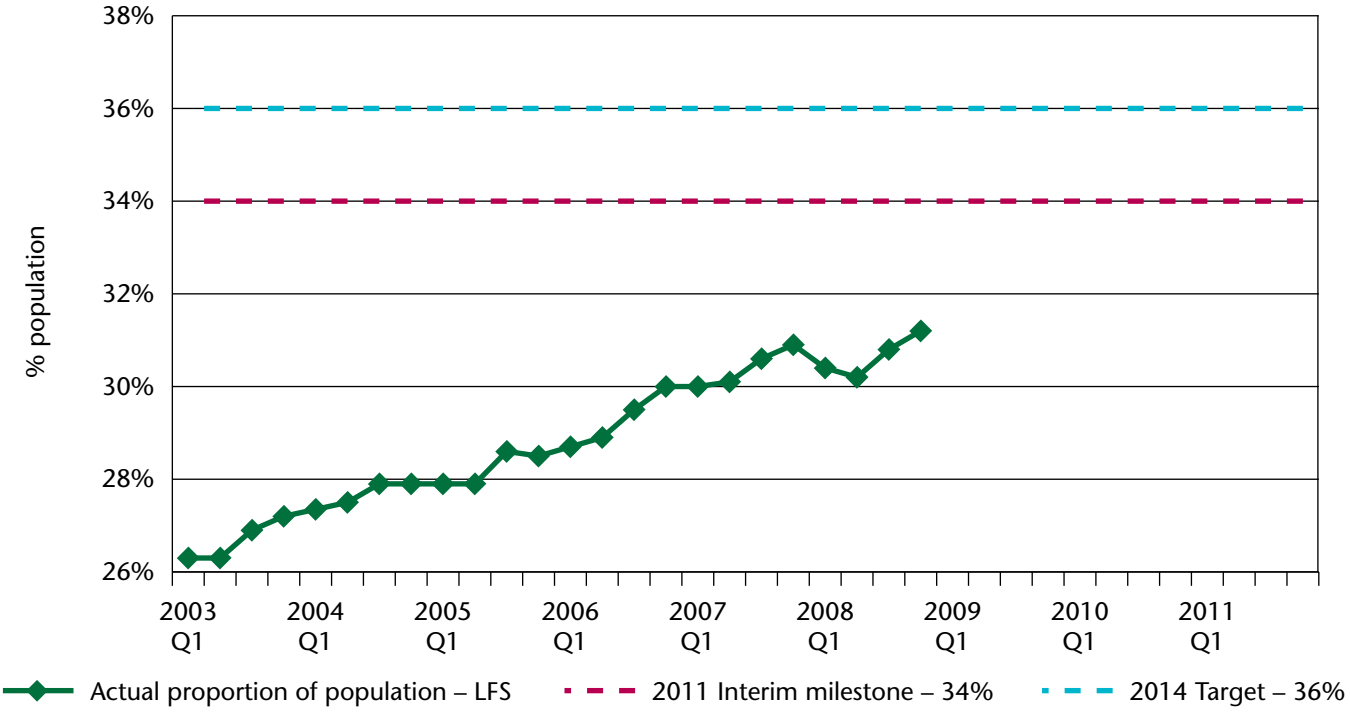
Adult Level 4: to increase to 36% the proportion of working age adults qualified to at least Level 4 by 2014, with an interim milestone of 34% by 2011.

This is a new PSA indicator. As with Level 2 and Level 3, formal measurement started in 2008/09. The graph shows progress towards the target of 36% of adults aged 19-59/64 qualified to Level 4 and above by 2014, with an interim milestone of 34% by 2011. At Quarter 4 2008 31% (31.2%) of adults aged 19-59/64 were qualified to at least Level 4, which represents 9.3 million people from a population of 29.8 million.

Since 2001, the proportion of adults aged 19-59/64 qualified to at least level 4 has increased from 25.2% to 31.2% as at Quarter 4 2008. Between Quarter 4 2007 and Quarter 4 2008, the proportion qualified to at least level 4 increased by 0.3 percentage points.

Whilst we are currently slightly below the trajectory to deliver the indicator by 2014, the last couple of quarters of 2008 saw improvements after a dip earlier in the year. Evidence of current and future growth in HE volumes, based on recent trends in the number of HEI qualifiers and UCAS acceptances[45], suggests that we are more or less on track to achieve it, providing progress is maintained in 2009.

Progress towards proportion of adults aged 19-59/64 qualified to Level 4 and above



Quality of Data Systems

The narrative for Level 2 and Level 3 indicators also applies to Level 4 in relation to LFS (see above).

Impact of any changes in the way in which performance is measured or presented

This is a new indicator, and like the Level 2 and Level 3 indicators, is measured through the LFS.

Main Contributing Department

DIUS

PSA2 Indicator 6

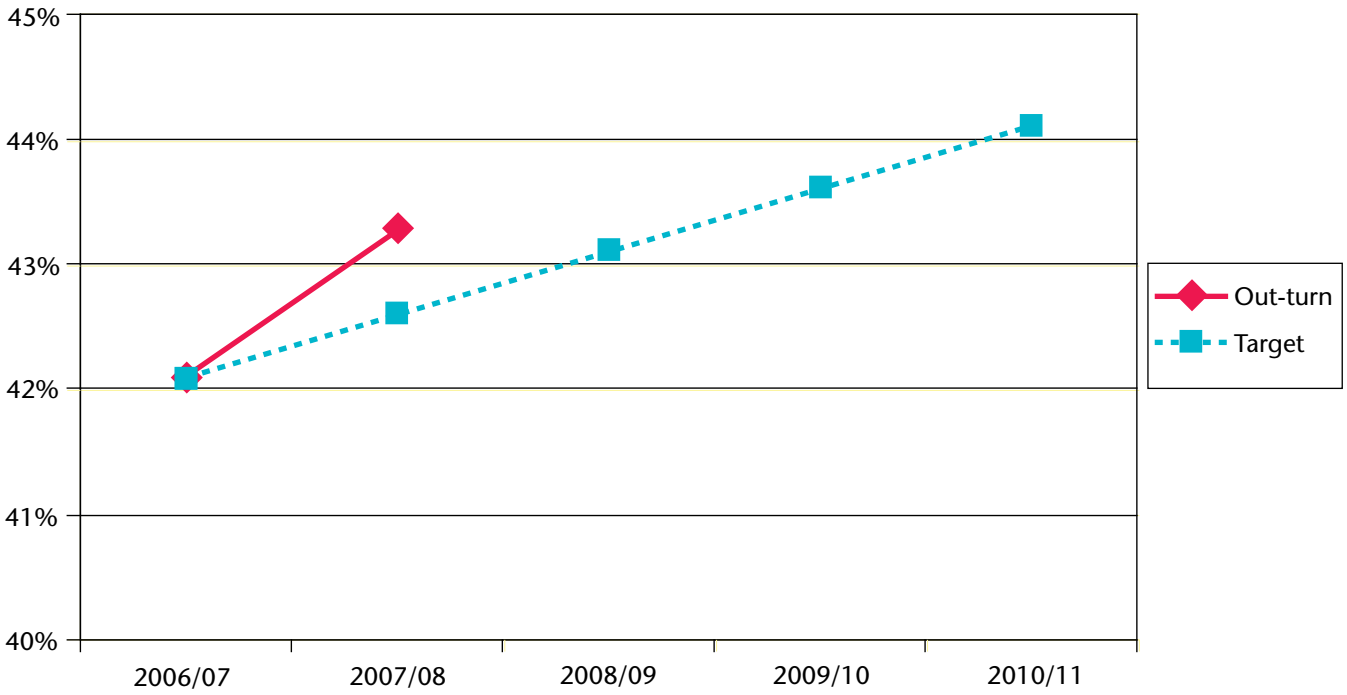
Higher Education Initial Participation Rate: Increase participation in Higher Education towards 50% of those aged 18 – 30, with growth of at least a percentage point every 2 years to 2010/11.

The target indicator is to increase participation in Higher Education towards 50% of those aged 18-30 with growth of at least a percentage point every two years to the academic year 2010/11. The graph shows progress on this indicator. In 2007/08 the initial participation rate was 43%. This means that

45 The number of Level 4+ qualifiers from English HEIs has been increasing steadily over recent years, and for ***first*** Level 4+ qualifiers (ie. those who had no previous HE level qualifications) there has been an increase from just under 222,000 in 2000/01 to over 278,000 in 2007/08 (a rise of 26%). Also, final 2008/09 UCAS acceptance data shows a 7.4% increase in acceptances to HE from England over 2007/08, following a 6% increase in the previous year, suggesting further growth as entrants recover post the introduction of fees.

people aged 17 in 2006/07 had a 43% probability of participating in HE by the age of 30. This is an increase on the baseline figure of 42% in 2006/07.

Progress towards Higher Education Initial Participation Rate (HEIPR)



Recent figures from UCAS show an increase of 7.4% or 22,700 accepted applicants from England for 2008/09 university entry compared to 2007/08.[46] These are the highest ever figures for university acceptance. The 2008/09 HEIPR figure will become available in March 2010.

The HEIPR relies on the latest population figures which are revised annually. Significant changes in the underlying population figures can however have a significant impact on the HEIPR.

Quality of Data Systems

The Higher Education Initial Participation Rate is a National Statistic, published annually in a Statistical First Release.[47] It covers higher education study at publicly-funded UK higher education institutions and at English, Scottish and Welsh further education colleges. It does not cover privately-funded or overseas higher education. The latest figure (for 2007/08) is provisional, pending updates to the underlying sources. This will be revised for the 2010 release.

There is a discontinuity in the time series, at 2006/07. This is caused by a necessary change in methodology following a change in the underlying data. A variable which was used in the calculation of HEIPR formerly recorded whether each student had prior experience of higher education. In 2007/08 this was changed (at the Department's request) to record whether each student had *at least six months'* prior experience of higher education, in line with the definition of participation on which this target

46 DIUS analysis of UCAS data
47 http://www.dcsf.gov.uk/rsgateway/DB/SFR/s000839/SFR02-2009webversion1.pdf

indicator is based. However, the results from this variable have been found to be unreliable in 2007/08, and this has been verified externally by analysts at HEFCE.

This year, for the first time, the Department holds sufficient historical datasets to allow it to match back to earlier datasets by up to twelve years. This means that even for the oldest students who could count towards HEIPR (aged 30), it is now possible to directly check the data in each previous year, back to their first opportunity to attend HE aged 18, to ensure that only first-time participants are counted within the measure. Therefore the methodology has been changed, from an approach which combines the above self-reported variable on prior HE experience with some limited matching to earlier data sources to detect whether students are first-time participants, to an approach which relies solely on matching to earlier datasets to determine first time participants. Again, this approach has been verified externally (by analysts in HEFCE) and has also been discussed with the National Statistician.

The change in methodology has been backdated to 2006/07, with the caveat that this includes only eleven years' matching (rather than the full twelve) and potentially there could be some very minor over-counting, but this should not impact on the measure to the accuracy quoted. This will allow progress to be tracked from the baseline of 2006/07 as required by the target.

Impact of any changes in the way in which performance is measured or presented

The methodology change described above has been applied to the 2006/07 figure, mainly for the purpose of tracking progress from the baseline of 2006/07, but also to demonstrate the impact of the change for transparency. The 2006/07 figure was 39.8% using the former methodology. With the new methodology the figure is 42.1%, suggesting an impact of a 2.3 percentage point increase.

An increase would be expected here, because of the nature of the original variable. This asked about prior HE experience of any length. Therefore, students with prior HE experience of less than six months could have been discounted by the previous methodology because the data could claim they had prior HE experience. Such students are, rightly, counted within the HEIPR under the current methodology because this should only discount students with more than six months' prior HE experience. The new approach, which makes use of data-linking applied over the previous twelve years, is an improvement as this ensures only the correct students count towards HEIPR.

As this target has a baseline of 2006/07, from 2007/08 any changes from this updated baseline of 42.1% reflect actual change, not change due to methodology.

Main Contributing Department

DIUS

DEPARTMENTAL STRATEGIC OBJECTIVES

Three of the Department's Strategic Objectives (DSOs) support the delivery of PSA2. An overview of progress and future plans against the six DIUS DSOs is provided in chapter 2. Progress against individual indicators is set out below.

DSO	Objectives
DSO2	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.
DSO3	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.
DSO5	Strengthen the capacity, quality and reputation of the further and higher education systems and institutions to support national economic and social needs.

DSOs 2 and DSO 3

Indicators 1, 2, 3, 4, 5 and 6 under PSA 2 apply

Progress against each of these indicators is as assessed in the section covering PSA 2. Therefore, as reported against these indicators overall progress is not yet assessed.

DSO 5

Indicator: Balanced scorecards for measuring FE and HE sector performance are under development

Further Education

The FE balanced scorecard is now known as the Framework for Excellence.

The Framework for Excellence (FfE) was announced in Further Education: Raising Skills, Improving Life Chances[48], piloted in 2007/2008 and introduced for FE colleges and work based learning providers that were in scope from September 2008. (Please see chapter 2, p.18 for further details). We are committed as part of the post-2010 machinery of government changes to introducing a performance management framework for all post-16 providers with FfE at its core. To this end FfE will be piloted in School Sixth Forms and Local Authorities from September 2009.

Higher Education

The Department continues to work with HEFCE and other key partners to maintain and strengthen the quality of the HE sector, and over the past year no institution has moved into HEFCE's at-risk category. Last year work was instigated with HEFCE to develop a scorecard to assess overall performance across the sector. It is likely this will encompass a limited number of indicators at the level of the HE sector as a whole, with the indicators to covering areas including: financial health of the sector, student satisfaction, graduate outcomes, impact on business, and research performance.

There has been much activity within the HE sector that contributes to delivery against this DSO, including a consultation exercise on higher level skills, and the wide-ranging debate on the future of HE launched by the Secretary of State for Innovation, Universities and Skills in February 2008. During 2009 we will publish an HE Framework setting out our vision for the development of HE over the next 10-15 years. Further details on this are given in chapter 2, p.18.

48 published by the then Department for Education and Skills in 2006

PSA 4: Promote world-class science and innovation in the UK

World-class science and innovation in the UK are crucial to maintaining economic prosperity and responding to the challenges and opportunities of globalisation. In the global knowledge economy the UK's competitive advantage will rely on the ingenuity and capabilities of the UK population and will be dependent on the UK having an innovation system that can take advantage of the opportunities on offer.

As well as maintaining the UK's prosperity, science and innovation play a vital part in addressing key global and domestic challenges, such as climate change and security. Science and innovation also deliver improvements in public service delivery and contribute to improvements in areas such as education, health and culture.

The delivery strategy for the PSA has been informed by key policy documents published in previous years including the *Science and Innovation Framework 2004-14,*[49] *the Lambert Review of Business-University Collaboration,*[50] *the Cooksey Review of UK Health Research Funding,*[51] *the Gowers Review of Intellectual Property*[52] *and the Sainsbury Review of Science and Innovation.*[53] The Department reviewed these policies during the first part of 2008 and a White Paper *Innovation Nation* was published in March 2008 which brought together previous science and innovation policies and set out a new policy agenda and a number of areas for action.[54]

Some key actions are currently underway that will drive delivery including:

- Taking forward the policies set out in *Innovation Nation* to make the UK the leading place in the world to be an innovative organisation, including publication of the first Annual Innovation Report in December 2008. (details in chapter 2, p.16)
- Developing and implementing an international strategy which includes effective leadership of the Science and Innovation Network. DIUS jointly fund the network with the Foreign and Commonwealth Office to promote access to and sharing of scientific expertise, resources and facilities through international scientific collaboration and exchange, to strengthen the UK's capacity to innovate through international research and development investment, and to inform effective domestic and international policy making and leadership based on the best available science.
- Working with the research community to ensure that the Wakeham review of UK Physics and McKillop review of the Daresbury Science and Innovation Campus are successful.
- Establishing a refreshed strategy on science and society, including through a revised and expanded Science, Technology, Engineering and Maths (STEM) agenda. (details in chapter 2, pp.14-15)

49 http://www.hm-treasury.gov.uk/spending_sr04_science.htm
50 http://www.hm-treasury.gov.uk/lambert_review_business_university_collab.htm
51 A review of UK healthcare funding, Sir David Cooksey, December 2006.
52 The Gowers review of intellectual property, HMT, December 2006.
53 The race to the top: A review of Government's science and innovation policies, HMT, October 2007.
54 http://www.dius.gov.uk/reports_and_publications/innovation_nation.aspx

- 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 Olympic Games.

Evaluation Assessment

Under the Treasury assessment criteria, the PSA has been assessed as making some progress as 50% of indicators have improved.

Factual Assessment

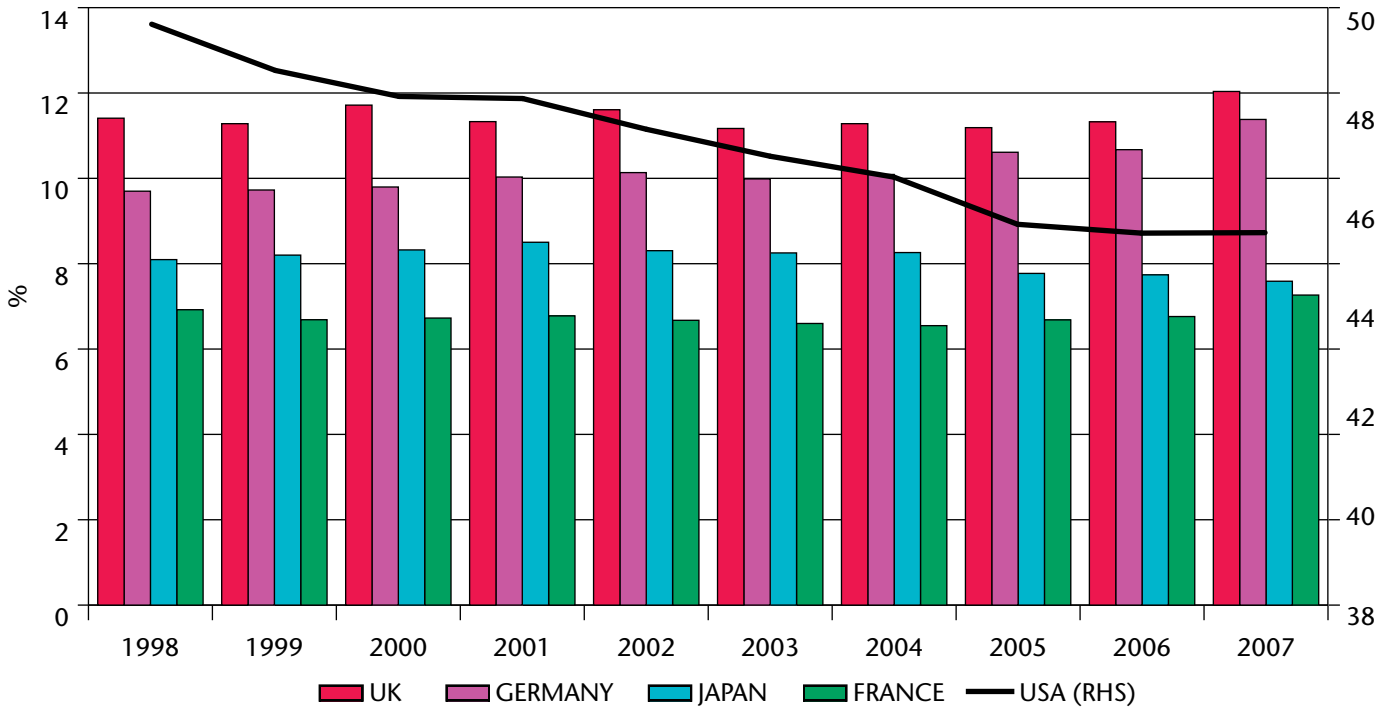
There are six indicators against which delivery is measured. Early indications are that the PSA is showing some progress with latest values for three of the six indicators moving in a positive direction. Two indicators have yet to be assessed.

Data Statement by indicator

PSA 4 Indicator 1

The UK percentage of citations in the leading scientific journals.

Latest data for 2007 show that the UK's citation share increased to 12% and the UK continues to lie second in the world to the USA. There are long time lags between investments in research and citations and this means that the funding increases made over the past decade should continue to feed through into strong UK citation performance in the coming years.



Quality of Data systems

Data is provided annually by DIUS from the Thomson Scientific database of journal outputs and their citations and analysed by an independent contractor. Thomson Scientific is the world's premier source of information on journal outputs and their citations, and indexes over 8000 journals in 35 languages, which is agreed to represent most or all of the material likely to be recognised as having significant value to others for most science fields.

Main contributing Department

DIUS

PSA 4 Indicator 2

Amount of income generated by UK Higher Education Institutions (HEIs) and Public Sector Research Establishments (PSREs) through research, consultancy and licensing of intellectual property.

Latest available data (2006/07) shows a continued increase in income from business, pulling up the three year moving average from a baseline of £437 million (2003/4 to 2005/06) per annum to £611 million per annum (2004-5 to 2006-07).

Quality of Data systems

The indicator is collected annually and consists of the sum of two separate data items, aggregated for Higher Education Institutions (HEIs) and for Public Sector Research Establishments (PSREs)[55]:

1. Income from business (research and consultancy)

2. Income from licensing property

The data is collected from HEIs by the Higher Education Statistics Agency. An independent contractor is engaged to administer the survey of PSREs.

Main contributing Department

DIUS

PSA 4 Indicator 3

The percentage of UK business with 10 or more employees that are 'innovation active'.

This indicator is yet to be assessed. The latest survey data from the 2007 UK Innovation Survey found that 64 per cent of businesses with 10 or more employees were innovation active. Next data is due to be collected in 2009.

55 For PSREs, the indicator reports data only for those [92] PSREs that have responded to all four PSRE surveys. This is to minimise year to year variation in this component of the indicator of non-response from particular PSREs.

Quality of Data systems

The data set used is the UK Innovation Survey which is provided by the Office for National Statistics (ONS) on behalf of DIUS.[56] Data is collected from enterprises with 10 or more employees with the definition of 'innovation active' following guidelines set out in the Organisation for Economic Cooperation and Development (OECD) publication, the Oslo manual (OCED, 2005).

Main contributing Department

DIUS

PSA 4 Indicator 4

The annual number of UK PhD completers in Science, Technology, Engineering and Mathematics (STEM) subjects.

The latest HESA[57] qualifications figures for 2007/08 showed a small decrease in the number of PhDs to 11,160, down from 11,730 in 2006/07.

Quality of Data systems

The Higher Education Statistics Agency (HESA) provides data from their records of enrolments and qualifiers on higher educational courses. The HESA Student Record records details of enrolments on higher education courses including PhD courses at UK HEIs. It records qualifiers by subject and country of domicile year. STEM subjects are as defined by HESA.

Main contributing Department

DIUS

PSA 4 Indicator 5

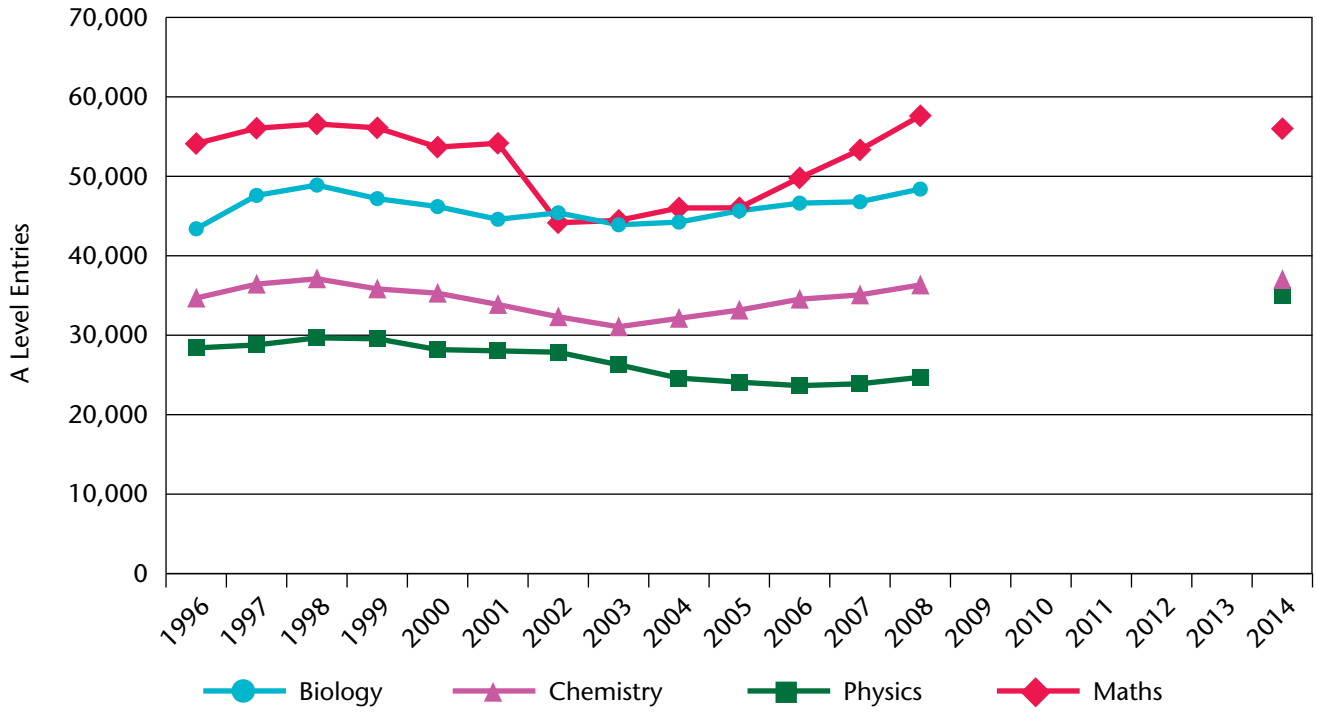
The number of young people in England taking 'A' Levels in mathematics, physics, chemistry and biological sciences.

Latest full data for 2008 show that the target set for mathematics has been achieved, that prospects for meeting the 2014 target are good for chemistry and that the numbers studying biological sciences are holding up. Although there has been an increase in physics A level entries for a second successive year, the target for 2014 will not be met if the rate of change continues at current levels.

56 http://www.dius.gov.uk/science/science_and_innovation_analysis/~/media/publications/P/Persistence_and_change_in_UK_innovation

57 http://www.hesa.ac.uk/index.php?option=com_datatables&Itemid=121&task=show_category&catdex=3#quals

The number of young people in England taking 'A' Levels in mathematics, physics, chemistry and biological sciences



Quality of Data systems

Data on A Level entries by young people aged 16-18 in England is provided annually by DCSF.

Main contributing Department

DCSF

PSA 4 Indicator 6

Business research and development (R&D) expenditure – the average UK R&D intensity in the six most R&D intensive industries, relative to the US, Japan, France and Germany.

This indicator is yet to be assessed. This indicator is based on data from national statistical offices that is compiled by the OECD. Latest data on R&D and Gross Value Added at this level of detail are only available internationally to 2006 in most cases. New data for 2007 shows a significant increase in total UK business R&D and overall UK public funding incentives for R&D have increased.

Quality of Data systems

Data for the UK is provided by the Office for National Statistic business enterprise R&D (BERD) survey for the UK and by the OECD for the rest of the G7. The ONS BERD survey (and similar surveys in other countries on which the international comparisons are based) measures expenditure on research and development in businesses. This is estimated using a standardised survey methodology based on international guidelines published by the OECD in the Frascati manual.

Main contributing Department

DIUS.

DEPARTMENTAL STRATEGIC OBJECTIVES

Three of the Department's Strategic Objectives (DSOs) support the delivery of PSA 4. An overview of progress and future plans against the six DIUS DSOs is provided in chapter 2. Progress against individual indicators is set out below.

DSO	Objectives
DSO1	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.
DSO4	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.
DSO6	Encourage better use of science in Government, foster public service innovation, and support other Government objectives which depend on DIUS expertise and remit.

DSO1

Progress of this DSO is measured through five indicators. Overall progress is currently rated as not yet assessed since three of the indicators are yet to be assessed.

Indicators:

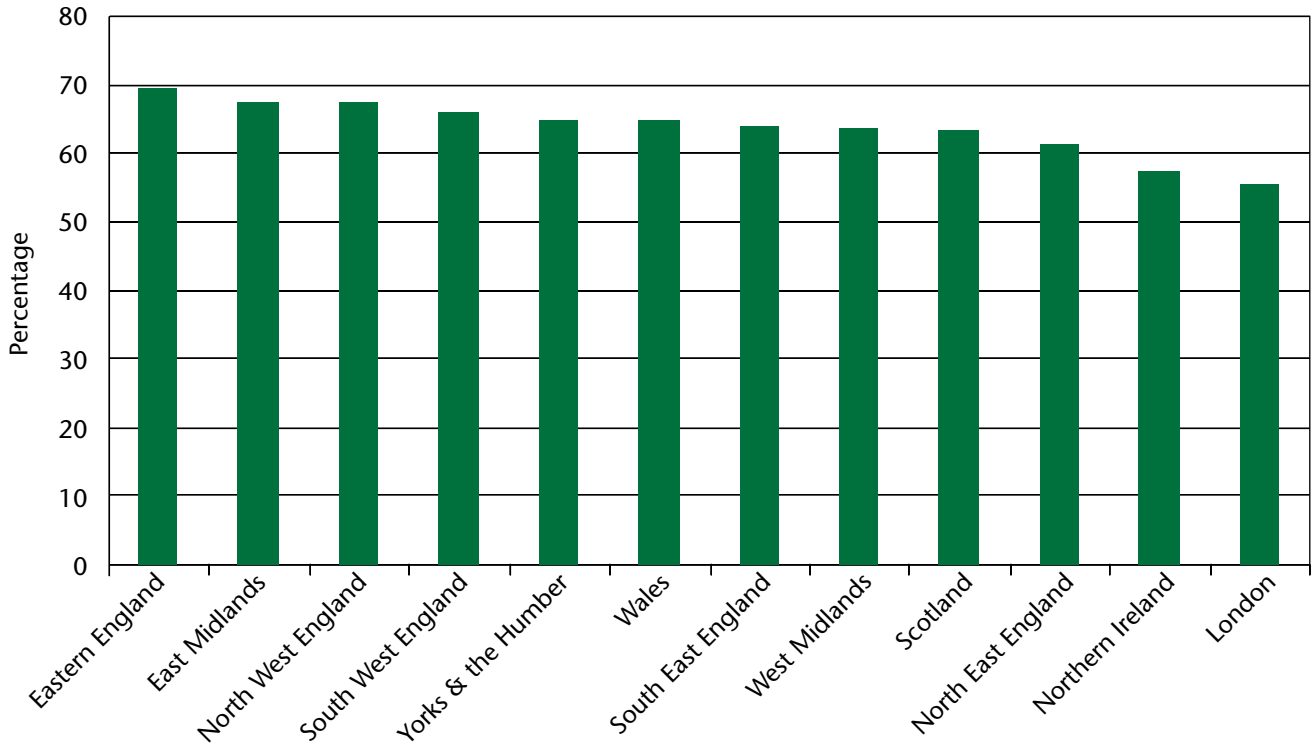
Indicators 2 and 6 under PSA 4 apply

Progress against each of these indicators is assessed in the section covering PSA 4.

Indicator: Regional breakdown of percentage of UK businesses with 10 or more employees that are innovation active

This indicator is yet to be assessed. The latest data from the 2007 UK Innovation Survey, however, show the following pattern of innovation activity across the countries of the UK and the English regions.

Source: UK Innovation Survey 2007, all enterprises with 10 or more employees.



Indicator: Key knowledge transfer outputs from public sector research base

Knowledge transfer measure	2004/05	2005/06	2006/07
Patents applied for	1938	1826	2229
Patents granted	859	772	819
Licensing agreements	3772	4311	3890
Income from intellectual property licensing	103	244	174
Spin outs	232	261	337

Sources: HEBCI[58] and PSRE[59] surveys

The period since 2000 has seen steady increases in commercial exploitation of knowledge from higher education institutions. Since 2003/04 data have also been collated from Public Sector Research Establishments. These show more year-to-year variation; however the majority of aggregated measures have increased.

Quality of Data systems

The indicator uses five variables each aggregated from HEBCI and PSRE surveys which cover patents applied for, patents granted, licensing agreements, income from licensing and spin outs.

The UK Innovation Survey is a sample survey. The 2007 survey sampled 28,000 businesses and achieved a 53% response rate. The number of 'Innovation active' firms was 64% (95% Confidence Interval 63% to 64%). The definition of Innovation active used here is broader than the OECD

58 http://www.hefce.ac.uk/econsoc/buscom/hebci/
59 http://www.dius.gov.uk/science/knowledge_transfer/psre

definition as it includes firms that report innovation related activities during the 3 year period 2004 to 2006.

Indicator: Basket of measures of take-up of intellectual property

This indicator is yet to be assessed. The basket of measures covers the number of UK registered patents, registered community designs and trade marks per head of the population.

DSO 4

DSO 4 is assessed as showing strong progress, measured through the following five indicators.

Indicators 1, 4 and 5 under PSA 4 apply

Progress against these 3 indicators is assessed in the section covering PSA 4.

Indicator: Survey of public attitudes to science

The latest survey of public attitudes to science and technology, conducted on behalf of RCUK in 2007, was published in 2008.[60] Comparisons with questions from the 2000 survey show an increased interest in science: the percentage of the adult population who agreed or strongly agreed that "Science is such a big part of our lives that we should take an interest" increased from 74% in 2000 to 79% in 2008.

Quality of Data systems

The survey of public attitudes to science and technology is conducted by RCUK to build on previous surveys commissioned by the Office of Science and Technology (OST). These were conducted in 2005 and 2000. The indicator measures the percentage of people who think that science makes a positive contribution to society

Indicator: Number of STEM graduates

In 2007/2008, administrative data showed that there were 136,260 first degree qualifiers from UK higher Education Institutions in STEM subjects.* This was a very small increase on the previous year and accounted for 42 per cent of all first degree qualifiers.

Quality of Data systems

The Higher Education Statistics Agency (HESA) provides data from their records of enrolments and qualifiers on higher educational courses. The HESA Student Record records details of enrolments on higher education courses at UK HEIs. It records qualifiers by subject and country of domicile year. STEM subjects are as defined by HESA.

DSO6

Overall progress against DSO 6 is currently rated as not yet assessed as all three indicators have yet to be assessed.

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60 http://www.rcuk.ac.uk/sis/pas.htm

* www.hesa.ac.uk/index.php?option=com_datatables&itemid=121&task=show_category&catdex=3#quals

Indicator: Policy making is underpinned by robust scientific evidence and long term thinking

All major science-using departments now have CSAs or are in the process of appointing them. CSAs are working with the Research Councils to agree a number of strategic priorities with well-defined and measurable goals. CSAs have provided robust challenge to Government policy proposals, for example, by reviewing the scientific and economic aspects of the Gallagher biofuels report, which significantly strengthened the final document.

Indicator: International comparisons of growth in, and benefit from international collaboration in science

This indicator has yet to be assessed.

Indicator: Use by Government and others of evidence generated by Foresight

The measure is informed by the implementation of reviews of Foresight projects by sponsor departments. The indicator has not yet been assessed, as this is the first year data has been collected so there is no previous data against which to measure improvement.

Chapter 4: Progress against 2004 Spending Review Public Service Agreements

Introduction

This annex reports on the three PSA targets that the Department for Innovation Universities and Skills took over from the former DTI and DfES. It should be noted that some targets are not due for delivery until 2010, and there are 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	Status
PSA2 (DTI)	Science and Innovation 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
PSA13 (DfES)	Tackle the adult skills gap Increase the number of adults with the skills required for employability and progression to higher levels of training through: • improving the basic skills levels of 2.25 million adults between the launch of Skills for Life in 2001 and 2010, with a milestone of 1.5 million on 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
PSA14 (DfES)	Raise and widen participation in higher education 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

PSA2 (DTI): Science and Innovation

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 amongst universities, research institutions and business.

Overall progress

Progress against this target is measured using 25 indicators across five broad attributes of the science and innovation system[61]. Overall progress during this period remains on course, though the data suggest that certain challenges have persisted, particularly in raising business research and development activity (R&D) and in increasing the supply of science, engineering and mathematics skills available to the economy

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

Current Position

Progress against this element was judged using a basket of six indicators including aspects of scientific excellence, productivity and development of trained researchers. These indicators were derived from Evidence Ltd's international benchmarking study into the performance of the UK research base[62]. Citation productivity remained on target throughout the period. Overall percentage share of world citations, however, dipped just under target for the first time in 2006[63], and researchers per thousand workforce were also just below target at 6.13 in 2006. This element is now taken forward in DIUS (2008-11), PSA 4 Indicator 1.

Indicator[64]	2002	2003	2004	2005	2006	2006 Target
Share of world citations	11.9%	11.9%	12.2%	11.9%	11.3%	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 out of 9	Top 3 in 7 out of 9	Top 3 in 7 out of 9	Top 3 in 7 out of 9	Top 3 in 7 out of 9[65]
Researchers per 1000 workforce	5.8	5.9	5.9	5.8	6.13	6.3
Citations per £1 of publicly performed R&D	Lead G8	Lead G8	Lead G8	Lead G8	Lead G8	Lead G8
Citations relative to GDP	Lead G8	Lead G8	Lead G8	Lead G8	Lead G8	Lead G8
Citations per researcher	Lead G8	Lead G8	Lead G8	Lead G8	Lead G8	Lead G8

61 There is significant read across between these indicators and those used to measure progress on the Science and Innovation Investment Framework 2004:2014. www.hm-treasury.gov.uk/spending_review/spend_sr04/associated_documents/spending_sr04_science.cfm

62 http://dius.ecgroup.net/files/75-08-R_on.pdf

63 UK world citation share in 2007 was 12%.

64 Sources Thomson ISI, OECD

65 Biological 2nd, Clinical 2nd, Engineering 4th, Environmental 2nd, Maths 3rd, Physical Sciences 4th, Pre-Clinical and Health 2nd, Social Sciences 2nd and Business 2nd. The broad disciplines are an amalgamation of the 68 Research Assessment Exercise (RAE) subject units of assessment.

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

Current position

Universities:

The sustainability of the UK University research system is assessed biennially by the Funding Councils based on a set of 18 'trigger metrics',[66] updated annually, and by consideration of university sustainability plans, prepared every 2 years. The latest biennial assessment (July 2008)[67] concluded that only a small proportion (1.7%) of research was being undertaken at higher education institutions where there were some concerns about long-term sustainability.

The 'trigger metrics' show improvements in universities' overall operating surpluses, and whilst the level of capital expenditure was lower in 2006-07, the condition of buildings continues to show improvement for the UK as a whole.

Public Sector Research Establishments (PSREs):

Three annual monitoring exercises on PSRE sustainability covering 2005, 2006 and 2007-08 have been completed, with notes on the outcomes of the exercise being published to coincide with the Annual Report on the Science and Innovation Investment Framework: 2004 to 2014.[68] The third monitoring exercise showed that major improvements made between rounds 1 and 2 have been sustained, and that the PSREs continue to report progress on sustainability.

Assessments will continue to help individual PSREs and their parent departments identify the issues they need to address in relation to business, governance and management, financial management, physical infrastructure and staff, income profile and overall sustainability to reach the long term goal of achieving sustainability.

Other comments on performance

World-class science needs world-class infrastructure. An important element of the Government's programme for investment in science is to ensure that the infrastructure and sustainability of the HE research base are improved . In 2008 the Capital Investment Fund was created to provide stable and predictable funding to support university research infrastructure based on Research Council income. This replaces the Science Research Investment Fund (SRIF) which successfully completed its task of making good the backlog in investment in research infrastructure. The new fund, worth £509 million over the current spending review period, will help Universities maintain their research infrastructure and avoid a recurrence of the backlog in investment.

66 Trigger metrics provide data under four broad categories – 'Money', 'People', 'Buildings' and 'Equipment'.
67 Monitoring financial sustainability in HEIs," Report to the Research Base Funders Forum
68 www.berr.gov.uk/dius/science/science-funding/ripss/page22675.html

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 Survey. The latest available data (covering academic year 2006/07) continues to indicate an upward trend in the majority of measures.

Higher Education Business Community Interaction (HEBCI) Survey Indicators[69]

Indicator – HEIs	2002-03	2003-04	2004-05	2005-06	2006-07
FTE staff employed in commercialisation offices	2,283	2,706	3,077	3,448	7,440
Number of patent applications	1,222	1,308	1,649	1,537	1,913
Number of patents granted	377	463	711	576	647
Number of licensing agreements	758	2,256	2,099	2,699	3286
Income from IP licensing	£37m	£38m	£57m	£58m	£58m
Number of spin-outs	197	161	148	187	226
Income from business consultancy	£168m	£211m	£219m	£236m	£288m

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 four years covered.

Indicator – PSREs	First annual survey 2003-04	Second annual survey 2004-5	Third annual survey 2005-6	Fourth annual survey 2006-7
Business representatives on governing bodies	175	214	247	207
FTE staff employed in commercialisation offices	385	368	513	669
Number of patent applications	316	335	290	316
Number of patents granted	228	148	193	172
Number of licensing agreements[70]	621	352	286	604
Income from IP licensing	£33m	£46m	£186m	£116m
Number of spin-outs	69	84	74	101
Income from business consultancy	£36m	£31m	£26m	£43m

69 www.hefce.ac.uk/pubs/hefce/2008/08-22/

70 A new definition of licensing agreements covered excludes the large number of agreements by cultural institutions for licensing copyright images to third parties. Figures for previous years have been amended to incorporate this change.

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 expenditure (BERD), and on UK patenting – are available annually, with a lag of approximately ten to twelve months.

Business R&D as share of GDP[71]

Country	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007
Canada	0.76	0.99	1.15	1.29	1.18	1.16	1.16	1.12	1.06	1.03
France	1.40	1.39	1.34	1.39	1.41	1.36	1.36	1.30	1.32	1.31
Germany	1.88	1.45	1.73	1.72	1.72	1.76	1.74	1.72	1.77	1.77
Italy	0.73	0.52	0.52	0.53	0.55	0.52	0.52	0.55	0.56	0.56
Japan	2.12	1.90	2.16	2.30	2.36	2.40	2.38	2.54	2.62	N/A
UK	1.48	1.26	1.20	1.19	1.18	1.13	1.07	1.08	1.10	1.13
USA	1.87	1.77	2.05	2.01	1.86	1.84	1.79	1.83	1.89	1.93
OECD avg	1.55	1.37	1.54	1.56	1.50	1.50	1.48	1.52	1.56	N/A

BERD as a proportion of GDP was 1.13% in 2007, up from 1.10% in 2006. The figures show that BERD[72] in real terms fell in 2003 and 2004, resulting in a decline in the ratio from 1.18% in 2002 to 1.07% in 2004. Since then the ratio has improved each year to its current level.

It is likely that this performance reflects the sectoral mix of the UK economy, where 75% 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 5 sectors: pharmaceuticals & biotechnology; aerospace & defence; software & computer services; fixed line telecommunications; and automobiles & parts. Investment by companies in these sectors is comparable with global averages, as benchmarked in the UK's R&D Scoreboard. In 2007, the top 850 companies in Research and Development increased their spending on R&D by 6%. The UK's 88 largest R&D investors increased investment in R&D by 10.3% in 2007; globally, the average increase was 9.5%. Although the level of increase was lower, smaller companies within the top 850 also increased their investment.

Patent grants at the US Patent Office per million population[73][1]

The UK's patenting rate, scaled by the size of the population, remained relatively robust in 2007, although it still lags behind many G7 competitors. Year-to-year comparisons are dependent on administrative and legal delays experienced in the US Patent Office, which may explain the lower patenting rate across all G7 countries for the last year of available data. However over the past decade

71 Source: ONS for UK, OECD remainder.

72 http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=8206

73[1]Source: US Patent and Trademark Office and OECD. The data is for the inventor's country of residence

the patenting rate in the UK has grown substantially faster than in France and Italy, although it has been eclipsed by the growth rates in Canada, Germany and Japan.

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 in indicators such as R&D – probably mean that the UK's innovation performance has been under-stated 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 UK Innovation Survey.

The 2007 survey, covering the period 2004-2006, has shown a significant improvement in the headline innovation-active indicator.

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 turnover in establishments that was 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 collaborate with HEIs	4%	3%

International Comparisons:

International comparisons for other EU countries for the 2005 survey are available on the EuroStat New Cronos website.[74]. 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 out-performing France, Italy and the Netherlands, and performing at a similar level to Finland. UK firms fare less well on process innovation against their European competitors (figure 2), but there has still been an increase in activity.

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

Figure 1: Proportion of enterprises with Product innovations 2002-2004: all enterprises

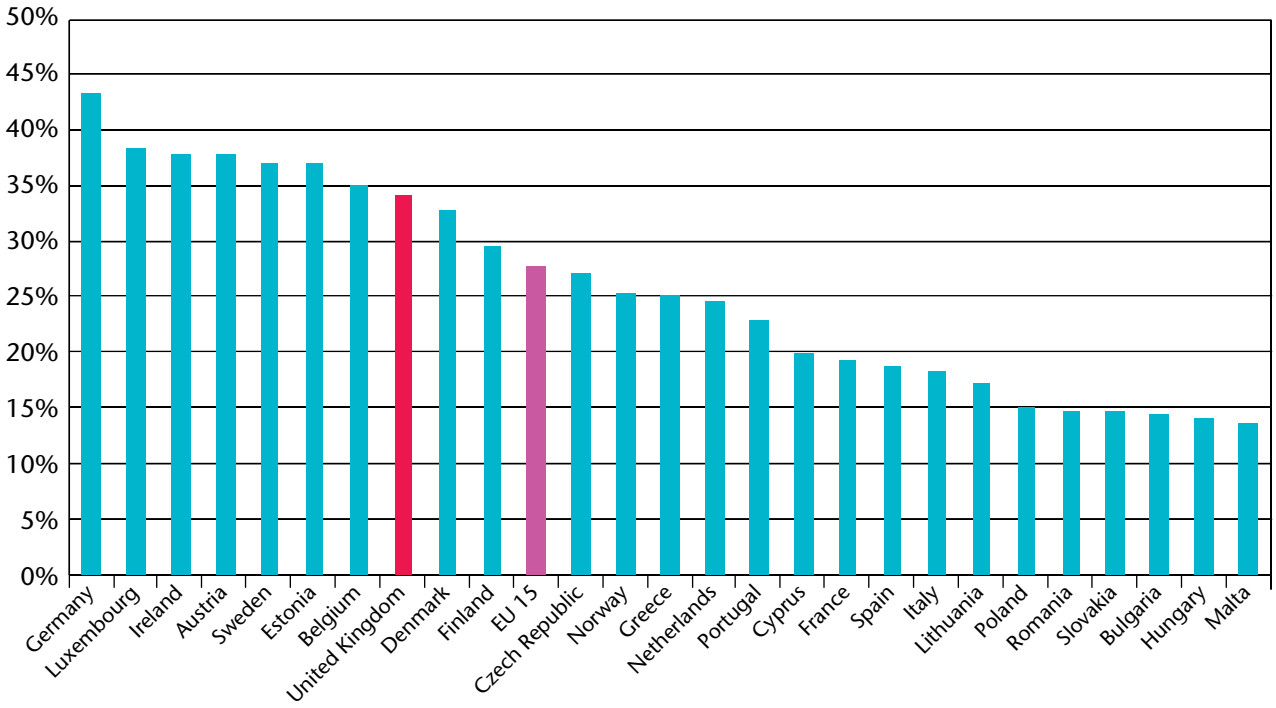
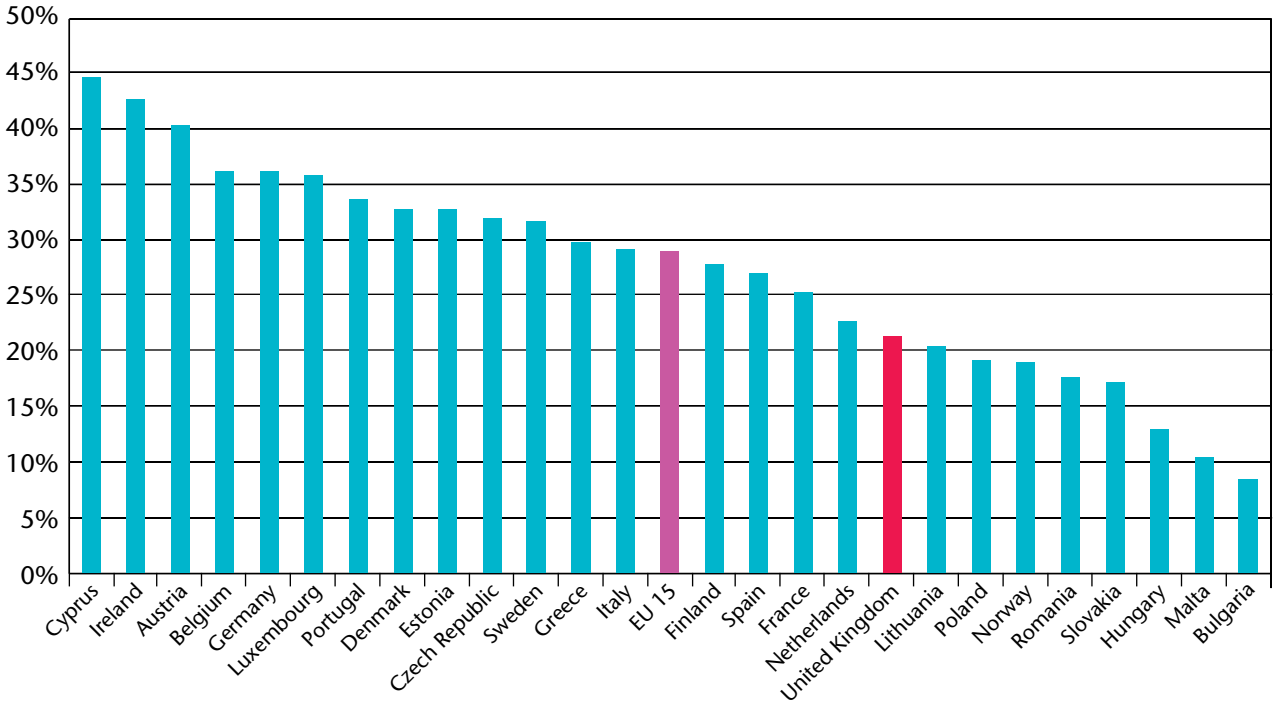


Figure 2: Proportion of enterprises with Process innovations 2002-2004: all enterprises



It is notable that many smaller countries and new member states of the EU record relatively high shares of businesses with innovation, especially in organisational and marketing innovation. 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. R&D Scoreboard,[75] OECD review of UK[76] and DTI economics paper no 11[77]) have shown that one of the most important factors influencing the long-term trend of a country's Business Enterprise Research and Development 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.

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 target is:

- 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 2005 (the most recently available data), the UK lay second (behind Germany) within the G8 for PhDs awarded per head of population.

Indicator[78]	2001	2002	2003	2004	2005
Number of science and engineering students receiving enterprise training[79]	11,143[80]	7,908	N/A	N/A	N/A
PhDs awarded per 1,000 population	0.24	0.24	0.25	0.26	0.26

Other comments on performance

The Government is investing £100 million per year to implement the recommendations of the Roberts review (on the supply of scientists and engineers)[81] with regard to improving significantly the pay and training offered to Research Council PhD students and postdoctoral researchers.

PSA13 (DfES): Tackle the adult skills gap

Increase the number of adults with the skills required for employability and progression to higher levels of training through:

- **improving the basic skills levels of 2.25 million adults between the launch of Skills for Life in 2001 and 2010, with a milestone of 1.5 million on 2007; and**

75 www.innovation.gov.uk/rd_scoreboard/index.asp
76 www.oecd.org/publications/html
77 www.dti.gov.uk/files/file9656.pdf
78 Sources: Science and Enterprise centres, HEBCI survey; OECD
79 This data was collected from those universities who were funded under the now defunct Science Enterprise Challenge. This funding stream has now been integrated into HEIF and we therefore do not now collect figures separately on numbers of students receiving education on entrepreneurship, especially as entrepreneurship education is now integrated into a wide range of graduate and post graduate courses.
80 Includes one-off initiative to provide short computer based courses to all SET students in Scotland; if excluded from the return, the figure would be 3,032.
81 www.hm-treasury.gov.uk/documents/enterprise_and_productivity/research_and_enterprise/ent_res_roberts.cfm

- **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.**

Overall progress

Element 1 (improving the basic skills levels of 2.25 million adults between 2001 and 2010) was met over 2 years early. We have also met the 2006 milestone of one million adults in the workforce to achieve Level 2 between 2003 and 2006; but achieving the 2010 target of "reducing by at least 40% the number of adults in the workforce who lack level 2 qualifications" remains challenging.

Element 1: Improving the basic skill levels of adults

Current position

The Skills for Life Strategy was launched in 2001 to tackle the legacy of adults with poor literacy, language and numeracy skills within England. Government set an ambitious target of improving the basic skills of 2.25 million adults by 2010. From a baseline of nil in 2001, 2.84 million learners had improved their skills and achieved a national qualification in literacy, language or numeracy by the end of 2007/08.

Other comments on performance

The Department has been working with the Learning and Skills Council to monitor progress on Skills for Life using Individual Learner Records data. Adjustments are made to this data to reflect the fact that only first achievements count towards this target. Early administrative work in 2003 to match LSC learner achievements with other datasets indicated that around 10 per cent of Skills for Life achievers were repeat learners. In 2007, following recommendations from the National Audit Office, further work was done to validate this assumption, with detailed checks carried out by Fischer Family Trust, before achievement of the target was confirmed. Further details on the methodology surrounding this adjustment can be found at http://www.dcsf.gov.uk/rsgateway/DB/TIM/m002020/index.shtml

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

Current position

The interim target to help an additional 1 million adults in the workforce to achieve a Level 2 qualification between 2003 and 2006 was achieved. At Quarter 4 2008, 74.7% of adults in the workforce were qualified to Level 2 or above, which represents 18.5 million people from an economically active population of 24.7 million. Achieving the target remains challenging as it requires a further 1.2 million adults with at least level 2 qualifications in the workforce by 2010. In Priorities for Success 4 (November 2008), we planned to deliver over 700,000 publicly funded first Level 2 achievements over the next two years.[82]

82 Government Investment Strategy 2009-10, LSC Grant Letter and LSC Statement of Priorities, November 2008: LSC publication available from www.lsc.gov.uk

Other comments on performance

The Department continues to assess the quality of the Labour Force Survey (LFS) qualifications data, which is the basis of the measurement, and to take action to address issues identified. In May 2008, the Office for National Statistics (ONS) published new datasets for the Labour Force Survey, following the publication of new population estimates in November 2007. These have been reflected in revised LFS figures for Quarter 4 2007, published in June 2008, and in subsequent quarterly reports.

PSA14 (DfES): Raise and widen participation in higher education

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).

Overall progress

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

Element 1: increased participation

This element is measured by the Higher Education Initial Participation Rate (HEIPR), which is outlined in Annex 1 (PSA 2, Indicator 6), with a baseline at 1999/2000. Progress to date is as follows:

1999/2000: 39.2%
2006/07: 39.8%

Following a change in methodology, applied from the 2009 Statistical First Release, HEIPR is not comparable to earlier years. The trend information before and after 2006/07 can still be used to inform on progress. (Details included at annex 1)

2006/07: 42.1%
2007/08: 43.3%

Assessment of progress:

In the 2007 Comprehensive Spending Review, this element was succeeded by an indicator within PSA 2, which has been assessed in Annex 1)

Element 2: progress towards fair access

This element is measured by three of the Performance Indicators in Higher Education, published by HESA. (Details are available on the HESA website: http://www.hesa.ac.uk/index.php/content/view/1175/141/) The target is that across the planning period, the proportions of young entrants to English HEIs from the state sector and from low participation neighbourhoods will increase from the baseline figures in 1999/2000. In addition, the proportion from the lower socio-economic classes will increase from the baseline figure for 2002/03. Progress is as follows:

Proportion of UK-domiciled young entrants to full-time first degree courses at English higher education institutions who are from:

State schools:

1999/2000: 84.1%
2007/08: 87.4%

Low Participation Neighbourhoods:

1999/2000: 11.7%
2005/06: 13.5%

Following a change in methodology[83], applied from the 2008 publication, the low participation neighbourhood indicator is not comparable to earlier years.

2005/06: 9.2%
2007/08: 9.9%

Low Socio-Economic Classes:

2002/03: 27.9%
2007/08: 29.4%

Assessment of progress:

On course

Element 3: bear down on rates of non-completion

This element is measured by one of the Performance Indicators in Higher Education, published by HESA. The sector-wide non-completion target is that, across the planning period, the non-completion rate for English HEIs will remain the same as or be lower than the baseline rate at 1999/2000. Progress is as follows:

Proportion of UK-domiciled full-time first degree starters expected to neither gain an award nor transfer to another institution:

1999/2000: 15.9%
2006/07: 13.4%

Assessment of progress:

On course

83 Details are available in HESA's 2008 "Performance Indicators in Higher Education" publication: http://www.hesa.ac.uk/index.php/content/view/1172/141/

Annex 1: Finance Tables

These tables give an overview of how DIUS applies its Parliamentary funding. By requirement of Her Majesty's Treasury (HMT) the tables cover up to 5 years before the year under review and the current Comprehensive Spending Review period. For DAR 2008-09 this is 2003-04 to 2010-11.

Tables 1, 2 and 3 show a breakdown of expenditure by major budget category: Annually Managed Expenditure (AME) and Departmental Expenditure Limit (DEL). AME is primarily demand-led expenditure. For DIUS the biggest element of AME expenditure relates to student loans. DEL is considered to be more within the Department's direct control and can therefore be planned over an extended period. Examples of DEL costs are the Department's own programme expenditure eg FE Improvement Programmes.

DEL and AME are further divided into Capital and Resource expenditure. Expenditure is considered to be capital when it is used to purchase assets above a certain value which will be in use for at least one financial year. Resource expenditure is all other expenditure.

These tables present both voted and non-voted expenditure. Voted expenditure is explicitly stated on the face of a Supply Estimate and is spent by the Core Department. Non-voted funds are those spent by Non Departmental Public Bodies (NDPBs). These tables exclude Grant-In-Aid (GiA) payments made to Arms Length Bodies ie they present expenditure within the "Budget" boundary.

Tables 1 to 9 are the "core tables" required by the Treasury. Tables 10 to 16 provide additional analysis of data.

Table 1 – Total Departmental Spending:

Sets out a summary of the expenditure on functions administered by the Department. As the Department was 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. The split of spend is by broad policy area – Higher Education, Further Education and Skills, Science and Research and Innovation.

Table 2 – Resource Budget DEL and AME

Provides similar information to Table 1, with some additional detail for the resource budget.

Table 3 – Capital Budget DEL and AME

Provides details of the capital expenditure plans in the same format as Table 2.

Table 4 – Capital Employed

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, debtor and creditor values. Also shown is are the provisions made. Years prior to 2006-07 reflect the major items relating to Student Loans only. Future years are broad estimates.

Table 5 – Administration costs

The administration costs of running the Department form part of the 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 6.

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 Expenditure On Services, By Country and Region, Per Head

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

Table 9 – Identifiable Expenditure On Services by Function, Country and Region for 2007-08

Shows the expenditure for 2007-08 in Table 7 broken down by the functional categories set by the Treasury across government.

Additional Tables

Table 10 – Total Spending Within DEL

Table 11 – Detailed Breakdown of Spending By Function Within DEL, 2003-04 to 2010-11

Table 12 – Breakdown of Expenditure by the Learning and Skills Council Within DEL, 2002-03 to 2009-10

Table 13 – Number of adult learners in England from 2006/07 to 2009/10

Table 14 – Total amounts allocated to FE colleges by the Learning and Skills Council for England 2001-02 to 2007-08

Table 15 – Funding per Full Time Equivalent student in Further Education, 2003-04 to 2009-10

Table 16 – Funding per Full Time Equivalent student in Higher Education, 2002-03 to 2009-10

Data Sets

On Tables 1,2,3 and 5 the source data adheres to the following convention:

- 2002-03 to 2006-07 shows final outturn
- 2007-08 shows final outturn for the core Department
- 2008-09 shows Estimated Outturn, as at 28 February 2009
- 2009-10 to 2010-11 shows the Main Estimate 2009-10 position.

Data in all years could be different to that shown in DAR 2008 as a result of Machinery of Government changes undertaken in 2008-09 and adjustments in accounting treatments required by HMT.

Table 1 Total Departmental Spending

£'000	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
Resource budget								
Resource DEL								
Higher Education	6,384,303	6,439,231	6,875,904	7,426,883	8,299,645	8,969,998	9,245,087	9,699,189
Further Education and Skills[1]	3,864,525	3,845,178	3,987,729	3,836,600	3,994,884	4,228,347	4,394,058	4,396,022
Innovation	126,220	249,084	267,215	237,964	356,052	345,268	392,854	390,009
Science	1,732,118	2,003,035	2,399,916	2,520,973	2,742,511	3,043,909	3,072,980	3,295,348
Activities to Support all Functions	61,756	66,305	64,024	65,298	66,251	78,866	78,887	77,222
Departmental Unallocated Provision	0	0	0	0	0	0	40,624	47,114
Total resource budget DEL	12,168,922	12,602,833	13,594,788	14,087,718	15,459,343	16,666,388	17,224,490	17,904,904
of which: Near-cash	11,352,089	11,952,368	12,772,272	13,394,312	14,367,512	15,219,773	15,694,107	16,261,840
Resource AME								
Higher Education[2,3]	0	(1,598)	0	(11,079)	(21,881)	0	0	0
Further Education and Skills	127,538	131,398	152,207	158,721	183,651	200,581	180,612	189,710
Innovation[4]	(4,400)	(11,000)	(14,897)	(10,386)	(10,776)	(6,599)	0	0
Science[5]	0	11,192	15,100	17,202	27,400	80,000	42,543	27,400
Total resource budget AME	123,138	129,992	152,410	154,458	178,394	273,982	223,155	217,110
of which: Near-cash[6]	(87,518)	(137,619)	(206,668)	(241,586)	(1,023,852)	(828,846)	(694,207)	(718,358)
Total resource budget	**12,292,060**	**12,732,825**	**13,747,198**	**14,242,176**	**15,637,737**	**16,940,370**	**17,447,645**	**18,122,014**
of which: depreciation	**96,448**	**92,872**	**117,629**	**118,963**	**164,777**	**247,498**	**165,917**	**177,986**
Capital budget								
Capital DEL[7]								
Higher Education	421,466	455,451	903,988	717,197	744,442	792,508	950,508	523,508
Further Education and Skills	315,817	411,741	392,643	405,671	463,843	623,780	804,820	526,820
Innovation[8]	(4,315)	(13,426)	(37,759)	27,896	23,704	22,803	22,045	18,745
Science	565,789	575,190	745,212	739,817	821,915	681,437	867,569	746,569
Activities to Support all Functions	393	292	339	14	5,400	2,100	2,166	2,166
Total capital budget DEL	1,299,150	1,429,248	2,004,423	1,890,595	2,059,304	2,122,628	2,647,108	1,817,808
Capital AME								
Higher Education	1,906,037	1,879,973	2,065,138	2,819,109	4,031,616	4,222,000	4,808,431	5,080,646
Further Education and Skills	3,622	2,929	1,793	1,558	2,613	8,381	5,314	3,871
Total capital budget AME	1,909,659	1,882,902	2,066,931	2,820,667	4,034,229	4,230,381	4,813,745	5,084,517
Total capital budget	**3,208,809**	**3,312,150**	**4,071,354**	**4,711,262**	**6,093,533**	**6,353,009**	**7,460,853**	**6,902,325**

£'000	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
Total departmental spending[9]								
Higher Education	8,709,770	8,768,239	9,841,295	10,950,908	13,052,990	13,912,990	15,001,421	15,300,738
Further Education and Skills	4,291,327	4,378,077	4,515,858	4,385,854	4,627,419	5,040,721	5,368,243	5,100,781
Innovation	116,942	219,381	210,505	252,041	364,697	356,701	410,969	404,436
Science	2,224,233	2,519,809	3,068,902	3,180,360	3,449,948	3,656,083	3,841,621	3,915,246
Activities to Support all Functions	62,149	66,597	64,363	65,312	71,439	79,386	79,703	78,038
Departmental Unallocated Provision	0	0	0	0	0	0	40,624	47,114
Total departmental spending	**15,404,421**	**15,952,103**	**17,700,923**	**18,834,475**	**21,566,493**	**23,045,881**	**24,742,581**	**24,846,353**
of which:								
Total DEL	**13,374,285**	**13,933,580**	**15,484,971**	**15,862,071**	**17,355,922**	**18,543,793**	**19,708,223**	**19,546,349**
Total AME	**2,030,136**	**2,018,523**	**2,215,952**	**2,972,404**	**4,210,571**	**4,502,088**	**5,034,358**	**5,300,004**

1. Since November 2008 a number of new skills and training announcements have been made. These include further investments for those facing redundancy, reaching six months of unemployment and extra pre-employment training places for young adults who have been unemployed for 12 months. Further investment has also been announced for extra Apprenticeship places, an enhanced Career Development Loan programme and pilots of a training entitlement for carers and adults on working tax credits. In total these announcements amount to over £478m over 09-10 and 10-11. Within this, £60m in 09-10 and £88m in 10-11 is not included in this table as the relevant end year flexibility has not yet been drawn down. This applies to FE lines in subsequent tables.
2. In this and subsequent tables the overall figures for Further and Higher Education funding in 2010-11 also reflect the expectation to make further additional efficiency savings of £520m. As set out in the Secretary of State's letters to HEFCE and the LSC or 7 May 2009. The final level and distribution of savings will subsequently be set out in the annual grant letters to the LSC, HEFCE and other Non-Departmental Public Bodies.
3. HE Resource AME shown derive from technical adjustments made in earlier years in respect of imbalances between repayments of student loans and payments to students.
4. National Endowment Fund for Science, Technology and the Arts (NESTA) are included in Innovation statistics for the first time as a result of the new HM Treasury requirement to report their performance. Although NESTA is not funded directly by the Department, its surplus or deficit for the year is categorised as Annually Managed Expenditure.
5. The increase in Resource AME in 2008-09 reflects the cost of bulk transfers of pensions arising from staff in BBSRC Institutes who are transferring to universities
6. 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 adjustments, unwinding of provisions and cost of capital charge.
7. Figures for 2010-11 reflect the decision announced in the Pre Budget Report 2008 to bring forward capital spending from 2010-11 into earlier years as part of the fiscal stimulus. The total for 09-10 excludes £100m of the £300m additional LSC capital announced in Budget 2009. This End Year Flexibility will not be drawn down until a Supplementary Estimate in 09-10.
8. Reduced spend on Innovation capital in the years to 2005–06 is due to a technical reclassification of Patent Office reserves.
9. 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	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
Resource DEL								
Higher Education	**6,384,303**	**6,439,231**	**6,875,904**	**7,426,883**	**8,299,645**	**8,969,998**	**9,245,087**	**9,699,189**
of which:								
Student Loans	818,455	560,890	652,428	660,063	996,413	1,280,973	1,408,232	1,500,552
Student Grants	542,009	614,046	758,614	860,418	1,080,539	1,196,879	1,156,049	1,309,803
Higher Education Funding Council for England	4,904,556	5,161,571	5,378,498	5,827,519	6,137,496	6,402,999	6,558,983	6,752,618
Other Support for Higher Education	119,283	102,724	86,364	78,883	85,197	89,147	121,823	136,216
Further Education and Skills[1]	**3,864,525**	**3,845,178**	**3,987,729**	**3,836,600**	**3,994,884**	**4,228,347**	**4,394,058**	**4,396,022**
of which:								
Learning and Skills Council	3,499,094	3,442,874	3,597,509	3,554,221	3,703,855	3,819,879	3,933,962	
International Services	29,233	33,336	34,126	43,062	44,657	47,969	50,472	
Other Support for Further Education and Skills	336,198	368,968	356,094	239,317	246,372	360,499	409,624	
Innovation	**126,220**	**249,084**	**267,215**	**237,964**	**356,052**	**345,268**	**392,854**	**390,009**
of which:								
Knowledge Transfer and Innovation	119,205	239,292	260,485	231,573	349,505	339,053	386,698	383,798
Enterprise Growth and Business Investment	7,015	9,792	6,730	6,391	6,547	6,215	6,156	6,211
Science	**1,732,118**	**2,003,035**	**2,399,916**	**2,520,973**	**2,742,511**	**3,043,909**	**3,072,980**	**3,295,348**
of which:								
Expenditure of Research Councils	1,633,586	1,835,392	2,241,436	2,334,876	2,549,756	2,841,804	2,827,395	3,047,645
Departmental Science programmes	81,988	150,753	150,478	178,196	183,114	191,190	215,742	236,769
Science Unallocated Provision[2]	0	0	0	0	0	0	29,843	10,934
Increasing Scientific Excellence Administration Costs[3]	16,544	16,890	8,002	7,901	9,641	10,915	0	0
Activities to Support all Functions	**61,756**	**66,305**	**64,024**	**65,298**	**66,251**	**78,866**	**78,887**	**77,222**
of which:								
Activities to Support all Functions	61,756	66,305	64,024	65,298	66,251	78,866	78,887	77,222
Departmental Unallocated Provision	**0**	**0**	**0**	**0**	**0**	**0**	**40,624**	**47,114**
of which:								
Departmental Unallocated Provision	0	0	0	0	0	0	40,624	47,114
Total resource budget DEL	**12,168,922**	**12,602,833**	**13,594,788**	**14,087,718**	**15,459,343**	**16,666,388**	**17,224,490**	**17,904,904**
of which:								
Near-cash[4]	11,352,089	11,952,368	12,772,272	13,394,312	14,367,512	15,219,773	15,694,107	16,261,840
of which:								
Pay	552,624	587,759	608,857	687,166	695,095	684,675		
Procurement	338,597	307,544	484,677	474,905	374,151	519,428	595,207	630,349
Current grants and subsidies to the private sector and abroad	13,622,434	14,551,459	15,691,915	16,914,368	18,219,146	19,250,660	20,048,514	20,786,543

£'000	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
Current grants to local authorities	1,592,407	1,665,821	2,122,089	1,946,949	2,043,316	2,124,862	2,095,557	2,101,397
Depreciation	93,787	98,501	114,240	116,242	162,725	245,223	163,375	176,363
Resource AME								
Higher Education	**0**	**(1,598)**	**0**	**(11,079)**	**(21,881)**	**0**	**0**	**0**
of which:								
Student Loans	0	(1,598)	0	(11,079)	(21,881)	0	0	0
Further Education and Skills	**127,538**	**131,398**	**152,207**	**158,721**	**183,651**	**200,581**	**180,612**	**189,710**
Innovation	**(4,400)**	**(11,000)**	**(14,897)**	**(10,386)**	**(10,776)**	**(6,599)**	**0**	**0**
of which:								
Other Support	(4,400)	(11,000)	(14,897)	(10,386)	(10,776)	(6,599)	0	0
Science	**0**	**11,192**	**15,100**	**17,202**	**27,400**	**80,000**	**42,543**	**27,400**
of which:								
Expenditure of Research Councils[5]	0	11,192	15,100	17,202	27,400	80,000	42,543	27,400
Total resource budget AME	**123,138**	**129,992**	**152,410**	**154,458**	**178,394**	**273,982**	**223,155**	**217,110**
of which:								
Near-cash[6]	(87,518)	(137,619)	(206,668)	(241,586)	(1,023,852)	(828,846)	(694,207)	(718,358)
of which:[7]								
Pay[8]	36,445	38,956	44,060	64,518	51,033	55,496		
Procurement	81,151	(97,655)	(96,363)	(98,732)	(42,601)	(33,411)	(23,288)	(32,083)
Current grants and subsidies to the private sector and abroad	0	181,550	182,422	199,931	159,714	201,978	169,633	181,242
Current grants to local authorities	0	0	0	0	0	0	0	0
Depreciation	2,661	(5,629)	3,389	2,721	2,052	2,275	2,542	1,623
Total resource budget	**12,292,060**	**12,732,825**	**13,747,198**	**14,242,176**	**15,637,737**	**16,940,370**	**17,447,645**	**18,122,014**

1. A breakdown of figures for 2010-11 has not been included in this table because, as set out in the Secretary of State's letter to the LSC of 7 May 2009, the expected efficiency savings will not be finilised until the publication of the 10-11annual grant letters to the LSC and other Non-Departmental Public Bodies. (See footnote 1 from Table 7).
2. The Science Unallocated Provision has subsequently been allocated to Research Councils to cover the additional costs of international subscriptions resulting from exchange rate movements.
3. Increasing Scientific Excellence Administration costs are the Department's own administration costs related to its work of pursuing global excellence in research and knowledge. The equivalent costs for the other areas of the Department's work are shown under "Activities to Support all Functions".
4. The breakdown of near-cash in Resource DEL by economic category in resource DEL may exceed the total near-cash resource DEL reported above because of other income and receipts that score in near-cash DEL but are not included as pay, procurement or current grants and subsidies to the private sector, abroad and local authorities
5. The increase in Resource AME in 2008-09 reflects the cost of bulk transfers of pensions arising from staff in BBSRC Institutes who are transferring to universities
6. 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 adjustments, unwinding of provisions and cost of capital charge.
7. Note 2 also applies to the resource AME near-cash breakdown
8. The planned use of Administration expenditure has not yet been detailed to this level

Table 3 Capital Budget DEL And AME

£'000	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
Capital DEL								
Higher Education	**421,466**	**455,451**	**903,988**	**717,197**	**744,442**	**792,508**	**950,508**	**523,508**
of which:								
Student Loans	1,667	1,184	542	384	2,683	3,437	4,011	2,793
Higher Education Funding Council for England[1]	419,799	454,267	903,446	716,813	743,759	789,071	936,497	485,715
Other Support for Higher Education	0	0	0	0	(2,000)	0	10,000	35,000
Further Education and Skills	**315,817**	**411,741**	**392,643**	**405,671**	**463,843**	**623,780**	**804,820**	**526,820**
of which:								
Learning and Skills Council[1]	295,122	407,874	388,271	403,907	462,762	621,060	802,500	504,500
Other Support for Further Education and Skills	20,695	3,867	4,372	1,764	1,081	2,720	2,320	22,320
Innovation[2]	**(4,315)**	**(13,426)**	**(37,759)**	**27,896**	**23,704**	**22,803**	**22,045**	**18,745**
of which:								
Knowledge Transfer and Innovation[3]	(4,496)	(14,026)	(37,935)	27,856	23,669	22,562	21,965	18,665
Enterprise Growth and Business Investment	181	600	176	40	35	241	80	80
Science	**565,789**	**575,190**	**745,212**	**739,817**	**821,915**	**681,437**	**867,569**	**746,569**
of which:								
Expenditure of Research Councils	259,830	344,331	363,811	433,553	456,507	452,688	426,869	388,000
Departmental Science programmes	305,959	230,859	381,401	306,264	365,408	228,749	264,860	189,852
Science Unallocated Provision[4]	0	0	0	0	0	0	175,840	168,717
Activities to Support all Functions	**393**	**292**	**339**	**14**	**5,400**	**2,100**	**2,166**	**2,166**
of which:								
Activities to Support all Functions	393	292	339	14	5,400	2,100	2,166	2,166
Total capital budget DEL	**1,299,150**	**1,429,248**	**2,004,423**	**1,890,595**	**2,059,304**	**2,122,628**	**2,647,108**	**1,817,808**
of which:								
Capital expenditure on fixed assets net of sales	161,494	222,319	170,864	258,925	244,200	253,008	196,759	186,900
Capital grants to the private sector and abroad	1,187,507	1,252,284	1,879,586	1,668,062	1,849,982	2,105,249	2,528,675	1,703,357
Capital support to public corporations	(30,166)	(30,166)	(40,166)	(166)	(166)	(166)	(166)	(166)

£'000	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
Capital AME								
Higher Education	**1,906,037**	**1,879,973**	**2,065,138**	**2,819,109**	**4,031,616**	**4,222,000**	**4,808,431**	**5,080,646**
of which:								
Student Loans[5]	1,906,037	1,879,973	2,065,138	2,819,109	4,031,616	4,222,000	4,808,431	5,080,646
Further Education and Skills	**3,622**	**2,929**	**1,793**	**1,558**	**2,613**	**8,381**	**5,314**	**3,871**
of which:								
Other Support for Further Education and Skills	3,622	2,929	1,793	1,558	2,613	8,381	5,314	3,871
Total capital budget AME	**1,909,659**	**1,882,902**	**2,066,931**	**2,820,667**	**4,034,229**	**4,230,381**	**4,813,745**	**5,084,517**
Total capital budget	**3,208,809**	**3,312,150**	**4,071,354**	**4,711,262**	**6,093,533**	**6,353,009**	**7,460,853**	**6,902,325**
of which:								
Capital expenditure on fixed assets net of sales[6]	165,116	225,248	172,657	260,483	246,813	261,389	202,073	190,771
Less depreciation[7]	96,448	92,872	117,629	118,963	164,777	247,498	165,917	177,986
Net capital expenditure on tangible fixed assets	68,668	132,376	55,028	141,520	82,036	13,891	36,156	12,785

1. The increase in 2009–10 follows the Pre Budget Report 2008 announcement to bring forward spend from 2010-11. (See footnote 7 to Table 1)
2. National Endowment Fund for Science, Technology and the Arts (NESTA) are included in Innovation statistics for the first time as a result of the new HM Treasury requirement to report their performance. Although NESTA is not funded directly by the Department, its surplus or deficit for the year is categorised as Annually Managed Expenditure.
3. Reduced spend on innovation capital in the years to 2005–06 is due to a technical reclassification of Patent Office reserves.
4. The Science Unallocated Provision represents principally sums earmarked for new large facility projects and will be included within Research Council allocations as projects are approved.
5. From the financial year 2006–07 this includes cash provision for issuing student loans net of anticipated receipts from repayments of student loans (principal), following Treasury reclassification into Resource AME.
6. 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.
7. Included in Resource Budget

Table 4 Capital Employed

£'000	2002-03 Indicative Outturn	2003-04 Indicative Outturn	2004-05 Indicative Outturn	2005-06 Indicative Outturn	2006-07 Actual Outturn	2007-08 Actual Outturn	2008-09 Estimated Outturn	2009-10[4] Plans	2010-11 Plans
Assets on balance sheet at the end of the year[1]:									
Fixed Assets	8,725,834	10,904,334	13,000,654	15,492,884	14,145,867	16,361,216	19,644,553	19,644,553	19,644,553
of which:									
Intangible assets	0	0	0	0	61	77	97	97	97
Tangible Assets of which	0	0	0	0	139,987	221,912	208,047	208,047	208,047
Freehold Land and buildings	0	0	0	0	120,179	209,778	184,510	184,510	184,510
Investments[2]	8,725,834	10,904,334	13,000,654	15,492,884	14,005,819	16,139,227	19,436,409	19,436,409	19,436,409
Current Assets	560,465	560,465	642,703	589,500	897,186	1,617,727	1,782,820	1,782,820	1,782,820
Creditors and other liabilities – less than 1 year	0	0	0	0	(252,863)	(585,780)	(321,479)	(321,479)	(321,479)
Provisions and long term liabilities	(3,758,673)	(3,477,845)	(3,650,029)	(3,491,795)	(339,637)	(341,810)	(259,432)	(259,432)	(259,432)
Capital employed within the main department[3]	5,527,626	7,986,954	9,993,328	12,590,589	14,450,553	17,051,353	20,846,462	20,846,462	20,846,462
NDPB net assets	897,427	1,108,961	1,405,785	1,525,135	1,685,254	1,621,689	1,727,612	1,727,612	1,727,612
Total capital employed in departmental group	**6,425,053**	**9,095,915**	**11,399,113**	**14,115,724**	**16,135,807**	**18,673,042**	**22,574,074**	**22,574,074**	**22,574,074**

1. The capital employed for 2002-03 to 2005-06 only includes 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
2. In 2008-09 new financial instruments standards were introduced. DIUS now shows the student loan asset net of the provisions for interest subsidy and write-off impairments. The tables have been restated from 2006-07 onward to reflect this.
3. The capital employed by the department includes the following assets and liabilities for the department and the National Measurement Office
   - Intangible assets – software
   - Tangible assets – property, leased land, office equipment, fixtures and fittings, scientific equipment, and IT equipment
   - Investments – loans to students less impairments for interest subsidy and policy write offs (the estimated cost of cancelling debts due to disability, death or the borrower not reaching the earnings threshold) plus 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, Financial Liabilities falling due in one year including provisions for previous student loan debt sales and early departure costs
   - Provisions – future early departure costs, demolition / decontamination of property, disposal of radiological sources.
4. The forecast balances from 2009-10 onwards are based on the assumption that there are no material movements in the DIUS balance sheet apart from increases to the student loan balance and a decrease in the debt sale liability.

Table 5: Administration Costs

£'000	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
Administration Expenditure								
Paybill	48,199	52,136	48,028	50,246	50,229	60,795		
Other	28,298	32,931	21,389	22,536	26,666	16,788		
Total administration expenditure[1]	**76,497**	**85,067**	**69,417**	**72,782**	**76,895**	**77,583**	**70,899**	**69,234**
Administration income	(3,200)	(3,316)	(3,742)	(5,453)	(6,946)	2	0	0
Total administration budget	**73,297**	**81,751**	**65,675**	**67,329**	**69,949**	**77,585**	**70,899**	**69,234**

1. An increase of £14.3m has been agreed by HMT for 09-10 and £13.2m for 10-11. This increase reflects the need to operate the department effectively, particularly in context of an increasing policy load, for instance in responding to the economic downturn. DIUS operated with a lower budget in 2007-08 and 2008-09 given the department was still being set up and a number of staff were recruited in-year.

Notes to Country and Regional Analysis (Tables 7,8 and 9)

Tables 7, 8 and 9 show analysis of the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2009. The figures were extracted from the HM Treasury public spending database in December 2008 and the regional distributions were completed in January and February 2009. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report (updated at various stages between Sept 2008 and May 2009).

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 where relevant, 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, or grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2009.

The data are 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.

The functional analysis of spending in Table 9 are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter 9 of PESA 2009. These are not the same as the strategic priorities shown elsewhere in the report.

Since the previous Departmental Annual Report a number of changes have been made in Departmental baselines which are reflected in Tables 7-9. These are set out in the table (below). In both DAR 2008 and DAR 2009 financial years 2003-04 to 2006-07 are based on outturn and 2008-09 to 2010-11 are based on plans. In DAR2008 2007-08 is plan data and in this report it is provided on an outturn basis. As the Treasury public spending database doesn't maintain an audit trail of changes between plans and outturn a reconciliation for 2007-08 cannot be provided.

On Table 9 Secondary Education is shown as a small negative. This reflects the fact that DIUS received £11.4m more funding from DCSF for EMAs in 2007-08 than it actually spent.

Table 7: Total Identifiable Departmental Spending On Services By Country And Region

£million	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
North East	601.3	640.6	688.7	715.0	793.9	836.5	865.9	876.6
North West	1,620.0	1,744.8	1,853.3	1,908.0	2,112.0	2,320.5	2,435.5	2,492.1
Yorkshire and The Humber	1,208.4	1,306.5	1,384.3	1,429.5	1,578.2	1,716.4	1,798.4	1,831.8
East Midlands	935.8	1,024.2	1,069.2	1,105.2	1,235.4	1,336.1	1,427.7	1,457.7
West Midlands	1,267.2	1,196.7	1,260.9	1,321.3	1,528.8	1,718.8	1,787.3	1,827.4
Eastern	1,086.4	1,204.7	1,293.4	1,287.2	1,438.6	1,624.9	1,707.6	1,752.9
London	2,471.8	2,632.4	2,834.3	2,995.4	3,361.3	3,693.8	3,901.0	3,965.0
South East	1,870.7	2,075.2	2,199.3	2,265.5	2,280.8	2,472.5	2,610.1	2,668.0
South West	934.8	909.1	1,177.0	1,229.1	1,374.6	1,475.0	1,563.8	1,600.7
Total England	**11,996.3**	**12,734.2**	**13,760.3**	**14,256.1**	**15,703.5**	**17,194.4**	**18,097.2**	**18,472.2**
Scotland	138.6	165.9	204.7	206.9	206.5	306.2	338.7	344.9
Wales	44.3	72.8	89.5	84.5	80.3	105.6	107.9	109.6
Northern Ireland	10.6	12.5	13.6	15.9	19.3	28.7	28.0	27.5
Total UK identifiable expenditure	**12,189.7**	**12,985.4**	**14,068.1**	**14,563.5**	**16,009.6**	**17,634.9**	**18,571.7**	**18,954.1**
Outside UK	241.8	261.2	285.2	275.1	224.2	360.2	381.9	406.8
Total identifiable expenditure	**12,431.5**	**13,246.6**	**14,353.3**	**14,838.6**	**16,233.8**	**17,995.0**	**18,953.6**	**19,360.9**
Non-identifiable expenditure	652.3	643.1	666.1	910.9	844.9	705.6	763.5	680.1
Total expenditure on services	**13,083.7**	**13,889.7**	**15,019.4**	**15,749.5**	**17,078.7**	**18,700.7**	**19,717.0**	**20,041.1**

Table 8: Identifiable Departmental Spending On Services By Country And Region, Per Head

(£ per head)	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
North East	237	252	270	280	310	326	336	339
North West	238	256	271	278	308	336	351	357
Yorkshire and The Humber	240	258	271	278	305	328	341	344
East Midlands	220	239	247	253	281	300	317	321
West Midlands	239	225	236	246	284	317	328	334
Eastern	198	219	232	230	254	284	296	301
London	336	356	380	399	445	485	508	511
South East	231	255	269	275	275	296	310	314
South West	187	180	231	240	265	283	297	301
Total England	**241**	**254**	**273**	**281**	**307**	**334**	**349**	**353**
Scotland	27	33	40	40	40	59	65	66
Wales	15	25	30	28	27	35	36	36
Northern Ireland	6	7	8	9	11	16	16	15
Total UK identifiable expenditure	**205**	**217**	**234**	**240**	**263**	**287**	**300**	**304**

Table 9: Identifiable Expenditure On Services By Function, Country And Region, For 2007-08

£million	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	OUTSIDE UK	Total Identifiable expenditure	Not Identifiable	Totals
INNOVATION, UNIVERSITIES AND SKILLS																		
Economic affairs																		
General economic, commercial and labour affairs	0.6	1.4	1.1	1.1	1.3	1.2	1.5	1.6	1.0	10.7	0.1	0.3	0.2	11.3	7.3	18.6	0.0	18.6
R&D economic affairs	89.0	209.5	179.3	141.1	143.5	239.5	393.3	344.2	149.6	1,889.0	185.5	64.7	25.4	2,164.6	158.1	2,322.6	403.1	2,725.7
Economic affairs n.e.c	0.8	2.2	1.6	1.4	1.7	1.8	2.4	2.6	1.7	16.2	0.0	0.0	0.0	16.2	0.0	16.2	5.4	21.6
Total economic affairs	90.4	213.1	182.0	143.6	146.5	242.4	397.1	348.5	152.3	1,915.9	185.6	64.9	25.6	2,192.0	165.4	2,357.4	408.4	2,765.8
Environment protection																		
R&D Environmental protection	5.5	17.1	15.9	9.6	11.9	15.9	19.4	20.2	17.0	132.6	14.9	7.1	3.7	158.2	16.9	175.1	193.3	368.4
Total environment protection	5.5	17.1	15.9	9.6	11.9	15.9	19.4	20.2	17.0	132.6	14.9	7.1	3.7	158.2	16.9	175.1	193.3	368.4
Health																		
Central and other health services	6.0	25.1	10.2	7.7	10.6	30.3	76.6	40.0	10.5	217.0	26.6	6.6	0.9	251.0	0.7	251.7	243.2	494.9
Total health	6.0	25.1	10.2	7.7	10.6	30.3	76.6	40.0	10.5	217.0	26.6	6.6	0.9	251.0	0.7	251.7	243.2	494.9
Recreation, culture and religion																		
R&D recreation, culture and religion	3.9	8.8	8.0	3.5	4.5	11.4	45.3	17.2	13.1	115.8	7.9	2.3	1.5	127.4	0.1	127.5	0.0	127.5
Total recreation, culture and religion	3.9	8.8	8.0	3.5	4.5	11.4	45.3	17.2	13.1	115.8	7.9	2.3	1.5	127.4	0.1	127.5	0.0	127.5
Education																		
Secondary education	(0.7)	(1.6)	(1.1)	(0.9)	(1.4)	(1.1)	(1.9)	(1.7)	(1.0)	(11.4)	0.0	0.0	0.0	(11.4)	37.4	26.0	0.0	26.0
Post-secondary non-tertiary education	174.0	427.3	296.1	250.9	359.6	287.1	501.7	447.3	278.1	3,022.0	0.0	0.0	0.0	3,022.0	0.0	3,022.0	0.0	3,022.0
Tertiary education	499.1	1,195.4	948.9	722.2	818.3	715.3	2,127.0	1,242.4	772.7	9,041.2	0.0	0.0	0.0	9,041.2	3.2	9,044.4	0.0	9,044.4
Education not definable by level	23.4	251.6	136.6	115.0	197.1	160.2	218.9	199.1	125.0	1,426.8	7.2	17.2	0.1	1,451.4	0.0	1,451.4	0.0	1,451.4
Subsidiary services to education	1.1	2.0	1.9	1.6	1.7	1.4	1.3	2.4	1.2	14.6	0.0	3.1	0.0	17.7	0.0	17.7	0.0	17.7
R&D education	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.9	0.0	0.0	0.0	0.9	0.0	0.9	0.0	0.9
Education n.e.c.	9.5	22.4	16.2	13.4	18.4	15.5	29.4	24.2	15.0	163.9	0.7	0.3	0.1	164.9	0.5	165.4	0.0	165.4
Total education	706.4	1,897.2	1,398.7	1,102.2	1,393.7	1,178.5	2,876.5	1,913.9	1,191.0	13,658.0	7.9	20.6	0.2	13,686.7	41.1	13,727.8	0.0	13,727.8
Social protection																		
Old age	(18.3)	(49.3)	(36.7)	(31.1)	(38.5)	(40.0)	(53.7)	(58.9)	(9.2)	(335.6)	(36.4)	(21.1)	(12.5)	(405.6)	0.0	(405.6)	0.0	(405.6)
Total social protection	(18.3)	(49.3)	(36.7)	(31.1)	(38.5)	(40.0)	(53.7)	(58.9)	(9.2)	(335.6)	(36.4)	(21.1)	(12.5)	(405.6)	0.0	(405.6)	0.0	(405.6)
Total for Innovation, Universities and Skills	**793.9**	**2,112.0**	**1,578.2**	**1,235.4**	**1,528.8**	**1,438.7**	**3,361.2**	**2,280.8**	**1,374.7**	**15,703.6**	**206.5**	**80.3**	**19.3**	**16,009.7**	**224.2**	**16,233.9**	**844.9**	**17,078.7**

Table 10: Total Spending Within Departmental Expenditure Limits

£'000	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
Consumption of Resources								
Higher Education[1]	6,805,769	6,894,682	7,779,892	8,144,080	9,044,087	9,762,506	10,195,595	10,222,697
Further Education & Skills[1,2,3]	4,180,342	4,256,919	4,380,372	4,242,271	4,458,727	4,852,127	5,198,878	4,922,842
Innovation	121,905	235,658	229,456	265,860	379,756	368,071	414,899	408,754
Science	2,297,907	2,578,225	3,145,128	3,260,790	3,564,426	3,725,346	3,940,549	4,041,917
Activities to Support All Functions	62,149	66,597	64,363	65,312	71,651	80,966	81,053	79,388
DUP							40,624	47,114
TOTAL FOR DEPARTMENT FOR INNOVATION, UNIVERSITIES & SKILLS	**13,468,072**	**14,032,081**	**15,599,211**	**15,978,313**	**17,518,647**	**18,789,016**	**19,871,598**	**19,722,712**

1. The overall figures for Further and Higher Education funding in 2010-11 also reflect the expectation to make further additional cashable efficiency savings of £520m (£180m for HE and £340m for FE as set out in the Secretary of States letters to HEFCE and the LSC or 7 May 2009). The final level and distribution of savings will subsequently be set out in the annual grant letters to the LSC, HEFCE and other Non-Departmental Public Bodies.
2. Since November 2008 a number of new skills and training announcements have been made. These include further investments for those facing redundancy, reaching six months of unemployment and extra pre-employment training places for young adults who have been unemployed for 12 months. Further investment has also been announced for extra Apprenticeship places, an enhanced Career Development Loan programme and pilots of a training entitlement for carers and adults on working tax credits. In total these announcements amount to over £478m over 09-10 and 10-11. Within this, £60m in 09-10 and £88m in 10-11 is not included in this table as the relevant end year flexibility has not yet been drawn down. This applies to FE lines in subsequent tables.
3. See footnote 7 to Table 1

Table 11: Detailed Breakdown Of Spending By Function Within Departmental Expenditure Limits, 2003-04 to 2010-11

£million	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
HE	**6,806**	**6,895**	**7,780**	**8,144**	**9,044**	**9,763**	**10,196**	**10,223**
of which:								
HEFCE[1]	5,324	5,616	6,282	6,544	6,881	7,192	7,495	7,238
SL RAB charge[2]	769	511	599	605	619	640	610	639
Student Fee Loans RAB charge	–	–	–	–	310	552	722	782
Student Support Grants	542	614	758	860	1,080	1,198	1,156	1,310
Access funds and bursaries	98	78	72	64	52	50	45	45
Student support administration	51	51	54	56	62	84	81	82
Other misc progs	21	25	15	15	39	46	87	127
Adult FE and Skills[3]	**4,180**	**4,257**	**4,380**	**4,242**	**4,459**	**4,852**	**5,199**	**4,923**
of which:								
Learning and Skills Council (Adult FE and Skills)[4]	3,798	3,852	3,985	3,865	4,051	4,440	4,736	
Funding not routed through the LSC[5]								
Regional Development Agency Skills	42	43	43	44	45	43	42	
UK Commission for Employment and Skills/ Sector Skills Development Agency	35	70	68	73	79	83	68	
International Programmes	29	33	34	43	45	48	50	
Union Learning Fund	2	2	2	5	18	22	22	
Career Development Loans[6]	14	16	2	2	2	–	2	
Ufi Learndirect[6]	45	13	–	–	–	–	–	
Offenders' Learning and Skills[6]	101	105	92	36	18	19	8	
Further Education Improvement	21	53	73	127	159	154	178	
Other Miscellaneous Programmes	92	69	82	48	42	42	92	
Innovation	**122**	**236**	**229**	**266**	**380**	**368**	**415**	**409**
of which:								
Technology Strategy	–	–	38	105	235	205	324	321
Design Council	7	10	7	6	7	6	6	6
Space[7]	42	39	38	28	50	65	2	2
Other innovation programmes	73	187	146	127	88	91	83	80
Science	**2,298**	**2,578**	**3,145**	**3,261**	**3,564**	**3,725**	**3,941**	**4,042**
of which:								
AHRC[8]	–	–	66	88	105	110	103	109
BBSRC	269	296	318	374	403	435	457	473
ESRC	90	106	267	145	156	166	175	182
EPSRC	376	484	555	643	753	785	813	843
MRC	409	402	405	559	551	676	693	727
NERC	294	316	375	365	390	423	380	431
PPARC	273	297	334	329	–	–	–	–
CCLRC	117	163	212	220	–	–	–	–
STFC[9]	–	–	–	–	648	700	633	670
RC Pension Scheme	30	31	–	–	–	–	–	–
Royal Society	29	31	33	36	41	43	46	49
Royal Academy of Engineering	5	6	6	8	10	10	12	13
British Academy[10]	–	–	14	17	23	23	25	26
Diamond Synchrotron	37	85	74	45	–	–	–	–
Joint Infrastructure Fund	44	25	–1	1	–	–	–	–
SRIF[11]	262	206	382	305	365	229	265	190
HEIF	25	70	65	78	82	85	99	113

£million	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
Other minor science programmes[12,13]	22	44	33	39	28	30	107	47
LFCF[14]	–	–	–	–	–	–	133	169
Administration	17	17	8	8	10	11	–	–
Activities to Support all Functions	**62**	**67**	**64**	**65**	**72**	**81**	**81**	**79**
Departmental Unallocated Provision	–	–	–	–	–	–	**41**	**47**
TOTAL DIUS DEL	**13,468**	**14,032**	**15,599**	**15,978**	**17,519**	**18,789**	**19,872**	**19,723**

1. Figures for HEFCE reflect decisions to bring forward £250m capital from 2010-11 into earlier years as part of the fiscal stimulus announced at the 2008 Pre-Budget Report and to make £180m cashable efficiency savings
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%:prior to 2005-06 the discount rate was 3.5%.
3. Figures for 2010-11 have not been included in this table because, as set out in the Secretary of State's letter to the LSC of 7 May 2009, the expected £340m savings will not be finilised until the publication of the 10-11annual grant letters to the LSC and other Non-Departmental Public Bodies. (See also footnote 7 to Table 1)
4. This line covers funding which the LSC manages on DIUS policies for FE and skills. DIUS and the LSC also manage funding on behalf of the Department for Children, Schools and Families. See Table 12 for further detail of all LSC expenditure.
5. The majority of funding for FE and Skills is managed by the LSC. In addition the following funding is not routed through LSC, although the LSC supports and funds programmes in these areas.
6. These lines do not show the full expenditure on these programmes as these areas are also funded through 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.
7. Expenditure on Space in 09-10 and 10-11 has decreased from the levels reported in 08-09 and earlier as the responsibility for the Space Programme has transferred to Technology Strategy where an offsetting increase is reported
8. From 1 April 2005, responsibility for the AHRC was transferred from the Department for Education and Skills.
9. STFC was created on 1 April 2007 through the merger of two separate Research Councils - CCLRC and PPARC.
10. From 1 April 2005, responsibility for the British Academy was transferred from the Department for Education and Skills.
11. From 2008-09, the SRIF grant scheme has been replaced by the Research Capital Investment Fund - RCIF.
12. The Other minor science programmes line includes the Public Sector Research Establishments programme - PSRE, Science and Society and Research Base Initiatives programmes.
13. Other minor science programmes includes sums which have subsequently been allocated to Research Councils to cover the additional costs of international subscriptions resulting from exchange rate movements.
14. The LFCF line represents sums earmarked for new large facility projects and which will be included within Research Council allocations as projects are approved.

Table 12: Breakdown Of Expenditure By The Learning And Skills Council Within Departmental Expenditure Limit, 2002-03 to 2009-10

The Learning and Skills Council (LSC) is responsible for the funding of all post-16 education and skills and therefore covers both DIUS and DCSF investment. Investment through the LSC in the further education (FE) system has increased by 53% in real terms between 1997-98 and 2007-08. Total investment through the LSC is planned to rise to £12.6 billion in 09-10 as shown below, including additional investment recently announced in the 2009 Budget.

Since November 2008 a number of new skills and training announcements have been made. These include further investments for those facing redundancy, reaching six months of unemployment and extra pre-employment training places for young adults who have been unemployed for 12 months. Further investment has also been announced for extra Apprenticeship places, an enhanced Career Development Loan programme and pilots of a training entitlement for carers and adults on working tax credits. In total these announcements amount to over £478m over 09-10 and 10-11. Within this, £60m in 09-10 and £88m in 10-11 is not included in the table below as the relevant end year flexibility and DUP has not yet been drawn down. In addition there will be further DIUS capital funding in 2009-10 on top of the amounts shown below, resulting in additional capital expenditure of around £300 million on top of previous plans for 2009-10. Reconfirming the Government's commitment to transforming the FE system, LSC capital investment will total £2.7 billion over the CSR period on both DIUS and DCSF capital programmes.

Public investment continues to be focused on supporting adults to acquire the skills necessary for entry and progression into sustainable employment as well as supporting social inclusion. Our investment through the LSC will also ensure that we continue to support a full range of first step and progression programmes below level 2 in order to encourage adults into learning and supporting progression for those in learning. As well as improving skills levels and employability this learning will help strengthen families and communities, and improve social justice and community cohesion.

The table below provides a breakdown of expenditure by LSC from 2002-03 to 2009-10. 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).

Breakdown Of Expenditure By The Learning and Skills Council Within Departmental Expenditure Limit[1], 2002-03 to 2009-10[6]

£million Programme	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans
EXPENDITURE ON BEHALF OF THE DEPARTMENT FOR CHILDREN, SCHOOLS AND FAMILIES (DCSF)								
DCSF Participation								
School Sixth Forms	1,399	1,525	1,655	1,783	1,944	2,039	2,085	2,203
16-19 Further Education	1,824	2,211	2,297	2,802	3,034	3,161	3,290	3,581
16-18 Apprenticeships	532	565	615	592	588	604	628	708
Entry to Employment	74	206	247	222	187	175	171	210
Specialist Provision for Learners with Learning Disabilities and/or Difficulties	79	105	125	146	170	203	225	221
Total DCSF Participation	3,907	4,613	4,938	5,546	5,923	6,182	6,399	6,923

£million Programme	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans
DCSF Learner Support & Development	104	147	161	596	716	806	761	730
14-19 Capital Grants	18	20	15	1	30	47	207	210
Total DCSF	**4,029**	**4,780**	**5,114**	**6,142**	**6,669**	**7,035**	**7,367**	**7,863**
EXPENDITURE ON BEHALF OF THE DEPARTMENT FOR INNOVATION, UNIVERSITIES AND SKILLS (DIUS)								
DIUS Participation								
19+ Further Education	1,726	1,882	1,902	2,011	1,966	1,878	1,499	1,604
Ufi/Learndirect	115	194	169	201	171	156	158	145
Adult Learner Responsive Total[2]							1,657	1,749
Apprenticeships and Work Based Learning	211	213	243	232	221	247	348	367
Train to Gain[3]	7	33	89	142	201	313	877	905
Employer Responsive Total[4]	218	246	332	374	422	560	1,225	1,272
Adult Safeguarded Learning	198	225	241	229	201	223	214	210
Offender Learning & Skills Service	0	0	9	35	101	116	139	125
Total DIUS Participation	**2,257**	**2,547**	**2,654**	**2,849**	**2,861**	**2,933**	**3,235**	**3,356**
DIUS Learner Support and Development	719	706	562	477	408	464	388	378
19+ Capital[5]	217	279	393	376	382	451	628	798
LSC Administration	265	269	244	290	226	211	189	204
Total DIUS[1]	**3,457**	**3,801**	**3,852**	**3,991**	**3,877**	**4,059**	**4,440**	**4,736**
Total	**7,487**	**8,581**	**8,967**	**10,134**	**10,546**	**11,094**	**11,807**	**12,599**

Source: LSC Published Accounts to 2007-08, LSC unaudited accounts 2008-09 and planned LSC outturn for 2009-10 .

1. The totals in this table differ slightly from LSC totals for DIUS shown elsewhere in the Departmental Report for the following reasons. They include some funding for Train to Gain which is routed through RDAs (see next footnote), show gross expenditure, excluding some income, and exclude programmes not funded by DIUS or DCSF. Figures for 2007-08 in this table have also been updated to reflect LSC's final 2007-08 accounts and figures for 2008-09 to reflect LSC's 2008-09 unaudited accounts. In addition there has been a number of announcements relating to budgets which are not included in these figures i.e. Training Places for those Unemployed or Facing Redundancy, Additional Apprenticeship Places, Enhanced Career Development Loan programme and Work Focused Pre Employment Training. £478.2m in total has been made available to support these areas in 2009-10 and 2010-11, £60 million of which will be an addition from within DIUS to the 2009-10 budgets shown above.
2. From 2008-09 the Learner Responsive budget includes the 19+ Further Education budget and Ufl. However these two budgets are not entirely comparable with the Learner Responsive budget as NVQs previously delivered through 19+ Further Education are now in the Employer Responsive budget and it is not possible to identify this element within 19+ Further Education earlier than 2008-09.
3. Train To Gain includes £37m in 2009-10 for Train to Gain brokerage costs which is routed through Regional Development Agencies. The Train to Gain figure does not match the £925m total announced in the 09-10 LSC Grant Letter, this is because it excludes £20m of EYF for the Level 3 entitlement announced in Budget 2008 that will not be drawn down until later this year.
4. From 2008-09 the Employer Responsive budget is the sum of Apprenticeships and Train to Gain. However prior to 2008-09 NVQs delivered through 19+ Further Education were not included in these budgets and it is not possible to identify this element within 19+ Further Education earlier than 2008-09.
5. The total for 09-10 excludes £100m of the £300m additional LSC capital announced in Budget 2009. This EYF will not be drawn down until later in 09-10.
6. Figures for 2010-11 have not been included in this table because, as set out in the Secretary of State's letter to the LSC of 7 May 2009, the expected £340m cashable efficiency savings will not be finilised until the publication of the 10-11annual grant letters to the LSC and other Non-Departmental Public Bodies.

Table 13: Number Of Adult Learners In England From Academic Year 2006/07 to 2009/10

The table below sets out the actual number of LSC funded adults for 2006/07 and 2007/08 as reported in the Post 16 Education and Skills: Learner Participation, Outcomes and Level of Highest Qualification Held Statistical First Release (March 2009). Projected numbers of LSC funded adults for 2008/09 and 2009/10 are based on LSC modelling and figures presented in the LSC Grant Letter 2009-10 (November, 2008). Skills for Life figures have been updated to reflect revised modelling assumptions. The learners numbers do not include announcements of: 75,000 additional FE places for those who have been unemployed for 6 months; at least 40,000 places for employability activity through ESF and Train to Gain; and over 70,000 work forcused pre-employment places for 18-24 year-olds. All projected figures for 2008/09 and 2009/10 will be updated in Autumn 2009 when budgets and learner numbers are agreed for 2010/11.

Number of Adult Learners in England from 2006/07 to 2009/10 (000s)

	2006/07	2007/08	2008/09	2009/10
Total Learners	3,177	3,278	3,399	3,277
of which[1]				
Foundation Learning Tier[2]	406	287	380	382
Skills for Life[3]	829	840	902	956
Full Level 2 (excluding Apprenticeships)	396	630	814	835
Full Level 3 (excluding Apprenticeships)	167	210	239	253
Apprenticeships[4]	196	228	243	254
Adult Safeguarded Learning	728	710	630	605
Developmental Learning[5]	–	–	563	283

1. Due to the overlap of some categories of learning the figures in each category will not sum to the total.
2. The concept of Foundation Learning Tier did not exist prior to 2008/09. Figures for 2006/07 and 2007/08 use all approved learning below level 2 as a proxy.
3. Figures for 2006/07 and 2007/08 include FE, WBL and ACL.
4. Apprenticeship figures are learner numbers, rather than learner starts to show overall volumes of learning. As announced in January 2009, we will support an extra 17,500 19+ Apprenticeship starts over 2009-10 and 20010-11. These will be included within updated projections for 2009/10 (published in Autumn 2009).
5. Developmental learning includes activity not falling under other headings – such as learning below level 2 outside of the National Qualifications Framework as well as part level 2 and level 3 qualifications and level 4 provision.

Table14: Total Amounts Allocated To FE Colleges By The Learning and Skills Council For England, 2001-02 to 2007-08

Alongside planned further education (FE) 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 2007-08. The total college income from public funding increased by over £1.8 billion between 2001-02 and 2007-08. Colleges increasingly have access to funding outside the youth participation and Adult Learner Responsive budgets, for example, funding through the Employer Responsive budgets, which incudes the Train to Gain programme, which will rise to over £1 billion in 2010-11.

We continue to expect an increasing number of 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]	2007-08[2]
Total funding provided to colleges[1]	4,102	4,400	4,788	5,081	5,590	5,931	6,109

Source: LSC Published Accounts and unaudited management 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 and 2007-08 figures are produced on a slightly different basis and reflect the Council's unaudited management accounts rather than the audited statutory accounts used in previous years.

Table15: Funding Per Full Time Equivalent Student In Further Education, 2003-04 to 2009-10

The table below sets out the unit funding per full-time equivalent student in Further Education between 2003-04 and 2009-10, based on DCSF and DIUS figures for FE 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 final expenditure figures are reported.

The series has been split into three age groups: all ages, age 16-18 (DCSF budget) and age 19+ (DIUS budget). This has been introduced to illustrate the trends in FE unit of funding financed by DCSF and DIUS following the machinery of Government changes, separating responsibilities between the two departments. The figures for 2008-09 and 2009-10 take account of 19+ FTEs on NVQs which are being delivered through the Employer Responsive route from 2008/09 academic year.

As demonstrated in earlier tables the LSC fund a wide range of programmes including Apprenticeships, Train to Gain and adult safeguarded learning, which are not captured in this table. The new funding approach for 2008/09 introduced the concept of standard learner numbers a measure of volume of learning which can be applied across all funding streams. The Department will continue to look at future presentation of FE funding per FTE in this context.

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn[6]	2006-07 Outturn[6]	2007-08 Estimated Outturn	2008-09 Plans	2009-10 Plans[7]
Funding per full-time equivalent student all ages[1]							
Funding for participation (£)[2,4,5]	4,240	4,320	4,940	5,180	5,240	5,070	5,220
Real terms index[3]	100	99	111	113	112	105	106
Funding per full-time equivalent student age 16-18[1]							
Funding for participation (£)[2,4,5]	4,470	4,490	5,200	5,330	5,290	5,300	5,470
Real terms index[3]	100	98	111	111	107	104	105
Funding per full-time equivalent student age 19+[1]							
Funding for participation (£)[2,4,5,8]	3,980	4,120	4,600	4,950	5,170	4,660	4,760
Real terms index[3]	100	101	110	115	117	102	103

1. Full time equivalent (FTE) students funded by the LSC in Futher Education colleges, external institutions, specialist designated institutions, dance and drama institutions or Higher Education Institutions. Adult FTEs are derived from the adult learner numbers underpinning Table 13 these will be updated as part of agreeing investment and learner numbers for 2010/11 academic year.
2. Rounded to the nearest £10.
3. The real terms funding index has been based on 2003-04 being 100.
4. Unit funding figures from 2003-04 to 2007-08 are based on the actual expenditure by the LSC and actual full-time equivalent volumes. Figures for 2008-09 and 2009-10 are projections based on forecasts included in the LSC Grant letter, November 2008.
5. 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. Funding for participation excludes LSC UfI/learndirect or Personal Community Development learning/Adult Community Learning (now known as Adult Safeguarded Learning).
6. The funding per FTE figures for 2005-06, 2006-07 and 2007-08 have been updated with revised FTE and participation spend data not available at the time of last year's Departmental Annual Report.
7. Figures for 2010-11 have not been included in this table because, as set out in the Secretary of State's letter to the LSC of 7 May 2009, the expected efficiency savings will not be finilised until the publication of the 10-11annual grant letters to the LSC and other Non-Departmental Public Bodies.
8. The decrease in the unit of funding for 2008-09 is due to efficiency savings in the inflation uplift for Adult Learner Responsive funding, and because it excludes the increase in Employer Responsive funding over CSR07.

Table 16: Funding Per Full Time Equivalent Student In Higher Education, 2002-03 to 2009-10

£million	2002-3 Outturn	2003-4 Outturn	2004-5 Outturn	2005-6 Outturn	2006-7 Outturn	2007-8 Estimated Outturn	2008-9 Plans	2009-10[7] Plans
Total Expenditure	**5,701**	**6,042**	**6,366**	**6,955**	**7,445**	**8,199**		
of which								
HEFCE recurrent grant for teaching[1]	*3,610*	*3,861*	*4,058*	*4,339*	*4,567*	*4,766*	*4,915*	*5,066*
Research grant	*974*	*1,047*	*1,071*	*1,204*	*1,299*	*1,389*	*1,444*	*1,509*
Grant for Employer Co-Funded places							*5*	*10*
Student support – English and EU students studying in England only – of which[2]	1,117	1,133	1,237	1,412	1,579	2,044		
Grants (including Access to Learning Fund)[3]	558	557	651	795	902	1,113		
Loans (RAB cost)[4]	513	525	535	564	621	869		
All Home and EU domiciled in English HEIs (FTEs, '000s)[5]	1,216	1,242	1,261	1,288	1,303	1,319		
Total expenditure per student (cash terms)	£4,688	£4,862	£5,048	£5,398	£5,712	£6,215		
DIUS supported students (FTEs, '000s)	1,049	1,066	1,077	1,102	1,121	1,143	1,166	1,180
Teaching grant per DIUS supported student (cash terms)	£3,441	£3,622	£3,766	£3,939	£4,074	£4,169	£4,216	£4,293
Real terms index (against planned 2005-06 figure of £3,900)[6]				100	102	101	100	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. Neither does it cover expenditure by the devolved administrations on Welsh, Scottish and Northern Irish students studying in English institutions
3. Grant figures have increased since the previous report due to a correction to the calculations related to Access to Learning Fund expenditure.
4. Loan figures are the latest estimated resource cost to the government of providing the loans and do not represent the cash available to students.
5. Numbers include students who are not HEFCE fundable or eligible for student support. They have changed marginally since the 2008 report due to better FTE information on part-time students.
6. Calculations based on GDP deflators, updated 23rd April 2009.
7. Plans for 2010-11 are not yet available and will be determined after receiving advice from HEFCE on the realisation of £180m of additional efficiency savings.

Annex 2: Comprehensive Spending Review 2007 Value for Money Programme

1.1 Overview

CSR07 VfM Programme

As part of the 2007 Comprehensive Spending Review (CSR) DIUS identified scope to generate Value for Money (VfM) gains worth £1.543 billion by 2010-11, all of which were sustained, cash releasing and net of costs. DIUS made good progress towards achieving its target, with £626 million of efficiency savings so far confirmed as having been delivered in 2008-09, against a target of £668 million. Delivery to date included £154 million of over delivery of gains achieved during SR04 and which Treasury agreed could be carried forward to count as early gains under the present CSR period.

Due to the reporting cycles in the Further Education sector, full validated confirmation of gains made in 2008-09 will not be available until early 2010. For the Higher Education sector further details of validated confirmed gains to date will be available after they have been reported to the HEFCE board in July 2009. Data on the FE and HE sectors will be available to enable further reporting on progress in the 2009 Autumn Performance Report.

The table below sets out VfM forecasts for Innovation and Skills in the CSR07 period and records progress to date. It does not yet include the further savings identified at Budget 2009, which are explained below. Present plans show forecast efficiencies delivered in the CSR07 years to total £1.466 billion. The £154 million over achievement from the SR04 Efficiency programme brings the total forecast to £1.620 billion, against the previous target of £1.543 billion.[84]

	2008-09 confirmed Gains (£ million)	2008-09 Forecast Gains (£ million)	2009-10 Forecast Gains (£ million)	2010-11 Forecast Gains (£ million)[1]
Science Research and Innovation	303	175	275	416
Further Educations and Skills	117	377	491	560
Higher Education	52	143	246	490
Total	472	695	1012	1466

Note: £154 million over delivery carried forward from SR04 gives 2010-11 forecast gains of £1620m

Gains over the CSR 2007 period were to be achieved through a range of activities including a reduction in the proportion of total spend on administration costs, improvements in procurement and estates management, and reprioritising funds towards areas of greatest societal and economic benefit. The savings will be reviewed by the NAO, which will report on each Department's claim during the CSR07 spending period. In preparation, DIUS VfM governance structures were internally audited in 2008-09 to ensure that gains were being validated robustly.

84 This represents the original VfM target for CSR07. The subsequently increased target for 2010-11, as announced at Budget 2009, is set out in the next sub-section.

The CSR 2007 VfM programme is building on a record of achievement. In the period from 2005-06 to 2007-08, DIUS over-achieved against its Gershon efficiency target of £622 million by some £265 million by March 2008. All these gains were recycled into improving delivery. The initiatives included:

- improving the efficiency of the physical infrastructure in FE and HE, with better space utilisation and energy efficiency;
- more efficient procurement of services in FE and HE; and
- increasing co-funding of research with businesses, charities and other sponsors of research.

In addition DIUS delivered a further over-achievement of £198 million of gains, £154 million of which are cash releasing gains that will be rolled forward to count as early achievements towards its CSR2007 target.

Following recent agreement by the Chief Secretary to the Treasury to increase the Department's administration cost budget for 2009-10 and 2010-11 planned savings in this area have been revised. The agreed increases in the 2009-10 budget are £14 million above that implied by the original CSR07 settlement and subsequent Machinery of Government changes, with 2010-11 now reflecting a 5% (£4 million) real terms reduction on 2009-10. This increase reflected the need to operate the department effectively, particularly in context of an increasing policy load, for instance in responding to the economic downturn. DIUS operated with a lower budget in 2007-08 and 2008-09 given the department was still being set up and a number of staff were recruited in-year.

Additional Savings

The Pre-Budget Report of November 2008 identified a need to go further in improving Value for Money, and announced that a further £5 billion of gains would be made in 2010-11 across government. As announced in Budget 2009, DIUS agreed to make a full contribution to this through the delivery of £400 million cashable savings over and above those agreed in the Spending Review, which took the DIUS target for VfM savings by 2010-11 to £1.9 billion. These savings are significant, yet budgets in FE, HE, science, research and innovation will still increase in real terms between 2008-09 and 2010-11.

These additional savings will be achieved through reforms to expenditure on further and higher education that will ensure both are best placed to support recovery and the long-term future of the UK economy. As well as discussing the delivery of the agreed £400 million further gains with the Learning and Skills Council (LSC) and Higher Education Funding Council for England (HEFCE), the Department has also asked NDPBs to identify cashable efficiencies which would release a further £120 million savings, as part of the necessary drive for the department to meet its own cost pressures. Mechanisms for delivering these savings may include the use of benchmarking data; greater contestability, particularly in commissioning new programmes and services; and the strategic reprioritisation and re-phasing of programmes, to secure value for money and the delivery of key priorities.

In addition, we will work with the Research Councils to secure the delivery of an additional £106 million of VfM gains within the science and research budget during 2010-11 to be re-invested within that budget to support key areas of economic potential.

The following table shows the impact of these additional commitments and savings requested of NDPBs on our overall delivery of VfM over the CSR07 period.

Description	Value £million
CSR07 Settlement	1543
2009 Budget – Additional Savings	400
Total VfM commitment	**1943**

1.2 Science, Research, and Innovation Initiatives

Savings of £303 million have so far been confirmed against a target of £144 million for the 2008-09. Science and Research Group and Business and Innovation Group together aim to generate annual cash savings of £522 million by the end of 2010-11, including the additional £106 million announced in the 2009 Budget. This will be delivered through a combination of increasing efficiency, reprioritisation and increasing levels of co-funding.

Innovation

In 2008-2009, innovation policy areas have so far confirmed £26m of efficiencies made. Changes in policy initiatives that support innovation have made a number of savings, for instance;

- £1 million was released by reducing the annual allocation to the British Standards Institute
- £9 million by the withdrawal of the Global Watch Service, and
- £4 million has been saved by ending Business Support Legacy Schemes following the restructuring of government support to business.

The delivery bodies that work on innovation policy have also made savings, and will continue to do so:

- £9 million of efficiencies in the National Measurement System (NMS) have been achieved during 2008-09 by reducing costs for facility management, reducing the planned work for the Advanced Metrology Laboratory at the National Physical Laboratory (NPL) and by reducing the spend covered by the NPL contract. A further £11 million and £13 million savings will be made in 2009-10 and 2010-11 respectively.
- £2 million savings have been made by the British National Space Centre (BNSC) by awarding fewer and smaller contracts which provide domestic support. By continuing the savings and not increasing the level of funding in line with inflation over the CSR period £4 million and £6 million will be saved in 2009-10 and 2010-11 respectively.
- The Design Council will make in excess of £1 million savings over the CSR period as a result of not raising the level of government funding in line with inflation

Science and Research

In 2008-09, Research Councils VfM gains totalled £168 million against a target of £81 million. The Department has continued to focus on boosting the effectiveness and sustainability of the activities funded by the Research Councils. 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 postgraduate training and re-prioritising expenditure. The Councils will continue to drive value for money savings over the CSR period and are planning to achieve savings of £162 million in 2009-10 and £349 million in 2010-11. The 2010-11 figure includes the additional savings of £106 million as announced in the Budget.

The Science and Research Investment Fund (SRIF) has also saved £108 million against a 2008-09 target of £38 million through the reorganisation of capital funding for HEIs. SRIF has been closed since the major repairs backlog in the science infrastructure, for which the Fund was set up, has now been significantly reduced. The Research Capital Investment Fund has replaced SRIF to provide continuing capital funding for HEIs but at a lower annual rate than SRIF. The new arrangements will provide savings of £77.5 million and £135 million in 2009-10 and 2010-11 respectively.

1.3 Higher and Further Education Initiatives

Further Education and Skills

Further Education gains of £117 million have so far been confirmed as achieved in 2008-09 against a target of £377 million. Further progress on 2008-09 savings will be reported when data on learner numbers, qualifications achieved and expenditure is confirmed in early 2010. Based on early management data, the Department is confident that the target of £377m for 2008-09 will be achieved. More detail will be provided in the next Autumn Performance Report. In addition to the £560m of potential savings already identified for 2010-11 as part of the CSR07 Value for Money programme, we expect the FE and Skills sector to deliver additional cashable efficiency savings of £340m. This will contribute to the commitment to deliver £400m of additional efficiency savings, from Budget 2009 and will also release resources to meet the department's costs pressures.

FE gains are being achieved through a range of initiatives including decreased running costs through modernisation of the FE estate, more efficient procurement and a combination of reprioritisation and working with delivery partners to use resource more efficiently and effectively. The department is also looking at efficiencies from delivering a higher rate of full and first Level 2 qualifications via Train to Gain at a lower cost than through adult learner responsive provision. However, the economic environment has changed considerably and DIUS had announced a number of initiatives in response to the economic downturn. The Department had monitored and is now analysing how these changes will affect our savings, but also considering other alternatives to ensure that the £560m target for 2010-11 is achieved.

Looking forward to the £340m of additional efficiencies in 2010-11, the Department expects that a reduction in the costs of intermediary bodies and administration will deliver no less than £100m of this total. In addition to this, the LSC will seek significant efficiency savings and cost reductions, including from its own administration and running costs. They have also been asked to consider the

full scope for providing colleges with better benchmarking information, incentives and support to drive further progress in making efficiencies, to obtain maximum economies of scale on areas of sector-wide procurement, to promote increased income for colleges through fees, and to review ways of increasing value for money in the costs of examinations and assessments. The department will also explore the ways in which efficiencies can be delivered by supporting good performance at the expense of poor performance, using greater contestability, and the prioritisation of private sector training. These are changes that will drive reform and ensure that resources are effectively prioritised and also yield efficiencies and net savings.

Higher Education

To date, DIUS had achieved confirmed Higher Education gains of £52m against a 2008-09 target of £143 million. Further VfM savings for 2008-09 will be confirmed in the Autumn Performance report. In addition to £490 million of potential savings already identified for 2010-11 as part of the CSR07 Value for Money programme, the Higher Education sector is expected to deliver additional cashable savings of £180 million. This will contribute to our commitment to deliver £400 million additional efficiency savings from Budget 2009 and also release further resources to meet the Department's costs pressures.

HE gains are being achieved through improved stewardship of public funds and a combination of reprioritisation of existing resources, changing the incentives in the system to lever in more co-funding from external sources and working with delivery partners to use money more efficiently and effectively. The HE workstreams currently in place delivering these gains are:

a. Reprioritisation

Employer Engagement Co-Funding

Employer Engagement Co-Funding (ECF) operates on the principle that employers contribute 50% of the costs for work based higher education that meets their specific needs. This generates a saving. The level of efficiency savings achieved is directly related to the number of employers that participate. Savings will be measured by comparing the actual costs of delivering provision through ECF with what would have happened otherwise – i.e. delivering the same amount of higher education provision through the traditional route. VfM savings for 08-09 will be measured using Higher Education Funding Council for England (HEFCE) data based largely on returns made in January 2010.

Targeting HEIPR relevant Students

In September 2007 the former DIUS Secretary of State asked HEFCE to reprioritise public funding by £100 million by 2010-11 to support students who are either entering higher education for the first time, or progressing to a higher qualification, by phasing out funding for students studying for a qualification that is equivalent to, or lower than, a qualification that they have already achieved.

These savings are included within the announced funding for 2008-09 so the savings target of £16 million has been achieved.

HEFCE Special Funding Streams

A review of all special funding programmes has identified the following potential savings areas which were agreed by HEFCE in July 2008:

- The Research in Learning and Teaching Programme ended in July 2008 so the budget is no longer required.
- Foundation Degree Development costs are no longer needed and can be met from a reduced budget
- Closure of the Overseas Research Students Award scheme, mainstreaming the Teaching Quality and Enhancement Fund and combining with retention funding into a new targeted allocation
- Centres of Excellence in Teaching and Learning moving towards becoming self-sustaining.

Funds are being transferred to meet higher priorities and changes to institutional funding were factored into the HEFCE funding announced in March 2009, therefore the savings target of £6 million has been achieved.

Reduced Bureaucracy in HE

HEFCE's commitment is to reduce the cost of accountability by 20 per cent between 2004 and 2007 (this cannot be measured until after the event, i.e., in 2008-09), and by a further 10 per cent by 2011. This builds on a reduction of 25% from 2000 to 2004. The estimated cost of accountability in 2004 was £211m per annum.

Activity is underway, overseen by a project group that will publish a report in the first half of 2009. VfM savings for 08-09 will be reported in the annual report of efficiencies to the HEFCE Board in July 2009.

Core Funding Streams

In addition to reviewing all special funding programmes, HEFCE also reviewed all elements within the teaching, widening participation and research core funding models. This review identified efficiencies through:

- targeted allocations not being uprated for inflation annually;
- targeted allocations not being included in Additional Student Numbers rate of funding;
- deferring the need for migration funding by delaying price group review changes;
- reducing the need to provide additional funding to moderate losses from the ELQ policy
- cessation of the Veterinary Science Initiative funding;

Aim Higher Associates Scheme and Higher Education Student Support Guarentee Funding

VfM savings are achieved by funding the costs of these new policy priorities from within our existing CSR07 settlement by re-prioritising resource. The baseline will be the CSR07 budgets for Volunteering, Voluntary Giving and HE unallocated resource. Baseline reductions to these budgets were made prior to allocation of funds and reprioritised to the Aim Higher Associates scheme and Higher Education Student Support Guarantee budgets. The 2008-09 savings target of £3 million for this initiative has been achieved.

Moderation Funding

HEFCE provides moderation funding to ensure that institutions do not experience unmanageable reductions in funding in a single year. The level of moderation is determined annually by the HEFCE Board, depending on the circumstances at the time.

The baseline is determined each year by reference to how much would need to be provided if each institution's recurrent grant plus regulated tuition fee income (reflecting the 'basic amount' chargeable under the new fee regulations) was maintained in real terms compared with the previous year.

These savings are included within the announced funding for 2008-09 so the savings target of £13 million has been achieved.

Access to Learning

The ALF is available to support full and part-time students in financial hardship who might otherwise have difficulty accessing or remaining in higher education. ALF is a discretionary fund administered by Higher Education Institutions following departmental guidelines to help support administrators in the assessment process and to facilitate a good degree of consistency across institutions. Baseline reductions to ALF will be made prior to allocation of funds. Progress will be measured through comparing the 2007-08 baseline figures against ALF budget allocations in 2008-09, 2009-10 and 2010-11. The savings of £6.3 million for 2008-09 has been achieved.

Student Finance Customer First

VfM savings will be achieved by reducing the cost of administering student finance through the implementation of the Student Finance Customer First Programme. This programme is creating a centralised assessment and customer advice unit to take on the role currently performed by around 140 Local Authorities. Increased usage of online student finance application services and improved processes at the Student Loans Company will reduce amounts spent on correspondence, printing and postage. The baseline cost of the service in 2006-07 was £78.4m. In 2008-09 and 09-10, the investment in developing the Customer First Programme will outweigh the initial benefits gained in those years. The first net annual savings, estimated to be around £5m, are anticipated in 2010-11, rising to provide annual savings to Government of c.£20m from 2011-12.

Reductions in Running Costs of NDPBs

The 2008-09 savings target of £1.2m has already been achieved. The running costs for all three years of the spending period have been agreed and savings have been factored into budgets as follows, with the following budget reductions having already been applied:

HEFCE £420,000
SLC £758,000
OFFA £25,500

Aim Higher

Aim Higher is a national outreach programme to raise attainment levels and aspirations of young people towards higher education, operating most intensively in disadvantaged areas. Baseline reductions to the Aim Higher Programme Budget will be made prior to allocation of funds which factors in savings. The 2008-09 savings target of £3.1 million for has therefore already been achieved.

Foundation Degree Development

This funds the development of Foundation Degrees and promotes employer engagement in higher education. Baseline reductions to the Foundation Degree Development Budget will be made prior to allocation of funds which factors in savings. This reduction will be redeployed to meet the commitment to increase student numbers and the 2008-09 savings target of £3 million has already been achieved.

HE Small Projects Fund

The Higher Education Small Projects Fund is used to support small scale projects which are not covered by other budgets. These currently include funding detection of fraudulent student applications, independent grants advice, and the National Students Forum amongst nearly 20 separate schemes. Baseline reductions to the budget will be made prior to allocation of funds so the 2008-09 savings target of £0.7 million has already been achieved.

b. Improved use of resource

Improved Procurement

Savings will be achieved through increased collaborative procurement in HE; increased use of e-procurement by HEIs; and increased institutional procurement efficiencies.

In CSR07 we will be building on the efficiencies delivered in SR04 period.

The Universities UK Strategic Procurement Group (UUKSPG) is taking the lead in promoting effective procurement in the higher education sector. HEFCE is working closely with the UUKSPG and through them with the English National Purchasing Consortium (ENPC) and the Association of University Purchasing Officers (AUPO).

Efficiencies made in these three strands of activity have not yet been reported, although there are already a number of HEIs who have either implemented or are investigating implementation, of the Parabilis e-marketplace procurement tool.

VfM savings for 08-09 will be reported in the annual report of efficiencies to the HEFCE Board in July 2009.

Improved use of assets

Efficiencies will be achieved through measuring improvements in a number of areas:

- Continued investment and upgrading of facilities leading to savings in maintenance in the early years following such investment.
- More intense use of space to deliver activities leading to savings in occupancy costs
- Increased space utilisations leading to savings in capital costs as less space needed.

The baseline for measuring efficiencies in this area will be from the 2005-06 Estates Management Statistics (EMS) data provided by HEIs (the year used for the 2007-08 annual efficiency review report). Early indications from the 2006-07 EMS data are that the above target will be met. VfM savings for 08-09 will be reported in the annual report of efficiencies to the HEFCE Board in July 2009.

Benefits of ICT

Efficiencies will be achieved through central procurement of on-line content (electronic journals, books, datasets and other research data) which allows lower costs to be negotiated than if individual institutions purchased the items themselves.

VfM savings for 08-09 will be reported in the annual report of efficiencies to the HEFCE Board in July 2009.

c. Additional HE Gains

HEFCE will encourage the further effective use of benchmarking data across the sector and consider whether a greater proportion of HE funding might become contestable in order to promote efficient innovative developments.

1.4 Relocations

Against a target of 233, former DIUS partner organisations have relocated 158 posts outside London and the South East. The remaining relocations of 65 posts are to be achieved by March 2010 and progress will continue to be reported until the target has been reached.

Annex 3: Cross-Government PSAs

As part of achieving DIUS's Departmental Strategic Objective to support other Government objectives which depend on our expertise and remit, the Department played an active role in the delivery of the cross-cutting Public Service Agreements (PSAs) as agreed in CSR07, including those that are owned by other departments.

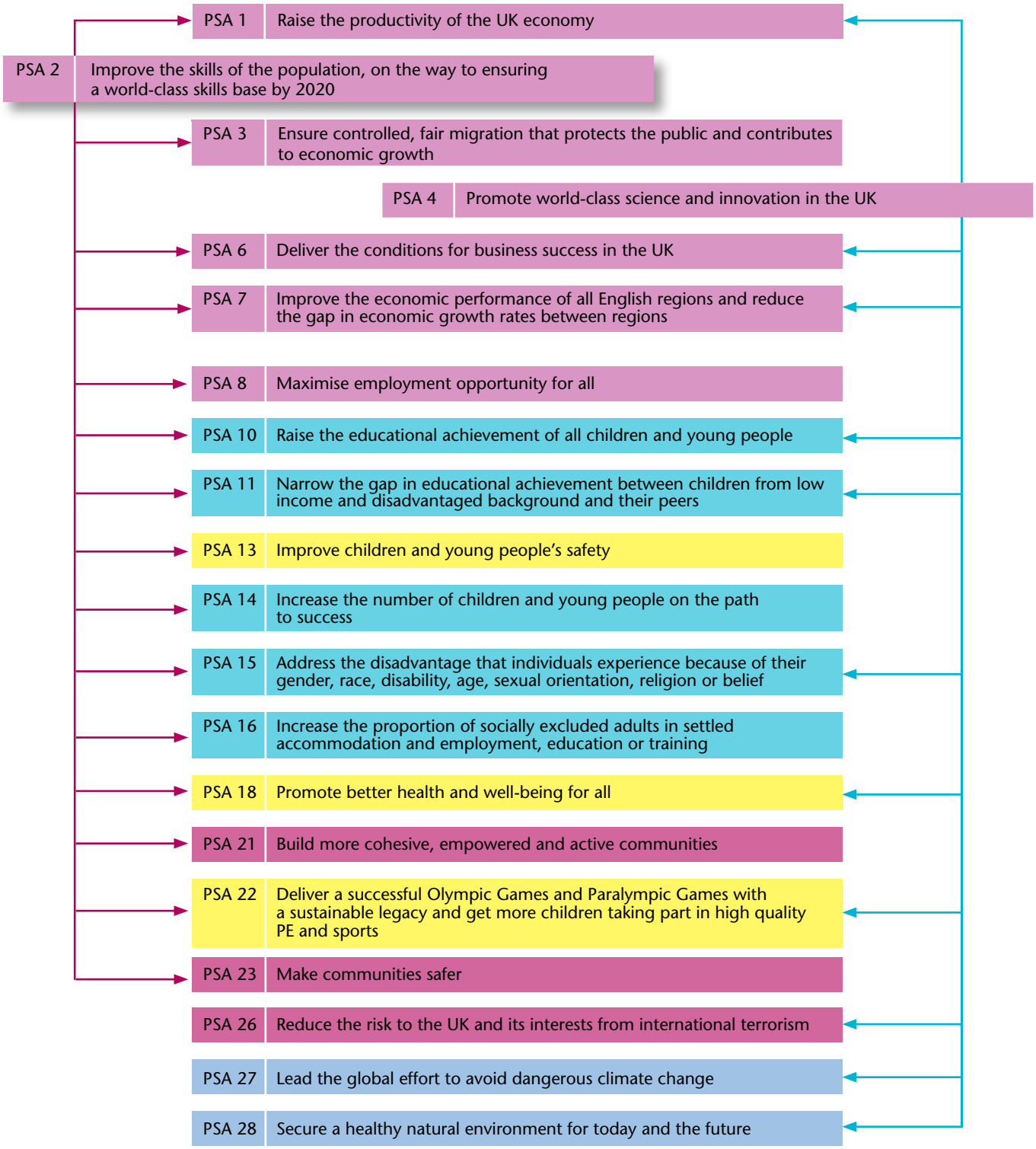
Of the 30 cross-government PSAs agreed in CSR07, DIUS identified 18 to which the Department's policies directly or indirectly contributed. Each of these 18 PSAs had a nominated SCS Departmental Responsible Owner (DRO). The role of the DRO was to:

- ensure that the Department delivered the support needed to successfully deliver on the PSA for which he or she was responsible.
- ensure that any tensions with other Departmental policies were resolved as far as possible, and escalated if necessary;
- represent the Department on the PSA board, ensuring that he or she was clear about negotiating space and ministers' views.

The PSAs are grouped under 5 over-arching objectives:

Come through the downturn sooner and stronger, and support long-term economic growth and prosperity (PSAs 1 – 8 & 20)
Fairness and opportunity for all (PSAs 9-11 & 14-16)
A better quality of life (PSAs 12-13, 17 – 19 & 22)
Stronger communities (PSAs 21 & 23-26)
A more secure, fair and environmentally sustainable world (PSAs 27-30)

Annex 3


PSA 1 Raise the productivity of the UK economy
PSA 2 Improve the skills of the population, on the way to ensuring a world-class skills base by 2020
PSA 3 Ensure controlled, fair migration that protects the public and contributes to economic growth
PSA 4 Promote world-class science and innovation in the UK
PSA 6 Deliver the conditions for business success in the UK
PSA 7 Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions
PSA 8 Maximise employment opportunity for all
PSA 10 Raise the educational achievement of all children and young people
PSA 11 Narrow the gap in educational achievement between children from low income and disadvantaged background and their peers
PSA 13 Improve children and young people's safety
PSA 14 Increase the number of children and young people on the path to success
PSA 15 Address the disadvantage that individuals experience because of their gender, race, disability, age, sexual orientation, religion or belief
PSA 16 Increase the proportion of socially excluded adults in settled accommodation and employment, education or training
PSA 18 Promote better health and well-being for all
PSA 21 Build more cohesive, empowered and active communities
PSA 22 Deliver a successful Olympic Games and Paralympic Games with a sustainable legacy and get more children taking part in high quality PE and sports
PSA 23 Make communities safer
PSA 26 Reduce the risk to the UK and its interests from international terrorism
PSA 27 Lead the global effort to avoid dangerous climate change
PSA 28 Secure a healthy natural environment for today and the future

Annex 4: Arrangements for working with other Government Departments

During 2008-09, the Department worked closely with the **Department for Work and Pensions** and the former **Department for Business, Enterprise and Regulatory Reform**. Joint working occurred at all levels of these organisations, including delivery bodies such as Jobcentre Plus. In addition to working-level collaboration, senior officials kept in close contact (for example through a cross-departmental programme board) and BERR/DWP/DIUS meetings took place at Ministerial and Permanent Secretary levels. Our officials worked together to provide advice to the National Economic Council on cross-cutting issues, such as support for those who have been made redundant and assistance for SMEs, to ensure that all the levers of government are aligned to provide greatest possible benefit.

The Department also worked (and, as the Department for Business, Innovation and Skills, continues to work) closely with **DCSF** to ensure our services are coherent for young people and adults.

DCSF and DIUS/BIS share a single-policy team called the **Joint Apprenticeships Unit**. The team reports to the board member for young people in DCSF and to the board member for Apprenticeships in DIUS/BIS. This arrangement has proved effective and helps each Department to manage its interests in Apprenticeship policy, whilst keeping continuity of policy across age boundaries within the programme.

A good example of this joint work was the development of a new Apprenticeship marketing campaign for spring 2009, which targeted employers to encourage them to increase the number of places available to young people. The media campaign was supported by a series of conferences aimed at employers, hosted jointly by both Secretaries of State.

DIUS/BIS and DCSF also work together to ensure that the UK has enough people studying **science, technology, engineering and maths (STEM)** at school and university. Our co-operation on young people's STEM education is formalised through our joint STEM programme and the collaborative High Level Strategy Group (HLSG) for STEM, which reports to both Ministers. We will continue this close level of cooperation as we take forward the work on STEM that is currently under development as part of the Science and Society Strategy.

The two Departments are also jointly managing the dissolution of the Learning and Skills Council and the transfer of its responsibilities for young people to local authorities (supported by a Young People's Learning Agency) and for adults (aged 19+) to a new **Skills Funding Agency**. A programme office working across the Departments is in charge of driving this work and ensuring that interdependences between the pre- and post-19 strands of the programme are managed effectively. The programme office also hosts monthly meetings of the Joint Programme Board chaired by Directors General,from the two Departments. The membership of this Board includes senior officials from BIS, DCSF, LSC and local authorities. This board monitors and manages the overall progress of the reforms, including transition arrangements, joint communications and work on shared services.

The **Joint International Unit (JIU)**, which also serves DWP and DCSF, plays an important role in taking forward the international agenda of the Department. The JIU provides support, advice and guidance to Ministers and policy makers on the international dimension in education and employment. It manages the European Social Fund in England, and takes the lead in promoting collaboration in education with priority countries in the EU and the wider world.

Annex 5: DIUS staff statistics

Staff by Grade as at 31 March 2009

Grade	Headcount	FTE
EA	76	72.6
EO	113	107.3
HEO	213	206
SEO	147	141.2
Grade 7/6	267	258.2
SCS	73	71.7
Total	889	856.9

Salaries of Senior Civil Servants at 31 March 2009

Salary range £s	No	*Salary range £s*	No	*Salary range £s*	No
55,000 to 59,999	8	90,000 to 94,999	4	125,000 to 129,999	1
60,000 to 64,999	13	95,000 to 99,999	3	130,000 to 134,999	2
65,000 to 69,999	10	100,000 to 104,999	2	135,000 to 139,999	1
70,000 to 74,999	4	105,000 to 109,999	0	140,000 to 144,999	0
75,000 to 79,999	8	110,000 to 114,999	1	145,000 to 149,999	1
80,000 to 84,999	7	115,000 to 119,999	1	150,000 to 154,999	0
85,000 to 89,999	4	120,000 to 124,999	0	Above this level	3

Gender as at 31 March 2009

Grade	Male Headcount	Male Proportion	Female Headcount	Female Proportion
EA	37	48.7%	39	51.3%
EO	38	33.6%	75	66.4%
HEO	88	41.3%	125	58.7%
SEO	72	49%	75	51%
Grade 7/6	138	51.7%	129	48.3%
SCS	46	64%	27	36%
Total	419	47.25%	470	52.75%

Ethnic Background as at 31 March 2009

Ethnicity	All grades below SCS	SCS	Total	Proportion of total employees
White	549	61	610	68.5%
BME	68	2	70	7.86%
Prefer not to say	36	0	36	4.04%
Not known	163	10	173	19.64%
Total number of employees	816	73	889	

Disability as at 31 March 2009

Disability status	All grades below SCS	SCS	Total	Proportion of total employees
No disability	580	65	645	72.5%
Reported disability	81	2	83	9.32%
Total known	661	67	728	81.81%
Prefer not to say	35	0	35	3.93%
Not known	120	6	126	14.25%
Total number of employees	816	73	889	

Note: The ethnic background and disability information held is self-reported.

Annex 6: DIUS Health and Safety Policy Statement, March 2009

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 DIUS premises. I have overall responsibility for health and safety in the Department, with the full support of Ministers and the Board. The Director General Finance and Corporate Services has responsibility for health and safety issues at Board level.

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
March 2009

Annex 7: Reporting on Better Regulation

During 2008-09, the Department continued to work to ensure that the principles of better regulation – proportionality, transparency, consistency, accountability – were threaded throughout DIUS policy-making. In particular, we strengthened our approach by embedding better regulation processes, such as robust impact assessment and formal public consultation, into the DIUS Policy Methodology. The Methodology is a support structure that sets out a simple process to help officials create and implement innovative and successful government policies. Many staff from DIUS, the Intellectual Property Office (IPO), and the National Measurement Office (NMO, formerly the National Weights and Measures Laboratory) received training on assessing costs and benefits and minimising bureaucracy when developing policies.

All major Departmental policy proposals are now accompanied by:

- a public consultation complying with the consultation code of practice, and
- an impact assessment, showing the likely costs and benefits of the initiative to the private, public and third sectors wherever possible.

In 2008-09 DIUS (including IPO and NMO) conducted 20 formal public consultations.

A particularly strong example of better regulation in action is provided by the National Measurement Office's recent work to simplify its historically complex regime of regulations. As a result of this work, all legislative changes made during 2008-09 and those planned for the future reduce costs to business, by de-regulating where appropriate and by making processes simpler to understand and to comply with.

The Department has been working closely with delivery partners to reduce paperwork for the public sector, particularly for colleges and universities. A recent independent study confirmed that the costs to universities of compliance with HE-sector bureaucratic requirements are now 21% lower than they were in 2004.[85]

Simplification and administrative burden reduction

All Government Departments have agreed to reduce the administrative costs which legislation imposes on businesses by 25 per cent by May 2010, compared with costs assessed in May 2005. The estimated administrative burden on business of DIUS-owned regulations was £542 million per year as calculated in May 2005. In December 2008 DIUS published its second Simplification Plan showing that savings of £130.5 million (24%) have now been delivered.

The 2008 Simplification Plan also outlined 22 initiatives which DIUS and its Agencies have completed to reduce direct costs to business, and 10 to reduce costs to front-line public services. A further 24 measures listed in the Plan are either underway or identified.

The Simplification Plan is available on the Departmental website at: http://www.dius.gov.uk/about_DIUS/reports_and_plans/~/media/publications/2/21453SimplificationPlanfinal

85 PA Consulting Group "Positive accountability – Review of the costs, benefits and burdens of accountability in English higher education" Final Report January 2009 http://www.hefce.ac.uk/pubs/rdreports/2009/rd01_09/rd01_09.pdf

Annex 8: Reporting on Sustainability

During 2008-09, DIUS remained committed to tackling the challenges of climate change and of sustainable development more broadly. Examples of our contributions during 2008-09 are in evidence throughout this document, including innovation platforms for low carbon vehicles, large scale research programmes on climate change, and support for people to develop the skills needed for a low-carbon, resource-efficient economy.

DIUS's first Sustainable Development Action Plan was published on 1 August 2008.[86] Our progress against the commitments made in the 2008 Action Plan is measured using the Sustainable Development Commission's rating system. At the time of publication, 16 of 23 commitments made in the 2008-09 Plan are rated as either complete or on target, 6 as recoverable and 1 as behind target.

Department staff have become actively engaged with the informal green champions networks in the London and Sheffield offices, and DIUS carried out work over the past year to maximise the use of office space in London. To improve the quality of communications between DIUS's London and Sheffield offices, and to reduce the need for travel, we installed a 'telepresence' video-conferencing suite.

86 http://www.dius.gov.uk/about_DIUS/~/media/publications/7/76-08-C_on

Annex 9: Performance against targets on correspondence

All Whitehall Departments and Agencies have published targets for answering correspondence. DIUS's target was to reply to 95 per cent of all correspondence within 15 working days.

DIUS correspondence was handled by the Department for Children Schools and Families under a 'shared services' arrangement. The Department implemented a system whereby all DIUS correspondence was dealt with on a single electronic handling system. This had the effect of raising our performance from that reported in our last annual report.

During the period 1 April 2008 to 31 March 2009, the Department received 14,145 pieces of correspondence from the general public, MPs and Peers. Replies were sent to 90 per cent of correspondents within the deadline (compared to 84 per cent in the previous reporting year).

We are committed to ensuring our customers receive a timely response to their enquiries and acknowledge there is scope to improve performance in this area.

Annex 10: Risks to Delivery

During 2008-09, DIUS promoted innovation in all of its activities, but this was balanced against a need to recognise the impact and level of risk involved. The Department complied with the requirements for regularity and propriety as set out in HM Treasury's guidance 'Managing Public Money'.

DIUS was responsible for delivering a diverse and challenging agenda. The operational complexity and the innovative nature of much of the Department's business together with the economic environment within which the Department and its delivery partners operated, left us exposed to a number of risks. Risk management operated alongside a cascaded performance management system. It was led by the Board and undertaken by business areas within DIUS. Risk was managed by DIUS partners throughout the delivery chain and was monitored by DIUS sponsor teams who reported within the overall risk management framework.

Risk management was central to DIUS's governance arrangements and was supported by policy and guidance that set out the framework for risk management throughout the Department. The Risk Sub-Committee, a sub-committee of the DIUS Executive Board, focused on key Departmental risks, reviewed the Departmental High Level Risk Register and ensured that appropriate mitigation strategies were in place. It also reviewed the effectiveness of risk management policies and processes across the Department. The Risk Sub-Committee met quarterly and reported to the Board and to the Audit and Risk Committee.

The Audit and Risk Committee met five times a year. It reviewed the Department's risk management arrangements and the Departmental High Level Risk Register as part of its role to provide assurance to the Departmental Accounting Officer (the Permanent Secretary) that appropriate standards of governance were being met. The Chairman of the Audit and Risk Committee was a non-executive Board member appointed by the Accounting Officer. The membership of the Committee comprised non-executive Board members and independent external members.

The DIUS Board considered that the risks and uncertainties described below reflected those that could have the most significant impact on the delivery of DIUS objectives. The risks were identified in the corporate risk register and were managed by DIUS business areas who delivered regular progress reports to the Board. Where the existence of particular risks remained outside our control the Board focused its attention on the mitigation of their impact on DIUS objectives.

1. Recession
The pace of the economic downturn, and the lack of sufficiently timely, sensitive and reliable intelligence about its effects, adversely impacts delivery of current policies and hinders the development of effective new initiatives.

2. Employer and Learner Demand
The economic downturn has differential impacts on demand from employers and learners for education and training to improve skills, increasing demand from some groups that might exceed current resources, or reducing demand from others, preventing the achievement of the Government's objective of improving the skills of the population to sustain economic competitiveness.
3. Sector Instability and Reform Overload
The ability of key delivery partners in the Further Education sector to maintain performance is adversely affected due to uncertainty over the future organisational shape of the sector and the sheer scale of reform.
4. Delivery Partner Performance
DIUS relies on an extensive network of delivery partners for the delivery of policy and weaknesses in governance arrangements could fail to identify and address poor performance or delivery failure in the supply chain.
5. Budget Pressures
The difficulty in forecasting the financial impact of delivering external demand led operations, sector reform and new initiatives to respond to the economic downturn could result in budget pressures for DIUS and its delivery partners.
6. Strategy
As a result of the pace of cultural change, poor prioritisation, misaligned resources or insufficient influence in Whitehall, there is failure to deliver on the vision for the Department and develop a single DIUS culture (through the Blueprint).

Annex 11: Public Accounts Committee Recommendations

Progress on outstanding PAC recommendations

The Public Accounts Committee is the parliamentary committee that examines how well Government has used its resources. In the period from 1 August 2008 to 28 February 2009 one Treasury Minute was published replying to reports concerning the Department and its associated bodies.

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

The associated National Audit Office 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 Public Accounts Committee site, accessible through www.parliament.uk .

Progress reports for earlier Treasury Minutes are contained in the 2008 Autumn Performance Report and in past Departmental Annual Reports.

PAC Report: Meeting Needs? The Offenders' Learning and Skills Service

NAO report published: 7 March 2008 – HC 310 Session 2007-08
PAC hearing: 19 May 2008
PAC 47th report published: 30 October 2008 – HC 584 Session 2007-08
Treasury Minute published: 17 December 2008 – Cm 7522

Giving offenders opportunities to improve their basic and vocational skills can enhance their prospects of getting a job and is a major part of the Government's policy for reducing re-offending. Many offenders have severe learning needs: half of those in custody have no qualifications and almost 40 per cent have a reading age beneath that expected of a competent 11 year old.

Since 2006 the Learning and Skills Council (LSC), with its experience in commissioning mainstream further education, has raised the quality of provision and provides a single, integrated service for offenders in custody and in the community across England. The new service provides a single, integrated service irrespective of the organisational boundaries between the prison and probation service.

The Public Accounts Committee hearing examined how the LSC, the National Offender Management Service (NOMS) and DIUS had built a learning and skills service that will help increase employment and reduce re-offending.

Main Points in PAC Report	Progress reported in Treasury Minute	Action since publication of Treasury Minute
1. Tensions between the objectives of meeting the learning and skills needs of offenders and occupying prisoners in purposeful activity have prevented resources being reallocated so that they better meet needs. All of the delivery partners—DIUS, LSC and NOMS—should sign up to agreed funding priorities and work towards redistributing provision so that it better matches current needs. HM Prison Service should identify now where there may be a need for investment in classroom space or prison work areas, to allow for a managed redistribution of resources without disrupting prison regimes. The delivery partners should commit to joint performance targets so that decisions made at the frontline are consistent with the agreed priorities	*Developing the Offenders' Learning and Skills Service: The Prospectus*, published in September 2007 by the LSC but agreed across the partnership, set out clear funding priorities alongside the intention to analyse the current distribution of provision and to redistribute resources as necessary. The LSC's tender documents for successor contracts from August 2009, reiterate those funding priorities and make clear that redistribution of learning provision will take place, albeit in a controlled way so as not to destabilise prison regimes. The current prison capacity programme aims to ensure that there are sufficient training and employment places within new prisons or where significant expansion within existing prisons takes place. Established prisons have dedicated education departments, prison industry workshops and other prisoner employment areas such as kitchens and land based activities. But many prisons do not have the physical space in which to build either new classrooms or workshops. The strategy is therefore to maximise the use of existing resources by, for example, monitoring classroom attendance by prisoners and by the use of part-time education, which means more prisoners can access learning and skills. Some prisons also have rooms on residential wings, which are used by education providers to increase prisoners' access to learning. Jointly commissioned work is underway to explore the viability of setting joined up performance targets. The intention is for a system based on shared performance targets and a performance management regime that supports those shared, outcome-focused targets.	The LSC's procurement process has continued as planned, and tenders were submitted and contracts have been let on that basis. It remains the clear intention to redistribute learning provision, and the LSC has made contractual provision for this to take place. Our advisers reported – jointly to DIUS, DWP and Ministry of Justice as planned. We are now implementing their recommendations, which include a target regime that incorporates collaborative, outcome-focussed targets. It remains the intention to put in place shared targets at the next opportunity to do so.

Main Points in PAC Report	Progress reported in Treasury Minute	Action since publication of Treasury Minute
2. The Learning and Skills Council and HM Prison Service disagree over what can be delivered to those on short sentences and what priority this group should be given. The delivery partners should develop evidence-based, intensive programmes, aimed at getting offenders serving sentences under 12 months into local employment on release or signposting them towards further training in the community	There is clear consensus between the LSC and NOMS that flexible, modular interventions appear to be the appropriate approach for those on short sentences. In a wider piece of work and through the Costing, Specification and Benchmarking programme, NOMS will clearly define an appropriate regime for under 12 month offenders. This will be discussed and planned with partners including the LSC and DIUS. *Developing the Offenders' Learning and Skills Service: The Prospectus* describes a 'skills for employment' offer for short term sentenced prisoners: a short intensive programme including functional skills (literacy, numeracy and information technology) followed up by signposting to provision upon release. Prospective OLASS providers are required to ensure the learning offer for those serving short-term sentences is flexible and dependent upon both leaner need and sentence length, and focused on employment and employability beyond custody. Providers will be expected to have active links with employers and also provide signposting to further learning and training opportunities. The employability component within the OLASS core curriculum recognises the importance of personal and social skills which employers rate highly in employees	A thematic survey by the Office for Standards in Education, Children's Services and Skills (Ofsted) entitled *Learning and skills for offenders serving short custodial sentences,* published on 20 January 2009 sampled 19 local prisons with a high percentage of offenders serving less than 12 months found that "Prison management and learning and skills providers have responded well in developing strategies for short, relevant and appropriate programmes that allow offenders to participate in learning and skills during their short stay in prison." NOMS is currently developing its plans to meet the particular needs of short sentenced prisoners in response to the PMDU report on this subject. DIUS and DWP are engaged in that work.

Main Points in PAC Report	Progress reported in Treasury Minute	Action since publication of Treasury Minute
3. A quarter of prisoners have no screening or assessment for learning and skills needs, despite this being a requirement of OLASS. It may not be possible for assessments to be carried out in all cases, for instance, where offenders have very short sentences. However, if assessments are not carried out, it will be difficult to identify which offenders are most in need of the Service. The OLASS partners should either carry out an assessment or document the reasons why an assessment could not be carried out. The National Offender Management Service should instruct the Probation Service to meet the existing requirement to screen all offenders serving community sentences. Following screening, the Probation Service should make referrals to providers where the results of screening indicate a need, and training is likely to increase an individual's employment prospects	The Probation Service should screen all offenders under their supervision for basic learning and skills at the court report stage. In the community, the Offender Manager (or the Offender Manager's team) will prioritise the referrals to learning and skills providers on the basis of an offender's level of learning and skills need, motivation and chance of gaining employment. NOMS is working towards developing a risk and needs screening tool to be applied to all offenders, and will jointly develop the skills assessment screen with DIUS and the LSC and then test and roll-out within resource constraints. Where the offender progresses to undertaking education, the LSC already requires the result of the follow-up assessment by the learning provider to be recorded. In the near future, that will be on the LSC's electronic system now being trialled, with full roll-out planned for the first half of 2009. The LSC will require its providers to document why an assessment was not carried out on learners	The new OLASS contracts require providers to document why an assessment was not carried out, recording the information on the new MIAP Learner Plan that will be in place ready for the new providers to use from August 2009.
4. The quality of learning plans is poor and, without improvement, OLASS cannot hope to support offenders effectively. The LSC should give clear guidance to all OLASS providers about their requirement to maintain a single consistent record of an offender's learning needs, the learning they plan to undertake, and the progress they have made. The LSC must enforce existing contractual requirements for providers to maintain comprehensive and accurate records of learners' participation and progress.	The LSC's current procurement process reiterates the requirement for OLASS providers to maintain a single consistent record of an offender's learning needs, the learning they plan to undertake, and the progress they have made. These contractual requirements will be enforced	The LSC's procurement process has continued as planned, with tenders submitted and contracts let on the basis outlined in the Treasury Minute. It remains the clear intention to enforce contractual requirements to maintain a single consistent record of an offender's learning needs, the learning they plan to undertake, and the progress they have made.

Main Points in PAC Report	Progress reported in Treasury Minute	Action since publication of Treasury Minute
5. The lack of a core curriculum means offenders' learning is unnecessarily disrupted when they are transferred between prisons. The LSC should start consultations now with providers and other OLASS partners, and use the next contracting round to put in place a core curriculum of courses delivered throughout the prison estate and accessible in FE colleges to offenders in the community.	The LSC's current procurement process puts in place a core curriculum of courses delivered throughout the prison estate and accessible through publicly funded mainstream further education providers to offenders in the community as proposed in the *Developing the Offenders' Learning and Skills Service: The Prospectus*	The LSC's procurement process has continued as planned, with tenders submitted and contracts let on the basis outlined in the Treasury Minute. It remains the clear intention to put in place a core curriculum from August 2009.
6. Learning providers are paid regardless of attendance or course completion rates. There is a risk that courses will be filled by offenders who are already well qualified but who may be easy to teach. When contracts are renegotiated in 2009, the LSC should make payments to providers conditional, in part, on increasing attendance on courses by those offenders who need them, and on the progress that those individuals make. Contracts must specify minimum acceptable standards for offender engagement and course completion. Consultation on these issues should begin now	The LSC's current procurement process has taken into account the recommendations from NAO's report, putting in place financial penalties for not achieving the performance indicators set by the LSC and for not meeting their contractual obligations. The obligations in the contracts to take effect from August 2009 will also include the requirement for providers to meet (within regime constraints) minimum acceptable standards for retention in learning and on the progress those individuals make. In particular, where providers fail to meet their obligations in respect of devising learning plans and recording the progress of offender learners, they will be subject to financial penalties.	The LSC's procurement process has continued as planned, with tenders submitted and contracts let on the basis outlined in the Treasury Minute. It remains the clear intention, where providers fail to meet their obligations in respect of devising learning plans and recording the progress of offender learners, to apply financial penalties.

Main Points in PAC Report	Progress reported in Treasury Minute	Action since publication of Treasury Minute
7. Offenders' learning records are frequently not transferred when offenders are moved, making it harder for them to carry on courses, and difficult for the LSC and providers to measure the impact of interventions. The LSC is trialling a new data system in two pilot areas in September 2008. So that offender managers can understand what progress offenders have made, the LSC must make data available accessible to all OLASS partners, in a format that meets their needs. The requirement for providers to transfer information about learners' progress when they move between prisons and into the community should be a condition built into the 2009 contracting round with OLASS providers	DIUS accepts that records are frequently not transferred at present. Data from the new system will be available to all OLASS partners. The new system does not transfer data: rather, it holds data in a central store so that learning providers, successor learning providers and other OLASS partners can access it from wherever the offender is. Thus, the requirement built into the 2009 contracting round with OLASS providers will be for them to keep information about learners' progress up to date, meaning that the latest information will always be available to the successor provider when offenders move between prisons and into the community	The new OLASS contracts require providers to keep information about learners' progress up to date, recording the information on the new MIAP Learner Plan that will be in place ready for the new providers to use from August 2009.

Main Points in PAC Report	Progress reported in Treasury Minute	Action since publication of Treasury Minute
8. The LSC does not collect information to show whether or not offenders gain employment following completion of their sentence. The probation service attempts to measure whether offenders secure employment. To show the extent to which interventions including learning and skills had helped offenders to get a job, the partners should share information about those offenders supervised by the probation service, including those supervised on release from custody. For those offenders who are not supervised by the probation service, the delivery partners should carry out research, on a sample basis, to measure the effectiveness of different interventions in helping offenders get a stable job	DIUS and MoJ are examining ways to measure the effectiveness of work aimed at helping offenders gain employment. Earlier in 2008, the LSC, in consultation with partners, commissioned KPMG to analyse quantitative data in order to improve the alignment between the supply of learning and skills opportunities for offenders in particular settings with that of individual and employer needs, prioritised in accordance with the wider aims of the offenders skills and employment agenda. The results provide the basis for better-informed, needs-based and planned learning and skills provision for offenders in custody and in the community, and have already informed the specification for the current LSC procurement process. They will help too to underpin the final contract negotiations with the successor OLASS contractors in spring 2009. Research is also being commissioned jointly by the OLASS partners to examine the mechanisms for data sharing between the partners. It is intended to explore how data on criminal records and other personal sensitive information are shared, including the extent to which information is disclosed, the processes used, and the barriers to information sharing. NOMS will build upon longitudinal research within the MoJ to track the progression of a large cohort of newly sentenced prisoners from reception into custody through to a year post release. The *Surveying Prisoner Crime Reduction (SPCR)*[87] study includes those sentenced to less than 12 months as a discrete group within the research. A key aim is to identify the effect of any support or interventions on offending and other outcomes (which includes employment and training) during the year after release	DIUS, DWP and MoJ are close to agreeing a data matching exercise, within the bounds of what the law allows, that will assess the impact of learning for offenders on subsequent employment outcomes, and assess the impact of employment on re-offending outcomes. Researchers from the University of York have been appointed jointly by DIUS and DWP and their activity is underway.

87 http://www.justice.gov.uk/publications/problems-needs-prisoners.htm

Main Points in PAC Report	Progress reported in Treasury Minute	Action since publication of Treasury Minute
9. Offenders are more likely to gain a job when they are released if they are equipped with skills relevant to local employers. Some prison governors are working with local employers to focus learning and skills provision and prison work on preparing offenders for realistic employment opportunities. Regional Learning and Skills Councils must work with providers to obtain feedback from local employers about the courses currently on offer, and make changes where necessary to ensure that the courses available meet employers' requirements. The LSC and the National Offender Management Service should promote local best practice and engage major employers nationally in order to tackle resistance to employing ex-offenders, and target learning and skills provision on employers' practical requirements	DIUS and MoJ in particular agree that offenders are more likely to gain a job when they are released if they are equipped with skills relevant to local employers. NOMS and the LSC, working in partnership with Jobcentre Plus, are engaged with employers nationally, regionally, and locally to offer training and employment to offenders that meets employers' needs. Many employers are willing to work with offenders, subject to their being motivated to work and having the right skills. The new OLASS specification recognises that employers value soft skills such as timekeeping, team working, and customer service and these soft skills have been included as part of the core curriculum, alongside core vocational and foundation skills requirements. Regional LSCs are routinely in discussion with mainstream providers to ensure that their offer is consistent with labour market requirements in their areas. Moving forward, the LSC will ensure that Probation Service and other partners and stakeholders working with offenders on release and into the community link with mainstream providers to deliver the skills most in demand by employers.	The LSC is working with NOMS and DWP to identify how its mainstream services can better address the needs of offenders in the community, based on the findings from a series or regional consultations with Probation colleagues. The final document will provide guidance to practitioners locally about how best to ensure offenders in the community get access to the particular learning they need and set out the joint LSC/Jobcentre Plus offer to offenders in the community in line with the Integrated Employment and Skills model.

Annex 12: Departmental complaints procedure as at March 2009

DIUS is committed to providing a quality service and achieving the highest standards of conduct. One of the ways in which we continue to improve our service is by listening and responding to the views of our customers.

We aim to ensure that:

- making a complaint is as easy as possible
- we treat as a complaint any clear expression of dissatisfaction with our service which calls for a response
- we treat it seriously whether it was made in person, by telephone, by letter, by fax, or by e-mail
- we deal with it promptly, politely and, where appropriate, informally (for example, by telephone)
- we respond in the right way - for example, with an explanation, or an apology where we have got things wrong, or information on any action taken, etc.
- we learn from complaints, use them to improve our service, and publish information on complaints

Members of the public are able to make a complaint by any of the following means:

- in writing
- by fax
- by e-mail
- by telephone
- in person (by appointment)

Annex 13: Complaints to the Parliamentary Ombudsman

The Parliamentary Ombudsman can look into complaints about a service provided by a government department, agency or other organisation acting on their behalf, providing that the body falls within its jurisdiction.

In the Parliamentary Ombudsman's *Annual Report 2007-08: Bringing wider public benefit from individual complaints*, published in October 2008, the Ombudsman records that there was one complaint under investigation in April 2007 concerning the National Endowment for Science, Technology and the Arts, which was not upheld. It is also recorded that one complaint was accepted for investigation during the year 2007-08 concerning the Learning and Skills Council, which was fully upheld.

http://www.ombudsman.org.uk/improving_services/annual_reports/ar08/fig_19.html

Annex 14: Spending on publicity and advertising

The Strategy and Communications Directorate held the central advertising and publicity budget, which was £6.4m for the financial year 2008-09. A total of £5.2 million was spent supporting the Department's policies and programmes. A large proportion of these funds was used to support the Student Finance campaign, to inform prospective students about the financial support to which they are entitled (£2.1m). This was in addition to policy expenditure on the same campaign.

The remainder of the spend was used for activities such as communicating with stakeholders, developing the Departmental website and other new communications channels. Specific examples include:

- Rationalisation of online communications as part of the Government's Service Transformation programme (£546,000)
- The advertising campaign, "Science: So What? So Everything", which was designed to show the relevance and importance of science to people's lives, and to increase and widen public participation in science (£600,000)

Annex 15: Spending on consultancy and professional services

During 2008-09, the Department continued to improve its control over consultancy expenditure. Instructions were given to DIUS Groups to ensure that the revised Treasury guidance issued on 22 October 2008 was being followed, and central advice was given where required.

Consultancy expenditure increased from the 2007-08 figure of £5,069k to £9,904k for 2008-09, owing to the transfer into DIUS of Government Skills in 2008-09 (£248k) and one-off student loan debt sale costs (£5,146k).[88]

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88 2008-09 figures are unaudited outturn.

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