House of Commons

Innovation, Universities, Science and Skills Committee

DIUS's Departmental Report 2008: Government Response to the Third Report from the Committee

Third Special Report of Session 2008–09

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The Innovation, Universities, Science & Skills Committee

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

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

Committee staff

The current staff of the Committee are: Sarah Davies (Clerk); Glenn McKee (Second Clerk); Dr Christopher Tyler (Committee Specialist); Dr Joanna Dally (Committee Specialist); Ana Ferreira (Senior Committee Assistant); Camilla Brace (Committee Assistant); Anna Browning (Committee Assistant); Jim Hudson (Committee Support Assistant); and Becky Jones (Media Officer).

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Third Special Report

On 20 January 2009 the Innovation, Universities, Science and Skills Committee published its Third Report of Session 2008–09, *DIUS's Departmental Report 2008*, [HC 51–I]. On 20 March 2009 the Committee received a memorandum from the Government which contained a response to the Report. The memorandum is published as an appendix to this Report.

Appendix: Government response

DIUS's Departmental Report 2008: Government response to the Committee's Report.

The Select Committee's recommendations and conclusions are in bold text. The Government's response is in plain text.

Style of Departmental Report

Recommendation 1:

DIUS's 2009 Departmental report be written in plain English, be shorter than the 2008 report and use terminology appropriate to its functions. (Paragraph 14)

We have taken on board the various comments of the Committee on future Departmental Annual Reports. We intend to produce a more concise and more accessible Report in 2009 written in plain English.

In its discussion of the use of terminology in the 2008 Departmental Annual Report, the Committee commented particularly on the Department's use of the word "customers" to describe the users of DIUS services, and on the use of the phrase "the DIUS brand".

We do not agree that the term customer should only be applied in a commercial sense. We believe strongly that we should consider the users of our services as customers, recognising that we are here to best meet their needs rather than deliver simply at our convenience. This means using customer insight to understand their needs and motivations, tailoring our support accordingly and ensuring we communicate what's available to them.

Our use of the phrase "the DIUS brand" is connected with this focus on our customers. By building the DIUS brand we will help our customers, along with key stakeholders and other Government departments, to better understand what we are here to do and what they can expect from us.

Whilst we are aware that the processes of gaining customer insight and creating a departmental brand are primarily internal matters, we included these in the Departmental Annual Report in recognition of the fact that they have been fundamental areas of work in establishing the new Department.

Use of statistics

Recommendation 2:

Where a statistic is used in the Departmental report, evidence to support the statistic is included in a footnote and comments on the quality, the source, baseline and commentary on past performance. (Paragraph 20)

The Department will ensure in future Annual Reports and similar documents that information on statistical sources and definitions is provided through footnotes, notes to tables or in a similar format. In some cases, this might include reference to other documents with fuller descriptions such as the Data Annex of the relevant Public Service Agreements (PSA) Delivery Agreement.

Recommendation 3:

We therefore recommend that future departmental reports are reviewed before publication by either the UK Statistics Authority or by an independent person such as an academic statistician, whose opinion on the statistics is included in the report and that the appropriate metrics are specified in advance. (Paragraph 21)

The Department's Head of Statistics, Adrian Smith, a distinguished Professor of statistics, will quality assure the use of statistical material in the report and associated documentation in line with UK Statistics Authority's Code of Practice.

The Department does not believe that it makes sense to specify in advance the metrics that will appear in the Annual report. While certain data items, such as those underpinning PSAs, will necessarily be required, the choice of data must be made at the time the document is drafted to reflect both the external environment and data availability.

Recommendation 4:

We commend DIUS for owning up to the error in the three tables in the Departmental Report setting out country and regional data and for supplying corrected tables. But we must put on record our concern that significant errors in the three tables setting out the country and regional analyses were not noticed before publication. (Paragraph 23)

Drawing on this experience, we have put in place a number of measures to ensure greater accuracy in our published material.

Recommendation 5:

We recommend that DIUS, as a matter of urgency, put in place a consistent method for ensuring that the policy it develops is soundly based on evidence (Paragraph 24).

Our policy is soundly based on evidence. Evidence based policy making is integral to the work of our policy teams and the policies inherited from the DTI and the DfES were strongly evidence based.

To build on this, we have appointed Director-level Heads of Profession for Policy and for Analysis. They are responsible for overseeing how evidence is used to inform policy making in DIUS. Together, the Heads of Profession for Analysis and Policy have been leading work to provide tools, training and other guidance to staff to ensure better and consistent use of evidence to underpin policy.

Cost of the machinery of Government changes

Recommendation 6:

We recommend that the NAO review the costs of the Machinery of Government changes at DIUS. (Paragraph 30)

The Department has informed the NAO of the Committee's recommendation.

Staff

Recommendation 7:

We recommend that, to test their validity, the DIUS staff surveys be comprehensive, independently validated and published. (Paragraph 32)

The Department undertook its first annual all staff survey in October 2008. The survey questionnaire was based on the model developed by the Cabinet Office to measure and benchmark employee engagement across the Civil Service. Some questions specific to DIUS were also added. This was a comprehensive survey which provided staff with the opportunity to have their say about the Department and how their working life could be improved. The response rate was over 70%. The survey results were analysed by an external research company and the Departmental level results were published on the intranet, with reports at Directorate level provided to each Director. The staff survey report has also been published on the DIUS internet.

Relationship with Department for Children, Schools and Families (DCSF)

Recommendation 8:

We conclude it is too early to say whether the arrangements for joint working between DIUS and DCSF are working satisfactorily (Paragraph 8)

We believe our joint working arrangements are working well. We have set up an effective infrastructure for joint working with DCSF, at all levels of the organisation. This includes regular shared Board meetings and shared programme management arrangements for policies and projects that contribute to the work of both Departments.

Arrangements for joint working between our Departments are being put to the test in a number of projects and are proving to be effective, for example in joint work on the Apprenticeships policy, that is managed by both Secretaries of State.

Furthermore, the Capability Review praises the Department for good relationships with other government departments, and recognises the *"examples of successful joint ventures."*

Recommendation 9:

We recommend that future departmental reports contain a chapter setting out the arrangements for joint working at all levels between DIUS and DCSF and that DIUS report on the effectiveness of the arrangements. (Paragraph 37)

The 2009 Departmental Annual Report will include material setting out how we manage our working relationships with key partners including DCSF and also BERR and DWP.

Departmental website

Recommendation 10:

We accept that it is unrealistic to expect a newly established department to have a fully functional website the day after it is set up, and to give DIUS credit, we find that it has improved recently. But we conclude that after 18 months to reach this point is excessive and it is unacceptable that DIUS should have had until recently one of the poorest websites in Whitehall. We urge DIUS to make further improvements. (Paragraph 39)

We do not agree that our website was in an unacceptable condition. We established a three phase plan to create and develop the Department's website:

1. Establishing a temporary website as an immediate solution to the Machinery of Government (MOG) changes. This was to provide updates about the new Department and to direct visitors to information on the policy areas, still hosted on previous websites.
2. Consolidating the content from previous Departments remits on the DIUS website and ensuring links to other Departments were maintained, taking account of other MOG changes. This was to act as a short term solution whilst a more sophisticated and appropriate website was built.
3. Replacing the interim website with a final version that is more informative, interactive, and innovative.

The final website has now been launched according to plan, and has been designed using comprehensive user research. It includes latest web functions such as:

- Using Google Mini as a search engine.
- Greater use of audio and video content.
- Greater use of social media, personalisation, user-generated and content sharing features.
- An infrastructure and content management system with the flexibility to enable further content to be incorporated, including allowing partners to have micro-sites which they can maintain themselves.

We have a planned continuous programme of improvement to our website going forwards.

Risks

Recommendation 11:

We consider that the inclusion of items which are essentially the measurement of the effectiveness of policy in a list of risks undermines the point of the list. We are also concerned that the list of risks in the Departmental Report does not align with the risks in DIUS's annual accounts. We recommend that, when it produces next year's departmental report, DIUS reconsider the basis on which the list is produced and explain the rationale for the inclusion of items on the list, and produce a risk list that distinguishes between risks over which DIUS has direct control and responsibility from those that it does not. (Paragraph 44)

The Department recognised that risk management was an important issue from when the Department was created. The Department quickly implemented a strong set of risk management procedures.

The Board held a number of discussions to identify the top risks. These were validated by Ministers and stakeholders. These were published in our Business Plan and replicated in the 2008 Departmental Annual Report. They have proved to be a good tool for the Board to manage risk.

In addition we created an independent Audit and Risk Committee to oversee and advise on risk management. This is chaired by one of our experienced Non-Executive Directors, who has a wealth of experience from the private sector of managing risk. Members of the Audit and Risk Committee are made up of a combination of non-executive Board members and independent external members to ensure impartiality. The Audit and Risk Committee provides regular input to the Departmental Board and the Board have regular discussions on the risks set out in the Department's Business plan.

The risks reported in the Departmental Annual Report and the control issues reported in the Statement on Internal Control in the Resource Accounts are driven by different reporting mechanisms set by HM Treasury[1.] The Departmental Report is expected to cover business risks, which affect our policy outcomes, and the Resource Accounts report on significant control issues. As risks and internal control issues are different the two lists in the respective documents do not align.

Recommendation 12:

We recommend that DIUS, as a matter of urgency, review the systems that it has in place for managing and assessing risk and for scrutinising the systems within the department and by those bodies for which it has responsibility to implement policy efficiently and effectively. (Paragraph 46)

Good progress has been made to establish systems for managing and assessing risk. The Capability Review acknowledges that mechanisms have already been introduced internally to monitor departmental performance and provided direction on areas for further action.

1 HM Treasury (2007) *Public Expenditure System paper 21* and HM Treasury (2007) *Managing Public Money*

We are already looking at ways to improve our risk management procedures. This will entail an internal review of the corporate governance arrangements, including risk management, which are in place between the Department and its delivery partners. The Department will also undertake a review to assess the standard of risk management within the Department.

During 2008–09 the Department has continued to develop its systems and procedures for risk management including:

- the continued support of the Audit and Risk Committee which provides assurance to the Accounting Officer and the Board through its monitoring of the effectiveness of risk assessment, risk management strategies and internal control processes;
- the establishment of a sub-committee of the Executive Board, the Risk Sub-Committee, with responsibility for identifying, assessing and advising the Audit and Risk Committee and the Board on the most significant and emerging risks to the Department's objectives;
- improved its corporate risk register, informed by risks escalated from business areas, with regular reviews by the Risk Sub-Committee;
- developed guidance and support for its staff, including risk management seminars for its sponsor teams.

Capability Review

Recommendation 13:

We found it instructive that the Capability Review with its independent and outside perspective produced a much more critical assessment of DIUS than either the *Departmental Report* or the *2007 or 2008 Autumn Performance Reports*, which were essentially DIUS produced assessments of its own record. (Paragraph 49)

The Capability Review recognised the progress DIUS has made to date and commented that we have *"done a good job of setting up a new department in challenging circumstances."* Overall on the capability review assessments, DIUS compares well to other Government Departments that have been in existence for much longer.

Of course, the Review also highlighted areas for improvement, which the Department welcomes and has already launched a rigorous action plan to address these areas.

Recommendation 14:

In our view, DIUS needs to face up to and address the criticisms in the Capability Review published in December 2008. We expect to follow-up the findings in the Capability Review of DIUS in 2009. (Paragraph 50)

The Capability Review recognised the progress DIUS has made to date and commented that we have *"done a good job of setting up a new department in challenging circumstances."* Overall on the capability review assessments, DIUS compares well to other Government Departments that have been in existence for much longer.

Of course, the Review also highlighted areas for improvement and the Board of the Department has accepted all of these. Following the review, our internal change programme has launched a detailed work programme designed to address the issues raised. Each part is owned and led by a member of the DIUS Board. We want to be able to demonstrate significant progress in meeting the Capability Review recommendations when we are reviewed again at the end of 2009.

Managing budgets

Recommendation 15:

We found DIUS's written statement on announcing a cut in student support in 2009–10 unhelpful and incomplete. It fell below the standards we would expect from a government Department. We recommend that when DIUS makes announcements affecting the financial support of students it sets out in the announcement, or in supporting material, the full consequences of the change. (Paragraph 57)

The Department explained, in the 29 October announcement, the proposals that were being made as clearly and in as much detail as was possible at the time. The written statement explained the key changes—notably the reduction in the income threshold for a partial grant to £50,020 for new entrants to Higher Education in 2009–10, and the slower rate of growth in additional student numbers. It set these changes within the context of the Department's overall budget position and announced an increase in spending on student support of £100m per annum when the policy reaches its steady state. Further details of the package, including maximum loan rates for 2009–10 entrants, were posted on Directgov.

It was the Department's intention to inform Parliament and prospective students of the existence of a change in the Student Support policy as early as possible. While we were not ready at that point to table the detailed Memorandum on Loan, Grant and Fee Rates, raising awareness of an upcoming change merited an announcement. The Memorandum was subsequently laid before the House on 25 November.

Recommendation 16:

We conclude that DIUS is trying to have it both ways on budgetary management. On the one hand it pointed out that it was managing billions and appeared to claim that the switch of £49 million from further to higher education was an end of year "adjustment". On the other hand, however, in 2008–09 DIUS could not find £100 million to provide continued support for students studying equivalent or lower qualifications. We shall continue to monitor budgetary adjustments made by DIUS. (Paragraph 61)

The Department notes the conclusion of the Committee. The recent response to the Select Committee's questions on the Winter Supplementary Estimate 2008–09, provides information on budget adjustments which we hope will be useful to the Committee.

Transfers between Further Education and Higher Education budgets are discussed further in recommendation 28.

Recommendation 17:

We recommend that, in responding to this Report, DIUS give a firm undertaking that the ring-fence on science resources will be maintained and that resources will not be switched from science. (Paragraph 61)

The Science and Research Budget is the subject of a separate Request for Resource which mean resources cannot be used for any other purpose without Treasury and Parliamentary approval and there is no intention to change this position. In a recent speech, the Prime Minister said, "*in meeting our ten-year commitment we will maintain the ringfence we have placed around science funding—protecting money for science from competing demands in the short-term and providing the sustained support the research community needs to deliver world-class results in the medium and long term.*"

Recommendation 18:

We recommend that in future departmental reports DIUS set out in full the total amounts of unallocated provision and reserves (or end year flexibility) available and claimed by DIUS. (Paragraph 61)

The Department notes the recommendation.

Recommendation 19:

The emerging pattern of overspending on higher education met in part by switches from underspends on further education raises a question about the accuracy of DIUS's forecasting and, potentially, wider policy issues about the relationship between higher and further education. The accuracy of DIUS's financial forecasting is a matter we shall keep under review. (Paragraph 64)

We note that the Committee will keep the Department's forecasting under review and we look forward to working with the Committee to ensure the greatest possible accuracy.

The Committee may like to note that Recommendation 28 discusses in more detail the rationale for the budget transfers between Further Education and Higher Education budgets. These are shown to be appropriate responses to the operating context of 07–08 and 08–09 rather than part of a management pattern.

Administration Costs

Recommendation 20:

It is unacceptable that, when we sought to scrutinise DIUS's administration costs, to be advised that this has to be done by a consolidation of DIUS's, DCSF's and BERR's costs. Our job is to scrutinise the financial management of DIUS, not DCSF or BERR. We recommend that, in responding to this Report, DIUS produce accurate, hypothecated figures for its administration costs for 2006–07 which we can scrutinise and compare with subsequent years. (Paragraph 67)

We note the Committee's comments and set out below an analysis of the central Department's administration costs.

The administration expenditure of £60.0m (staff, other admin and income) reported within the DIUS 2007–08 Resource Accounts for the year 2006–07 does not take account of the full range of capabilities and overheads provided by DfES and DTI which we estimate (though not audited) to be approx £25m. The extent to which the activities that subsequently formed DIUS benefited from the central governance and support functions of DfES and DTI, such as ministerial offices, finance and HR, was understated in the figures in the Resource Accounts. The reported figures were determined by allocation when the Resource Accounts for 2007–08 were prepared.

A similar situation applies to the first year of the Department when we were beneficiaries of informal support from DCSF and BERR for part of the year. We estimate (though not audited) the impact to be approximately £15m, incremental to the £69.0m reported in the Resource Accounts 2007–08. Informal support was replaced by formal shared service

Efficiency savings

Recommendation 21:

We recommend that in responding to this Report DIUS set out in detail with full baselines and costings—beyond those usually provided in Autumn Performance Reports—the savings promised as a result of CSR07 with progress made to date. (Paragraph 71)

The Department is committed to delivering annual net cash-releasing efficiencies of £1.543 billion by 2010–11. The total forecast for efficiency savings by the end of the CSR07 amount to £1.632 billion. These are to be delivered from programmes managed within:

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

Within the programmes, efficiency savings will be made through the following:

- Reprioritisation of funds to channel more resources to frontline services;
- Reduction in administrative costs within delivery partners;
- Improved use of resources through a range of measures including more efficient estate maintenance and occupancy costs;
- Ending of programmes;
- Increasing co-funding from external sources;
- More efficient procurement processes through greater collaboration.

In addition to the three main Value for Money programmes, DIUS is also committed to achieving gains against its Departmental Administrative Costs, of £12 million by 2010–11. We expect to report on these savings in the 2009 Departmental Annual Report.

This, along with the profiles for each programme, is explained in more detail in Annex A.

Progress to date

Science & Research and Innovation

- By 1st October 2008 the Research Councils had reported gains of £40.5 million, which is equal to its half year target.
- £108 million has been reprioritised from the Science and Research Investment Fund (SRIF). This has enabled the funding to be used for entirely new investment projects.
- £26 million efficiencies have been made in 2008/09 by making reductions in funding and reducing baselines for certain programmes, detailed in the table above.

Higher Education

A review of all HEFCE special funding programmes has identified the following potential efficiencies 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 resulting in efficiencies of £9m across the spending period.
- Foundation Degree Development costs are no longer needed and can be met from a reduced budget releasing £9m across the Spending Review period;
- Closure of the Overseas Research Students Award scheme, mainstreaming Teaching Quality and Enhancement Fund and combining with retention funding into a new targeted allocation; and
- Centres of Excellence in Teaching and Learning moving towards becoming self-sustaining.

Further Education and Skills

- The Department is only able to report final progress on the FE procurement and improved FE estate efficiency approximately one year after the financial year on which we are reporting—when the information from colleges becomes available through their financial returns. However, these efficiencies are based on approaches that were delivered in the 2004 Spending Review and we remain confident that they will be delivered in this Spending Review period.
- We can at this stage report on delivery to date from reprioritising of expenditure towards skills priorities and the reduction in the administration costs of arms length delivery bodies. Over the period 2008–09, we have delivered £116.7m of efficiencies through reprioritising towards skills priorities. Up to January 2009, £0.2m has been delivered through reductions in administration costs.

- We will need to update our forecasts on the Train to Gain efficiency measure to take into account the implications of the SME flexibility package. Confirmation of progress achieved for 2008–09 will be available in December 2009 when learner achievement data for that year is available.

Innovation in DIUS's operations

Recommendation 22:

We conclude that, while the changes DIUS detailed in evidence as innovatory may be innovative in Whitehall, they might be better classified as the adoption of working practices used elsewhere. (Paragraph 73)

The definition of innovation established in DIUS, through the White Paper, Innovation Nation (2008) is "*the successful exploitation of new ideas*". It is important to recognise that innovation is not just about creating new ideas, but also about the application of ideas and new ways of working. This includes adapting ideas that work elsewhere and introducing them into another organisation.

This definition is expanded by the National Endowment for Science Technology and the Arts (NESTA) in their report, *Hidden Innovation*, which recognises that innovation can include changes to process, organisational structure, new ways of using technology or about adopting ideas from elsewhere.

This is referred to as hidden innovation because it is activity that is not reflected in traditional indicators of innovation, such as investments in formal R&D, and it is often, "*the innovation that most directly contributes to the real practice and performance of a sector*". (Hidden Innovation, June 2007)

The Department can point to a whole range of examples of this type of innovation. Particular examples around how we are using technology to help us engage with customers and stakeholders are set out below:

- Using Twitter and Flikr to communicate more widely with citizens. We keep people informed about the work of our science Minister, Lord Drayson through short posts on these sites.
- Using blogs to generate debate and shape policy. Last year we hosted a debate to inform a framework policy for Higher Education and a strategy on Informal Adult Learning.
- The Student Finance Team are using Bebo to engage and advise young people on finance issues.
- Using innovative approaches to help staff with their policy work. In particular, we have introduced web pages that can be personalised, and bring together news and information on issues relating to their policy areas so that their policy is always well informed, by the wider perspective.
- Creating opportunities to have department-wide debates on our policy issues through online forums. This has been particularly effective at drawing on the skills, knowledge and

experiences within the Department to inform our policy direction, and provides a platform for staff to challenge Ministers on policy direction.

We are being recognised by experts and stakeholders for our adoption of new media channels:

> "*DIUS is developing a reputation within the UK and more widely as innovators in internal collaboration and citizen engagement They have recognised the potential of Web 2.0 approaches and used them in a string of initiatives from the Innovation Nation consultation which combined a range of forms of online and offline engagement and culminated in an executive summary which allowed citizen discussion paragraph by paragraph to its SME panel discussion forum which opens out the department's engagement with SMEs and allows a much larger number of people to get involved*".
>
> **Paul Johnston, Internet Business Solutions Group Director, Cisco**

The Department has also been shaping and refining the organisational structure of the Department, to mitigate the risks of silo working and to create the conditions for innovation.

For example, we:

- Have created a flexible central pool of resource that can be deployed at short notice, according to business need.
- Have created an environment that supports flexible working, with wirelessly enabled lap-tops, a follow-me phone system, hot-desking, and state of the art video conferencing facilities.
- Are the first department to adopt the Prime Minister's Delivery Unit (PMDU) model to create a small team to ensure focus on delivery of our PSAs and DSOs.
- Have a team dedicated to digital engagement, with Community Manager roles that support policy teams to work with social media, to ensure DIUS is at the cutting edge of new media channels. This is a Whitehall first.
- Have created Heads of Professions for Analysis, Policy and Sponsorship to strengthen our professional capability through networks of professions, spanning our policy areas.
- Have embedded innovative leadership, recognised by the capability review as 'new' and 'modern'.

The flexibility created by DIUS' organisational structure responds to the Cabinet Secretary's challenge in the Office of Government Commerce Guide Working Beyond Walls that to modernise working practices, Whitehall should be *"ready and able to work anywhere"*.

The Department continues to strive to be innovative in its nature, not just in its name.

Recommendation 23:

We conclude that the "Perfect Gift" voucher scheme launched in October 2007 needed more evaluation before it was launched. (Paragraph 76)

The Perfect Gift Voucher scheme was intended to be a pilot in order to test demand and establish whether there was sufficient interest to roll out the scheme nationally. Piloting is a vital stage in policy development in order test its viability. Initial research, prior to the pilot, showed there would be some demand for this scheme, with 56% of people surveyed saying they would like to receive a gift voucher for training as a present.

However, the pilot resulted in a low take-up of vouchers and a decision was taken not to develop the policy further. The pilot was an important part of the policy evaluation as it established at an early stage that further investment would be wasteful as the project was unlikely to succeed.

Regularity and propriety

Recommendation 24:

We recommend that, in responding to this Report, the Permanent Secretary at DIUS: (a) set out how it will manage and assess financial risk within DIUS and the bodies for which DIUS has responsibility; (b) clarify how he will balance the promotion of innovation with his responsibilities as Accounting Officer to ensure propriety and regularity in expenditure; and (c) explain the role and responsibilities he has devolved to the Audit and Risk Committee in respect of the management and assessment of risk. (Paragraph 81)

(a) The Department has a clear structure to manage and assess financial risk:

- The Accounting Officer of the Department has overall responsibility for ensuring that the Department manages its financial risk.
- The Finance and Performance team works with finance teams across the Department to monitor financial performance and provide timely information for the Accounting Officer and the Departmental Board.
- Significant financial risks are reported to the central Risk Management team as part of the regular risk reporting arrangements and inform the corporate risk register which is reviewed by the Risk Sub-Committee.
- The Chief Executives of the Department's delivery partners are appointed as the accounting officers with responsibility for their delegated budgets.
- There are formal arrangements between DIUS and its delivery partners setting out the terms and conditions attached to the funding of the delivery partner, the arrangements for setting financial and performance targets and the provision of monitoring information to DIUS.
- Within the Department we have dedicated sponsor teams to manage and monitor the performance of delivery bodies against their budgets. The sponsor teams provide monthly updates to the Finance and Performance team and this information is reported at the monthly Departmental Executive Board meeting. This report highlights any emerging budgetary pressures.

- Internal Audit provides assurance to the Accounting Officer that adequate systems of budgetary control and operational control are in place and being applied by budget holders.
- A quarterly Forward Look document that scans forward over the remainder of the Comprehensive Spending Review period, identifying emerging pressures is presented to the Board who use it to inform strategic decision making.

(b) The Department promotes innovation in all of its activities but this is balanced against a need to recognise the impact and level of risk involved. The Department complies with the requirements for regularity and propriety as set out in HM Treasury's guidance, *Managing Public Money*.

In terms of the Department's responsibility for innovation policy and delivery, the majority of support for innovation is administered by the Technology Strategy Board (TSB), an executive NDPB. In order to ensure the innovation budget maximises value for money and minimises risk, the Technology Strategy Board has a number of mechanisms for assessing the impact of projects and maintaining financial control.

The Chief Executive of the Technology Strategy Board is accountable to the Accounting Officer of DIUS for the management of the innovation budget and for ensuring it is managed in a manner consistent with Government accounting rules. Finance within the TSB is overseen by its Audit Committee, a sub-committee of the Governing Board, which is chaired by a Governing Board member. The Governing Board is made up of independent members drawn from the private sector and academia, who oversee all aspects of the TSB's operations and expenditure. The TSB's annual accounts are also subject to audit by the NAO. DIUS itself operates various governance arrangements to monitor the TSB's progress against objectives and financial position through its sponsor team.

(c) As explained in our response to recommendation 12, the Department has established a Risk Sub-Committee with responsibility for advising on the management and assessment of risk. The Audit and Risk Committee has responsibility for reviewing the Department's overall approach to risk management and for advising the Board and Accounting Officer on whether risk management is operating effectively.

In addition to reviewing risk management strategies and systems, the Committee reviews the corporate risk register and advice received from the Risk Sub-Committee. The Committee also commissions reports from individual business areas on the major risks facing the Department and meets with senior managers to discuss their approach to managing those risks.

Innovation targets

Recommendation 25:

On the "vision" of achieving public and private investment in R&D [research and development] of 2.5% of GDP by 2014, we recommend that DIUS set out in response to this Report: whether this is still a target, how it is to be calculated and, in addition, what effect the current economic downturn may have on the target. We also recommend that, when DIUS has created the new innovation index, it explain the basis of the calculation of

the index and provide tables restating the UK's performance since 2000 with comparisons with major industrial countries over the same period. Where a new measure is introduced, or an old measure changed, it is crucial, to ensure transparency, that both the old and new metrics continue to be published. (Paragraph 82)

As stated in the Science and Innovation Investment Framework Annual Report 2008, the Government remains committed to the ambition to raise R&D to 2.5% of GDP by 2014. In light of the current economic circumstances this is likely to prove challenging. Business R&D investment has been rising in real terms, but not as a proportion of GDP. The 2.5% target will continue to be calculated on the basis of combined Business and Government expenditure on research and development (GERD) from ONS data and reported on annually.

The Innovation Nation White Paper committed the Government to developing an Innovation Index for the UK. The intention is that the indicators in the Index will enable us to make a comprehensive assessment of the innovation performance of the UK, for example enabling us to measure innovation in the services sector or creative industries that is not captured by measurements of R&D investment. We have asked NESTA, working with other stakeholders across the research base, academia and the private sector, to take this forward. NESTA will produce a draft Index during 2009, and a final Index during 2010. It is NESTA's intention to fully explain the reasons behind the choice of the indicators used in the Innovation Index, and to test these to ensure they are robust. This will include the use of historic data and international comparisons, where available.

Recommendation 26:

We recommend that DIUS set out clearly and consistently the basis on which its targets are calculated and measured with the baseline data, and we reiterate our recommendation that its collection, use and interpretation of statistics be reviewed independently. We found this exercise frustrating as DIUS shifted the basis of the calculation of the measures and revealed baseline data not included in the tables or commentaries of the Departmental Report. (Paragraph 87)

The Department recognises the value of a consistent approach to the measurement of innovation. For this reason, we have sought to use both the same measures and same mechanisms as far as possible. For the last 18 years, we have published the R&D Scoreboard, which identifies the top 850 companies by investment in R&D and sector, and benchmarks their investment against the top 1,250 global competitors. In addition, we have consistently used the ONS Business Enterprise Research & Development (BERD) statistics to measure investment in R&D across the UK economy, and the shares attributable to the public and private sector, as well as foreign investment. We also use the Community Innovation Survey (CIS), which helps to benchmark the UK against EU competitors. We are aware of the shortcomings of this data, notably the focus on R&D investment, which fails to capture the breadth of investment in innovation in the UK economy. It is for this reason that we have asked NESTA to develop the Innovation Index with other stakeholders across the research base, academia and the private sector.

Further Education colleges

Recommendation 27:

We welcome the Secretary of State's commitment to further education colleges. We intend to watch developments in the sector carefully. (Paragraph 92)

We welcome the Committee's support.

Train to Gain

Recommendation 28:

It appears that a significant part of the provision for further education and skills, and for Train to Gain in particular, in 2007–08 and 2008–09 has not been spent and has been used to meet both temporary and permanent shortfalls in other DIUS programmes. We would be concerned if a central flagship policy of the Government's skills programme—Train to Gain—were persistently raided. We recommend that in responding to this Report DIUS provide a full account of financial transactions to, and from, (including any change in the definition of training used) the budget for Train to Gain in 2007–08 and 2008–09 and that future departmental reports set out, and account for, Train to Gain separately. The accounts should also provide a commentary explaining the reasons for transfers to, and from, the budget for the programme indicating separately temporary "loans" to, and repaid from, other DIUS programmes and permanent transfers from the Train to Gain budget to other programmes. (Paragraph 97)

There are a number of reasons why the Train to Gain budget could be subject to transfers both inwards and outwards. These include the:

(a) LSC needing to prioritise funding from one programme to another as it balances delivery of its overall remit across all of its individual programmes;

(b) Department needing to prioritise its Parliamentary funding for any given year in a way that it regards as being most effective in order to deliver its overall objectives;

(c) Department needing to manage its funding between CSR years.

The tables below summarise the movements in the LSC's Train to Gain budget in 2007–08 and 2008–09.

£000s	2007–08		Comments
LSC Grant Letter		460,608	
DIUS transfer in	66,012		Additions to increase delivery, including £33m for pilots to deliver Level 3 entitlement for young people up to age 25.
Total transfers inwards		66,012	
	(21,500)		In addition to £27,500 from apprenticeships this makes up the £49m transfer to HE mentioned in John Denham's letter to the Select Committee on 28th October 2008.
			Loan to HE mentioned in John Denham's letter to the Select Committee on 28 October. This, together with the £21.5m listed above and £27m from apprenticeships, makes up the £116m

£000s	2007–08		Comments
	(67,000)		mentioned in the same letter
	(30,496)		Transfer out due to TTG underspend
Total transfers out		**(118,996)**	
		407,624	

The table below refers to 2008–09 and reflects the information we have provided to the Select Committee in response to its questions on the Winter Supplementary Estimate.

£000s	2008–09		Comments
LSC Grant Letter		**657,073**	
Repayment of loan	67,000		Repayment of previous year's loan by HE.
	208,275		As announced in the Statement of Priorities published in November 2007, from 2008/09 employer-based NVQs that were delivered through the FE funding system (types 2 and 3) transferred into the employer-responsive budget and will be funded through the employer-responsive model.
	30,000		Reallocation of other LSC resources to boost colleges capacity to use Train to Gain and engage with employers, as announced on 18 November 2008.
	7,000		Additional funding from DIUS to fund delivery of Level 3 entitlement for those aged under 25 through Train to Gain.
	39,917		Transfer from TTG non-participation budget into TTG participation budget.
Total transfers inwards		352,192	
	(20,538)		Changes made by the LSC in the course of the year as part of its responsibility to manage budgets.
	(135,000)		Transfer to HE Group to help manage student grant pressures.
Total transfers out		**(155,538)**	
		853,727	

It can be seen that over the two years under analysis the net movement is an overall increase in the LSC funding of £143.67m, as set out in the table below.

£'000	Opening Position	Closing Position	Movement
LSC Grant Letter 2007–08	460,608	407,624	-52,984
LSC Grant Letter 2008–09	657,073	853,727	196,654
Net Position			143,670

However the 08–09 position is obviously not finalised and subject to changes in activity from those anticipated.

The Department has taken active measures to boost demand of the Train to Gain Programme and we are now on track to spend the Train to Gain budget in 2008–09. Despite the downturn, the number of employers and employees starting the programme each month has increased over the course of the financial year, and satisfaction levels remain high. We remain committed to further expansion, with the aim of raising the budget for Train to Gain to over £1 billion.

Effects of the economic downturn

Recommendation 29:

We shall continue to monitor the effects of the economic downturn. We are particularly concerned about the impact of the downturn on the provision of, and planning for, places at higher education institutions which are heavily dependant on public sector employment such as nursing, medicine, and other professional degrees, especially given indications of rapid slowdown in departmental spending growth under the 2008 Pre-Budget Report. (Paragraph 101)

To date there is no evidence of a fall in demand for Higher Education provision because of any knock-on effects of a slowdown in Departmental spending growth but this will certainly be kept under review by the Department, HEFCE and other partners.

Along with the Committee, the Department is also monitoring the effects of the economic downturn. We have been working closely with the National Economic Council on a range of packages that will support businesses and individuals in these tough economic times. For example, to support people facing redundancy and new graduates wanting to find their first job, HEFCE have announced a £50 million matched funding initiative (£25 from HEFCE plus £25 million from HEIs own resources) to provide real help now for individuals and businesses. The ECIF (Economic Challenge Investment Fund) will help HEIs provide swift and responsive help, to both employers and employees, at this difficult time through promoting investment in workforce development as a route to long-term recovery.

Reviews of higher education

Recommendation 30:

We conclude that DIUS is right to consider how higher education will look in ten to 15 years and we intend to play a full part in the debate on the future of higher education next year. We launched an inquiry on 30 October into students and universities, which will focus on (a) admissions; (b) the balance between teaching and research; (c) degree classification; and (d) student support and engagement. (Paragraph 106)

We welcome the Committee's support for our Higher Education debate.

Degree classification

Recommendation 31:

We conclude that the Secretary of State was right to raise the issue of degree classification, and this is an issue we shall examine in our inquiry into students and universities in 2009. (Paragraph 107)

The Department notes this conclusion. We welcome the Higher Education sector's trialling of the Higher Education Achievement Report which would provide a more detailed academic record for students alongside their overall degree classification. We look forward to learning the outcome of the trials.

Wider participation

Recommendation 32:

We share the Secretary of State's objective to wider participation in higher education and we welcome the emphasis that he has placed on the issue. We are concerned that as a result of the new targets and measures agreed from the 2007 Comprehensive Spending Review the previous emphasis on widening participation will be lost. We recommend that in responding to this Report DIUS set out in detail how it will measure and report on widening participation over the next five years. In addition, we recommend that future departmental reports set out, and report on, the three elements used to measure progress on the 2004 Comprehensive Spending Review target to raise and widen participation in higher education. (Paragraph 111)

The Department is committed to widening participation in Higher Education and has a clear set of measures and reporting mechanisms to monitor progress against its targets. We have announced in *New Opportunities White Paper*[2] a range of initiatives to maintain and increase that focus, including requiring universities to make a strategic assessment of the widening participation activities they support and working with DCSF to support talented pupils from low income backgrounds to progress to higher education. Currently the Departments draws on two main sets of data to monitor widening participation and reports into three different PSA Boards.

The first set of data is the annual widening participation performance indicators collected by the Higher Education Statistics Agency. This provides comparative data on the performance of higher education institutions in recruiting entrants from various under-represented groups by measuring:

- percentage of entrants who attended a school or college in the state sector;
- the percentage of entrants who were returned with National Statistics Socio-economic Classification (NS-SEC) categories 4 to 7;
- the percentage of entrants whose home area (as denoted by their postcode) is known to have a low proportion of 18 and 19 year-olds in higher education;

The second set of data is collected by Government and measures full-time participation of young people in higher education by socio-economic class. This measure was introduced in 2007 and shows the proportion of young people from the top three and bottom four socio-economic classes who participate for the first time in full-time higher education, together with the difference (or "gap") between these two participation rates.

The Department reports on widening participation through the indicators in PSAs 2 and 11 in the 2007 Comprehensive Spending Review and PSA 14 from the 2004 Spending Review.

2 Cabinet Office (2009) *New Opportunities White Paper: Fair chances for the Future*

PSA 2 (Improve the skills of the population) is a DIUS-led programme. The widening participation indicator is to “Increase participation in Higher Education towards 50 per cent of those aged 18 to 30 with growth of at least a percentage point every two years to the academic year 2010–11.” Quarterly progress reports are produced for the PSA Delivery Board and these also feed into the Departmental corporate reporting mechanisms for the Departmental Board.

PSA 11 (Narrow the gap in education attainment) is a DCSF-led programme. The widening participation indicator is to “close the gap between the initial participation in full-time higher education rates for young people aged 18, 19 and 20 from the top three and bottom four socio-economic groups”. We also produce quarterly progress reports for this PSA Delivery Board and these feed into the DCSF corporate reporting mechanisms.

PSA 14 from the 2004 Spending Review outlined a target that “By 2010, increase participation in higher education towards 50% 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.”

We will be happy to report on progress in widening participation in future Department Annual Reports. This will include the three elements of the 2004 Spending Review and the new measures used in the 2007 Comprehensive Spending Review.

Higher Education Funding Council for England (HEFCE)

Recommendation 33:

We intend to monitor the development of higher education sector, and the work of HEFCE, closely. (Paragraph 113)

Clearly the Funding Council is an important part of the higher education landscape, and it is understandable that its operations should be of interest to the Committee. We look forward to working with the Committee.

Science in DIUS

Recommendation 34:

We conclude that, while the links between the Government Chief Scientific Adviser and DIUS are useful, they are not such to lead us to revise the Science and Technology Committee’s recommendation that the Government Chief Scientific Adviser should be based in the Cabinet Office. (Paragraph 116)

The Government notes the views of the Committee. It has found that the current arrangements work well, but will continue to keep the issue under review.

Role of Government Chief Scientific Adviser

Recommendation 35:

We are concerned that on homeopathy Professor Beddington did not take the opportunity to restate the importance of the scientific process and to state that what was important was the balance of scientific evidence, which in the case of homeopathy, does

not provide strong evidence that it has an effect, beyond the placebo effect. In both the case of cannabis reclassification and homeopathic treatments we are concerned that the Government Chief Scientific Adviser has not chosen to challenge departments where no evidence was produced. (Paragraph 124)

Recommendation 36:

Professor Beddington is the Government Chief Scientific Adviser and we are surprised that rather than champion evidence-based science within government he appears to see his role as defending government policy or, in the case of homeopathy, explaining why there is no clear government policy. This is an issue we expect to return to in our inquiry "Putting science and engineering at the heart of government policy". (Paragraph 125)

The responses to recommendations 35 and 36 have been combined.

The Government Chief Scientific Advisor (GCSA) believes it is critical that scientific evidence relevant to policy should be examined and where appropriate publicly challenged. He will continue to do this. He believes that the Committee has misunderstood the evidence he presented on homeopathy and cannabis and its implications.

On homeopathy, he indicated in his oral evidence that that he was aware of no evidence, other than a placebo effect, of the efficacy of homeopathy. Subsequent to this he was made aware of material that purported to show that homeopathy had effects beyond the placebo effect and he felt the Committee should be made aware of this evidence. However, he also said that on examination he thought this evidence was highly questionable.

For the avoidance of any doubt, the GCSA believes that there are no credible physiological mechanisms that can be adduced for homeopathic effect.

On cannabis, following examination of the evidence, he concluded that the majority view of the Advisory Council on the Misuse of Drugs (ACMD), that cannabis be reclassified, was appropriate on the basis of the scientific evidence. In deciding not to follow this recommendation, the Government concluded that non-scientific factors outweighed the scientific factors. This is a statement of fact and not an attempt, as the Committee suggests, to defend the Government's position.

Use of metrics

Recommendation 37:

We recommend that in responding to this Report the Government Chief Scientific Adviser explain what follow-up action has been taken by the Council for Science and Technology on the use of metrics for evaluating work done by the Government Chief Scientific Adviser. (Paragraph 126)

Although the transcript mentions metrics for evaluating the usefulness of the things which the GCSA is involved in, the context of that part of the discussion was whether the CST was a useful body and how its usefulness might be evaluated. The CST was last evaluated in 2003 and a further evaluation sometime after the next general election would be appropriate. The CST co-Chairs will discuss this further when they next meet.

Government Office for Science annual report

Recommendation 38:

We agree with the Government Chief Scientific Adviser that it would not be appropriate for the Government Office for Science annual report to be included within the DIUS *Departmental Report*. We welcome that the Government Office for Science is producing a report on its activities. We recommend that Government Office for Science report annually on science across government. (Paragraph 128)

The DIUS Departmental Report does cover the activities of the Government Office for Science, although as Professor Beddington explained it is not a substantial part of the report. This is because GO-Science comprises less than 10% of DIUS's staffing and less than 0.1% of its expenditure. GO-Science's achievements are reported on pages 46 and 57–58 of the 2008 Departmental Annual Report.

There is no plan to publish a separate annual report on GO-Science in 2009. However the DIUS Departmental Report will have a dedicated section reporting on GO-Science activities. The Government plans to publish a strategy for science in Government shortly, which it would be pleased to discuss with the Committee.

Recommendation 39:

We welcome the Government Chief Scientific Adviser's proposals to speed up and streamline the Science Review Programme. (Paragraph 130)

The Government was clear that the Science Review Process needed speeding up. The new programme of 'Science and Engineering Assurance' replaces the former Science Reviews, to provide assurance to Departmental Permanent Secretaries and the GCSA that science evidence is effectively integrated into policy development and delivery.

The Government recognises that the focus on high quality delivery and the fast pace of change in modern government requires a fast paced process for checking effectiveness of the management and use of science. Science and Engineering Assurance Exercises will be agile; they will operate flexibly and quickly through a set of principles rather than standardised processes. This will enable departments to receive a service that is tailored to support their particular business requirements while retaining objectivity, rigour of analysis and comparability.

Haldane Principle

Recommendation 40:

We do not propose in this Report to reopen the debate about the science budget allocations and we put on record that we do not necessarily share the Secretary of State's definition of the Haldane Principal. We accept, however, that it is entirely reasonable for the Secretary of State to raise, and to suggest refinement, to the application of the Haldane principle 90 years after it was formulated. We hope that there is a debate on the application of the Haldane principle to scientific research in the 21st century and we

expect that this is an issue we will return to in our inquiry "Putting science and engineering at the heart of government policy". (Paragraph 136)

The Government has been consistent and clear in its position on the Haldane Principle. As the Committee notes in its report, the Secretary of State clearly outlined this position in his speech of 29 April 2008 at the Royal Academy of Engineering. He clearly stated three principles that form "*the basis for Haldane today, and over the decades to come*". This position has not changed. Indeed, it was restated by Lord Drayson in a recent speech to the Foundation of Science and Technology and in the Government's response to the Committee's Inquiry on the Science Budget Allocations. For clarity, this position is restated below.

For many years, Government has been guided by the Haldane principle: detailed decisions on how research money is spent are for the science community to make through the research councils. Our basis for funding research is also enshrined in Science & Technology Act of 1965, which gives the Secretary of State power to direct the research councils—and, in practice, respects the spirit of the Haldane principle. This principle has been interpreted to a greater or lesser extent over the years, but three fundamental elements remain entirely valid:

- Researchers are best placed to determine detailed priorities;
- The government's role is to set the over-arching strategy;
- The research councils are "guardians of the independence of science".

Recent debates have thrown up questions about each of those elements. Given the strength of research base, there are always more proposals for top class research than the nation can afford to fund. Decisions on which specific projects to fund are rightly taken by the Research Councils, using peer review, but Ministers have an important role at a strategic level. The UK's world class research base requires major strategic and sustained investment to underpin it.

Conclusion

Recommendation 41:

We found the Departmental Report showed signs of relying on jargon as a substitute for having a clear idea where DIUS was going and how it would achieve the Minister's goals. The Departmental Report needs to be made much more informative and helpful to the reader. A better more concise report written in plain English would aid the scrutiny of DIUS in future years. We expect to return to many of the policy issues we touched on in this Report during the remainder of the parliament. (Paragraph 137)

We recognise that the IUSS committee has made a number of useful points on the 2008 Departmental Annual Report.

In particular, we have taken on board the comments that future Departmental Annual Reports are written in plain English. We intend to produce a more concise and more accessible Report in 2009, and have outlined the steps earlier in this report which we will take to do this.

Given that the Department had been in existence for less than a year at the time when the 2008 Departmental Annual Report was written, the Report was inevitably more forward than backward-looking. As we approach our two year anniversary it is clear that the Department has achieved a great deal since its creation, and we are confident that the Department is well placed to meet the challenges of the future as outlined in the Department's recent independent Capability Review.

Looking forward, we expect that our work will remain at the forefront of the Government's response to the economic downturn giving real help to individuals and businesses and helping to shape the future UK economy.

Recommendation 42:

With a new Government Chief Scientific Adviser, Professor Beddington, taking up post in 2008 we found a noticeable change of gear. Professor Beddington has adopted a lower media profile than his predecessor and has embraced a more collegiate approach to the job. We can see strengths in this approach as he works behind the scenes and with the grain of government to seek to ensure that scientific advice is taken into account by civil servants and ministers in the formulation of policy. But there is a risk in this approach: the Government Chief Scientific Adviser could merge with the bureaucracy and draw back from challenging policy in other departments. (Paragraph 138)

The Government welcomes and values the ability of its Chief Scientific Adviser to maintain his professional independence and to engage with the media whenever that helps in achieving his objectives. However it sees no merit, and nor does he, in maintaining a high media profile for its own sake. Professor Beddington can and does challenge the Government whenever it appears to him that scientific evidence may not be playing its full role in policy making.

Annex A: Efficiency Savings

Present plans show forecast efficiencies by the end of the CSR07 period to total £1.478 billion, against our target total of £1.543 billion. In addition, DIUS has been given approval by Treasury to count as early delivery towards the CSR07 total, £154 million over-achievement from the SR04 Efficiency programme. This would bring the DIUS total forecast to £1.632 billion.

The profiles for achieving annual gains in each programme are set out in more detail in the tables below. Where baselines are already confirmed these have been shown.

Science & Research and Innovation efficiencies

Science and Research Group and Innovation Directorate aims to provide efficiencies of £416 million over the CSR period.

The table below profiles total forecast CSR07 VfM gains by year.

VFM Programme efficiencies for CSR07	Baseline £m	2008–09 £m	2009–10 £m	2010–11 £m	Notes
Standards	7.3	1.0	1.0	1.0	Baseline funding reduced
Global Watch Service	8.3	9.0	9.0	9.0	Withdrawal of programme
Business support legacy schemes	4.7	4.0	4.0	4.0	Reprioritising funds to Technology Strategy Board
National Measurement system	62.3	9.0	11.0	13.0	Reducing costs and spend
BNSC	32.9	2.0	4.0	6.0	Scaling back expenditure
Design Council	6.0	0.0	0.0	1.0	No increase to baseline funding
Knowledge Transfer Networks	18.5	1.0	1.0	2.0	No increase to baseline funding
Knowledge Transfer Partnerships	22.0	0.0	1.0	2.0	No increase baseline funding
Research Councils	2,420.0	81.0	162.0	243.0	Increasing co-funding, reprioritising expenditure and reducing administrative spend
Science Research Infrastructure Fund (SRIF)	300.0	108.0	77.0	135.0	Reprioritisation
Total		**215.0**	**270.0**	**416.0**	

Higher Education efficiencies

The Higher Education Group aims to provide efficiencies of £450 million over CSR07. The table below profiles total forecast CSR07 VfM gains by year.

Please note that for many of the Higher Education targets under individual strands of activity, performance data will be provided in July 2009, when HEFCE'S end of year report on efficiencies is available. The Department has an agreement with HEFCE to minimise the number of requests for data to reduce the bureaucratic reporting burden. For some of the strands efficiencies are built into allocations up front and this is noted in the table.

VFM Programme efficiencies for CSR07	**Baseline £m**	**2008–09 £m**	**2009–10 £m**	**2010–11 £m**	**Notes**
Reprioritisation					
Reductions in running costs NDPBs	65.2 (HEFCE - £16.74m Student Loans - £47.996m OFFA - £500k)	1.0	2.0	4.0	Reductions of running costs accounted for in baseline. To note £16.879 of Student Loans Company baseline is exempt under front line work rules.
Employer Engagement Co-Funding	Unknown	10.0	34.0	80.0	Baseline funding to be determined by matched funding from employers. Efficiencies will be measured by comparing the actual costs of delivering provision through ECF with what would have happened otherwise. Programmes will be reported to the HEFCE Board in July 2009
Targeting HEIPR-relevant students	4,018.0	16.0	45.0	78.0	Efficiency gains created through reprioritisation
HEFCE special funding streams	337.0	6.0	26.0	66.0	Efficiency gains created by releasing of resources to other services
Reduced Bureaucracy in HE	Unknown	42.0	42.0	42.0	Baseline will be determined by VfM efficiencies for 2008–09—these will be reported to the HEFCE Board in July 2009
Core Funding Streams	Teaching - 4,632.0 Research - 1,460.0	0.0	25.0	36.0	A range of measures have been identified to create efficiencies within funding streams. these will be reported to the HEFCE Board in July 2009
Aim Higher Assocs Scheme and HESSG funding	87.5 (Volunteering -£9m Voluntary Giving - £57.5m HE unallocated resource - £21m)	3.0	6.0	27.0	VfM efficiencies are achieved by funding the costs of these new policy priorities from within our existing CSR07 settlement by re-prioritising resource. Baseline reductions to these budgets were made prior to allocation of funds
Moderation Funding	Unknown	13.0	13.0	13.0	The level of moderation is determined annually by the HEFCE Board, depending on the

VFM Programme efficiencies for CSR07	Baseline £m	2008–09 £m	2009–10 £m	2010–11 £m	Notes
					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 was maintained in real terms compared with the previous year. VfM efficiencies for 08–09 will be reported to the HEFCE Board in July 2009.
Access to Learning (ALF)	56.1	6.0	6.0	6.0	Baseline reductions 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.
Student Finance Customer First	78.4	0.0	0.0	5.0	The investment in developing the Customer First Programme will outweigh the initial benefits gained in those years. The first net annual efficiencies, estimated to be around £5m, are anticipated in 2010–11, rising to provide annual efficiencies to Government of c.£20m from 2011–12.
Aim Higher	51.0	3.0	3.0	3.0	Baseline will be made prior to allocation of funds which factors in efficiencies.
Foundation Degree Development	8.0	3.0	3.0	3.0	Baseline reductions will be made prior to allocation of funds. This reduction will be redeployed to meet the commitment on growth in student numbers
HE Small Projects Fund	7.0	1.0	1.0	1.0	Baseline reductions will be made prior to allocation of funds
Improved use of Resource					
Improved Procurement	Unknown	24.0	45.0	66.0	Efficiencies achieved through increased collaborative procurement in HE;

VFM Programme efficiencies for CSR07	Baseline £m	2008–09 £m	2009–10 £m	2010–11 £m	Notes
					increased use of e-procurement by HEIs; and increased institutional procurement efficiencies
Improved use of assets	The baseline figure for research income spent in relation to use of assets in HEIs is £3.789 billion.	20.0	25.0	30.0	The baseline for measuring efficiencies in this area will be from the 2005–06 Estates Management Statistics data provided by HEIs (the year used for the 2007–08 annual efficiency review report).
Benefits of ICT	Unknown	5.0	15.0	20.0	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.
Shared Services in HE	Unknown	0.0	5.0	10.0	We have not so far sought to or reported any shared services efficiencies, so will be working from a zero base
Total		**153.0**	**296.0**	**490.0**	

Further Education and Skills efficiencies

We plan to make £560m of efficiencies over the CSR period within Further Education and Skills Group. The table below profiles total forecast CSR07 VfM gains by year.

VFM Programme efficiencies CSR07	Baseline £m	2008–09 £m	2009–10 £m	2010–11 £m	Notes
Efficiencies					
Procurement	Unknown	16.0	28.0	40.0	Improving procurement in the FE sector through promoting collaboration, improving processes and building capability through guidance and training . The baseline will be set once we have the financial returns from colleges.
Train to Gain L2	Unknown	Unknown	Unknown	Unknown	We will measure value for money in this area by taking the number of achievements delivered through Train to Gain compared to the costs of delivering the same achievements through the Adult Learner responsive

VFM Programme efficiencies CSR07	Baseline £m	2008–09 £m	2009–10 £m	2010–11 £m	Notes
					model. The introduction of new flexibilities within Train to Gain to respond to the economic downturn mean that we are currently reassessing the scope of the VfM savings in this area.
FE Estates	Unknown	5.0	10.0	15.0	The FE estate is undergoing modernisation through Building Colleges for the Future Programme and this will provide efficiencies.
Reprioritisation	**528.8**	**116.7**	**237.8**	**352.1**	The savings in these areas will be achieved through baseline budget reductions.
of which Local Initiatives Fund	47.8	46.7	47.8	47.8	Funding for the Local Initiatives fund has been reprioritised towards learning that better supports individuals in the economy and society such as the expansion of apprenticeships and Train to Gain.
of which Reprioritisation	481	70	190	304.3	Funding has been reprioritised in line with the Government Investment Strategy.
NDPB Admin efficiencies	**13.9**	**0.2**	**0.7**	**0.9**	We are committed to ensuring that the delivery chain is as efficient as possible. These efficiencies have been made through reductions in the administrative expenditure of these bodies.
of which LSIS	5.7	0.1	0.3	0.4	
of which IiPUK	2.4	0.1	0.1	0.2	
of which CES Administration	5.8	0.0	0.3	0.3	
Total				**560**	

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2007–08

First Report	Re-skilling for recovery: After Leitch, implementing skills and training policies	HC 48–I (HC 365)
Second Report	The Work of the Committee 2007-08	HC 49
Third Report	DIUS's Departmental Report 2008	HC 51–I
Fourth Report	Engineering: turning ideas into reality	HC 50–I

Session 2007–08

First Report	UK Centre for Medical Research and Innovation	HC 185 (HC 459)
Second Report	The work and operation of the Copyright Tribunal	HC 245 (HC 637)
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