House of Commons
Innovation, Universities, Science and Skills Committee

DIUS's Departmental Report 2008

Third Report of Session 2008–09

Volume II

Oral and written evidence

Ordered by The House of Commons
to be printed 15 December 2008
The Innovation, Universities, Science & Skills Committee

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

Current membership

Mr Phil Willis (Liberal Democrat, Harrogate and Knaresborough) (Chairman)
Dr Roberta Blackman-Woods (Labour, City of Durham)
Mr Tim Boswell (Conservative, Daventry)
Mr Ian Cawsey (Labour, Brigg & Goole)
Mrs Nadine Dorries (Conservative, Mid Bedfordshire)
Dr Ian Gibson (Labour, Norwich North)
Dr Evan Harris (Liberal Democrat, Oxford West & Abingdon)
Dr Brian Iddon (Labour, Bolton South East)
Mr Gordon Marsden (Labour, Blackpool South)
Dr Bob Spink (UK Independence Party, Castle Point)
Ian Stewart (Labour, Eccles)
Graham Stringer (Labour, Manchester, Blackley)
Dr Desmond Turner (Labour, Brighton Kemptown)
Mr Rob Wilson (Conservative, Reading East)

Powers

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

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/ius
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); and Jonathan Olivier Wright (Committee Support Assistant).

Contacts

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

Monday 13 October 2008

Ian Watmore, Permanent Secretary, Bill Dickinson, Director General, Finance and Corporate Services, and Zina Etheridge, Director, Strategy and Communications, Department for Innovation, Universities and Skills

Ev 1

Wednesday 29 October 2008

Rt Hon John Denham MP, Secretary of State for Innovation, Universities and Skills and Ian Watmore, Permanent Secretary, Department for Innovation, Universities and Skills

Ev 17

Wednesday 5 November 2008

Professor John Beddington, Government Chief Scientific Adviser, Department for Innovation, Universities and Skills

Ev 36

Wednesday 16 January 2008

Rt Hon John Denham MP, Secretary of State for Innovation, Universities and Skills and Ian Watmore, Permanent Secretary, Department for Innovation, Universities and Skills

Ev 49

List of written evidence

1 Department for Innovation, Universities and Skills

Ev 67, 74, 78, 79, 81, 87, 90, 94, 98, 100, 108, 110
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      |
| Second Report                             | The Work of the Committee 2007-08                                              | HC 49        |

**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) |
| Third Report                              | Withdrawal of funding for equivalent or lower level qualifications (ELQs)       | HC 187-I (HC 638) |
| Fourth Report                             | Science Budget Allocations                                                       | HC 215 (HC 639) |
| Fifth Report                              | Renewable electricity-generation technologies                                      | HC 216-I (HC 1063) |
| Sixth Report                              | Biosecurity in UK research laboratories                                           | HC 360-I (HC 1111) |
| Seventh Report                            | Pre-legislative Scrutiny of the Draft Apprenticeships Bill                      | HC 1062-I     |
| First Special Report                      | The Funding of Science and Discovery Centres: Government Response to the Eleventh Report from the Science and Technology Committee, Session 2006–07 | HC 214        |
| Second Special Report                     | The Last Report: Government Response to the Thirteenth Report from the Science and Technology Committee, Session 2006–07 | HC 244        |
| Fourth Special Report                     | Investigating the Oceans: Government Response to the Science and Technology Committee’s Tenth Report of Session 2006–07 | HC 506 [incorporating HC 469–i] |
Oral evidence

Taken before the Innovation, Universities, Science and Skills Committee

on Monday 13 October 2008

Members present
Mr Phil Willis, in the Chair
Dr Brian Iddon
Mr Gordon Marsden

Witnesses: Ian Watmore, Permanent Secretary, Bill Dickinson, Director General, Finance and Corporate Services, and Zina Etheridge, Director of Strategy and Communications, Department for Innovation, Universities and Skills, gave evidence.

Q1 Chairman: Could I welcome everyone to this committee meeting of the Innovation, Universities, Science and Skills Committee. This afternoon we are having a one-off session looking at the DIUS Departmental Report. We will return to it when we have the Secretary of State in front of us later on this autumn. Could we welcome today Ian Watmore, the Permanent Secretary for DIUS. Welcome to you, Ian. Bill Dickinson, the Director General for the Finance and Corporate Services at DIUS. Welcome to you, Bill. We have not met before but you are very welcome to this kind and generous Committee. And Zina Etheridge, the Director of Strategy and Communications at DIUS. You are very, very welcome too, Zina. I wonder if I could start by asking you, Mr Watmore and Mr Dickinson, both of you have come from the private sector, from Accenture and KPMG. I just wonder if I could ask you both, what are the differences between a private sector approach and a Civil Service approach to policy delivery? What are the advantages of the Civil Service approach or what would be the advantages if you were coming from your private sector backgrounds?

Mr Watmore: Chairman, thank you. I think I should distinguish that I actually left the private sector to join the Civil Service, whereas Bill is on secondment for a year with us and will return to KPMG in the summer of next year. That is just to make that clarification.

Q2 Chairman: Okay. Bill, would you share much of that?

Mr Dickinson: Yes, I do. One of the things that also struck me when I joined the Department was the dedication and the commitment of colleagues to the agenda of the Department. The key difference I observe from the finance perspective is that policy outcomes that the Department is working towards achieving are the outcomes themselves, whereas from a private sector perspective often finance is there in terms of what profitability can we drive. Finance is there in the public sector capacity as an enabler rather than as an outcome of its own. I think that is something that we are all reflecting upon in Whitehall, how we make all of the parts add up to the very significant demands that were placed upon us in the last Comprehensive Spending Review.

Q3 Chairman: Okay. Bill, would you share much of that?

Mr Dickinson: Yes, I do. One of the things that also struck me when I joined the Department was the dedication and the commitment of colleagues to the agenda of the Department. The key difference I observe from the finance perspective is that policy outcomes that the Department is working towards achieving are the outcomes themselves, whereas from a private sector perspective often finance is there in terms of what profitability can we drive. Finance is there in the public sector capacity as an enabler rather than as an outcome of its own. I think that is something that we are all reflecting upon in Whitehall, how we make all of the parts add up to the very significant demands that were placed upon us in the last Comprehensive Spending Review.

Q4 Chairman: Reading through the Annual Report, it does not read like another Departmental Report. You can take that as a compliment or a criticism,
whichever way you like. What is the DIUS story? You say on page 15: “The DIUS story agreed with ministers and published”. What is the DIUS story and what is the point of it? Is that not just jargon?

**Mr Watmore:** I might get Zina to chip in in a second on that.

**Q5 Chairman:** Did Zina write that bit?

**Mr Watmore:** She was part of the team communicating it. When we were created, you will remember yourselves that a number of people queried whether this particular Department should have been created. “Why split the Department of Education?” was a refrain that we heard often, and where were the joins across the different parts of it. We were very clear, and I think our secretary of state was very clear, what the vision was for the Department but we needed to communicate that in a way that all of our staff understood, and all of our stakeholders and people who were influenced by it and influence us. If we had not done that there would always have been this lingering in some quarters, “Why do it?” By doing that quite well, I think, we have moved on through that part of the agenda and people are no longer, at least publicly with us, querying whether it was a good idea to do it.

**Q6 Chairman:** So the story is simply that, what does the Department do?

**Mr Watmore:** Zina, do you want to add to that?

**Ms Etheridge:** It is what the Department does and what it is here for, what we are trying to achieve. Just building on Ian’s answer a little bit, it is about explaining to staff and stakeholders why this Department had been created but also enabling people to make sure that what they were doing was fitting in with this vision, so the Department was created to take forward a vision of how policies should work together. The story was really one of the underpinnings to say, “This is what we are trying to do, so make sure that what you are trying to do is going in that direction”.

**Q7 Chairman:** Why do you think that other departments do not have stories?

**Ms Etheridge:** I do not know if they do not all have stories. Partly because we were new we had to think from scratch what is it that we need to do that creates that thing which enables us all to make sure we are going in the right direction. I think starting from a blank sheet of paper enabled us to think quite carefully about what we needed to do that.

**Q8 Graham Stringer:** Can you tell us about your brand? You state in the introduction to this report, Mr Watmore, that establishing the brand will be a sign of progress. Can you tell us how you establish it and how the brand is different from your predecessor departments?

**Mr Watmore:** Yes, I hope so. Taking Zina’s last answer and building on that, we had the opportunity to set out the Department we wanted to be in terms of both what we did, how we did it and who we worked with to achieve our ends. There were particular advantages and disadvantages from being new. One example of being new that is difficult is on day one all of your staff are coming from different parts of Whitehall and they have all got different backgrounds and different understandings. On the other hand, the advantage of that is you can move them all to something new and different if that is what you want. In our particular case we laid out our vision for the Department on one piece of paper, our so-called blueprint, and have tried to get all of those pieces of the blueprint now in action. Just to pick two or three examples of what we mean by the brand. One of the things is we have tried to make our Department very much focused around our tagline, if you like, of “Investing In Our Future”. We thought that phrase resonated with everything that we did in the Department: investment, a cost in for reward out, not necessarily in the same timeframe because quite often what we are doing is putting cost into a system to get the benefits some years later, and often it can be decades later, so it is a true investment cycle. Secondly, it is in “Our Future”. “Our Future” is a phrase that we are using in our advertising campaign for things like Train to Gain and the Skills Agenda. You may have seen some of the ads. The closing line is “Our Future. It’s in our hands”. The “Our Future” phrase we think resonates with people individually as something that matters to them and their immediate community and their family, as well as us as a nation and internationally. That was an example of carefully thinking through a tagline from scratch that was not just four words thrown together, we thought about it very carefully, what sort of Department do we represent, and we have built the brand of the Department around that. I give you one other example and then refer back, if you want to ask me a supplementary. We had the word “innovation” in our name and innovation and Whitehall are not always synonymous in most people’s minds, so we thought it was important that if we were to be credible on the subject of innovation we had to be living that part of the mission ourselves. We have tried to work in a different way, which we have been able to do because we are a small and new department, than maybe many of the big Whitehall bureaucracies.
Chairman: Rob, you briefly wanted to come in?

Q10 Mr Wilson: I would like to ask Mr Watmore how much he thinks it would cost to establish a brand in the minds of the millions of people he is trying to reach.

Mr Watmore: That is a very hard question to quantify. I would be quick to say that it does not matter to me whether the millions of people in the British public have heard of our Department.

Q11 Mr Wilson: What is the point in having a brand?

Mr Watmore: What matters to me is that they have heard of the products and services that our Department is responsible for. It is really important, and I think this current economic climate will make it even more so, that people know of our apprenticeships, for example.

Q12 Mr Wilson: Who is the brand for? Is the brand for your Department or is it for each of the different services you are offering the public?

Mr Watmore: The overarching brand is for the Department, but then we segment for each individual service that we deliver.

Q13 Mr Wilson: But you do not care whether the public know what that brand is?

Mr Watmore: I said it does not matter to me whether they know of the Department; it matters to me that they know what the Department stands for, so they know about us for apprenticeships and universities—

Q14 Mr Wilson: So you need a brand to be known?

Mr Watmore: —and key skills products and the fact that Britain is pre-eminent in science and research, and if they study certain subjects at school they are more likely to succeed. Those are the things that I want the general public to be aware of.

Q15 Mr Wilson: Sorry, Chairman, I just want to persist with this. So you want people to know what the brand values of your Department are even if they have not heard of your Department?

Mr Watmore: Correct.

Q16 Mr Wilson: I return to my question again. How much do you think it will cost to establish that brand in people’s minds over a period of time? Have you had any advice from any advertising or marketing company on that?

Mr Watmore: Not for the core Department we have not, but we have for the individual products. I do not have the numbers in front of me, but the Learning and Skills Council, which is responsible today for apprenticeships and for the Train to Gain programmes, has taken advice from others on how to build that brand and have then chosen the advertising campaign that you have seen on television.

Q17 Mr Wilson: Does that brand link back to your Department or to the Learning and Skills Council?

Mr Watmore: Ultimately it links back to our Department because we want the Learning and Skills Council to be working aligned with the university sector, aligned with the business providers of skills training, and if everybody is going off in a different direction they can be okay individually but the actual impact on the citizen will not be as good.

Chairman: So there is no point having a brand?

Q18 Mr Wilson: No, none whatsoever.

Mr Watmore: I do not agree with that, I am sorry. It is very important that—

Q19 Chairman: We understand that the Learning and Skills Council needs to have a brand or Train to Gain or whatever, but does the Department itself?

Mr Watmore: It is also very important that the Department represents more than the sum of the parts of those particular products and services and, therefore, it is very important we understand how science and research and the university sector and the further education sector and the wider skills sector add up to delivering economic growth, social cohesion and all of the other objectives that we have set out.

Q20 Graham Stringer: That is very interesting. In your answer, as you do many times in the report, you have mentioned “customers”. Who are your customers? Does that not imply that there are people coming to you with cash and choice, that they can go somewhere else apart from DIUS? What is in your customer intelligence pack?

Mr Watmore: Again, I might ask Zina to add on this because one of the programmes she is responsible for is the customer insight programme. One of the criticisms, going back to the earlier question I was asked, of Whitehall departments is they are not quite sure who their customers are, what are they doing it for. In our case, is it for the minister, is it for a university, is it for the college sector? We took the view that the customer base was individual learners, adult learners and businesses, businesses as employers and businesses as innovators in the economy. That is what we are doing this for. We have worked back from that and asked if we are trying to service our customers, the learners and the business, then what do we need to put in place in the interim, structures and other bodies, in order to be able to deliver what ministers want to that customer base.

Ms Etheridge: If you think about what does knowing more about our customers tell us, it enables us to design better policies, for instance. If you are designing a policy where you are trying to get support for training to employers then you can design a much better policy if you know what employers are looking for and what they want, if you know how they access the information about the offer, to take quite a simple example.
Ms Etheridge: Some of it. We are still finalising them. It is things like who are the different segments of our audience, so learners, there are lots and lots of different types of learners, there are people coming back to learning mid-life, people who are coming into learning from age 18, so who are those people, how do they learn and what do we know about their background so we can best target the policy interventions that we have got at their needs.

Q22 Graham Stringer: That seems very sensible for a provider of services, but is “customer” the right word? Does “customer” imply not just the recipient of a service but somebody or some organisation that can go somewhere else? Is “customer” the right word, or is it a fashionable word?

Mr Watmore: No. In other places we talk about “citizen” as a word but then people say that is more to do with democracy and voting rather than consumption, and that does not really work with businesses.

Q23 Chairman: What about “client”?

Mr Watmore: “Client” works for business. Maybe “client” for us is not a bad word.

Q24 Graham Stringer: It just seems to me that “customer” is a fashionable word but it is also inaccurate because it does imply all sorts of other choices.

Mr Watmore: Of course, a lot of our people do have real choices all of the time every day. Some of them are struggling and they need help, but a lot of people choose, they choose between their universities, whether to go to universities in the first place, businesses choose whether to get involved in particular investment programmes, et cetera, et cetera. I am not going to get hung up on a phrase, the point is to get to the real people who matter and not serve some intermediate group that is neither here nor there.

Q25 Graham Stringer: My two very last points. Do you think this report would pass the plain English test?

Mr Watmore: I doubt that any document resident in Whitehall would totally pass the plain English test, but we did try very hard.

Q26 Graham Stringer: I have genuinely just opened this report randomly—

Mr Watmore: We did try to write it in as simple and as succinct language as possible.

Q27 Graham Stringer: —and almost the first paragraph I opened is like a parody of New Labour at its most craven: “An overarching national improvement strategy will drive up quality and performance underpinned by specific plans for strategically significant areas of activity, such as workforce and technology. The capital investment strategy will continue to renew and modernise further education establishments to create state of the art facilities”. Whatever does it mean, apart from you want things to be better?

Mr Watmore: We will take your advice next time and we will get the plain English people in earlier. I am always conscious that documents written by people in senior positions can often be very inaccessible to the public.

Q28 Chairman: In response to Rob Wilson’s question about how much did it cost to set up the brand you could not give us an answer and you had no way of finding that out. Can we ask how much it has cost to set up DIUS as a Department?

Mr Watmore: Within the Department itself we have had virtually no external help on branding and so on, we have done it ourselves. The cost of the branding is out there in the wider system, that is why I cannot give you a direct answer because I do not control it. Within the Department itself, I think I answered this question when I appeared with the secretary of state. Under the rules of machinery of government moves there is no new money in the system so the previous two departments before we existed, DTI and DfES, as they were known, had administrative budgets and that total was then split three ways between us, BERR and DCSF. There is no new money in the system and that makes it tough for all three of us because we are trying to do something new without the investment funding per se.

Q29 Chairman: So if we look at those three departments then their cumulative administrative costs for setting up their new departments will be no more than the budgets for DTI and DfES?

Mr Watmore: As was set out in the forward plan for those, yes.

Q30 Chairman: Would it be possible for us to have a note on that just to say whether that is true?

Mr Watmore: Yes.

Q31 Chairman: Thank you. In your introduction to the Departmental Report, you say: “We have already built a Department whose staff are proud of it”.

Mr Watmore: Within the Department itself, I think I answered this question when I appeared with the secretary of state. Under the rules of machinery of government moves there is no new money in the system so the previous two departments before we existed, DTI and DfES, as they were known, had administrative budgets and that total was then split three ways between us, BERR and DCSF. There is no new money in the system and that makes it tough for all three of us because we are trying to do something new without the investment funding per se.

Q32 Chairman: So you decide yourself? You speak to people and they are not likely to say it is miserable, are they?

Mr Watmore: We have an anonymised survey. If you do not think our staff are likely to say it is miserable I doubt whether you have met many of them because they are very quick at coming forward with things they do not like or do not want to hear.

Q33 Chairman: Is this one survey you have done with the staff?

Mr Watmore: We have done two and a third is about to go out.

Q34 Chairman: All right. Can we have that information, is that possible?
Mr Watmore: Yes, I think so.

Q35 Mr Wilson: That was what I was going to ask, can we have the information specifically from the survey that you have asked about whether staff are proud of the new organisation.

Mr Watmore: Yes.

Q36 Chairman: In terms of the Capability Reviews, when will DIUS be reviewed?

Mr Watmore: It is being reviewed as we speak.

Q37 Chairman: When do you expect it to be completed and published?

Mr Watmore: Probably just before the December recess, I would guess on previous timescales.

Q38 Chairman: In terms of brand—I am coming back to brand—if you have a product, and I am mixing products and brands now, which is an innovative product, which is what you are claiming DIUS is, and innovation is actually in your title, in terms of modern communication then the website is really quite important. Agreed?

Mr Watmore: Yes.

Q39 Chairman: Why was it that it took months to get your website up and running, and why is it still so difficult to access? You are a man who has come from an IT background.

Mr Watmore: Yes, I know. It is something which I aim to improve all the time. You start on day one with nothing. You are literally told on day one that back to brand—if you have a product, and I am mixing products and brands now, which is an innovative product, which is what you are claiming DIUS is, and innovation is actually in your title, in terms of modern communication then the website is really quite important. Agreed?

Ms Etheridge: I am sorry, I will go back and make sure that is fixed.

Mr Watmore: There is nothing that we have done with our websites that is designed to inhibit people from getting information, so if that was the case that is an error. The intent is to make this sort of information publicly available.

Q44 Chairman: The point I am making to you, and I do not mean this to be unkind, is that your report is full of jargon, and my colleague, Graham Stringer, has pointed that out, yet the fundamental route of communication, which is your website, does not seem to be the innovative website you would expect from your Department. Is that a fair criticism?

Mr Watmore: I will take the wording point from my previous answer, but in terms of getting this document done, and let us be clear this was done very quickly in a very short space of time and for the people who put it together in that space of time, I am okay with it, we want to improve it next year and we want to improve it again.

Q45 Chairman: Let us come to the website.

Mr Watmore: For the website it is the same again, it is work in progress. There is no way that I would sit here today and say our website is synonymous with the Department that we want it to be, but we have built it up progressively and when we bring out the next release that will be further innovative, and when we bring it again after that it will be edging towards where I would like it to be.

Q46 Chairman: Could I just ask whether you consult with your customers in terms of the improvements you are going to make to your website?

Mr Watmore: We normally do that. I do not know precisely off the top of my head the mechanism by which we consult but I know our website team does take external opinion into the design for producing the new website.

Chairman: Thanks very much.

Q47 Mr Marsden: Mr Watmore, can I ask you one or two questions about your co-ordination with DCSF. At the end of July the THES did a one year review of DIUS and under the headline, “Shows willing but could do better”, they said as follows: “One year on there is still concern that the creation of two education departments has left gaps that have yet to be bridged”. The quote is specifically from Steve Smith, the Vice-Chancellor of the University of Exeter, who is saying: “I am centrally involved in the links with schools and universities and with the best will in the world there is just a bit more co-ordination to do”. In general, but perhaps specifically on that very important issue of links between schools and universities, how would you assess the co-operation?

Mr Watmore: Just before I lose the thought, Steve Smith is actually one of our capability reviewers, so he will have his chance to put his own opinions on that particular topic into the Capability Review when it is published, so we shall see what he says on
that. My view on the general point about cooperating between two departments and then the specific between us is I think, as I said at the beginning, one of the challenges that Whitehall has is that almost every problem is bigger than one department, therefore co-ordination and cooperation and collaboration between Whitehall departments is essential in order to be able to solve any of modern day life’s problems. Sir Gus O’Donnell, as Head of the Civil Service, continues to make that a big theme in the agenda. In the generalities, we recognise there are issues across Whitehall but there is a lot of work going on to try and join those particular collaborations up. In the specifics, we have key relationships with about four or five different departments. Clearly we have it with DCSF. We also have it with BERR, from where we came. We also have it with DWP particularly around the skills and employment agenda. We also have it with groups like the Foreign Office on international affairs. We have very close cooperation with all of those and I think we work pretty well with all of those departments. I am not going to suggest they are perfect but I think we work as well with DCSF as any of the others.

Q49 Mr Marsden: It is helpful to put on record the specifics of the structures, but of course structures are only the start of the process. What comes out of those structures is what is important. Taking up the specific reference that you made to apprenticeships, apprenticeships, as you rightly say, potentially go through from 16-19 all the way through. We know in demographic terms, and the whole argument is about re-skilling, that adult apprenticeships are going to be an absolutely key issue for the future. But are you worried that if you look, for instance, at the draft Bill, it is focused on those under 19 and there are differences, in any case, between what is being offered to those under 19 and those over 19. I mean, those under 19 we are told will have, by 2013, the right to two apprenticeships, and those above it will not. Are you worried that DIUS will end up as the poor relation in things like apprenticeship policy precisely at a time when demography and other things suggest that it ought to be even more important for adults?

Mr Watmore: At the beginning of your question you said how important it was for adults, and I one hundred per cent agree with you. My personal view is that the workforce of the future, apprenticeships, will become an increasingly important way for adults to improve themselves and/or change their careers, as much as it is for young people to enter the workforce for the first time. So, I am one hundred per cent with you that it is an element. In terms of the way we have set it up, I think part of the reason for having the Joint Apprenticeship Unit is precisely so that we do not get into the position where one person rules over the other, and that both of the important groups of citizens that we have discussed in that question get the service that they want. In fact, the Joint Apprenticeship Unit happens to be predominantly in my department and the primary relationship, at the end of the day, to the National Apprenticeship Service effectively is with the Skills Funding Agency, which will be sponsored by our department. So, certainly sitting where I am today, I think it is unlikely that we will end up as the poor relation.

Q50 Mr Marsden: Fair enough. Let me take you on to another area where there is overlap and possible tension—I will not say any more than that—and that is the funding of 16-19 year olds, and indeed FE funding in general. Again, one principal in an FE college has recently been quoted as saying, “It can be difficult to budget because DIUS does not want money for adult learning to go to 16-19 year olds and DCSF does not want money for 16-19 year olds to go to adult learning”. I wonder, first of all, if you recognise that that is a problem and, secondly, whether you have had concerns expressed about the potential problems of overlap in funding from organisations at either end of the spectrum, whether we are talking about the Association of Colleges or we are talking about an organisation like NIAS?

Mr Watmore: Maybe at the risk of re-opening the customer discussion, the point at issue here is that the money that DCSF has is intended to be spent upon people 16-18 in age and the money that we
have is intended to be spent on the 19 and overs. So at one level I do not think it is necessarily a good idea to mix and match those funds. When they get to the individual college level, we recognise that individual colleges are dealing with both communities, most of them are anyway, not all of them. Obviously some will just go to the 6th form college and some major on adults. The ones we are talking about are the ones that do both. Then we want them to serve both communities properly, but we do not particularly want them to mix funding that was target at over 19s at the local level.

Q51 Mr Marsden: I accept that from what I might call, and I do not mean this pejoratively, an instrumentalist point of view in the sense that that chunk of money goes to that and that chunk goes to the other. There is a rather more concerning issue. Money is spent, or money should be spent, at the end of the day because there is a meeting of minds and a follow-through between the two departments in terms of where the priorities lie. There again I suppose I am concerned about whether that is there. One other point because I mentioned schools and universities before: what has the specific co-operation been between your department and DCSF on the development of the 14-19 programme of diplomas? Although that is an area for them, what happens as a result of that and the way in which vocational education is regarded is crucially important for the success in your department.

Mr Watmore: Yes, and I could add things like the STEM agenda to that as well, where if we do not get the teaching right and the inspiration right in schools on STEM subjects, then we do not get the follow-through to university and research institutions. I agree with that. All I can say is that each of the issues you have highlighted is an area of mutual interest in the policy and when there is a mutual interest in the policy, we have worked jointly together right from the Secretary of State through the officials. The Spending Review then determines where the money goes and when the Spending Review has determined that money is for this sector or that sector, if it then goes to one department or another, then that is the basis on which we pursue it.

Q52 Mr Marsden: I will move on now, Chairman, but I just want to ask Ian, and we have asked about specific co-operation in specific areas, whether his department would be good enough to give us a note on the particular areas, the level at which and how they actually co-operate?

Mr Watmore: I would be happy to do that.

Chairman: This is about staff time and the costs of resources going into that liaison because clearly, if it is a very expensive business, you will then question why you actually split the Department.

Q53 Mr Wilson: In this report in Chapter 2 it says, and I quote: “Our vision is to be able to demonstrate innovation across every aspect of our organisation.” Bearing that in mind, what are the things you would point to as world class examples of innovation by your department?

Mr Watmore: I might ask Zina to come in with one or two of the uses of the new media that we have been exploring and the ways of reaching people who are quite difficult to reach. Let me give you just a few practical things. Inside the Department we have enabled people to work as effectively as we possibly can, given Government security. People can work where they need to work; they do not have to be chained to their desk in a Whitehall office. Quite often I visit a place like a university or a college and I might go for a specific visit and then I am working from there for the rest of the day, very much leading the way, whereas a lot of people would not be able to do that; they would be chained to their desk. Secondly, we have made sure that we are spending as little money on our own internal infrastructure and getting the most of the front line. We have a very efficient use of space in our department in the sense that we hot desk—by which I mean nobody, including myself, is allocated a desk. So when we come in in the morning, we go and find a desk to work from and we sit down and work from there through the day. I do that and so do all the rest of the staff. That makes for a definite Whitehall first. It also makes for efficient use of space and it breaks down barriers and silos amongst staff in the Department. Those are two internal examples that I would allude to. Perhaps Zina could add a couple of external examples.

Ms Etheridge: One of the things that we have been really keen to do is make sure that we use new communications technologies, like social media, in the most effective way to engage with stakeholders, for instance, better than we might do if we just stood and interacted in traditional ways through sending out consultation documents and getting their comments in or having meetings with them. So on the Innovation White Paper, for instance, one of the things that we did was set up an interactive version where people could break it down chapter by chapter; they could put comments on to the website chapter by chapter, so that different consultees could respond to other people’s views on it rather than just all sending it in to Whitehall. We had to get a much more interactive debate going, which was creating a domain within the community rather than just having a White Paper on which we then said, “Go out and tell us what you think of it, and then we will tell you what we think of your replies in several months’ time”.

Q54 Mr Wilson: May I say, Chairman, that although that might be leading edge around Whitehall, I would not say that any of those three examples were particularly leading edge out there in the marketplace. I would not say I am overly impressed with those.

Mr Watmore: Maybe I could give you one other example then, which is I do believe is different and that is working with the National Physics Laboratory. There is now a part of the website Second Life which people will be familiar with perhaps, which is one of those newer style social media and interactive sites based on the computer gaming industry originally where they have joined
forces with NASA and other big scientific organisations in the United States and created a region of Second Life called Science Islands or SciLands. That allows collaborative working by scientists across the globe without people having to fly half-way round the world in order to see it.

Q55 Chairman: This is not the Department doing this.
Mr Watmore: We have done that in conjunction with them. We are now looking—

Q56 Chairman: Are you actually saying that you are taking credit for that?
Mr Watmore: I am saying that in our wider departmental footprint where we are reaching out to do things, the National Physics Lab has set up—

Q57 Chairman: But they did it; it is the Physics Lab that did it.
Mr Watmore: No, I understand that, but we sponsor them and they did it with us and I have worked with them on it. We are looking to see how we can introduce departmental things into that.

Q58 Chairman: On that ground you could claim every university innovation as yours.
Mr Watmore: It is not quite the same because universities are not directly sponsored by us and the NPL are. I am just giving you examples of things that impact real people, real world experiences that are different.

Q59 Mr Wilson: Can I ask you about one of the things that I did notice you had launched as a pilot scheme, and that is this £50 gift vouchers for further education. Is that a matter of pride and innovation for the Department?
Mr Watmore: The particular scheme in question is something that was one of our policy ideas. I do not see that as more broad than just a number of innovative or new ideas for trying to stimulate better improved outcomes. Another example that we have done, which I think is in the same vein, is using the innovation vouchers as part of our Innovation Nation White Paper, which was to try to get money to the people who otherwise are not normally reached, the smaller companies for the smaller and medium sized ideas.

Q60 Mr Wilson: Can I be clear? Is there a pilot scheme where you can go and buy a £50 gift voucher to contribute towards the cost of further education?
Mr Watmore: I am racking my memory here but I believe it is possible for people to do that in order to help people fund their way through different forms of education. If you want more detail on that, I can give you that.

Q61 Mr Wilson: There was a report in The Financial Times around this time last year that suggests that you have launched this as a pilot scheme.
that creates risk and how well is that risk managed. The Department has a robust framework of programme management controls; so, for example, the shared service programme has a senior accountable officer and a programme board. Part of the role of the Audit and Risk Committee is to make sure that those risk structures and management structures are in place, and that the executive has a perspective on what is changing in the Department.

**Q65 Mr Wilson:** Is there anyone from the National Audit Office on that committee?

**Mr Dickinson:** They attend. They are invited to all the meetings.

**Mr Watmore:** They cannot be members because they are formal auditors of the Department but they attend.

**Q66 Chairman:** Can I ask you, Bill, as a rider to Rob Wilson’s question: does the Risk Committee review specific innovative projects or is this just a generic look at the whole Department?

**Mr Dickinson:** The Audit and Risk Committee has set an agenda for the year that includes some standing items; so for example it will review our resource accounts—

**Q67 Chairman:** Can I give you an example? The Department is about to support Individual Skills Accounts. Does the Risk Committee then do a risk assessment of Individual Skills Accounts, particularly in view of what happened with the Individual Learning Accounts, which went so badly wrong a few years ago, but which was a very good idea?

**Mr Dickinson:** Part of the scope of the Audit and Risk Committee’s work includes a review programme across the Department’s activities. When it comes to the Further Education and Skills Directorate, part of the probing will be around what are the new developments within that area. That will include Skills Accounts. Both the Audit and Risk Committee and the Executive Risk Sub-Committee would look at new policy areas, which would include Skills Accounts.

**Mr Watmore:** If I could clarify that, the big areas of policy change, of which that is obviously one and others we could list, are the things that come to the top table as risks for us to review, and the board and the Audit Committee look at them regularly, as do the Ministers.

**Q68 Mr Wilson:** When are you going to publish your Annual Innovation Report?

**Mr Watmore:** Primarily it is going to cover, in shorthand, those things which the Sainsbury Report cued up a year ago. It was Lord Sainsbury’s Report, called ‘Race to the Top’, which signalled that this Annual Innovation Report should be published; so it is what is in that, topped up with those additional things that we said we would do in the Innovation Nation White Paper in the spring, which is then Minister’s additional areas. It will include things like public service innovation across Whitehall and innovation practices and policies and the specific areas that Sainsbury cued up a year ago.

**Chairman:** We have entered into risk but I know that Graham Stringer has a few more questions to ask in that area.

**Q70 Graham Stringer:** Item one on your risk list is failing to ensure that better education, research and innovation outputs translate into better economic and social outcomes. How ever do you measure that? So many things affect the economy, as we know at the moment, and social outcomes. Is it not a completely meaningless risk for you to take responsibility for?

**Mr Watmore:** The first half of your comment I agree with; it is really hard to measure. However, on the second half, we have to measure the impact that we are having with all of our programmes because if you come back to the fundamental premise of this department that probably now £15 billion to £20 billion a year of public sector money is going through our department into the wider system, very often that only bears fruit over a medium-term period. So we are reaping the rewards today, for example, in some areas of science and innovation from an investment that happened several years ago. As we saw from CERN last week, it was two decades’ worth of investment that came through in Switzerland. We have to find ways of measuring the ongoing impact of that investment, otherwise, to put it bluntly, the Treasury will not continue to support us in the medium term. I believe, and I think all of my colleagues believe, that we can do this; we can do it in ways that really demonstrate impact not just economic impact but impact on people’s individual lives and local communities. To give you just a couple of examples of that, we are working with the research councils and using their capability—and remember that some of those are some of the leading social scientists and economic researchers in the country—to evaluate the spend of the Department on the society in which it serves, both economically, business-wise and on individual communities.

**Q71 Graham Stringer:** Are you telling this Committee at a time of what at best is an economic downturn to recession and at worst is a depression that you can disaggregate the impacts of a huge project like CERN from all those other economic impacts on the economy?

**Mr Watmore:** No. I do not think we would claim to be able to do that, but I think we would hope to be able to demonstrate that the totality of our spend makes a difference.
Q72 Graham Stringer: If you cannot do it for a large project, if you cannot disaggregate it, how can you do it overall? I would be fascinated by your methodology.

Mr Watmore: That is why we are trying to employ some of the world’s leading social scientists and economists in appraising the methodology with us because it is not easy.

Q73 Graham Stringer: Is it possible? That is the question I am asking.

Mr Watmore: I think it is possible because what is clear is that economies that do not spend very much on the sorts of agendas on which we spend do struggle in key economic areas. There is a correlation between well-targeted spend on what we call our talent and innovation agendas, so the talent side of the equation, individuals, and the innovation side in terms of ideas and research. If we put those two investments into play, we believe we will be able to demonstrate the economic and social impact.

Q74 Graham Stringer: On your risk list you do not even have downturn in the economy, yet there is anecdotal evidence, and some of it in the press, that in the ex-polytechnics students are not turning up at the moment, there are fewer students because they are worried about getting into more debt when the banks are in crisis. Why is that not part of your risk assessment, your risk list, and do you have any information that students are not turning up in the numbers expected?

Mr Watmore: In terms of “is it a specific risk?”, the answer is that when we put the risk list together we decided that what we were trying to do was invest over economic cycles and therefore we would go with the cycle of the economy. The key thing to demonstrate was that over the economic cycle we made a difference with our investment. Given the current situation, however, we are obviously working very closely with our Ministers to look to see what the behavioural changes are on the ground and what, in particular where we have some short-term discretion over money or programmes and so on, we can do to help people through what are obviously very difficult times. That is helping businesses, small and medium sized enterprises in particular, and helping individuals. We are looking at that with our Ministers as we speak.

Q75 Graham Stringer: Can you answer the specific question that was in there? In an economic downturn and in a normal economic cycle you might expect there to be fewer students because potential students take different decisions and do not turn up. Are you monitoring that? The registrations have all taken place in the universities now. Can you tell us if there are fewer students than expected? Secondly, a lot of the courses depend on workplace learning and tuition. My guess is that one of the first things that business will cut back on, because that is the experience of previous downturns, is that commitment to training education in combination with the universities and colleges. Have you any evidence that that is happening?

Mr Watmore: There are two parts to that question. On the formula, as a department we receive the information that the various funding council bodies—Learning and Skills Council, et cetera, and the colleges and the universities—get, and if there is an aggregate shift in behaviour on the ground, then we will get to know that quite quickly.

Q76 Graham Stringer: How quickly is that?

Mr Watmore: At the moment, the evidence is not strongly coming through but if it were to do so, we would get it very quickly.

Q77 Graham Stringer: All the registrations took place three or four weeks ago.

Mr Watmore: Yes. We have not yet had from the university or college sector evidence of material shifts in behaviour. You always get people churning at this time of the year. They sign up for courses and then do not come and so on. We have not had evidence yet of a material shift.

Q78 Graham Stringer: I am sorry to interrupt you. Can you be more specific about that? Does that mean you have evidence that the numbers are as expected or that you just have not got evidence?

Mr Watmore: At this point, sitting here, it is the latter. We have not had evidence pushed up that there is a material shift, but we are checking with our bodies.

Q79 Graham Stringer: When would you expect to have a view?

Mr Watmore: The interesting ripples of this economic impact are that right now it is all about the banks and the big financial institutions and every day that goes past people are predicting if we are through the worst. Today as I came out the FTSE was quite well up, but maybe that will keep up or not. The behavioural shifts, both in the economy and for individuals, I think are going to go on for a very long time from that. People are starting to make decisions now about whether to go to university or college. Businesses are starting to make decisions about whether or not they are going to take apprentices on, et cetera. So I think the follow-through of the current financial situation, which is primarily in the City and Wall Street et cetera, is going to be fed through into the real economy over quite a long period of time, and we are a significant part of that. We will be vigilant in working with all of these bodies to assess the early warning signals and to pre-empt them where we can. For example, in recruiting a new Head of the National Apprenticeship Service, which we are doing and hope to make an appointment soon-ish, said person in a different era might have been finding it easier to get apprenticeships and would spend more time focusing on the potential apprentice. In the current era I suspect a lot of the attention will have to go on the business side in order to keep the supply of business apprenticeships up, so that people who are coming through will naturally find places to go. I think we have to move our behaviour with the way the economic situation flows through. At the
moment, it is very hard to predict precisely how and where, but we have all seen in the past different behaviours of groups of citizens in different eras that we can use to model, and at least try to give us an idea of what we are likely to see.

Q80 Graham Stringer: Are you aware of any universities that have difficulties with Icelandic banks and their assets?

Mr Watmore: I believe there were some universities that had assets in banks and I think they have notified the Funding Council, which is their appropriate responsibility.

Q81 Graham Stringer: Can you be more explicit?

Mr Watmore: I cannot and I would be very cautious about doing something that is as commercially sensitive as that in public, if you do not mind. I just know that there were organisations that did submit issues to the Funding Council.

Chairman: That is the difference between a university and a local authority.

Q82 Graham Stringer: I just do not understand, if we are going to see a university go bankrupt or have real financial problems that were not expected and students are not going to be educated, that that is a commercially-sensitive matter.

Mr Watmore: No, but I do not think there are any in that situation. I think you asked me whether any of them had holdings in banks, and I think they have notified the Funding Council if they have.

Q83 Graham Stringer: What sort of order of magnitude are we talking about?

Mr Watmore: I do not have the information in front of me. The Funding Council, HEFCE, in England deals with those situations and only if there are problems of an extreme nature that are causing institutions to be at some sort of risk do we tend to become involved.

Q84 Chairman: I think the point that would concern us, Mr Watmore, is that you are supposed to be monitoring risk and yet you do not seem to be monitoring risk with the universities.

Mr Watmore: I am not saying that at all. I am saying that my colleagues are in touch with HEFCE; HEFCE are in touch with the university sector. They are monitoring the risk of the situation; it is being monitored. It is not in any way seen to be extreme at this point.

Q85 Graham Stringer: Is the sale of the Student Loans at risk, given the current financial situation?

Mr Watmore: Do you mean is it at risk of happening at all or what?

Q86 Graham Stringer: Will it make any difference to the budget?

Mr Watmore: It is clearly not possible to sell the Student Loan book in today’s capital markets. Our job under the current policy is to get to a position such that when the markets recover, and when the value-for-money conditions return to something that would be acceptable, then we will be able to put the first tranche of Student Loans into the marketplace, but that is clearly not happening currently.

Q87 Graham Stringer: How will that impact on your budget?

Mr Watmore: Interestingly, and the accounting on this is quite complicated, the major impact of raising the money from the Student Loan sale, were it to happen, impacts the Treasury’s overall finances of Government. The impact on us, and Bill will correct me if I get this wrong, is primarily on the cost of the project to sell the loan book, because we obviously have to run resources to do the sale, and on the balance sheet value of the loan book itself, which is an accounting treatment that would have to be adjusted if the book were to be sold.

Q88 Graham Stringer: If I understand that, you are saying that you benefit from it because you do not have the cost but the Treasury do not have a capital receipt?

Mr Watmore: Could you say that again? I did not understand the question.

Q89 Graham Stringer: Maybe I did not understand. You seem to be saying that because you are not incurring a cost of sale—

Mr Watmore: No, I was trying to say that we incur the cost of the sale of the project, and so it is our account. The value of the loan book is sitting on our accounts; it is in the resource accounts. Were even a slither of those loans to be sold off, that impacts the revaluation of the loan book on our balance sheet, but the actual cash that is raised from the sale goes straight to the Treasury; it does not come into our account.

Q90 Chairman: It is not actually placed in your accounts. It is not within your current account in terms of this CSR period.

Mr Watmore: No, the income is not but were we to make a sale, it will cause our accounts to be adjusted because we will have to revalue the assets.

Chairman: We understand that.

Q91 Dr Iddon: We will move on to public sector agreement targets and the indicators used. In your report you say that science an innovation is on target, but you do flag a warning, and I quote you, “Significant challenges will remain, particularly in raising business research and development (R&D) and increasing the supply of science, engineering and mathematics skills available to the economy”. Can you update us about what has been achieved since the Report was written in those two major areas, briefly?

Mr Watmore: We need to be careful. Much of the Report is about the targets for the last Spending Review that culminated in the March just gone, and then we also referenced the spending targets that have been set in the new Spending Review. We should get that clear. In terms of the concern about STEM skills and subject availability, I think that is
something that is common ground amongst all of us, that the number of people taking STEM subjects at university and at “A” levels and so on has been rising again, but from a base that is lower than we would like. I know that our new Minister, Lord Drayson is particularly passionate about that particular topic. Indeed, it was one of the first meetings I had with him last week on the subject because we all know that the growth of a STEM skill base in this country is long-term; you cannot just conjure them up. It matters what sub-division of the STEM subject you have. We could have STEM subjects rising across the board but have no nuclear capability to do the requirements of our energy policy. It is not just the breadth of STEM; it is also the specifics of STEM. I think that is going to be a significant part of our Science in Society policy programme coming up. A lot of that is around individual behaviours. I have a phrase, and you may forgive me for the pun. It is “STEM sells”, where the word is spent with an “s”. In other words, we want to try to incentivise people that if they pursue STEM careers, it is likely to be advantageous to them as individuals through their working career, whatever they choose to do, and equally companies that recruit from that base are more likely to get people who will be able to benefit them. It is a long-term programme but it is very important. We then have to match it with the supply side of both school and university and college teachers later on so that we get it right through. We need the feedback route coming from business. If there is one bright spot on an otherwise horrendously gloomy economic picture over the last week, as Lord Drayson said, there are an awful lot of people with PhDs in maths and physics in the City who might be encouraged to go back and do science and research in either a commercial setting or a teaching setting as the fallout from the City occurs. I do not know whether that will prove to be the case, but it is certainly prima facie an interesting one. It is a long-term game and it is one that we have to play: we have to raise the aspirations of all our people and then raise the capability to teach and follow through, and we have to raise the connectiveness with business so that those people find good careers and businesses find that the benefit from the people.

Q92 Dr Iddon: Let me be a bit more specific on the ambition for business enterprise R&D. The Government had an original target for 2014 of raising that R&D to 2.5 per cent, yet in the report the figure is 1.08 per cent. I do not understand that. Have we dropped the 2.5 per cent figure for 2014?

Mr Watmore: No, not to my knowledge. The one thing that we have done, however, is said that R&D expenditure as a measure of activity is a narrow measure relative to innovation across the whole economy. If I can illustrate that, in many of the successful parts of the economy—and I would have said nine months ago the financial services sector but I probably should stick to manufacturing industry as my best example at the moment—and we have a very thriving creative sector in this economy, very little R&D is recorded in such a sector because of the way they do the accounting on that, and yet they are one of the most R&D (in the true sense of the word) rich industries as they are constantly researching new products. So R&D tends to be measured in those companies which are at the manufacturing/engineering type end of the spectrum, which a country like Germany has much more of and therefore tends to have much more R&D spend. We have a very innovative economy in a lot of sectors but we do not recognise that in the pure R&D measure. One of our recommendations from the Innovation Nation White Paper was to create a new innovation index that would measure the real activity in the real economy of an innovative nature regardless, which would include R&D but would be right across the whole economy. We have said we will do that in conjunction with NESTA, which is one of our bodies, which you are probably familiar with and which has a lot of expertise in this arena.

Q93 Dr Iddon: I just want to turn to another indicator which we have bragged about in the past few years, particularly Sir David King has bragged about it, and that is the share of world citations target. It is on page 82 in this particular report. In 2006 that was reduced to 11.5 per cent when 11.9 per cent or more had been achieved in each of the four previous years. What has happened? It seems to have gone down.

Mr Watmore: Yes, it does, but I am pretty certain that the 2007 figure is back up to 12 per cent again. I think the generality of this indicator is that it does tend to fluctuate from year to year, particularly with some aspects of the way that the research citations come out; they come out in published batches and then new research creates a lot more citations. We are also dealing with what I might call the Olympic challenge for next time round in that we win disproportionately more medals in this particular game than probably a country of our size should. To even maintain it at this level is going to be a fantastic achievement going forward.

Q94 Dr Iddon: To clarify this, are you saying the outturn for 2006 is actually 12 per cent?

Mr Watmore: Yes, for 2007. Somebody will correct me if I have the wrong figure. From my memory it is 2007. It tends to go from one year to the next by a small number of half a per cent. My worry would be if it went to 6 or 7 per cent or something. That would be a dramatic collapse. If we are in the 11 or 12 per cent region, then we are performing relative to our size at a level that is comparable to our Olympic Gold Medal holders this summer.

Q95 Chairman: Briefly, Ian, one of the areas where clearly particularly Lord Sainsbury was very keen, and Race to the Top was very much about innovation in the business world in the market, and yet on page 87 of the Report you show a decrease between 2005 and 2007 in four of the six innovation in the market areas. Could you briefly say if there is a good reason for that?

Mr Watmore: Could you refer me to the right figures again?
Q96 Chairman: It is page 87, innovation in the market, six of the indicators and four of them are showing a decrease. Does this mean that as a nation we are becoming less innovative since we set up the Department?

Mr Watmore: I can give you a quick answer to that. I would rather write to you on that.

Chairman: Yes, please do so. We will move on.

Q97 Mr Marsden: Mr Watmore, I would like to move to issues around administrative costs and expenditure management, if I may. Can I start off by asking you about your gross admin costs? The audited accounts say that your gross admin costs increased from £61 million in 2006/07 to £69.2 million in 2007/08. In a note to the accounts you obviously refer to the new accommodation and the new IT infrastructure as significant elements in that increase. That is an increase of 13 per cent. Can you tell me how that increase percentage-wise compares with the increase in gross admin costs for DCSF or across Whitehall generally?

Mr Watmore: I cannot do the latter here. I can say that the figure that I think is around £70 million (that is the figure I have in my head and £69.7 million was the published one) that is the outturn is our slice of the three-way split that I talked about earlier, so that the three departments had an original administrative budget that was two departments and we have been divided into three. We were given around about £70 million of that. We are expected to reduce that by 5 per cent in real terms over the Spending Review.

Chairman: Is it that you do not know how much DCSF have increased over the last year or do you simply not have those figures to hand?

Mr Watmore: I do not have the figures to hand but I know that the total of the three departments is the same as it was. My guess is that where the £61 million was recorded, it is without some of the overheads.

Chairman: You are going to give us a note on this.

Mr Watmore: The three-way carve up, if you like, of the two sets of numbers adds up to the same thing.

Q98 Mr Marsden: Is it that you do not know how much DCSF have increased over the last year or do you simply not have those figures to hand?

Mr Watmore: I do not have the figures to hand but I know that the total of the three departments is the same as it was. My guess is that where the £61 million was recorded, it is without some of the overheads.

Q99 Chairman: You are going to give us a note on this.

Mr Watmore: The three-way carve up, if you like, of the two sets of numbers adds up to the same thing.

Q100 Mr Marsden: Let me ask you then about your budget for 2008/09, which is something that is now presumably solely under your control, which appears to be around £73 million. My mental arithmetic tells me that is an increase of just over 5 per cent. Is that not a rather optimistic figure, given what has been happening with inflation running?

Mr Watmore: The underlying number is actually £70 million.

Mr Watmore: The underlying number for the administrative budget for this year is £70 million but we have an investment number of £3 million on top to create some of the things that go with being in the new department, so it is a one-off cost of £3 million on top of the £70 million. Our underlying run rate is the £70 million, and next year we have to reduce it by 5 per cent and 5 per cent the year after that, inflation adjusted.

Q102 Mr Marsden: You think you have produced a conservative budget rather than an optimistic one, do you?

Mr Watmore: I do, yes. I also think we are incredibly efficient relative to normal Whitehall departments. We have an extremely efficient administrative spend, given our head count and given the extraordinary reach of our expenditure. We are fifth biggest in Whitehall expenditure and second cheapest in terms of cost base.

Q103 Mr Marsden: You might be efficient enough on administrative spend but there are two areas I want to ask you about which look rather curious. In the audited accounts it shows that DIUS spent £128 million more on higher education support for students in 2007/08 than was the estimate, and there was not, as far as I am aware, any explanation provided for that. The accounts also show that you spent £284 million less on your grant to the LSC than planned and the TES commenting on this indicated that this was money that was originally intended to go to Train to Gain for employers, which was then diverted to pay for university student grants. I am just quoting what the TES said. There are two questions. First of all, is it correct that you did not provide an explanation of either of those issues in your Report and, if so, why not? Secondly, what comment do you have on what the TES and others have said about robbing Peter to pay Paul; i.e. taking money that was not taken up from Train to Gain and using it to cover your over-spend on student grants?

Mr Watmore: I think on the specific, and I will correct this afterwards if I have mis-remembered, and this is not a reason that you are going to like, it was because Easter came early. It is a curiosity of the fact that the next term of the university sector started on 31 March, which happened to be the last day of our financial year. I think that is where the overestimate occurred. It is as simple as that. If I have that wrong, we will correct it afterwards. It is the way these accounting matters work, on a per day basis. We had a day of a new term in the old financial year and therefore it came into the old financial year. We managed that across the financial year boundary. I do not think on this particular occasion there was a Peter and Paul robbing and paying; it was a borrowing for a night and then paying. But I think there is a more general point, which is that in the Department’s budget as a whole we do have to balance to the total expenditure which was set, and within that we have a couple of important ring-fences that we cannot breach, the science ring-fence which includes a big chunk of money that goes to HEFCE and the TSB innovation ring-fence. Beyond that, it is our duty to balance the money. We try, wherever we can, to make sure that the HE money goes to HE and the FE money goes to FE but there are occasions when those judgments have to be made and then our Ministers have to make them.
Q104 Mr Marsden: That is a very convoluted explanation. It may have to be. I want to be absolutely clear on the record. Are you telling this Committee that the figures that I quoted to you, which you have not disputed, the fact that there was an under-spend in the one area and an over-spend on the others, was entirely an issue to do with timing of the financial year?
Mr Watmore: I am saying to you that I think so. If that is wrong, I will come back to you.
Chairman: You have told us that you will give us a note if it is different.

Q105 Mr Marsden: Fair enough. My only comment in passing is that it is slightly surprising you have one or two people who do not know when the date of Easter is.
Mr Watmore: It was an inherited position.

Q106 Mr Marsden: All right: the Department of Education and Skills does not know. But, you have not touched on my central point. Do you agree that there was an under-spend of this amount of money on Train to Gain and that that money was then subsequently diverted to cover costs in the university department?
Mr Watmore: For a day and then we passed it back.

Q107 Chairman: I think the crucial issue here is that Easter was 31 March and on 1 April did suddenly the LSC element of the budget for 2008/09 actually show £245 million extra?
Mr Watmore: My understanding is that that is the case, but, if I am wrong, I will let you know. The more general point that I think Mr Marsden is raising is an important one, which is the balancing of money. The money was intended for different sectors when it was allocated in the CSR. There are some places we cannot move money from A to B but when we get to the main—
Chairman: We have heard that. We know that. The key issue that Gordon Marsden is asking is: why did it not appear somewhere as a note?

Q108 Mr Marsden: I am asking that question, Chairman, but in a way what Mr Watmore has said has raised a rather more fundamental question. What you seem to be implying is that, even if this was just a bit of shuffling paper to cover financial years and all the rest of it, it would be perfectly reasonable for a huge chunk of unclaimed Train to Gain money of £200 million simply then to be put into the HE sector. On that point, I would like to ask Mr Dickinson, because you come, Mr Dickinson, from the private sector from KPMG. I wonder what you would have said as an external auditor if you had gone into a private company which had under-spent on one area by £200 million for a year and then subsequently diverted that to another area of the company without there having been some sort of assessment of priorities internally.

Mr Dickinson: The decisions that were made at the end of the last financial year were subject to scrutiny within the Department—Ian Watmore has just discussed that—including discussions with Ministers.
Mr Watmore: We did not move money in that last year to my knowledge from one sector to another. However, if we were to be in the situation where that was a possibility—and it can happen in any given year in a material way—then that is something that our Ministers would have to make the decision on. Normally they would make that a very public statement. So this is an accounting matter.

Q109 Chairman: We are not getting anywhere on this. Ian, can I say that I want to put this to bed. You are going to give us a note. Our main concern is that a lump of money was not taken out of one budget and then given to another without a clear explanation as to why that was with a proper audit trail. Our key issue is that in fact the Learning and Skills Council, Train to Gain or any other programme, was not permanently robbed of this money. If this is purely an accounting device to get over—
Mr Watmore: It is my understanding—
Mr Marsden: Can I merely make the point, and this is a separate point and it maybe a point for Zina in particular to ponder on, that if that is the case, if the explanation you have given us today, Mr Watmore is the case, and given that this issue has already raised considerable concern in the FE sector and been reported on in the media in a number of different places, it is rather concerning that your Department has not picked up this problem and dealt with it in terms of its media strategy before now.
Chairman: We will leave that hanging in the air.

Q110 Dr Iddon: Ian, I want to turn next to the Government Office for Science. Can you reinforce our impression about this department? Is it an integral part of your Department and therefore you are the Permanent Secretary of it or is it seen to be independent of the Department? Can you just say something about its status now?
Mr Watmore: I am afraid it is one of those “it is both” answers in the sense that the money that is spent on the Government Office for Science and the people who work in it are “resources, financial and people of the Department”, so they are part of the Department for that purpose. However, the Government Chief Scientist now, Professor Beddington, has a direct reporting line to the Cabinet Secretary and to the Prime minister for his ministerial and Civil Service management structures in order that he can operate across the whole of Government and deal with issues that the Prime Minister wants him to deal with, with the backing of the Cabinet Secretary. It is kind of both, I am afraid, and it is just the way it is.

Q111 Dr Iddon: On page 46 of the Annual Report it leads us to believe that a paper is going to be produced on GO-Science which will set out its
forward agenda and vision. In the light of what you have just said, can you tell us who is drawing up that paper and when can we expect to see it published?

**Mr Watmore:** That would be a John Beddington co-ordinated activity with the Chief Scientists of all of the departments, for which mine happens to be Adrian Smith, who I think you know has recently been recruited to the Department. I do not have the details and timing. It is his responsibility.

**Q112 Dr Iddon:** Perhaps we can take that up with John Beddington at some time. Sir David King of course was quite keen on departmental reviews for science. We have seen a number of those. There is a suggestion around page 46 of the Report that there is a review of the Department of Trade and Industry departmental reviews. Are you able to say which way that will go or are we going to abandon departmental reviews for science or will they be changed in some way, or what?

**Mr Watmore:** I am not sure which phrase you are referring to but my understanding is that Professor Beddington is still very keen on these.

**Q113 Dr Iddon:** So again we should refer to him?

**Mr Watmore:** Yes.

**Q114 Dr Iddon:** We will move on from the Government Office for Science to the Science and Innovation Network overseas which used to be, of course, part of the Foreign and Commonwealth Office but is now part of DIUS.

**Mr Watmore:** It is both. It is mixed between us.

**Q115 Dr Iddon:** But your department funds it, I understand?

**Mr Watmore:** No, it is split.

**Q116 Dr Iddon:** It is jointly funded?

**Mr Watmore:** Yes, it is.

**Q117 Dr Iddon:** What plans are there to develop that network? I hope it is going to stay as it is and not diminish in any way?

**Mr Watmore:** No, absolutely not. Let me see if I can explain. In the old structure inside the Foreign Office they had a core team of people in London, I think from memory six or seven people, who co-ordinated the activity of their whole Foreign Office overseas. They pumped a certain amount of money into that co-ordinated activity around the globe. What happened as part of this year’s settlement, the Spending Review, is that there was a review of the departmental reviews. Are you able to say which way that will go or are we going to abandon departmental reviews for science or will they be changed in some way, or what?

**Mr Watmore:** I am not sure which phrase you are referring to but my understanding is that Professor Beddington is still very keen on these.

**Q118 Dr Iddon:** Thank you for that. I want to ask one or two brief questions on research funding post-2007 CSR now. There is a table 12 on pages 111 and 112 of your Annual Report. We do know that AHRC and STFC budgets have been under strain, to put it mildly, in the last few months, but those tables show a decrease from the current year to next year, which will make, in our opinion, matters worse for both those research councils. Can you give us a reason for that reduction this afternoon?

**Mr Watmore:** No. I know the Committee’s concerns on these budgets and it would probably be wise if we do not go straight through a big debate about that right here. Suffice it to say my understanding is that if you took the STFC line, for example, the figure on page 112 where it goes 656 in the outturn for 2007-08 and then drops to 617—and again I am sorry but it is accounting matters that come in here—one point is that the STFC spent in that year some of its accumulated end-of-year spend that it had accumulated over several years, so it surged in in one year because of the particular culmination of certain timings. It was not part of the underlying run rate. The second point is that it benefits from expenditure in what we now call the Large Facilities Capital Fund, which is somewhere else down on this chart, right at the bottom, the one that is LFCF (the second one up from the bottom of that chart) where, for example, a big chunk of that £105 million that is in the current year will actually go on behalf of STFC-funded capital projects and therefore the two numbers are not like for like for that reason, I am afraid.

**Q119 Dr Iddon:** This is a conspiracy theory doing the rounds. It goes like this: both HEFCE and the research councils have now come under the control of DIUS and therefore this might be an appropriate time to bring both these research streams together which amusingly goes under the code name of “More Foreign and Less Office”, which I quite liked, but the Foreign Office strategy is to say, “We are an international network at the disposal of the rest of the system of government to do things which are important to the rest of government”. I think their worry was that they were pursuing things that maybe nobody cared about any more or they were not pursuing them enough and that by putting the ownership back in the hands of the driving department, they would get the appropriate amount of driving. It is our intention really to maximise the use of the Foreign Office Network and to connect them. Part of the reason for agreeing to all of this was to connect it very closely with our Minister and the new Minister, Lord Drayson in particular.

1 Note from the witness: “The formal STFC allocations are: £573,464k in 2007/08; £625,641k in 2008/09; £630,337k in 2009/10; £651,636k in 2010/11. These figures may be adjusted by in-year additions through allocations from the Large Facilities Capital Fund and draw down of EYF in Supplementary Estimates. (Figures from Table 2.1 of the Allocations of the Science Budget 2008/09 to 2010/11, published by DIUS in December 2007.)”
and that this is the end of the dual support system. That is the conspiracy theory. What have you got to say about it?

Mr Watmore: I could not possibly comment! I am very careful to say that the events we are living through at the moment I am not going to comment on. Our Ministers have been consistently on the record as saying, since they came in, that the dual support regime is one they will protect and preserve and it is not under threat.

Q120 Dr Iddon: And you believe them?
Mr Watmore: I do, yes.

Q121 Mr Wilson: The Times Higher Education in July raised questions about the viability of HEFCE. In particular, it was very concerned about the levels of micro-management that were being put upon it by the Department. There are concerns, I must say, throughout the sector that this is the case. Is it not the case that the Department and Ministers clearly do not believe in HEFCE’s role any more and that there is no strong case for continuing with it in the way that it is being managed currently?

Mr Watmore: All I can say, in sympathy with the very last answer I gave, is that I have not heard any of our Ministers talk about HEFCE in that way and I do not have any evidence that we are going to abolish it, re-shape it, whatever.

Q122 Mr Wilson: Do you accept that there is micro-management?
Mr Watmore: To be honest, it is very hard for me to judge because—

Q123 Mr Wilson: Have you looked at the annual letter to HEFCE over the last, say, ten years?
Mr Watmore: Yes, I have seen the documentation, but I think the reality is that one of the strengths of creating DIUS was to give the university sector a prominence which it, frankly, never used to get in the old Department of Education. I was not part of the old Department of Education, so I am going on what people have said, but they have always said that in the old Department of Education, schools had the predominant focus of attention from Secretaries of State and Ministers. One of the reasons for creating the new department was because universities are such an important, vital, vibrant and successful part of our country and our economy. Therefore, I think it is really significant that we were created for that reason and I think it is a real statement of this Government’s faith and commitment to the university sector. This is something that is very visceral to the Prime Minister and to all the Ministers I have spoken to. They see this not just as something to be preserved because we are good at it and it is one of those great things of British life; they really passionately believe, and have evidence to support it, that the university sector is great for the economy and great for social mobility. If you put those two things together, it is something to reinforce behind, not neglect. Ministerial commitment is very strong. Now, does that translate in some quarters to people saying that is micro-management? That is for others to judge. Your question was: does HEFCE work; is it to be restructured/abolished? From my perspective, HEFCE is a very good organisation run by a very good Chief Executive. We rely upon it significantly. I have not heard ideas in the frame for completely restructuring or doing anything materially different to it. Since, as you know, David Eastwood has announced his departure from the organisation next spring to go to Birmingham, very imminently—in fact we are already out there really—we are taking all these positions on a recruitment for his successor. That will, I think, give you more evidence than I can give here that we intend to commit to HEFCE’s future.

Chairman: On that note—Rob, I know you have a lot of other things to ask—we do have a number of issues that we have not raised, which we will write to you about if we may, Ian, to get some responses. May I thank very much indeed Zina Etheridge, Bill Dickinson and the Permanent Secretary, Ian Watmore, for being very frank and good witnesses this afternoon. We have enjoyed your company. Thanks to my committee.
Wednesday 29 October 2008

Members present

Mr Phil Willis, in the Chair
Dr Roberta Blackman-Woods
Mr Tim Boswell
Dr Ian Gibson
Dr Evan Harris
Dr Brian Iddon
Mr Gordon Marsden
Ian Stewart
Dr Desmond Turner
Mr Rob Wilson

Witnesses: Rt Hon John Denham MP, Secretary of State and Ian Watmore, Permanent Secretary, Department for Innovation, Universities and Skills, gave evidence.

Q124 Chairman: Could I welcome the Secretary of State, Rt Hon John Denham, to this, the DIUS Departmental Report session. Thank you very much indeed for your attendance this morning, John, and a return visit from Ian Watmore, the Permanent Secretary to DIUS. We have an enormous amount to get through this morning and we are very grateful to you for letting us have a copy of your statement. We understand that we can discuss that.

Mr Denham: It should now have been made available to the House at 9.30, yes, Chairman.

Q125 Chairman: I will come on to that in just a second. It is 16 months, Secretary of State, since DIUS was established. What has been your greatest success?

Mr Denham: I think that we have established ourselves certainly in government as a significant department in two areas of government concern, one as an economic department with a key role to play in promoting overall economic prosperity through our work on research, innovation and skills, and, secondly, as a key department in promoting social mobility, particularly through the raising of skill levels of adults and opening new opportunities for them and through our work on widening participation, and I will not give you a long shopping list, but establishing that reputation that we are centrally involved in both of those areas of government policy, I think, is a real achievement.

The other thing which I would say, which you will take for granted, Chairman, and have every right to, but nonetheless it is important to get it right, so that to form a new department and actually to see the basic functions, the delivery, the work which was inherited carry on and continue to improve is actually a real achievement. Now, everyone will say, “Well, of course that should happen”, but it is not quite as simple as that and there have been cases of government reorganisations where the disruption caused by a merger or a change has been a much bigger problem than it has been in our Department.

Q126 Chairman: John, one of the real concerns, I think, our Committee and, I think, a wider audience has is that, with the split which put, if you like, children and schools into another Department and then the responsibilities which you have to increase, for instance, the skills of the nation and to increase participation in higher education, et cetera, the real levers for much of your success are actually held by another Department. Do you find that a real hindrance?

Mr Denham: No, I think it is an area where we just have to work together extremely well, so, if you look, for example, at the recent National Council for Educational Excellence Report, they clearly identify information, advice and guidance in schools as critical to raising aspirations and ensuring that students stay in the right subjects and apply to the most appropriate university. Similarly, with apprenticeships, we know that there is a real problem that young people are not always advised about apprenticeships as a career route. That is an area where what we need depends crucially on what happens in schools and in the wider advice services for young people, but is, therefore, an area that we work very closely with the other Department on, so I do not think it is a frustration, but clearly we have to be aware that we need to be joined. We need to be joined in our understanding of the joint agendas, the shared agendas between two departments. I think I would say to you the same as I did when I came here earlier in the year, that the gains of having a department focused on children and the gains of having a department that brings together, for example, innovation, research and skills, outweigh the issues we inevitably have to deal with as a consequence of the split.

Q127 Chairman: Obviously, within a department that has only been going for a relatively short period of time, there were going to be difficulties of settling down budgets, for instance, and making sure that there was a proper allocation of resources.

Mr Denham: Yes.

Q128 Chairman: Mr Watmore, on 6 October, talked to us about the transfer of £128 million from 07-08 from the further education budget, the LSC budget,
into the HEFCE budget, and he said to us at that time that this was basically a problem because the end of year came early and that the term for the higher education students, Easter, came early and, therefore, there had to be an adjustment in that way. But, in your letter to me on 28 October, you explained that that was in fact only part of the story and that £67 million was a temporary loan to cover part of that summer term deficit, but £49 million was a permanent transfer.

Mr Denham: Yes.

Q129 Chairman: Can you explain, first of all, why there was so much money available in the LSC budget, there was an underspend, and how are you going to square the circle this year in terms of making sure that those resources are available within the higher education budget?

Mr Denham: I will happily do that, Chairman, but I think I should make a general observation about budgets and finances in a department like mine because I think my successors and your successors will often be having this type of discussion. The reality is that we have a very large budget, about £20 billion, as you know, some of which is ring-fenced by policy decision, particularly the science budget, and the other major budgets are very much demand-led or at least demand-influenced, not perhaps in quite the same way that DWP has to pay JSA to every claimant, but we can influence overall the student numbers, we can influence overall FE learners, but we are pressured under demands. I think it is an inevitable fact of running a department like this that, even over the course of the CSR, there will be adjustments one way or the other in most years that a department like this operates, just as historically, although it was not always so obvious, people who knew the old Education Department knew that there were always shifts between 16 to 19 and adult budgets one way or another, reflecting the flows of students. I say that by way of context, Chairman, because I think it would be wrong of me to encourage the idea that this is the sort of department where every single year you will get your allocation figures right to the last million pounds because of the flows of students influencing the demands on different parts of the system. Now, the particular background to this particular year was that the Train to Gain budget that had been projected for that year underspent and there was an extra pressure in HE which turned out to be, in part at least, the emergent pressures on student finance, which we will come to later, so the underspending was partly allocated to meet the HE pressures and, therefore, to avoid having to make other adjustments in HE spending, which we would have had to have done if we had treated that as a wholly ring-fenced budget, and the other part was reallocated within the FE budget, for example, the expanded Apprenticeship Service, starting up with the National Apprenticeship Service and so on. I think actually it was the sort of adjustment towards an end of a financial year which over the years, one way or another, is likely to occur in a department of this sort.

Q130 Chairman: I do not think anyone on the Committee would disagree with the need to vire resources from one budget head to another, it is simply what a responsible department should do. We found it strange, however, that the Permanent Secretary did not know anything about that last week.

Mr Denham: I am sure that is not the case, Chairman.

Mr Watmore: I think you asked me a specific question and I said that my memory of the situation was that we had to do the 31 March adjustment and I said I would correct it if there was more detail, which I subsequently did.

Q131 Chairman: But, in reality, the statement in the summer of 2007, which was to change, and indeed to enhance, grants for students and student support, had the effect, did it not, of creating an extra demand on the HEFCE budget when the resources were not there to actually meet that, so it was not the year end, it was a matter that, during the whole of that year, there was a pressure building up to actually find the additional resources.

Mr Watmore: Last year, we inherited budgets from different sources, as you know, because it was the first year of the Department, and we got it half-way through the year, so actually to finish the financial year with a fully properly audited set of accounts and all the money balancing, I think, was a huge achievement. The particular adjustment that we made at the end of the year, as I said last time, my memory of the major part of the adjustment was the fact that it was the 31 March issue. There was, however, as we subsequently clarified, an adjustment of, I cannot remember the figure in my head, the £49 million or so that went the other way. What I also said was similar to what the Secretary of State has just said, that, in the course of a year with budgets in the billions and with the demand-led nature of it, we are going to have to make judgments about where we spend the money, and the specific policy announcement that was made in July of last year, 2007, actually came with new money from the Treasury to finance it, so the underlying pressure on student grants is one that is coming from a growth in student numbers, which is very hard to predict, but which had been predicted based on the data that emerged in 2005-06, so I think there is quite a lot of moving parts behind these numbers and the real pressure has built up in the course of this year and, hence, the Secretary of State's statement today.

Q132 Mr Boswell: In a sense, this is a loop back to the earlier issue about consultation, and perhaps I can put two points. One is that it would be useful, John, if you could say a bit more to us about the consultation between your Department and DCFS on a continuing basis, and is this normally conducted at your level, the Accounting Officer's level or at the professional and technical levels? The

1 Note from DIUS: “The transfer was to student grants, not to HEFCE”.

29 October 2008 Rt Hon John Denham MP and Ian Watmore
second question is about your own Department. Clearly, as Ian has explained to us helpfully, there was an underlying pressure, and I am not unfamiliar with that, I can see what is going on, but that has developed and it has to be set against the money which has been allocated from the Treasury. Are you satisfied that you have got the internal management now right so that, if this pressure develops, you can take a principal decision in good time to vire money across? Finally, if there is a situation, which there could be, for example, where there is a decision about the distribution between diplomas and apprenticeships for people on the borderline of the age cut-off, would you be able to have a continuing discussion with your counterpart Department and broker something which would then go forward to the Treasury if there were a clearly sensible need to shift the balance or the baseline between the two departments? It is really, one, how you talk to each other, two, how you manage the internal structure and, three, how you can reconcile that with the pressures developing in the whole education sector.

Mr Denham: Firstly, in terms of the relationships between ourselves and DCFS, and this could incidentally be the same for DWP as well, they operate at all of those levels, they operate at the level of very regular ministerial contact and discussion at Secretary of State level, Minister of State level, junior Minister level, they operate at Accounting Officer level and they operate at official level as well, there are formal structures and, as you would expect, ad hoc meetings as necessary, and a considerable amount of time and energy has gone into that, particularly of course around the Machinery of Government consultation. In terms of finance arrangements, if I take your question right, Mr Boswell, between the two departments, again I think that we have so far shown the ability to handle those issues, and I can give you two examples. One of the things that we addressed in the Machinery of Government consultation was the position of the FE college which is receiving money from the 16 to 19 budget and from the adult budget. Now, both departments want to be assured that we will get, if you like, the outcomes that we are looking for from that money; DCSF do for their learners and we do for ours. If you are running an FE college, in practice, your operation is much more integrated than that and you probably do not have one set, some do, but you may not have one set of teaching staff devoted to 16- to 19-year-olds and one above that, you will have students who start courses at 18 and go on to 21 and all of those sorts of things that happen, so we have been very clear to colleges that, whilst they will need to account for their outcomes, when it comes to running a college we are not expecting them to run two entirely separate bank accounts with two separate pots of money which never should be brought together; that would be impossible. We work through those sorts of issues and, at the margins, there are issues, including one under discussion on learning difficulties at the moment, where there are some groups who go to 25 and so on. Now, we are not entirely sure that we have got that interface right at the moment and we can sit down and talk about it, though I cannot tell you what the outcome will be, but we have ways of resolving those issues.

Q133 Mr Marsden: Mr Watmore, when I asked you last week about the issue of the underspend on Train to Gain and the overspend on HE, you said that that was because Easter had come early, and we now know today that that was only part of the story. Were you aware last week that in fact there had been a twofold division between the underspend on Train to Gain and the overspend on HE?

Mr Watmore: No, as I said, my memory of the situation was the specific one that that was the issue—

Q134 Mr Marsden: So you had no memory at all of the fact that there had needed to be this money being diverted into HE?

Mr Watmore: As I said to you last week, the adjustment at the end of the year was to balance the books and my memory at the time was of the specific reason for the 31 March problem. I subsequently went back and I said, however, that I would check the number and, if that was not the full story or was incorrect, I would clarify, and that is what I did.

Q135 Mr Marsden: Of course one of the reasons this issue was raised last week was because of a piece that appeared in the THES at the end of July, raising this issue of the underspend and the overspend, and we have had a two-and-a-half-month period since then where, as I explained last week, I and other colleagues have had this concern raised with us by FE colleges and others. Given that actually the story now appears not to be a bad one for FE colleges and all the rest of it, as the Secretary of State has explained, why did it take two and a half to three months for your Department to clarify this?

Mr Watmore: Again, at the end of the financial year, as the Secretary of State has said, we make adjustments. In the big scheme of things, the amount of money that we are talking about is a relatively minor adjustment for a department with a £20 billion budget, and the abnormal thing that was brought to me at the time was the specific issue of 31 March, and that is why I recalled that fact with the answer, but in general, as John has said, we have to balance the books throughout the year in the broad areas of—

Q136 Mr Marsden: But you surely have to have a view as to the impact on morale in the FE sector which has been affected by this misunderstanding?

Mr Denham: The £115 million, when that was reallocated for Train to Gain, was made public at the time and I did that myself in, I think, June. When the story broke in the papers in August, which clearly at the time overstated the problem, I remember my colleague, Bill Rammell, also putting out a statement then about what had happened. Also, as you would expect, he spoke, as did officials, to David Collins at the AOC to explain what the position was,
so I myself thought that within the sector there was a reasonable understanding of what had happened and the confusion of the two issues, that the year-end accounting changes with the switching money backwards and forwards and the issue of actual permanent transfer, as the Chairman put it, got mixed up together as people went through the accounts in the summer, but certainly at a ministerial level we did put out statements both at the time of the reallocation of the £115 million from Train to Gain to the HE sector and Bill Rammell, when he was the Minister of State, did deal with this issue in August.

Q137 Mr Wilson: Secretary of State, we all sympathise with you in that putting a new department together is a very tricky operation, but do you have any feeling that that operation was rushed?

Mr Denham: Well, with a new department, it sort of starts from the day that it is announced, so it is almost impossible. I think, to have a new department which does not start from scratch on the first day, it is the nature of the Machinery of Government changes, so whether that means it is rushed, you have to work at it very hard and very quickly indeed. One of the reasons though that, I think, it went pretty well is that we did not try to reorganise all the component parts on day one. Now, you can argue this both ways and some people might say, “You have got new functions and a new role, perhaps you should have new director generals, new structures and all the rest of it”. We took a very conscious decision not to do that and the benefit of that last year was that the main delivery parts of the organisation, I think most people say, continued to function and function well and to show improvements in their areas of activity. Where you inevitably lag behind is that some of your core central services and support are not in place on day one. You do not have an office building on day one, so your staff are scattered between different locations, you are borrowing other people’s IT systems, you do not have a core press office and communications function. It is very difficult to see how these things can be done differently, given that there is always a day on which the new department is announced, and those are problems that you have to work through.

Q138 Mr Wilson: But there do seem to be some big issues bubbling up. We talked about budget pressures of last year, but there were reports at the weekend that there are big budget pressures on higher education in the coming year, and presumably that is nothing to do with Easter because Easter is April this year, so what is the reason?

Mr Denham: The reason, I would say, is nothing to do with the formation of a new department. If we look at the student finance pressures, the history of this goes back to the data that would have been available when the grant was significantly increased in value in 2006/07. By definition, if you increase the grant from £1,000 to £2,700, the data you have available to predict with absolute precision the number of people of each income who are going to be in the system is not going to be 100%. You can only have 100% accurate data if you have already been running the system for some time. Now, this predates the Department. The issues that we face would be faced, frankly, by a Secretary of State in the old Department had there been no changes at all, so I do not actually think that this has got anything to do with the formation of the new Department.

Q139 Mr Wilson: Can you then just confirm, which I think you were hinting at in your answer then, are you considering cutting the student grant criteria?

Mr Denham: Well, what we have said in the paper is that the top threshold will now be £50,020 for the grant, and that is substantially more than it was in 2007/08 and it means that everybody up to about £58,000 will have higher levels of total support than existed in 2007/08, but of course that is an adjustment compared with what was in place for students who went to university this year, and we have done that, as we made perfectly clear, to get the right balance between my decision to spend more on student finance because of the number of low-income students in the system and the need to make some changes to the student financial support system so that the system comes into equilibrium.

Q140 Mr Wilson: So the answer to that question is actually yes, you are?

Mr Denham: We are making changes, and in my statement, which you have, it says very clearly that we are amending the regulations to student financial support.

Q141 Chairman: Just to clarify, it is coming down, Secretary of State, the financial income threshold for partial grants, from £60,000 to £50,020.

Mr Denham: That is right, but the key thing I would point out, Chairman, about this is that we are not changing the lower threshold, which is the threshold for the full grant, and that remains at £25,000. Secondly, we are still hitting, in fact we are bringing in line, our original intention that two-thirds of students should get a full or partial grant, so the underlying commitments are ones that we set out in July 2007.

Q142 Mr Wilson: Can you also just be clear on one other thing. Is your Department thinking of freezing English university places?

Mr Denham: No. The statement says very clearly that HEFCE will allocate 10,000 and no more than 10,000, but 10,000 extra places, full-time equivalent, for entry next September/October.

Q143 Chairman: Secretary of State, there appears to be a £100 million projected overspend for next year in terms of HE. How are you going to finance that? Is that going to come out of Train to Gain as well?

Mr Denham: Chairman, we have to look at the budgets available to us and we are looking, firstly, at the departmental unallocated provision, and we
obviously carry some reserves and, therefore, one of my responsibilities with the Accounting Officer is when does one plan to deploy those reserves, and that is the first thing. Secondly, within the system we have significant progress on our targets for cash-releasing efficiency saving, so obviously we will look at places where genuine efficiency savings can be made to produce cash, and then we will have to look at other parts of the DIUS budget. Now, what I have tried to do in the statement is set out some principles that should guide us on that. We do not want to breach the science ring-fence, we want to maintain the policy of the real value of the unit of funding in higher education, we want to continue to be expanding higher education opportunities and we want to continue to expand opportunities in further education and Train to Gain, but we will have to work through this and we will make the announcements about any further changes in budgets in the appropriate time in the normal way.

Q144 Dr Harris: In your statement, where do you say that the upper limit on the threshold, the top limit for the partial grant will be reduced from £60,000 down to £50,000? I do not see the top limit.

Mr Denham: What the statement says, Chairman, is what the top limit will be, which is £50,020.

Q145 Dr Harris: So you have to read in that that is a reduction?

Mr Denham: You are clearly, as I would expect, Dr Harris, very informed about the details of the system, so this is setting out what the system will look like, which is what we set out in the statement.

Q146 Dr Harris: So, as long as everyone is as informed as members of this Committee, they will work it out?

Mr Denham: I think you will find, Dr Harris, that, on the websites and the places where it matters, this information is very clear.

Q147 Mr Boswell: I have a couple of points, Secretary of State, and one is: have you now departed from the principle of linking the top threshold to the child tax credit threshold; and, secondly, what on your modelling is the number of people or families who will lose out under these arrangements, notwithstanding the fact that obviously there will be gainers as well as people who lose out?

Mr Denham: The point that I would stress is that the system remains substantially more generous than the one that operated just two years ago in 2007/08, that is the first point to make, because the maximum earnings is much higher, the number of families covered by this has gone from 36,000 a year up to people on 50,000 a year and there is an eligibility for higher loan levels, so, compared with just two years ago, it is a much more substantial package, but the key question which you obviously raise is: what are the group of people who would have got between £50 and a few hundred pounds perhaps in that period between 50,000 and 60,000? You will forgive me for saying there is some imprecision in this, but we could be upwards of 10% of the intake of that year.

Q148 Mr Boswell: So that is 100,000-plus?

Mr Denham: I think that would take us to around 35 to 40,000, but it is not going to be clear. Chairman, and I want to make that clear, until we have the data coming through from the processing of this year’s grant applications on the current system to make that sort of application.

Q149 Dr Gibson: John, if we can change tack a little, you made a speech in September in Cambridge on seven lots of blood, seven new reviews, which is a heck of a lot. How did you come to seven, how did you choose them and what was the point of them?

Mr Denham: Well, the background, Chairman, as you know, is that next year we will have to initiate at least the look at the fees policy and the financing of higher education. I have been very keen, as Secretary of State, to make sure that that debate, when it takes place, takes place against a clear background of understanding what we want from the higher education system. We set out earlier this year the big question, if you like, which is: how do we ensure that our university system is world-class in 15 years’ time? I believe it to be world-class today and for the whole university provision we want to be that good in 15 years’ time. As part of that process, we looked at areas first where policy had not been looked at recently and we invited people from within the university sector, mainly vice-chancellors, to produce think pieces, provocative pieces about international higher education, about the quality of the student experience, the use of IPL and so on. Having done that work, which I think is very good and is now becoming publicly available, we then thought, “Well, we should probably get some people who are outside the university system to tell us what their expectations would be”, so we went for somebody from the arts and cultural world, like Nick Hytner, we went for John Chisholm, we went for effectively the Permanent Secretary in the Indian Ministry of Science and Technology because we thought it would be useful to have an overseas view of what they were looking for from our system, so, in a sense, it was not a set number, but we went through different voices. We wanted SMEs, we wanted high-tech, we wanted the creative industries, we wanted the cultural view and we wanted international views.

Q150 Dr Gibson: It smells like the question: what is higher education for? Is that what it is all about? Are you suddenly asking that question after all these years for the reasons that the students now have to pay money upfront and it had better be value for money? Is that what your thinking is deep down and this glosses it all over?

Mr Denham: No, it is the real question of how do you maintain a world-class higher education system in 15 years’ time. In virtually every country that aspires to be advanced and influential, higher education is going to be more important, not less important, so those countries over the next 15 years
will be, and are, investing money and, therefore, we have to ask the question: what would our system look like and, therefore, how do we finance it?

Q151 Dr Gibson: So will you find all this out before you decide to put the money in?

Mr Denham: The idea, and, in a sense, it will be the big challenge for me, is to produce a document some time in the first part of next year which sets out the Government’s view of what that vision looks like and what the challenge looks like, and I suppose my test is to get the balance right between being a document which has a consensual basis where there is real support behind it, but which is also sufficiently radical and challenging in the areas where the system may need to change. Now, that is the challenge we have set ourselves in the Review.

Q152 Dr Gibson: So this is not going to put off that decision about increasing the tuition fees or whatever, so it will decide policy which will be reflected in the tuition fees because that is the biggest event that is going to happen next year in Britain?

Mr Denham: It is a very important issue. I need to choose my words with care because I have to remember that I was on the backbenches the last time we debated tuition fees, but I do not want to be too critical of my colleagues—

Q153 Dr Gibson: I remember you well!

Dr Turner:—but, Dr Gibson, you will recall that, in that fees debate, it was not always clear what the question was that was being asked. Were we trying to produce a market system because some people thought markets were better, or was this about getting more money into the research-intensive universities? Was it just a way, the only way, that people think of for raising more cash for the universities, or was there a principle about co-responsibility where the student puts some money in and gets something back?

Q154 Dr Gibson: It kept changing week by week.

Mr Denham: It did change quite a lot, did it not, as the debate developed, and I was determined, perhaps with the advantage of coming to this from the backbenches, not to have a rerun of that next year. I thought that where we should get to is that this is what the Government, hopefully with widespread support, wants to achieve in higher education over the next 10 or 15 years, so now let us have a proper debate about how we pay for it.

Q155 Dr Gibson: HEFCE—changes taking place? David Eastwood has moved. That is a coincidence, is it not?

Mr Denham: Well, I have a huge regard for David Eastwood. I do not blame him for going for a top university vice chancellor post, but I am absolutely clear that HEFCE’s role—

Q156 Dr Gibson: Very soon.

Mr Denham: He will not go until April which means, I think, in practice, that he will have a huge influence over the document we have just been talking about, and that is the first point. The second thing is that I am on the record as saying that I and the sector will want somebody of his stature and quality taking over. We have no significant, or even minor actually, changes planned for HEFCE. Its role is crucial between government and the autonomously led universities and, without that, a huge range of decisions will come back to government that we would not want to take and which we should not be taking, so HEFCE has a hugely important role for the sector and for government, and we will do nothing to upset that.

Q157 Dr Gibson: So there is no question of eliminating HEFCE from the equation?

Mr Denham: Absolutely none, absolutely none.

Q158 Dr Gibson: Let me turn to another subject, one which I think you are interested in, and that is degree classification. What responsibility do you have for that? After all, you have said that universities are autonomous, so leave them alone and they will turn out the number of firsts that they think they should or which are worth it even.

Mr Denham: It is a very good question, if I may say so, because it is primarily and fundamentally a question for the universities themselves. I think that ministers have a role sometimes in stimulating debates about issues and in challenging the sector to confront an issue, and I cannot remember the exact history, but I am fairly certain that there was some ministerial encouragement for the formation of the Burgess Committee and its report, but ultimately the ownership of it and what universities decide to do has to be in the ownership of universities. If ministers start trying to determine these things from the centre, we will get into a much worse position than we are in at the moment. Now, as you know, the outcome of that process is that, I think it is, 18 universities are trialling extra information to see how that goes, and the unknown question in a sense is: for the employers and other people who read those reports, will that turn out to be useful, that the focus is less on the narrow classification of the degree, or is the demand out there still going to be for a simple classification of degree?

Q159 Dr Gibson: Peter Williams has used the words “the rotten classification system”. Let me ask you, do you think a 2:1 at Southampton in his subject or is the demand out there still going to be for a simple classification of degree?

Mr Denham: I think the words “more valuable” are what is so dangerous about this. I think it is important—

Q160 Dr Gibson: Well, for the employer then? Let me qualify it. The employer looks at it and says, “Dundee—I wouldn’t have them”.

Mr Denham: What really does worry me is if employers assume that they know what a particular university offers and have not looked recently. Our universities are not the same, so a 2:1 at one university may reflect a different type of study, a different relationship to vocational education, a
different balance of academic and research from other types of skills, and what is crucially important is that the employers have enough information to understand what it was that particular universities were offering in the courses that they offered. There is a danger of assuming that all of our universities are the same, that they all offer precisely the same type of education and, therefore, simply the label, “You got a 2:1 in X” should tell you everything you need to know. That is not true and it does not mean that one lot is better than the other, it is that they are different and to understand the difference is important.

Dr Gibson: So what do you think of the external examination system then when they are made to come and examine all your undergraduates and they do not examine every one? You know the system as well as I do, there is a lot of bias in it—

Chairman: Allegedly!

Q161 Dr Gibson: Yes, allegedly, a large part of it, so, if an external examiner refuses to sign off the scripts and the classifications, what can we do about it? Suppose they say, “There are more firsts here than you’ve given”?

Mr Denham: This is a very similar area, Chairman, I think, where my job, as Secretary of State, is to raise an issue and say to the sector, “You can’t ignore this type of issue”, so over the summer I was very clear that a succession of events with alleged whistle-blowers claiming that this had happened or that had happened was in danger of doing serious reputational damage to our university system, not so much, I think, in this country, but, if you looked, as I did, at some of the overseas websites and the things that were being reported and the stuff that was being published without qualification, it was a matter of concern. I said that I thought the university system needed to have a quicker way of dealing with these issues and, in particular, the QAA should have a less cumbersome process of engaging in these issues. Now, I have put the issue on the agenda. What has happened, and this is the right process, is that the Funding Council, who have the responsibility for the track to the QAA, have asked the QAA to look at a series of issues, including the external examiner issue. They will report, I think, at the end of the year on the extent to which they perceive there to be a real, or perceived, problem and then there will be the discussion between HEFCE and QAA about what the response should be. Now, sometimes, if you are an activist minister, you think, “I’d like to dive in there and tell them to do it this way”—

Q162 Dr Gibson: That was a venture(?) with Chris Patten, quite a venture.

Mr Denham:—but I do not do that. What I do is I raise an issue and I put it on the agenda. Do you want me to talk about Lord Patten?

Dr Gibson: No. I am tempted, but we will leave that for another time and another place!

Q163 Dr Turner: John, the problem of getting kids from lower socioeconomic groups to take up a university education is as old as my memory, which is quite long, and it does not seem to be getting that much better. Although your departmental report complains that the gap has closed by 3.5 percentage points. That is not actually borne out by the Director of the Office of Fair Access to Higher Education, who says that the proportion of applicants has stayed stable, and the UCAS figures bear him out. What is your assessment of the situation, John?

Mr Denham: My assessment is as in the annual report, that, if you take a consistent time-line of the number of people from the bottom, I think, four socioeconomic groups, there has been, not spectacular, but steady progress over a period of time, so I think we have made real progress in widening our participation to higher education. Where we have made less progress is on the issue of fair access, which is the participation in the most selective universities. It may have been that Martin Harris was referring to that, but, without going back to his original thing, I would have to check on that.

Q164 Dr Turner: But whoever is exactly right on the figures, the improvement is marginal at best, if it is really there. What plans have you got to address the problem? For instance, it is commonly said that one of the biggest barriers is the perception of people from low income families or working-class families, that they are afraid of coming out of university with a large debt and this deters them, or it is often quoted as one quite important factor, and another obviously is the question of sheer aspiration, so what plans do you have to try and get round this difficulty and markedly increase the level of participation?

Mr Denham: There is no really strong evidence that the issue of debt is a decisive factor for those who decide, when they are qualified and able to do so, not to go to university. It is a minor factor in all of our assessment, which does not mean that people do not raise issues of finance, but, if you actually look at the evidence as to what actually makes somebody decide, debt is not the major issue. The biggest issue we have got is about aspiration and also about talent-spotting and achievement, and that is why so much of the effort that we put in through Aim Higher, through the work of individual universities, through our encouragement of links with academies and school trusts and the encouragement of summer schools and so on is aimed at working with schools to identify those young people with the ability to go to higher education who might not otherwise do so because they have not got the aspirations to do so. The second part of that is the issue of information, advice and guidance, which we talked about earlier, but certainly, if we are looking at some of the more selective universities, the actual choice even of GCSEs, but certainly of A levels, can be quite a determining factor in whether somebody is able to apply or not.

Q165 Dr Turner: In my day, it used to be whether you went for Latin or not.

Mr Denham: Well, that may have passed, but it may certainly be a combination of science and maths A levels and the pure subjects as opposed to something studies and whatever. There are different lists at
different universities and it is undoubtedly the case
that some students get themselves into a position by
the end of the first year of the sixth form when they
have actually ruled out some options in university
entry without ever realising they have done so.

**Q166 Dr Turner:** Yes, that is quite true. Do you have
any target figures in mind for widening
participation?

**Mr Denham:** Our overall target is to get the
participation rate of 18- to 30-year-olds to 50%, ie,
by the age of 30, 50% of the cohort will have
participated in higher education.

**Q167 Dr Turner:** Yes, but specifically from lower
socioeconomic groups?

**Mr Denham:** We have not broken it down in that
sort of detail, but, given the disparities of
participation rates by socioeconomic groups, it is
fairly clear, I think, that, in order to achieve that
target, the growth will come from the lower
socioeconomic groups.

**Q168 Dr Turner:** There is one thing which is
definitely a problem in terms of student support in
that, since it is provided by the universities, those
universities that are taking more poorer students, by
definition, cannot give as generous bursaries as those
taking smaller numbers of poorer students. Do you
think that this is a problem?

**Mr Denham:** Well, I am not convinced that the
alternative, which would be essentially to have a
national system of bursaries which then would
become effectively an additional part of the student
financial support system and wholly integrated to it,
is a better alternative than universities running their
own bursary systems. We are still at very early days
and one of the reasons that Parliament took the view
that the fee system should not change until 2010 at the
earliest was that we needed to get much more
evidence than we have really got at the moment
about the interaction between bursaries, the
decisions that students take, widening participation,
the selection of different universities and so on, so I
think we do need to let the system run still a bit
further to analyse that information and to see how it
is working.

**Q169 Dr Harris:** First, dealing with this question of
the 50%, that is going to take an expansion of higher
education. I think in the statement that you put out
today, you say that you are decelerating the
rates of expansion and the desire to maintain the
quality of education. Now, I think we have made the
right choice there.

**Q170 Dr Harris:** So it becomes an aspiration rather
than a target because you are going to be limited.
Can I just ask you about this issue of widening
participation and the figure. I have the departmental
report, which states, and I quote, on page 69, “The
gap between 2002-03 and 2005-06 in participation
among young people from higher and lower
socioeconomic classes grows by 3.5 percentage
points”, and then it says, “Table 1 shows the
proportion of young, UK domiciled entrants from
state schools and disadvantaged groups to full-time
first degree courses at universities in England”.
Firstly, table 1 does not talk about higher and lower
socioeconomic classes, so it does not relate to the
figure in the sentence before and certainly you
cannot see a 3.5% gap closure there, even if it were,
so can you defend, as I imagine you would want to
defend, as the Secretary of State in charge of the
Department that has science in its remit, the
assertion that you make that the gap has closed by
3.5 percentage points?

**Mr Denham:** I am not sure if I can do it, Chairman,
from this particular set of tables because I think it is
one of those questions where, frankly, I would have
liked to have had notice that we were going to go
through them in great detail, but I am happy to write
to the Committee setting that out. The figure that we
have generally used, but I am not saying that it is not
in the report, is that there has been an increase of
nearly two percentage points since 2003 in the
younger students from lower socioeconomic
backgrounds. Now, there are issues here, as you
know, about the changes in categorisation which
happened between 1997, 2002 and then 2002-03. We
have an increase in the number of young people
entering university for the first time from state
school, which has risen by over six percentage points
from 87.2% in 2006-07, but of course state school,
one indicator, does not of itself directly indicate
socioeconomic categories.

**Q171 Dr Harris:** Well, let me give you some other
data. I do not know if you have seen a House of
Commons Library paper, I think you have now got
it, which is dated 24 April 2008, and it has been there
for a while, and in table 2 that does give the
breakdown according to socioeconomic group—
this is on page 9—where it says, in group 7, for
example, 5.6% in 2002 and 5.8% in 2007. Well, that
is a 0.2% change, and I think the reduction from the
top class, as it were, is one of 0.4%. Well, if you add
those two together, you get a 0.6% change, not a
3.5% change, in the language you use in your report,
from higher and lower socioeconomic classes and,
even amalgamating them in some way, one to three
to four to seven, you get hardly any change at all.
Now, unless the Library has got this wrong, and at
least it has given the data and its source, which is
I think it would be far better, Chairman, if I could, to look at the annual report and the 3% figure. The figures that I have here are in my briefing for this meeting, which are the ones we normally use, for example, for oral questions and news, actually do not use a 3% figure. The standard ones we tend to use are the increase in numbers from state schools, and that is 81% to 87.3%, that is from 1997–2008 and 2006–07, from lower socioeconomic classes, where we go from 27.9% in 2002–03 to 29.8% in 2006–07 and from low participation neighbourhoods 11.4% in 1997–98 to 13.5% in 2005–06, so none of those figures is 3.5%, so it is not immediately obvious to me and I would like to go back and look at the source of that figure and that analysis.

Q172 Chairman: I think it would be far better, Secretary of State, if you could actually send us a note.

Mr Denham: I could, but could I challenge the point that there is any complacency here. Where, I think, we are, however you look at these figures, you see steady improvement on each of the measures year on year. What we now understand, and I think we understand this much better than some years ago, is that performance in this area, you are talking very often about changing the aspirations of a 12- or a 13-year-old, you are talking about working with their school to make sure that that ability is nurtured, and it is years before they turn up as an entrant at school. Where, I think, we are is that there is far more university activity taking place, it is much more structured and will produce the results, but I would not like to pretend to the Committee, Chairman, that this is not a fairly lengthy process in the lives of individual children, so I assure Dr Harris that there is no complacency here at all.

Q173 Dr Harris: Would you agree that in future it would be best to take one measure and stick to it because, otherwise, there is a risk of doing what politicians do, which is to choose a measure which suits you in any one year? I have done it in my time, you have done it in your time, I am sure, but we expect departmental figures to be consistent, so take one measure and stick to it.

Mr Denham: Again, I need to look at the report because I have not memorised it in front of me, but my memory is that we have been pretty consistent over three measures: state schools; the top three and bottom four socioeconomic groups; and deprived neighbourhoods. Now, the reason for keeping all of those in play is that they tell you different things about how the system is operating, and most of us would recognise that, in some ways, the deprived neighbourhood challenge is the biggest challenge of all of those because that is where the young person is least likely to get the reinforcement of others in their peer group, others in their cohort, saying, “We are going to university”. Take the same child and put them in a school where most children are going to go to university and they are much more likely to...

Q174 Chairman: I do not really want to pursue that because I think we have got from the Secretary of State that he is going to give us a written note on this. Indeed, it would be useful, Secretary of State, if you could also, in response to us, give a response to this business of consistency of statistics because I think that is a very fair point.

Mr Watmore: Chairman, I just wanted to add that the Public Accounts Committee have just done a report on this very subject which has a lot more detail on it and you may wish to look at that.

Q175 Dr Harris: These young people from poorer neighbourhoods, as it were, may well go to their home university and in fact we know that there are some universities which have huge numbers, much higher proportions, of young people from poor economic backgrounds than others. Is it fair, as Des Turner intimated in his question, that, because of the local bursary system, those universities end up only being able to afford to give much smaller bursaries than those places which do not rely on a hinterland, like Oxford and Cambridge, because they are not big cities and, therefore, take far fewer? Is that not the overriding message from the HEPI Report, that it is just unfair on those universities and on the students who find themselves going to those universities?

Mr Denham: Well, I think that, if we got rid of the bursary system or made it a national one, we would have to make it part of the national student finance system and it would not really exist, except as a bureaucratic administrative procedure, in any other way.

Q176 Chairman: Would that not be sensible?

Mr Denham: The original reasoning behind the bursary system was to encourage universities to be able to target students who might not otherwise apply to those institutions and to encourage them to go there. To the extent that some of the most selective universities do offer higher bursaries, the principle or the thinking behind it was that this would enable them to offer a great incentive to the appropriate young people who might not otherwise go there, and there is an issue and an advocacy of fairness there too. Now, my view, Chairman, is that we put this system in place a couple of years ago, we will look at the whole issue of fees and bursaries, the lot of it, next year and I do not think that any of us have yet got sufficient evidence about how the system operates, its behaviour effects or its impact on students, to make a firm judgment about it, so I am going to park this, if I may, with the rest of the fees debate until we look at it next year.

Q177 Dr Harris: My final question is about the eligibility for grants then. In your statement, you say that you are freezing the upper limit of £25,000 for the full grant. Would you accept that that means that, for someone whose standard of living stays the same because they just get an inflation rise in their family income, they will fall out of that group? Do you accept that freezing at a fixed amount does mean that eligibility reduces even for people on the same standard of living?
Mr Denham: If wages move, if individual circumstances move, people will find themselves in a different position here, but let us not forget that we are talking about a huge increase from a limit that was about £17,500 just two years ago and also it does mean that we are significantly exceeding our initial aspiration, which was that a third of students should get the full grant.

Q178 Chairman: Secretary of State, I think you have accepted Dr Harris’s point. There was just one comment that the Committee were very concerned about, and this was from the Vice Chancellor of London Met when he said that there were more black Caribbean students in one university than the whole of the Russell Group. Does that worry you and would it be possible for us to have a brief note from you as to how in fact you are dealing with that issue of ethnic minority students in the Russell Group universities?

Mr Denham: I would be more than happy to write to you, Chairman, but I will make the point that it goes back to your opening remarks. Prior attainment is a very significant driver on which universities people go to and whether they go to university, so this is one of the huge areas where our co-operation with the DCSF is very important.

Q179 Mr Marsden: Secretary of State, in March your Department published the New University Challenge, ideas for bidding for new centres of higher education. As you know, I and my constituents in Blackpool have a particularly strong interest in this because my FE college is one of the best way of deploying their resources. I would think they should have a regional structure as opposed to people who are clearly allocated to regions and then is on a formula basis has for the universities and now is on a formula basis has for the universities to business development to job creation.

Mr Denham: My view certainly, Chairman, is that the offer of a university education, and we are not, as I think everybody now understands, proposing a whole range of freestanding universities, but a university offer has a significant role to play, if done well, in economic development and regeneration as well as in widening participation, and that is why there is such a significant demand for this, which we have reflected in our policy, from areas that do not have a university offer, a university, college of some sort or another, so I think we are pretty convinced that the basic principle is right. Now, it does not, I think, follow from that that you automatically, just by doing this, will have all these regeneration or innovation effects. It does not, I think, follow from that that you automatically, just by doing this, will have all these regeneration or innovation effects. What we have done—and what the Funding Council is now taking forward—is to say, “Look, if you actually look at the money, for a start, these are only really likely to work where you have very significant business buy-ins and where you have engagement from the RDA.” So it is at that stage in the process that you would be expecting the Regional Development Agency on the first hand to say, “Does this make sense in terms of our regional innovation strategy and our education strategy?” I think those partners need to take their responsibility for assessing whether this actually fits.

Q180 Mr Marsden: I know that my colleague Dr Roberta Blackman-Woods wants to come in further on this but can I ask a quick supplementary on that one? In order to do that effectively—and I entirely agree with everything you have said, it is particularly relevant in my own region in the northwest—would it not be better if HFCE had a stronger regional presence on the ground? As you know, at the moment it has no regional structures whatsoever, no people on the ground, and so would it not be better to make sure that they were in the regions in the same way that the LSCs had been?

Mr Denham: I think the relationship between the Funding Council and the regions is different because the funding system and the nature of the funding relationship are different. We would certainly expect the Funding Council to be well informed about regional needs and regional views when it comes to taking decisions. The decision about whether they think they should have a regional structure as opposed to people who are clearly allocated to regions and then is on a formula basis has for the universities in the past they have formed the view that that is not the best way of deploying their resources. I would not read into that the idea that the Funding Council has no sense of region.

Q181 Dr Blackman-Woods: Secretary of State, a number of RDAs put universities at the heart of regeneration in their region. Given what you have said about their own business, are they right or wrong to do that?

Mr Denham: I think they are as long as they do it properly and they make sure that the centre of universities is properly integrated into wider strategies RDAs are right to do that.

Q182 Dr Blackman-Woods: Surely what is critical in this is getting the transfer of knowledge from universities to business development to job creation. Are you satisfied that DIUS and BERR are working closely enough together and that they have the structures at regional level in order to deliver that knowledge transfer?

Mr Denham: Yes, I do. I think it has to be an area where we talk about the progress that is being made rather than saying that we are there; but the introduction of the Higher Education Innovation Fund, which was first brought in on a bid for basis and now is on a formula basis has for the universities transformed their capacity to do knowledge transfer. The development of innovation vouchers, which we have tested in the West Midlands and we now want to extend with RDAs across all of the
English RDAs have brought in people, particularly from the higher tech SME sectors to universities that has not happened previously. The work that Professor Paul Wellings, the Vice Chancellor of Lancaster, has done for us on intellectual property and universities has interestingly concluded and countered, as it were, a lot of common sense views, that we are rapidly closing the gap with other leading countries on our successful exploitation of intellectual property and within a very short period of time will actually be performing at the level of the best. So all of that suggests a changed landscape for knowledge transfer over the last few years and I think that is very, very good.

Q183 Dr Blackman-Woods: I think critics say that we are tinkering at the edges and what we are not getting is the big business buy-in to knowledge transfer and I wondered if that was something that you would accept or not?

Mr Denham: No, I would not accept that at all. I would never say that things cannot be improved but if you look at the large companies—the pharma companies, the IT companies and so on—that you will find engaged in somewhere like Cambridge and the whole of that wider region they are buying in on a massive scale and they are developing all sorts of additional relationships with spin-out companies, with university research departments, with the wider pool of knowledge in the area. So I think there is huge engagement and one of the reasons that is regularly given by inward investing companies into this country is the quality of the research base and the UKTI have reported on this regularly and it is a product of the doubling of the science budget.

Q184 Mr Boswell: Do you feel that in any way the autonomy of higher education institutions inhibits this process or in practice there is no profit from it?

Mr Denham: I do not think it inhibits it in the sense of being a fundamental obstacle but I think that some of the review papers that we have written pose some challenges. So one of the things that Paul Wellings has proposed, for example, is that he says a university with a small tech transfer office cannot really do the whole of the job. So it might be better to have tech transfer offices located at a number of effectively hub universities which service tech transfer across a wide range of institutions in their area. If you want to say does autonomy mean that that is a process of negotiation and discussion if we go in that direction, yes, it does. Do you mean would it be better if I could tell them they have to do it? No, probably it would not. So I think we are better off where we are.

Q185 Ian Stewart: John and Ian, good morning. John, we all support the thrust of the government policy to allow wider access to further and higher education and to make the experience both enjoyable and effective for students. The strategy is employer-led and is based on employer demand. We have interviewed different employer organisations like the CBI, the Chamber of Commerce and the Federation of Small Businesses and we have some evidence from, for example, Vice Chancellors, questioning the commitment of employers and indeed the understanding of employers about further and higher education. For example, John Brooks, the Vice Chancellor at a university in my own area of Greater Manchester, Manchester Metropolitan University, has said that employers have been quick to criticise university provision but they have not been so quick to engage with universities to try and tackle this. What will the department do to try and involve employers more within the system?

Mr Denham: If I can list a number of things. One is that we asked our Funding Council this year to put money aside for 5000 co-funded degree places or higher education places between employers and universities. That has been massively oversubscribed—I think, if I remember, the figure is about 8000. So there is far more interest out there in working with higher education in newer ways than people perhaps at first anticipated. Secondly, we are close to finishing a higher level skills strategy, which has been produced in consultation with the university sector and with business about tackling these interface problems. Thirdly, I think as a result of our engagement in this area the CBI and UUK are working directly together on better ways of collaborating and that is one of the areas where it is good to see people owning the problem. Fourthly, in different sectors of economic development government is trying to provide the forum that brings people together. So the Office of Nuclear Development, for example, in BERR actually brings together higher education institutions that may have an interest in supporting the engineering side of the nuclear industry with the main companies that will be involved. By and large it is not for us to be solving the relationship problems between them; it is to get people together and working it out. The reality is—and I have said this over the last year—for every university that says, “Business does not understand us” you will find somebody in business saying, “Universities do not understand us.” We have to oil the wheels between the two.

Q186 Ian Stewart: Is not one of the problems that the different employer organisations representing different sections of industry have different demands? The larger employers seem to be at ease with the government’s intention that people should gain skills for their job, but also transferable skills that will allow them to move from job to job. The smaller end of the industry, which probably represents more than three-quarters of the workers in industry are more interested in, “We want the skills for this particular job and we are not really interested in transferable skills that will help the employee.” So how do you reconcile, John, what role is the department to play in helping both the industry sector and the universities because I am conscious you say that it is not really the role of the department.

Mr Denham: In the sense that the relationship has to be delivered between the business and the university that is the case, and we cannot substitute that
process. But what we do is we provide the mechanisms that enable that relationship to get better. So, for example, the creation of foundation degrees has led to a growth of new qualifications, often developed in a fairly bespoke way for employers at quite local level. So at the University of Derby, for example, you can do a foundation degree in miner engineering, in quarrying. It developed for the industry in that region with employers. If you go to universities at Greenwich there are foundation degrees there developed for the local employer community. So while we are not where we want to be there are many examples of good relationships developing. The introduction of the co-finance courses again has focused people’s attention on new ways of developing this relationship and our higher level skills document, which we will produce soon, will set out more of the practical things we can do to encourage that relationship. So I acknowledge the issue but I also think that even in the last year the level of practical engagement between higher education and business has improved enormously.

Q187 Ian Stewart: Can I finally put this to you? Looking at the more strategic role you say that they have in place, when the department has set up its shape and structure review it has, I suppose, chosen seven business people to comment as users of higher education on that review. Why was there no consideration of trade unions or perhaps non-statutory sector people or people from civil society, to get the balance right?

Mr Denham: Nick Hytner from National Theatre is regarded not so much as a business user in this case so we did broaden it, but I think the point that is being raised, Chairman, is one that we acknowledge. We do not want to do something artificial but we are giving consideration as to whether there should be other voices in from the user point of view.

Q188 Mr Marsden: John, one of the things that the government is saying in raising expectations is that the local authority is going to take over a large chunk of FE College funding for 2010. What do you think is going to happen in that scenario to adult learners over 19 years of age?

Mr Denham: I think that over the same period of time the funding system for adult learners will become more flexible because we are moving from the LSC to the Skills Funding Agency and that will enable us to be more responsive. I think that one of the longer term benefits is the existence of coherent 14 to 19 strategies should reduce, when put together with raising the participation age, the number of people who are coming in to adult provision having not achieved a reasonable level of qualification at school. So I think there will be benefits from that. I do not think that there are any problems for the colleges themselves that would be unmanageable in that relationship.

Q189 Mr Marsden: I share your hopes in that area but I think there are two very practical things which have already been flagged up by the FE sector—not least by my own FE colleges but I know others as well—and they were raised in fact on the draft Bill. One is that when you have, as most FE colleges have, split local authorities, possibly three or in some cases even four, what incentives there are going to be to make sure that those local authorities cooperate holistically to make sure that those colleges can deliver properly. Perhaps more hard-headedly and specifically what safeguards are there to make sure that this huge amount of funding that you are now going to make available to local authorities is in a tightening local authority budget crisis actually going to reach people. Because you do not have a ring fencing procedure and we all know what happened to some of the spending on FE in the 1980s with local authorities.

Mr Denham: Chairman, if I may, some of these questions are really for my colleagues from DCSF because the responsibility for that is with that department. They have set out how they intend to ensure that local authorities work together but they have rightly, I think, put the emphasis on local authorities seeking their own ways of cooperating and how they ensure that they will take responsibility through the various performance measures and the rest that they have for ensuring that they get the results they want for the effort that is put in. So in that sense I will say that the details of those questions are questions for my colleagues.

Q190 Mr Marsden: I understand that, Secretary of State.

Mr Denham: A word I might add, though, is where we retain an overall interest, if you like, to maintain the function of, as it were, sponsors of the colleges, particularly the general FE colleges, it would fall to us to act if we felt that actions were being taken which were undermining the viability or the security or stability of an individual college. That clearly had to lie somewhere within the system and that lies with us.

Q191 Mr Marsden: You are confident, are you, that the very dramatic financial changes that have been described in terms of giving this money to local authorities are not going to result in situations where the sorts of problems I have described will manifest themselves, particularly in FE colleges that genuinely want to expand their appeal to adult learners over 19.

Mr Denham: I am confident; I think it will bring a greater coherence into the provision for that important generation of young people. We know that there is a weakness in the system at the moment; that some of those that succeed least well are not really owned by anybody in the system in terms of responsibility and we are addressing that and that seems to me to be absolutely fundamental.

Q192 Dr Blackman-Woods: Compared to higher education institutions are further education colleges over-regulated?

Mr Denham: We certainly would like to see a continued move towards greater levels of self-regulation within the college system. There is a
process which is underway and we are doing it on a step by step basis. One of the crucial issues in the sector is always the extent to which the sector itself takes responsibility for poor performance and the extent to which that remains with us, and I think that that is an issue that is not yet resolved.

Q193 Dr Blackman-Woods: Do you think we are moving away from the situation where further education is seen as the poor relation to higher education, or is that being achieved because we are getting higher education on the cheap through FE colleges?

Mr Denham: No, I think we are actually raising all the time the status of further education and something we have done a lot of over the last year is to make it clear not just that we value the core educational role of further education, but we value the role that further education colleges in particular play within local communities. I have probably been more explicit than any Secretary of State for a long time in acknowledging the huge role that local colleges play as community leaders, as places of social capital—some of the best gun and knife crime work, gang work you see in the country is done in colleges. There is no budget line from the LSC that says, “Here is a bit of money to deal with that”; we just expect the professional leadership of colleges to do that. I am sure, Chairman, that members of your Committee will take part in Colleges Week where for the first time we are actually officially celebrating the role of colleges specifically within the FE system, which is not to take away from the crucial role played by private and third sector training providers, but colleges as institutions have a uniquely important part to play in many of our communities and I really think that our department has probably pushed that message more strongly than has been heard for quite a long time.

Chairman: Thank you very much indeed. You will be pleased that we are not going into science budgets but science policy, which Dr Turner is going to raise with you.

Q194 Dr Turner: Lord Drayson recently swapped his racing car seat for a seat in the Cabinet. He is also a member of the National Economic Council, chairs a Cabinet Committee for Science and Innovation with a mission to integrate science across government. Does this mean that the science part of DIUS is emerging almost as a freestanding entity?

Mr Denham: No, I think it means that the science and innovation part of DIUS has a minister of quite exceptional ability, both in terms of his own science background, his business career and the work that he did particularly on the defence industrial strategy. If, Chairman, we look at Innovation Nation and the amount of that policy that needs to be delivered across government in terms of use of public procurement to drive the market for innovative products, the development of the SBRI and so on, I think Paul Drayson is a huge addition to the team to drive that and is enormously welcome. But it does not mean in any way that there is a separation of those activities from DIUS as a department as a whole.

Q195 Dr Turner: While these activities were in BERR and Lord Sainsbury was the Science Minister there was a freestanding office of Science and Innovation, which covered all the activities that you have just described. Do you think there is any mileage in resurrecting that?

Mr Denham: I do not. You have the critical role of GO-Science—the government office, the Chief Scientific Adviser who is sort of hosted within DIUS but has the autonomy that we all understand, which I talked about last time I was here. Innovation policy and science innovation policy critically has to be integrated into the whole of the government effort. So Paul Drayson’s role in the Cabinet committee is not to be over here somewhere in a separate office saying, “This is a bit of government that has a science policy and the rest of you can get on with it.” The critical thing is to engage the rest of government. We had a very good example of that this week, which was the launch of the electric car project, which has a buy-in from BERR; it has involvement from DIUS; you have the Department for Transport helping to create the market. We are going to need far more of those sorts of farsighted market making activities which pull things through from the fundamental research to the consumer products of the future if we are going to be successful. I think the last thing you want to do is to separate off the science and innovation bit of that into a separate bit of government with no purchase on the rest of the system.

Q196 Dr Turner: How can we expect to see science policy develop, given that Lord Drayson has virtually dedicated himself to continue where Lord Sainsbury left off, and of course there was the Sainsbury Review of Science and Innovation published a year ago? What do you think are the implications for the future of science policy?

Mr Denham: I think what we are going to see is a continuation of the work that David Sainsbury did and which we then took further and broader in the Innovation Nation policy, which crucially began to institute some cross-government mechanisms for making this happen, and also took our understanding of innovation that much broader than purely science-based innovation. I am slightly traducing what David Sainsbury said because he was not that limited, but I think we are more explicit in the wider role of innovation. The crucial task in government I think at the moment is to actually make that policy work in practice. I am not saying there will be no development of policy but we have a pretty good basis of innovation policy analysis set out in David’s report and in Innovation Nation, and I would say that the critical challenge is to make that policy happen in government on the ground.
Q197 Dr Turner: To this day one of the greatest weaknesses in the innovation process is essentially a commercial one and it is small-scale venture capital. Do you have plans within DIUS to address that problem?

Mr Denham: The area that we have concentrated on has been reforming the small business research initiative. If you go to the States—and I went to the States earlier this year—one of the things that is built into the business plans of many innovative start-up companies is the ability to get not a government grant but a government contract at that crucial stage of developing a new product. We have had one for a number of years which has not really played that same role. It has been revamped—the first two projects are now on the TSB website, which went on in July, one from defence and one from health, and that is the particular DIUS contribution to this. Obviously the Treasury have discussions with BERR about wider venture capital policy but our particular contribution is probably more in the SBRI area and the general fostering of the right environment for innovation that has been announced to take place.

Q198 Chairman: Secretary of State when Lloyd Mandelson of Foy in Hartlepool gave evidence before the BERR Committee last week he said that science would be better placed in BERR. Why are you right and he is wrong; or can we say he is wrong?

Mr Denham: I am not entirely sure he said that, Chairman, although I was not at the Committee, but no doubt you can quote it back to me?

Q199 Chairman: Yes, we could do.

Mr Denham: Could I invite you to!

Q200 Chairman: He actually said: “I know, it would be very easy to take you all into my confidence. Look, I will be honest . . .”—which was an interesting statement! And he went on to say that if he had been there at the time he would have argued for science to remain within BERR.

Mr Denham: The answer I would give to that is I have every confidence in you, Secretary of State! The answer I would give to that is I have every confidence in you, Secretary of State! The vision for Science and Society has been criticised somewhat in the press for presenting a view of science from your department that sees it totally as a public good. Is that a fair summary of the government’s position?

Mr Denham: No, we have a consultation taking place to develop a new Science and Society strategy. The critics who were in the press and were kind enough to quote a speech that I made to the RSA earlier in the year, I think it is a false choice between the document we have produced and the views that I expressed there. We have tried to do a number of different things. We are genuinely trying to create a society where there is an excitement about science, its importance is recognised and where that is reflected, not least in the number of young people who study STEM subjects at school and university. But we are also trying to have a society that is mature in its handling of science, so not a society where by having scientists in science saying, “Therefore you have to trust the scientists, scientists are always right” we have to have a society that is confident about understanding what science is telling us; confidence about understanding that scientific method rarely gives you certainty and what it does tell you. What are we trying to do is how do you get those two things? How do you generate a genuine enthusiasm for an engagement with science as well as a society which is mature in the way in which it understands scientific issues and handles scientific information and advice, and that is what we are trying to do. Although the letter that came in from a number of professors of social science was quite critical we took the view that whether they said it was not worth a contribution to the debate or not, we thought it was and we were pleased that they took the trouble to write.

Q201 Dr Blackman-Woods: The vision for Science and Society has been criticised somewhat in the press for presenting a view of science from your department that sees it totally as a public good. Is that a fair summary of the government’s position?

Mr Denham: The critics who were in the press and were kind enough to quote a speech that I made to the RSA earlier in the year, I think it is a false choice between the document we have produced and the views that I expressed there. We have tried to do a number of different things. We are genuinely trying to create a society where there is an excitement about science, its importance is recognised and where that is reflected, not least in the number of young people who study STEM subjects at school and university. But we are also trying to have a society that is mature in its handling of science, so not a society where by having scientists in science saying, “Therefore you have to trust the scientists, scientists are always right” we have to have a society that is confident about understanding what science is telling us; confidence about understanding that scientific method rarely gives you certainty and what it does tell you. What are we trying to do is how do you get those two things? How do you generate a genuine enthusiasm for an engagement with science as well as a society which is mature in the way in which it understands scientific issues and handles scientific information and advice, and that is what we are trying to do. Although the letter that came in from a number of professors of social science was quite critical we took the view that whether they said it was not worth a contribution to the debate or not, we thought it was and we were pleased that they took the trouble to write.

Q202 Dr Blackman-Woods: But would you accept that what they are setting up in terms of their criticism is that there was not really a clear role for social sciences in terms of critiquing that vision and that in fact the vision did not make it clear at all what role you were suggesting for social sciences in explaining the role that science plays in society?

Mr Denham: When you do a consultation document for people to come back and say, “We cannot respond to your consultation document because we do not agree with you” is not really the most productive engagement. Let me make the point, they do not think that social science was dealt with adequately and that is an issue we will take on board. The Chairman knows that we now talk about the research budget rather than the science budget—it was one of the small but symbolic changes that this Committee prompted us to make as part of one of your earlier reports. So we do value the role of social science and indeed the arts and humanities in contributing to the formation of policy across the piece. We will look at their particular criticisms when we come to produce the final document.

Q203 Dr Iddon: John, the government set up three new major institutes for research—OSCHR, TSB and the Energy Technologies Institute. At the same
time the government dedicated six themes where research money should be dedicated and there has been a significant shift of research money in the Research Councils from responsive mode to programme research as a result of that. Is the Haldane Principle not shattered?

Mr Denham: No, it is not shattered, Chairman. I set out in a speech to the Royal Academy of Engineering earlier this year what I thought about the Haldane Principle and I was very happy to restate the core principles of the Haldane Principle, but I pointed out three areas where I think inevitably in the modern world ministers will have a greater degree of engagement. The first was in major projects; so, for example, the Camden Medical Research Centre would not happen if you just said to the MRC it is up to you to make it happen or not. You had to have engagement with ministers across government. The same would be true about Daresbury and Harwell. The second area is that I think it is legitimate for ministers to say, “Look, there are some very, very big questions in our society that we need research to help us answer: for example, climate change; the implications of an aging society and the other cross-cutting areas.” I think that is one of those areas where, provided ministers are open about it and upfront about it, that is a reasonable contribution for us to make. It does not mean that we determine in any way the individual decisions about what gets funded within those programmes and indeed if you look at the cross-cutting programmes the contributions of the additional Research Council budgets were decided by the Research Councils themselves. But I think it is reasonable for us on behalf of the people who elect us as a government to say that we need a part of our science effort organised to tackle these major problems. The third thing I think we were right to do—and I set out in that same speech about the Haldane Principle—was that if you have an overall responsibility for science policy there are times when you will need to raise questions and initiate things. So, for example, as this Committee recognises, my decision to get the Wakeham Inquiry underway, which was taken before there had been any public criticism of the STFC at all, it was just me looking at what they were proposing and saying, “This is going to raise lots of questions about the state of physics.” So it was not for me to step in and say, “You cannot do this, STFC” it was my job to say, “This is going to kick off a debate about the state of physics,” and we then found the mechanism for Bill to come in and do his report. Similarly—and again before there had been publicity—the decision to ask Tom McKillop to lead some work on Daresbury was in response to looking at a situation and saying, “What we might be getting here is not quite what we perhaps had in mind.” It is not for us to come in and say, “You must do this particular thing in this place at this particular time,” but we should at least initiate a process which will guide government policy on the development of Daresbury. So Haldane, I think we are respecting, but I am being very honest that in practical government terms in those areas of big projects of strategic priorities we have an input to make.

Q204 Chairman: But Wakeham in his report about the state of physics did in fact urge the government to redefine the Haldane Principles given the changing circumstances and I think in response to Dr Iddon’s question, are you intending to do that?

Mr Denham: I think this is something we should return to on another occasion. My view is that in that speech I made earlier this year it was done in order to redefine the Haldane Principle and to actually say, quite upfront, there will be major issues like a government decision to have international innovation centres, which will have ministerial involvement, or the International Research Centre in Camden. Government will legitimately say, “We must ask our science base to address some of the big societal challenges that we are facing.” So I felt I had done and, if I am honest, I thought Bill Wakeham’s report was excellent and the one bit I was disappointed with was that he did not feel that that restatement was adequate for his purposes. I would be more than happy to carry on this discussion but I have tried to be very clear about how I have interpreted Haldane.

Q205 Dr Iddon: In this place yesterday we had a very interesting round table discussion involving many scientists from the physics community and a lot of politicians were there too, and the question of responsive mode grants came up. You must be aware, John, as we are, that there is a huge criticism across the scientific community, not just with physicists, that responsive mode grants are contracted to such a degree that looking ahead it might be difficult to provide the researchers for programmes if we do not encourage them to apply for their own grants. I am talking particularly of young scientists. What do you have to say to the scientific community this morning in response to that criticism?

Mr Denham: It is of course for the Research Councils to balance those contesting priorities and to nurture the health of the research base. I think it is an issue in broader higher education policy, which is where a lot of research lies, which we will need to return to off the back of the work that people like Nigel Thrift have done for us when we do the HE framework next year. So I am not sanguine about it but I do think that this is a job that the Research Councils need to take responsibility for managing.

Q206 Dr Iddon: We have over 150 universities now and yet 76% of the research money goes to just 19 universities with that money focused on research of international significance. Do you think that balance is right? Let me also add that recently I met some of the Million+ Group people who are arguing for a sum of money set aside so that they can kick-start research in their universities, and of course in some of those universities there are excellent pockets of research. Do we have the balance right with so much money going to the top 19 universities?

Mr Denham: I would say broadly speaking yes. In other words, I think that broadly speaking the distribution of research funding strikes the right
balance between the ability of a university over time to improve its research performance, develop a greater critical mass and, as it were—not that we ever take any notice of league tables—move up the league tables. Together with the fact that you need probably institutions with sufficient concentration of the highest quality research across a range of disciplines to be really competitive and an effective collaborator at an international level. So if you ask me I would say yes, broadly. That is not the same as saying I think that that is a system which should be absolutely rigid and does not allow people to progress. As far as the Million Plus campaign goes I think there are two issues, we are sceptical about the idea that you top slice a budget which is distributed on the basis of quality criteria and so we just distribute it on a different basis. But do those institutions have a strong case that they play a very, very important role, particularly in applied research, the translation of knowledge, knowledge transfer and the Open University, yes, I think they do and I think that is something we have to consider. It was part of the reason why the HEIF money was put on a formula basis and moved away from a competitive basis, to ensure that institutions were incentivised to encourage that sort of activity. So I do not think it would be fair to say that we do not recognise the issue at all.

Q207 Dr Iddon: The Arts and Humanities Research Council in particular has been hard hit with cuts in its research budgets; what do you have to say to the people who did apply for AHRC funding?

Mr Denham: I probably cannot find my figures directly but I think I am right in saying that if you look over a three or four year period there was a pretty significant increase in the funding of the arts and humanities.

Q208 Dr Iddon: It is the smallest of all the separate research councils.

Mr Denham: But there had been none the less a significant increase. So we value the work that they do; it is important to look at the expanding research budget and how people have fared over time, not just in one settlement. AHRC received an increase in its funding in CSR 2007 of 12.4%. That was a 43% increase in the previous spending review.

Q209 Mr Boswell: They have actually been cutting their grants back though.

Mr Denham: One of the things that the research councils have to manage—and if you look back historically they have taken different strategies—is the extent to which they increase grants rapidly at a period of time when they have more money, without a view to the sustainability of it in the future. I think that is quite important. If you looked at the AHRC from 2004 onwards and said, “Has it had over that period of time a significant increase on its previous base?” then undoubtedly the answer is yes.

Q210 Dr Iddon: Your department has received a pretty decent settlement in the present Comprehensive Spending Review round, but nevertheless the UK’s position in the 2008 Times Higher Education-QS World University Rankings has deteriorated. Do you think that your settlement will be able to turn that position around?

Mr Denham: It is always very funny to be in the middle of a first year of a settlement and to be talking about the next settlement. My job, Chairman—let me be quite upfront about this—is to argue the case and we will have to see how I do. One of the reasons for raising the question—and I have said this publicly—of where do we want to be in 15 years’ time rather than where do we want to be in three years’ time is that I think it focuses the mind quite well on the challenge of making sure that we do well. Let us not overstate that. I think the main change was that three universities that were Level 4 were distinguished slightly because one of them moved up a bit—and we do not take any notice of league tables. We are pretty strong scientifically as a country but, yes, we have to make sure that we maintain that. There is no doubt that the doubling of the science budget under this administration has been the biggest single factor in achieving that. There used to be an organisation, as you know Dr Iddon, called Save British Science, which fortunately was wrapped up quite some years ago because of the extra investment in science.
significant savings, might find that their options of going to university may be fairly slim to retrain, particularly with the ELQ budget having been cut substantially. Perhaps you can give us your thoughts on that?

**Mr Denham:** I think there are a number of different strands there, Chairman. It is right to say that, as everywhere else in government, we respond to the slowdown by saying that we are prepared to do whatever is necessary to make changes where things are necessary to respond. We have shown evidence of that in the last week or so by being prepared to propose quite radical changes for a period of time to Train to Gain and the way that it is delivered to small and medium-sized enterprises; being prepared to flex both the Firstness Rule, in terms of the qualifications people already have, and the Fullness Rule, so that we can offer through FE colleges and training providers a suite of things like business improvement techniques, product designs and things like that, which are shown to have a very immediate effect on the profitability and productivity of companies. Making that change and being prepared, if necessary, to devote the growth in the Train to Gain budget over the next two years to that SME sector is a very good example of our willingness to flex and to change the rules. You will know, Mr Wilson, that your party wishes to abolish that entire budget, but we will not pursue that particular issue. We are also working, with the support of many business leaders and trade union leaders, on a broader message about training budgets and people will have noticed an advert in the papers last week from Sir Mike Rake who heads the UK Commission on Employment and Skills and a number of others making the point that the evidence from previous slowdowns is that companies that do cut back on their training budget are less likely to succeed. There is an important role there because let us not forget that the majority of money in this country which goes into training comes from employers and not from my department. We often talk about we pay for training and they do not; the majority of money comes from employers. Clearly one of the reasons that we are engaged in a communications effort about this is to win the argument with employers that this is not the time to be cutting back on training. So we are prepared to change the way we use our own budget but we also have a very important message for the employing community as well. The one area that I am sceptical about is your assertion that this will reduce FE or higher education numbers when there is no evidence of that from the past and those budgets and our funding for those is in place. So I do not think that will be the change there; our real issue is to make sure that we maintain, so far as we possibly can, the volume of training that takes place, particularly in the business sector.

**Mr Watmore:** Chairman, could I just add one thing because this is a very important topic? When I was in business we used to have the rule that those that continued to invest in the talent of their people and the innovation of their products are the ones that come out the other side with greater competitive differentiation. John and I discussed this earlier this summer when the economy clearly was in some sort of deterioration and we said that if it is true for business it is true for the country, and if this country continues to invest both nationally and in individual enterprises, public and private, in the talent and innovation agenda, it is most likely to pan its way out of the downturn in a stronger and competitive position. We kind of touched on that last week in my session where what we were saying—and as the Secretary of State said in making the case for further investment in science and higher and further education and training and skills—is we have to make that case both through the public communication channels and through the very hard evidence base that supports that because it is fundamental to the case for maintaining and increasing our budget of this department because we see ourselves as the department for the talent and innovation agenda for the country, and I think that is a very important part of our strategy going forward.

**Q213 Mr Boswell:** I think that is a very welcome statement which will be welcome to most of us. May I follow it by asking you—perhaps jumping back to the earlier discussion we had about the financing of HE—there is something of a past pattern of engagement on HE in times of economic difficulty as an alternative to an uncertain job market. Do you recognise that as a possible development and, if you do, are you in a position to either resource it or apply for resourcing it as a response to that?

**Mr Denham:** It is something on which we are going to have to keep a very close eye and see whether it influences the choices that people are making. It also makes quite a big difference how people apply it. Some people may choose to study part-time, for example, so the impact may not be on full time figures. All I can say, Chairman, is that it is something on which we need to keep a very close eye.

**Q214 Mr Wilson:** If I can just move on now? It has become apparent from the weekend reports that the Chancellor knew before the rest of us that there were problems with the Icelandic banks. Did he or the Treasury inform you, or HFCE, about the dangers that were developing and was the information passed on to universities?

**Mr Denham:** We are not involved, so far as I am aware, in any way at all in the investment decisions of universities; these are things which are matters for them as autonomous institutions. They are large organisations and there is a reasonable expectation that they employ appropriately qualified people to take these decisions and so far as I am aware we as a department have no involvement in this area at all.

**Q215 Mr Wilson:** But do the government and the Treasury not have the duty to pass on the
Q219 Mr Wilson: That is clear. One final question. I want to confirm something that you said in answer to Tim about changes to the grant earlier. Did you say that there would be about 30,000 to 40,000 losers?

Mr Denham: No, I did not say that because no one is going to lose.

Q220 Mr Wilson: Nobody is going to lose? All the existing students get the grant that they have at the moment, so nobody is going to get their grant cut.

Mr Denham: But next year?

Mr Wilson: There are new people coming into the system, all of whom will be better off than the people coming into the system in 2007/08. I said in my earlier question I was worried that this may have been misinterpreted. We will have to wait until we see exactly who is in the system now, what the comparison is between the number of people who got a grant this year and who might have got it next year. Clearly what we have done is try to reshape or announce our intention to reshape the system to bring it in line with the two-thirds. Clearly there is an expectation that we are going beyond the two-thirds and that is what the statement says, and we have more people getting the full grant. Nobody is going to lose; nobody is going to find themselves not having money that they have been promised. Nobody who is on a grant at the moment is going to get their grant cut; it is absolutely essential that I get that across so that there is not a misunderstanding.

Q221 Mr Wilson: But people who were eligible for the grant this year will not be able to get it this year because you are cutting the—

Mr Denham: No, people who went to university this year on the grant system we announced last year are getting that grant, and they will get it next year too and in the third year of their course. Those who applied this year to go to university next year will apply under the current regime. Clearly there will be some people who fall in the group we were talking about between the changed thresholds who had they gone to university this year would have got it next year and will not. What I am being cautious about is (a) talking about those as losers; (b) being precise about the number of people who might be affected. I will not be able to tell you, Chairman, exactly how many people are affected—I will never know exactly because each cohort every year is different. We will have a better idea when we know how many people got the grant this year in 2008 and it will be easier to make that comparison.

Q222 Mr Wilson: But people who were eligible for the grant this year will not be able to get it this year because you are cutting the—

Mr Denham: In general they are going to proceed. In innovation, universities, science and skills Committee: Evidence

In general they are going to proceed.

Mr Denham: Questions about what other parts of government do, which are way outside my brief—

Q216 Mr Wilson: They certainly did not pass it on to you.

Mr Denham: If I am perfectly honest I would not normally expect that type of broad Treasury advice to the investment community to go through a government department like mine, particularly if one is concerned about institutions which are legally autonomous, separately incorporated institutions, which are responsible for their own affairs. I think it would be a very slippery slope if I started to pretend as the Secretary of State for Innovation that in some sense I had a responsibility or ought to have responsibility for the decisions that those organisations take, and the same would be true for FE colleges, which are also incorporated organisations. We are not talking about an owned subsidiary of the department.

Q217 Mr Wilson: Lots of universities have been affected, as you know. Is your position still that the government is not going to assist them in any way?

Mr Denham: The position at the moment is that we have made sure that they are included within the range of organisations with whom the Treasury is in touch as the Treasury responds to the position in Iceland; but it is not—and this is very important—our job as a department to be second-guessing the positions of these individual institutions that are responsible for their own affairs. Nor have we been asked to, I have to say, and no doubt those who might have asked us to would not because they would know very well that they would not want to have a situation where the Secretary of State was expected to be responsible for the investment decisions of universities—they would hate it.

Q218 Mr Wilson: Can I ask you two quick questions. The first is about large capital projects. Are they going to still proceed on schedule in light of what is happening with the recession, or are you, as the Chancellor has indicated, trying to bring them forward?

Mr Denham: In general they are going to proceed. Let us distinguish between different things. Again, most of these things actually take place to some extent at arm’s length from DIUS. If you look at big capital projects they are run by universities or they are funded by research councils, for example the Camden Centre. In those areas our general expectation is that they will proceed as planned. One is always in capital programmes looking at the changes that can take place—the options for bringing things forwards, other things possibly becoming delayed for planning or technical reasons or whatever. Our intention is to maintain the capital programme.
lose money. No student is going to lose money who is in the system at the moment. I am really grateful for the opportunity to return to that point.

Q224 Mr Boswell: Of course that is very helpful but equally I think you indicated, subject to all the health warnings you were quite right to make, that if we were to take the position of a student who would have received a grant under the current arrangements and would have then had it validated for the three-year period of course of study and you took a student with exactly the same familiar link-up position next year, between that £50,000 and £60,000 threshold, in shorthand, you did I think indicate to the Committee as a ballpark that this might be 10% of the student cohort although you would need to go and look at it further. I think you did float that.

Mr Denham: I tried to give an indication but my worry then, Chairman, from the speaker Mr Wilson who left the room, I may have given the impression that a number of people were actually going to lose money. I would have hated us to be in that position.

Mr Watmore: For the benefit of Mr Wilson, it is not that we have to look at it further, we forecast on the basis of the data that we have coming out of the cohorts that is an imprecise science—we get it as accurate as we can.

Chairman: We are happy to have made that clear and on that note can I thank very much indeed Ian Watmore, the Permanent Secretary and the Right Honourable John Denham MP for your time with us this morning. We have enjoyed the annual report and we look forward to seeing the annual report in a year’s time.
Wednesday 5 November 2008

Members present

Mr Phil Willis, in the Chair

Mr Tim Boswell
Dr Evan Harris

Professor John Beddington, Government Chief Scientific Adviser, Department for Innovation, Universities and Skills, gave evidence.

Q225 Chairman: Could we welcome very much indeed Professor John Beddington, the Government Chief Scientific Adviser, to this very short inquiry on the DIUS Departmental Annual Report. It is very nice to see you this morning, John, and welcome to the committee. You have had virtually a year in post now. It has been an interesting post. What have been the highlights and the disappointments?

Professor Beddington: First of all, Chairman, it is nice to be here and in the proper job. When I appeared before you in December, I was still working at Imperial College. That was a slightly unusual experience for me. I find the job enormously stimulating. By definition, it is incredibly varied. I have to say that my boyish dream of being able to do my own scientific studies at weekends has been somewhat eroded by the need to get on top of what is a fairly substantial brief. Within that constraint, it is great. I think probably the highlight which we may return to later in terms of questioning is that what I was absolutely determined to do was to set up a real community of those who were involved at the highest levels in science and government. To that end, I meet with a core group of the chief scientific advisers every six weeks. Together with those chief scientific advisers, we meet with the chief executives of the research councils every 12 weeks. In that way, I think we are building up a collegiate feeling amongst those of us who are running science in government, and the linking in with research councils is a benefit. I highlight that as one of the really attractive things that has happened. Perhaps we can talk a little later about other things.

Q226 Chairman: What is the big disappointment? What is your frustration? What have you not been able to achieve this year? About what have you said that you will definitely do something which has not been achievable?

Professor Beddington: I think that getting used to working within government and within the Civil Service: I have not done that before. I would not say it is a disappointment but I find that things move slightly slower than I might have expected, though not necessarily slower than large portions of academia that I have been involved in. I would not say I have felt that there were any real disappointments so far. I guess I have been lucky.

Q227 Chairman: You have had a significantly lower media profile than your predecessor. Is that deliberate or is that just your style?

Professor Beddington: My feeling is that if you are going to have an impact, you have to have an impact at a number of levels. Some things require a fairly high media profile. In one of the areas, particularly highlighting the issues of food security and the related issues to food security of energy security, water security and so on and the link with climate change, I think I have been relatively high profile. Particularly within the first couple of months of being in the job, I raised food security as a really big issue for the world. I think I was probably the first in government, and I was very pleased to see that the Prime Minister took that up, raised it at the G8 meeting and food security is right on top of the agenda now. I felt that was one where I really did need to take a high profile. In other areas I think it is more effective to discuss with the appropriate members of government—appropriate Ministers or with Permanent Secretaries or scientific colleagues. I would expect in the future that issues will arise where I will seek to have a substantial media profile. We can get on to this perhaps a little later but there is the recent report on Mental Capital and Wellbeing, which I think is sufficiently important and interesting that it does need a higher media profile than I might have given it in other circumstances.

Q228 Chairman: I do not want to dwell on the issue. Has the move from within the old DTI programme, where the Government Chief Scientist Adviser sat, to OSI and GO-Science and the DIUS Science and Innovation Unit been a positive move or organisationally has that caused problems?

Professor Beddington: It is hard to compare because in fact that is the only environment I moved into. Comparison is difficult. When I was thinking about really whether to take the job, one of the questions posed to me in the interview was: where would this office be best sited—this was prior to the devolution of DTI into BERR and DIUS—and whether it was better sited in the Cabinet Office. What I said in answer to that question I think holds good now, namely that I thought it was really important to be able to link in with the Directors General of the Research Councils and the chief executives of the research councils in an intimate way, and also to be able to link in essentially with the innovation agenda. Given that—and that was an answer I gave in June 2007—I think that holds good now. The movement into DIUS I think is the appropriate one. I worked closely with Sir Keith O’Nions when he was there and Adrian Smith, as he has now taken up the job. I think that intimacy of working is really
helpful. There are pros and cons for other locations but I think that is the one that I would cite as important.

**Q229 Chairman:** Effectively, you have to report to the Prime Minister as the Government Chief Scientific Adviser. You are also reporting to the Secretary of State of DIUS in terms of the departmental responsibilities. Does that cause you problems or tensions?

**Professor Beddington:** There is a potential tension but I do not think there is one in actual fact. Essentially, we use DIUS as our landlord. We have a floor within DIUS. The salaries and rations and so on are managed by the DIUS organisation, but my reporting line is completely clear; it is to the Prime Minister and Cabinet and at a personal level to the Cabinet Secretary. We have to have a clear degree of autonomy from DIUS. I have to have the ability to challenge the science that DIUS is actually doing. That autonomy is preserved by the current arrangements. Of course I talk to the Secretary of State and Lord Drayson in his new appointment and prior to that to Ian Pearson on a regular basis but my reporting responsibilities are quite clear.

**Q230 Chairman:** You mention Lord Drayson. We had Lord Drayson before the committee on Monday of this week. He talked about his responsibility in setting up a new Cabinet Committee for Science. This is a committee that is very supportive of science, as you know. Does that not cut across you, however, and do you sit on that new cabinet committee?

**Professor Beddington:** Yes, I will attend that cabinet committee.

**Q231 Chairman:** Will you attend as an observer?

**Professor Beddington:** No, like I attend other cabinet committees; for example, I attend the one that deals with pandemic influenza and take a full part, obviously not as a minister but as an official. I will attend that committee and I welcome it. I think that it raises the profile of science in government in an exciting new way. The fact that Lord Drayson is actually attending Cabinet seems to me to be an enhancement of the role of science in government and really is to be welcomed. The other aspect, which I am quite happy to comment on, is that I have a core group of chief scientific advisers; they are obviously chief scientific advisers in a whole range of government departments. The core group consists of HMS, the Ministry of Defence, the Home Office and so on, and I can give you the full detail. I think the cabinet committee is going to mirror that, so in effect you have ministerial attendance at this cabinet committee, and I will attend as well, but also you will have a group of chief scientific advisers of all those departments attending that cabinet committee. I think that really does achieve some degree of joined-up government in science.

**Chairman:** It is like having a department, is it not, for science? Do not comment on that.

**Q232 Dr Turner:** John, as I am sure you are well aware, governments love tinkering with structures and think that by doing so they make improvements and solve problems but they can lose sight of the fact that it is people that really matter. GO-Science is another example of this structural tinkering. It was separated out of the Office of Science and Innovation. Do you think it has been successful? Do you think it has established a role of its own in challenging departments and getting them to do things they might not otherwise have done?

**Professor Beddington:** I hope so. To an extent, nine months into the job, there are some things that I wanted to achieve and I have actually managed to achieve them. In a sense I was answering the Chairman earlier on about that. I think that the way in which GO-Science is now operating is slightly different from my predecessor. I have emphasised the collegiality and the fact that I now have a team of chief scientific advisers across government who work very closely together. I think they are working at a number of levels that is relatively new. For example, when the issue came up of biofuels and the Department for Transport commissioned Gallagher to produce a report, the team of chief scientific advisers that I led added peer review (it was a critical friend of that report) to develop it. That brought in chief scientific advisers from DFID, Transport and from Defra to work together in this team and interact with the Gallagher group to produce what I think was a reasonably good and improved document from our input. I think that is an example of the way in which GO-Science can operate in this way. I am not sure what the correct term is as I am not long enough in government, but we are setting out the aims of GO-Science, how we intend to operate, and that will be published, we hope, before the end of the year.

**Q233 Dr Turner:** John, I was going to ask you about bio-security later on completely separately but since you have brought it up, it seems quite appropriate to look at it now, especially with you of all people because of the totally correct noises that you have made as Chief Scientific Adviser on the subject of food security. There is a direct conflict between biofuel production and food security. Are you satisfied that the 10% transport biofuel target can be achieved with true sustainability as far as biodiversity is concerned and food security? Are you satisfied because a lot of other people are not satisfied that is so?

**Professor Beddington:** I think the report that came out of Gallagher, which we had a large input into, properly cautioned on this. The recommendation which was accepted by the Secretary of State for Transport to slow down the expansion of biofuels was, I think, a prudent one. The thing that I found surprising when I became involved in this and looked at it in detail was really that the data and the scientific information out there on the impact particularly on agriculture, was really rather thin. For example, we found it virtually impossible to get a good estimate of the amount of arable land that is available and being used. Some of the concerns
about the second order effects from the fact that biofuels generated a change in agricultural practice—particularly the corn ethanol production in the USA—and altered practice in Brazil are quite a tenuous link. That does not mean to say it does not exist. The key thing here is to examine it. The other issue is to do with biofuels in general. Clearly it is not attractive to have biofuels that are unsustainable. There are clearly some types of biofuel which are manifestly unsustainable: chopping down a rain forest and building palm plantations I have been quoted as saying is fundamentally unsound.

Q234 Dr Turner: Do you consider corn ethanol to be sustainable?

Professor Beddington: No. I think corn ethanol is an interesting issue; it depends on the bi-products and where it is. The point I would be making is that we have to think very hard about what we mean by sustainable biofuels. There is not a quick and slick definition, and that needs to be worked out at the moment. In fact there is a group that is following up the research requirements recommended by Gallagher, which is led jointly by Bob Watson, Chief Scientific Adviser in Defra, and Brian Collins, Chief Scientific Adviser in the Department for Transport. They are going to be looking in detail at these issues. I think that we have to look and ask questions because I believe that there is a real intimate relationship between several of these factors. We have a situation where the demand for food is going to rise by about 50% by 2030. At the same time, demand for water is going to go up by about 30% and demand for energy products is going to go up by 50%, driven by these factors: population growth, globalisation, urbanisation and so on. These factors are intimately linked. If you try to solve one problem and ignore the other, as could arguably be the case in the USA—and altered practice in Brazil are quite a tenuous link. That does not mean to say it does not exist. The key thing here is to examine it. The other issue is to do with biofuels in general. Clearly it is not attractive to have biofuels that are unsustainable. There are clearly some types of biofuel which are manifestly unsustainable: chopping down a rain forest and building palm plantations I have been quoted as saying is fundamentally unsound.

Q235 Dr Turner: No, it was an interesting answer. I was hoping you would comment further on the environmental sustainability of biofuels, corn ethanol being the prime example which in some cases consumes more energy than it actually saves in terms of CO₂ emissions. This is a criticism to be levelled at many first generation biofuels. Has your office and your advice been sufficiently weighted, do you think, to keep the government away from these biofuels?

Professor Beddington: There is a slight complication, which is to do with first generation biofuels, and that is the bi-products. The bi-products of some biofuels, for example processes that are under development at the moment, use wheat as a main source, but the bi-product is high quality protein, which can be used as animal food. The life cycle analysis when you actually do it says: prima facie this seems crazy using wheat which could be used for either animal food or human consumption as a biofuel, but the bi-product of that, because it is a high quality protein which is a substitute for soybean, can arguably have a more beneficial greenhouse gas emission effect. It is complicated, and I am sorry my answers have been complicated. I would say that this is very active work in progress, both in the community I lead and in the world in general. It has to be addressed and it is a very important issue.

Q236 Dr Turner: We could explore this for hours. What about the identity of GO-Science? It seems to offer information; its on-line material is on the BERR website rather than its own website or even the DIUS website. Are you happy with its PR?

Professor Beddington: I think it needs development. It is not one of the things that I have focused on as a major issue when I walked into the job. As you can see from my media profile, I think PR is somewhat less important than sorting out some scientific problems in government, but it is an issue that we have to address. I take your comment. I think we need to focus quite hard on how we will improve that media image.

Q237 Dr Turner: I understand that you are not a PR person but a certain amount of it is necessary to have effect. GO-Science has kept a particularly low profile with very scant attention in the first departmental annual report. Are you happy with that?

Professor Beddington: I think the point here is that in the DIUS annual report, as I explained earlier in my initial comments to the Chairman, we are, as it were, lodgers; we work alongside DIUS: we are not part of the family. I think that to indicate that we were a substantial portion of their annual report would have been inappropriate. We will be producing by the end of the year, as it were, the GO-Science report and how we see this focusing. I would be very keen to discuss that here with this committee if they want, once that report is published.

Q238 Dr Turner: I was interested by the words you use. You described yourselves as lodgers. This seems to be something of an example of the way science has been treated in government up to now, and it has not had the status in its own right within government that is really required. Are you going to take steps,
and particularly in your GO-Science report on the way forward, to change all that and really give science a central, justified role within government?

**Professor Beddington:** I believe that government recognises that it has to do that and I think the recent appointment of Lord Drayson and his attendance at the Cabinet and the cabinet committee, which we discussed earlier indicates some commitment there.

The way in which I believe that we should get science involved is at the level of chief scientific advisers working within departments and I think that has been reasonably successful in the last year. Perhaps I will come back to that later. What I would seek to do is to have chief scientific advisers and essentially the network of scientists and engineers that they lead reporting into the management boards of the departments concerned; they should have access to ministers. By and large, that has been achieved throughout government. That is important. In terms of the larger question, possibly I should have chosen my words slightly more carefully.

**Q239 Dr Turner:** They were revealing.

**Professor Beddington:** The point I was really trying to make was that we are not part of DIUS; we work within DIUS and DIUS is clearly one of the very important departments in which we work, particularly because of the funding of the research councils. It is one of the departments with which we work very closely, but I would say we work equally closely with Defra, DFID, MoD and so on.

**Q240 Chairman:** Could I say, in response to the comment you very usefully made to Des Turner about producing a GO-Science annual report, that of greater interest to our committee and the point that Des was making very strongly is this issue of a report which talks about science across government. Will that be included within your annual report or will that be a separate submission? What this committee is interested in is in fact that whole issue of where science fits across government and what is happening. Can we have that commitment from you?

**Professor Beddington:** There will be some commentary on it; it is not an enormous report and so to do this comprehensively is more complicated. Can I focus on some of the things we are doing? For example, we have this year brought out a report on the review of science in the Department of Health, which is comprehensive and published separately.

We are in the process of doing a review of the Food Standards Agency. These are the detailed reports that actually give you a detailed level of how we believe science is being done in a particular department.

**Q241 Mr Boswell:** Clearly there are two approaches to this: one is a global one through a GO-Science annual report; the other is a distributed reporting on science in the Department. Do you see that business about encouraging departments to have their own chief scientists and reporting coherently on their work as being an alternative, a complement, or how does it relate?

**Professor Beddington:** I think it is a complement. Chief scientific advisers within departments obviously will report to their own individual Permanent Secretary and they do not report to me, so that they have responsibilities within the department. I think the role of for example the science reviews is to go in and challenge whilst that science is being done and it can be critical or not of how the chief scientific adviser in the department has been operating within that department.

**Q242 Dr Iddon:** John, there are a few notable exceptions for departments that still do not have chief scientific advisers; dare I mention the Treasury. Are you going to pursue the line that all important state departments should have a CSA?

**Professor Beddington:** I believe that is the line. I would say that we have had some reasonable successes. Culture, Media and Sport has now appointed a Chief Scientific Adviser, which was something that my predecessor I know struggled long and hard to achieve. Also the Foreign and Commonwealth Office have decided to appoint a Chief Scientific Adviser, which I think is a very important step. You have singled out the Treasury which does not have one. Yes, I think it is important to examine that issue, but I have been reasonably pleased by the way in which when I engage with departments and have dealt with these issues there is an openness to have chief scientific advisers which I had not expected. I thought there was going to be a great deal of resistance. I would say that the fact that the Foreign Office now has a Chief Scientific Adviser, or will be appointing one shortly, is an achievement, and DCMS has actually appointed one, whom I met last week.

**Q243 Dr Iddon:** Going back to the departmental individual science reviews, these have been welcomed, but this committee has been critical of how slowly they have been produced. Is there any way we can speed up that process? Can they be done independently of government by appointing outside agencies to do them and, more importantly, when they have been produced with the recommendations in them, are you pursuing those recommendations to see that individual departments are not ignoring these reports?

**Professor Beddington:** I will answer your question in three portions. First of all, the speed of the reviews: I absolutely agree that they were ludicrous in my view. I took part in the one on Defra and it seemed to be going on forever. I think I had two grandchildren in the interval while that report was operating! I was aware of this. Very soon after coming in, I commissioned a review of reviews in cooperation with the Heads of Analysis Group, which is led by Nick Macpherson of the Treasury. We commissioned a consultant, Peter Cleasby, to come forward with recommendations on what was good and what was bad about the previous practice and to make recommendations about the future. The answer is that he has come forward with proposals which the Heads of Analysis Group have accepted and which I accept, too. The new reviews will be...
significantly shorter, maximum three months; they will be conducted in a completely different way from other reviews. They will be jointly owned by the Permanent Secretary of the department concerned and myself, and they will be driven at a very high level. There will be an immediate going in to look and see what are the key issue and if some things worry us, then we would start to look at those in more detail. The idea is to go in—I would not call it a quick and dirty look—and have a quick and very detailed look at the way in which science is used in government. The pattern of reviews which we would then plan to start early in 2009 should mean that we will be able to get a lot more done; we will be using consultants to help us and we will be using a much higher level of professional input into these reviews. I think that is the right way to go. That is the answer to the first question. In terms of the follow-up, yes, we are doing follow-ups. At the moment, on the Defra review, which I sat on as part of the panel because at the time I was chairing Defra’s Science Advisory Council, we are following up with Defra to see how the recommendations are moving. In fact, before the end of this month, I have a meeting with Bob Watson, Chris Gaskell who chairs the Science Advisory Council and Watson’s Head of Science, Miles Parker, to follow up those recommendations. That is important. The one that I inherited from Sir David King was the one on the Department of Health, which has now been published. Reasonably, they are taking some while to respond.

Q244 Dr Iddon: At one time we used to have a Scientific Civil Service. That was a long time ago. David King, during his period as the chief CSA, was rather critical that scientists have become buried within the Civil Service, and did not admit they had science degrees. When we interviewed you just after your appointment, you said you had not detected this anti-science feeling in the Civil Service. Has that become apparent to you yet or do you think Sir David was wrong?

Professor Beddington: Can I answer by explaining what I have actually been doing because I am Head of the Science and Engineering Profession in Government as a whole? I think when I appeared before this committee in December last year I raised this issue and said that I thought this was a role that I had to take very seriously and think about how to take it forward. What I found very early on was that it was very difficult to identify the complete community of scientists and engineers within government. Some work in policy areas, some work in laboratories. The laboratory ones are fairly easy to identify; the others are rather more cryptic. What I have done, and I am reasonably pleased with how this initiative is going, is to set up a Science and Engineering Community of Interest. We have done that by publicising this on the intranets of the various departments and we ask people who are scientists and engineers whether they work in laboratories or whether they work in policy to register their interest in doing that and become involved in this. We have an annual conference, which is going to be regular. The first conference is scheduled for January. We have had about 1300, now I think about 1400, individuals who have indicated they want to be involved, pretty much split between science and engineers. We have a regular newsletter that goes out to them asking for them to comment on the key issues. The conference will take place at least annually. I think the success of that will mean that that community will expand. I have also talked to Prospect about these ideas when I met with them, and they seemed to find this attractive. The feedback we are getting from those who in a sense voted with their feet or touched the right button on their computer is that they welcome this. At the conference, the Cabinet Secretary, Sir Gus O’Donnell, will be speaking to this group. I have asked Lord Drayson and I hope that he will be speaking to it. We will have key hot topics on science and engineering in government. We will also ask about the issues to which you alluded, about the way in which science and engineering is thought about in government in policy. I am really encouraged by this. In terms of the concern about the jargon “science is on tap not on top”, which is one of the ways I have heard this phrase, I have not really encountered that. I think, within the areas that I have worked closely, it seems to me that if you have scientists and engineers in the policy areas, they have almost an added value. Certainly in talking to colleagues who are in the sorts of jobs that I had five or six years ago, there was a definite concern that individuals would avoid being classified as a scientist or an engineer because they thought that would affect their promotion. I do not perceive that now. I think things have moved on from that. I hope that this network that I have set up will enhance that.

Q245 Chairman: Do you know how many scientists and engineers there are in the Civil Service?

Professor Beddington: No, I do not. I posed that question when I walked in the door, Chairman. The answer is: it is difficult to tell. The information is not available in any detail to be able to do it. Some departments have it well; other departments do not.

Q246 Chairman: Everybody must have lodged an application form somewhere in that super computer, or have all those been lost?

Professor Beddington: All I can say is that when I asked if we could identify all the scientists and engineers in government, the answer was, “no, we could not at the present”. Some departments can. I think, for example, the MoD has very detailed records; other departments do not. There are scientists and engineers, so you have to question, for example, the definition of a scientist. Is it somebody who took a degree in biology some 30 years ago and who has been working in policy ever since, or is it in fact somebody who is an active scientist? I think we can identify active scientists but information on those from the scientific community who are working in government but at policy levels and are not overtly scientists is not available, but we are working on it. It is very important.
Q247 Chairman: When will you have that information?
Professor Beddington: I do not know.

Q248 Chairman: You are a brilliant scientist. You ought to be able to sort that little problem out.
Professor Beddington: I make no promises on this, Chairman.

Q249 Dr Iddon: David Sainsbury suggested in his recent report, and I quote him, that there should be a “more robust mechanism . . . to identify and protect departmental R&D budgets”. Have those mechanisms been put in place yet to protect those R&D budgets in state departments?
Professor Beddington: It is a difficult time, clearly. To the extent that this has happened within government only in the Department of Health is there a genuine ring-fence on the R&D budget, and that was following the Cookesey Report, other departments are more or less ring-fencing their budgets, but this is clearly important. One of the areas that I am working on at the moment, looking into the future, is I am meeting with the chief scientific advisers to look at the R&D budget priorities for the next spending round. We do not know when that is going to happen. We have already had a couple of meetings about this. We are meeting with the Research Council’s chief executives on Monday to discuss where the cross-departmental and Research Council priorities are. Clearly it is important. My aim, and I think it will also be the aim of Lord Drayson, will be to argue the case that R&D is essential in departmental budgets, that when times are hard it is not R&D that should be squeezed. Achieving ring-fencing throughout government has not been achieved yet. I think would be the ideal solution and one I would work towards, but that is not going to be an easy task.

Q250 Dr Iddon: This committee was rather concerned to see, in answer to a parliamentary question published on 7 October, that the 2007–08 expenditure on R&D will be lower than the previous year for DIUS, OSI, the Home Office and DCSF. I suppose you are aware of that answer to the parliamentary question.
Professor Beddington: Yes.

Q251 Dr Iddon: Does that not seem surprising in view of the increase in the science budget in general?
Professor Beddington: I think in the case of DIUS my understanding is that the DIUS science spend in terms of research councils has actually gone up; this is internal within DIUS. Within the Home Office it is quite difficult to assess the scientific spend. The statistics kept by the Home Office do not clearly characterise what is science and what is not. The way that you can compile these figures is slightly convoluted by looking up the reports of various directors and allocating science to that. In consequence, it is really quite difficult to monitor and indeed ring-fence this sort of science budget. It is something I have been talking up with Paul Wiles, the Home Office Chief Scientific Adviser. This is work in progress. I think, in terms of the overall science budget, my concerns are that we try to preserve it as much as possible.

Q252 Dr Iddon: Finally, obviously we are in what looks like the beginning of a recession now. We do not know how long it is going to last. Would you agree with the committee that keeping up the expenditure, if not increasing the expenditure, on R&D is more important at this moment in time than possibly in the past?
Professor Beddington: I certainly agree that it is essential to keep up the R&D spend. We are looking to the future. In difficult economic times, cutting R&D budgets I think would be extremely unwise. We have to recognise there are real difficulties out there. That is why I have put together the Group of Chief Scientific Advisers to look and explore what the absolutely key priorities are, so that we speak essentially as one voice on this. I think that is important when looking into the future. When it happens, we do not know, and of course, as you say, we have no idea how long a recession is likely to last. It is a tough time and one has to recognise that. If we are in a situation where we are cutting, we have to preserve the key priorities. Obviously the overall aim would be to preserve the gross budget, but within the gross budget you still have priorities and that is what we are trying to address.

Q253 Dr Harris: Professor Beddington, in our recent report on Biosecurity in UK Research Laboratories we identified that and detailed in that report examples of core cross-departmental co-ordination. Have you had a chance yet to look into either that example or any other examples and make a difference in terms of improving that? In other words, are you identifying any areas proactively where you fear there may be a problem rather than, as we did, and everyone did after Pirbright, afterwards trying to find out what went wrong?
Professor Beddington: I think Pirbright is a good case. There is an active discussion between DIUS really on behalf of the BBSRC and Defra. We are looking towards solutions to the Pirbright organisation, to think about appropriate new build which would address the biosecurity issues. This is important. This is work in progress and looking at biosecurity across government is going to be really important, whether in animal labs, hospital labs or wherever.

Q254 Dr Harris: Are there any other areas separate from that where you are trying to identify poor co-ordination across government departments before there is a problem in order proactively to solve it, or is that not a stream of work you are doing at the moment?
Professor Beddington: The area that I have been looking at in terms of biosecurity is—

Q255 Dr Harris: Not biosecurity: I meant any area other than biosecurity where there is a report with recommendations that the Government is
responding to, any other areas of government co-
ordination that you are looking into proactively to
avoid the sorts of problems we saw at Pirbright—not
in biosecurity but in any other area?

Professor Beddington: The one area where I was
concerned and have been involved fairly closely is in
the co-ordination of scientific work to deal with the
counter-terrorism issue, particularly in the CBRN
and novel explosive areas. One of the things I did
was set up a sub-committee of my core group of chief
scientific advisers to meet and discuss the issues
about how science feeds into the counter-terrorism
agenda, linking in closely with the board. For
obvious reasons I cannot go into a great deal of
detail here but that is one area where I did feel that
we needed to be proactive and where work needed to
be done.

Q256 Dr Harris: You co-chair the Council for
Science and Technology. Would you say that is
useful?

Professor Beddington: It is an extraordinarily
impressive body.

Q257 Chairman: But is it useful?

Professor Beddington: Sorry, Chairman. I will try to
keep my answers more to the point. It is an
impressive body. I think it is useful. It has just come
up with a report shortly to be published on the way
in which government uses the academic world to
provide advice. In the USA and in a number of our
competitor countries, academics are used much
more in government. I would say in parenthesis that
they are used much more in industry. This report,
which is coming out shortly from the CST, is going
to John Denham with a series of suggestions about
the way in which this movement between academia
and government could be significantly improved.
They have come out with that report. They are in
the process of doing a report on innovation in the water
industry, which is due to report shortly. They are
doing extremely useful work.

Dr Harris: Would you describe the Government’s
policy on upgrading cannabis classification as
evidence-based?

Q260 Chairman: For the record, that was a long
pause?

Professor Beddington: You can record it as a long
pause. To be honest, I have not looked at this, Dr
Harris. I should do. I am happy to look at it and
come back and answer your question. I have not
thought about that or looked at it in any detail in the
nine months I have been in the job. I am more than
happy to do so and come back with a response.

Q261 Dr Harris: May I say that I approve of that
answer. It is much better to say that than to do what
politicians sometimes do, which is to just say, ‘Let us
take the general case. You have an advisory
committee, and in this case an advisory committee
with the police there and engaged. It is not just a
scientific-based committee; it is looking at all the
evidence of harms, including social harms, with
police input. It made a clear recommendation in
2002, which was accepted. It was asked to look at it
again in 2005 and advised that it should remain
Class C, and the Home Secretary advised that. It was
looked at again recently and they said, “Keep it in
Class C” and yet the Government’s policy is to put
it in Class B. Is that a triumph for evidence-based
policy making? You have an advisory committee; it
makes a recommendation three times. In the absence
of any other obvious source of scientific—using the
term broadly—advice, the Government does
something else.

Professor Beddington: Science can provide advice,
and I would emphasise that this is not an area I have
looked at all. I hear what you say and I am more
than happy to come back to you with a more
detailed response, but scientific evidence is just one
part of the decision process. One should look at
scientific evidence; one should assess it; and then you
should also look at other factors, economic and
social, in making that decision.

Q262 Dr Harris: We would all agree that you can
make a decision that is not based on the scientific
evidence because there are other factors, but you
would not then describe that as evidence-based?

Professor Beddington: Oh, I think it depends on
what the other factors are. If the welfare factors are
economic and there is an evidence base, if there is a
practicality which is problematic, I would say that is
also evidence based. I do not think you can say that
science is the only evidence that you can actually use.

Q263 Dr Harris: One of the questions it is reasonable
to ask, if that is still described as an evidence-based
policy, is: where is the published data on these other
quasi scientific issues and where is the capability to
directly judge evidence, even if it is not strictly scientific, and
see if they are following that advice?

Professor Beddington: Yes. I would not disagree
with that.
Q264 Dr Harris: In December you told us that your impression was that the Government does not always succeed in forming evidence-based policy. What do you see as your role in identifying, firstly, a problem where it is not evidence-based; and, secondly, where something is not evidence-based but is claimed to be evidence-based? One could argue that is even worse because that is misrepresenting something. Does GO-Science have a role in doing that? Is there any active work in looking at that?

Professor Beddington: There is a number of areas where one has to be concerned about whether evidence is being used properly and whether scientific evidence is being used. I would not single out anything specific that has worried me in the last nine months, Dr Harris.

Q265 Dr Harris: Have you done an audit of evidence-based policy or are you not doing that because nothing has been drawn to your attention?

Professor Beddington: No, in the areas of policy that I have looked at in the nine months I have been in the job, I have not seen anything that has worried me. I think the exception would probably be the one that we have already discussed at some length. I thought that the evidence base on biofuels was potentially significantly problematic. I think the way in which that was subsequently treated seemed to me to be entirely appropriate. There have been other areas where this may be the case. That was the one that I would single out where I have been most involved in the last year.

Q266 Dr Turner: Again, when you came to this committee in December, you gave us an admirable pledge to build up the morale and expertise of the science and engineering profession in government, perhaps implying that it needed that sort of support in a wider context. PR is not an unimportant part of doing that morale-building. What progress do you think you have been able to make in the last nine months?

Professor Beddington: In answer to Dr Iddon’s question, I have answered that in terms of trying to build this community of interests and I would focus on that. I also think the way that I brought together the chief scientific advisers into what is a genuine collegiate community has helped. That spins off down within the individual departments, so I think that has been helpful. To the extent that one uses PR to affect the morale, I do not think I have really done that. I have been focusing on individual issues as I felt they were important. It may well be that I should think a little harder about how to do that. I saw this network of interest in science and engineering as one where it would be really an excellent opportunity to get the message out. I will use it at the first conference we are having in the news notice. I will certainly look to see whether there are other things that we can do after that. It is important.

Q267 Dr Turner: It is just that as politicians we know that you can work your butt off but if no-one knows that you are doing it, it is not doing you any good. How do you see your role as Head of the Science and Engineering Profession in Government developing in the future? Will you be taking any responsibility for promoting social science?

Professor Beddington: I refer now to a general analysis in government. The Government’s Chief Social Science Adviser is Paul Wiles, who is also Chief Scientific Adviser at the Home Office. The Heads of Analysis Group has on it essentially the chief economists, the Chief Social Science Researcher, the Chief Operations Researcher, and there is one other who I do not recall at the moment, plus myself as Chief Scientific Adviser. We meet pretty regularly as a group. The aim of that group in part is to promote analysis across government and the use of analysis. In response to your predecessor committee, the Government committed to have a chief analyst on the departmental boards. One of the actions of this group was to go out—and information is still coming in—and ask if that has been done in a department and, if not, why not? That is work in progress. In terms of social science, Paul Wiles, the Chief Scientific Adviser to the Home Office, a social scientist, sits on the chief scientific advisers group that I have been describing and plays a major role in it. I think the recognition that certainly I see out in the departments is that social science and biological and physical sciences have equally important roles in solving problems. I have no concerns about that. When I was at Defra chairing their Science Advisory Council, we were constantly recommending to Defra that they really do need to expand their social science base, and I think to an extent that has been done. There has been some achievement there. The review of Defra that was done by Sir David made those recommendations and in the follow-up we were hoping to see that that had been addressed. That is incredibly important across all sorts of areas, and so I am completely relaxed. The other thing I would comment on is that in achieving chief scientific advisers in some of these other departments, in DCMS in particular they appointed as their Chief Scientific Adviser a social scientist, in fact a health economist. Paul Wiles by background is a criminologist.

Q268 Dr Turner: We are taking a particular interest in engineering at the moment and especially in relation to government. Engineers do not have as high a profile as they might do, I am sure you would agree. Are you taking any practical steps or what practical steps are needed, do you think, to enhance the profile of engineers?

Professor Beddington: It is very clear that engineering has an enormously important part to play in government. From early on I engaged with the Royal Academy of Engineering and I have met a number of the individual components of that: civil engineers, electrical engineers and so on. I have been to meetings with their board and given lectures and discussed this. In fact, there is an organisation which I chair called the Global Science and Innovation Forum. Historically that did not have a member from the Royal Academy of Engineering. We have invited that body and it has accepted and is now a
In terms of the way in which engineering is treated within government, again I refer to this network of chief scientific advisers. We do have a number of Fellows of the Royal Academy of Engineering and engineers who are chief scientific advisers. I single out Mark Welland, who is the Chief Scientific Adviser at the Ministry of Defence. I was involved with his recruitment. He is a Fellow of the Royal Academy of Engineering as well as a Fellow of the Royal Society. Gordon Conway is a Fellow of the Royal Academy of Engineering. Brian Collins is an engineer. Michael Kelly is an engineer. In terms of their representation at the highest level in science, I think the engineers are there, but we cannot be complacent. There are real issues to engage with the engineers and bring them into this forum. That is my active agenda; I think it is important and I have been working with it. We have put in a fair bit of evidence to your engineering discussions. We are happy to discuss that at that time, if you would like, Dr Turner.

Q269 Dr Turner: Finally, coming down to training, are you doing anything to promote apprenticeships within the government using the government as an employer to advance skills training?

Professor Beddington: I have not done anything on that.

Q270 Mr Boswell: I have some quick questions on Foresight. Are you going to make any changes in the way it operates?

Professor Beddington: Yes. The one change I have made is in the way in which Foresight chooses its topics. I feel that is really important because it was not clear to me how the choice of topics evolved, as it were. When I arrived, I set up an advisory committee for Foresight, which looked at a long list of about 20 projects and came forward with a recommendation. I happened to chair that committee; Jeremy Heywood, who was then in the Cabinet Office, was due to chair it but could not on the day and so I chaired it. We came forward with two new projects as recommendations. One was on the future of food and farming, which is starting this month. The second one under discussion is migration. Those are two of the key issues that came up. This advisory group is meeting in December to look at reviewing how Foresight has been operating and also to look at the future projects.

Q271 Mr Boswell: To use an analogy from the world of pharmaceuticals, are you concerned about your pipeline?

Professor Beddington: Yes, I am. I think Foresight has been a tremendous success. I alluded earlier on to the Mental Capital and Wellbeing Project. We have one coming out on the sustainable energy environment in buildings later this month or early in December. I think the obesity one was a similar success. At the moment in the pipeline we have one on land use; that started this summer and it is well under way. The one on food in farming is starting now. We are actively discussing whether we should do one on migration. We are looking for others to put into the pipeline. Typically projects have been relatively long, of the order of a year and a half or so. One of the things that I have been pushing is that perhaps we should think about doing, as it were, a number of relatively shorter Foresight studies. We have a number under consideration at the moment.

Q272 Mr Boswell: That is really helpful. I am thinking aloud as it were. There was over a year between the publication on obesity and then the one on mental capital and wellbeing, which you mentioned. There are some cognate issues and some social science and human issues as well. Is that a bit of a long gap?

Professor Beddington: I have not really thought of it that way, I am afraid. When I walked in the door in January the obesity project had just happened and then there was a natural timescale for the report on mental capital and wellbeing. I did not start either of them. They were started under my predecessor. I think it is an interesting question. I will reflect on that. What I do feel is important, and I can claim no credit for this in the sense that this was set up by my predecessor, is to set up a part of the Foresight group which is entirely dealing with follow-up. I was in Washington last month. I attended a meeting jointly between the Foresight team and the American Army Corp of Engineers looking at the Foresight study on flooding. The Foresight people are also actively working in Shanghai on flooding issues in that river basin. That follow-up seems to be working really well. Similarly with the obesity project, the Department of Health has taken the lead on that follow-up but we have a follow-up team working with the Department of Health on taking the obesity agenda completely across government.

Q273 Mr Boswell: In a sense, that anticipates my thought process. On one of the rare occasions when you were let loose, or you let yourself loose, on the media you tussled with John Humphrys recently and he used a rather rude word. He said the findings were “Pollyanna”. What is the value-added? Clearly you think he is wrong but tell us why.

Professor Beddington: I have not listened in a masochistic way to the recordings of my discussions with John Humphrys but I felt he accepted that they were not Pollyanna. The point I made to him at the time was that if you are using a bio-marker or some sort of assessment that indicates that an individual has a high probability of developing dementia in later life and you find that at age 55, what do you do? The so-called Pollyanna recommendations that have come out are well-founded empirically and show that they do have the ability to alleviate and improve on any subsequent dementia. I challenged him with that. My memory of the event was that he accepted that. I think mental capital and wellbeing is enormously important. It has posed the question to government by saying: Interventions occur at different levels during the life course and they are important, so intervening to stop children having dyslexia or dyscalculia can mean a benefit at the school age; it will mean a benefit subsequently. For example, a very high proportion of prisoners have...
either dyscalculia or dyslexia and so intervention is a benefit subsequently. It is a benefit in employment and it is a benefit in old age. One of the indications of improvement in subsequent dementia is actually to learn something. Intervention just at the age of three or four has life course benefits. It presents a problem for government because you are investing at one level and benefiting at another some ten years later. There are many other examples of that study and it is interesting. There will be a pause after the launch and then I will be taking that forward at high levels of government. I hope to bring it to the attention of Cabinet. I will shortly be talking to the Group of Permanent Secretaries about just that report.

Q274 Mr Boswell: That seems to me, if I may say, a very robust reply. Thank you. Can I say a word more about this? I put in my own notes, “When does foresight turn into hindsight?”, and you did talk about your retrospective teams looking, as it were, at actioning foresight reports. On the other hand, we have heard from my colleague, Dr Harris, in relation to drugs. Foresight produced a separate study some time ago, I think before your time, on brain science addiction and drugs. You did not feel yourself able today to take a firm view on that. I am not expecting you to have everything back, but can you at least give us the assurance that you yourself will take some hands-on in the management of what for shorthand I will call the hindsight programme, as it were, when it has been reported to government and when, reasonably enough, you are concerned about the implementation and dissemination of this?

Professor Beddington: I see entirely my role as running the Foresight programme. Foresight is not going to be much use to government if, in fact, it just reports and the report is shelved and no action is taken from it. I sit, for example, on the work on the follow-up to obesity. I attend the committee meetings, which are chaired by myself and the Department of Health, so I have very active involvement. Going back a long way, for example, taking the Foresight Report on drugs, it is some while ago but it is a thing that we will be reviewing actively, what I should possibly explain is that the group that we have is not just hindsight, it is actually trying to generate government response.

Q275 Mr Boswell: Of course.

Professor Beddington: So it is not a purely passive thing, it is actually saying: these are the recommendations; this is what should be done; can we organise these particular departments to meet together. It is proactive as well.

Q276 Mr Boswell: That is helpful. Finally, just to wrap this up, presumably it is not only a government response but in certain of these complex issues like obesity it will be a multi-factorial response involving the private sector and even individuals. Are you monitoring that bit as well and can give advice to it?

Professor Beddington: Yes, I think the linking into, for example, industry in particular retailers is part of the activities that we are looking at. So, yes, and organisations like the Food Standard Agency sit on the body that is actually taking obesity work forward.

Mr Boswell: Thank you. That is helpful.

Q277 Dr Harris: To what extent should public opinion directly drive research avenues in the public sector?

Professor Beddington: I always seem to pause just after your questions, Dr Harris.

Q278 Chairman: Very wise, I might say.

Professor Beddington: I take it a pause will be noted! To a certain extent, I think. There is a sort of principle, really the Haldane principle, which says to what extent governments should be driving the research agenda as government, and to an extent I think that some form of similar principle should drive public opinion. I think, if public opinion is saying work should not be done in a certain area, what is the evidence base for it, I think that one needs to take it into account via the political process. To say that banning some particular form of activity because it is either highly unsafe or distasteful, and so on, seems to be part of the political process which takes into account public opinion. On the other hand, the degree of interference of government in the detail of research activity seems to be accepted by government in terms of the Haldane principle, and that seems to be one that is worth defending.

Q279 Dr Harris: So if Parliament, taking into account, presumably, since we have to, public opinion, thinks something is okay to research, then do you think it is right that government should take into account public opinion on top of that at some point in the process?

Professor Beddington: I am sorry, I do not understand the question.

Q280 Dr Harris: Let us say Parliament takes a view that something is legal, should go ahead, is happy that it should go ahead, do you think that when it is a science matter, in terms of the freedom of academics to research in a certain area, there should be any other constraints placed on scientists by government outside of statute essentially?

Professor Beddington: Yes, I think there obviously should be controls on particular activity. Animal welfare would be the obvious one that one would think about, and that seems to me to be one that has proper legislation and controls on. Beyond that, in terms of taking into account public opinion, the other area one might argue about, some aspects of public opinion are in the GM crops work where essentially a subset of the population believes that GM crop research is inappropriate and is actually breaking the law by interfering. How one deals with that seems to me to be the normal processes of the law. The Government and the public have decided that it is perfectly legitimate to do research into genetically modified organisms, subject to appropriate constraints, and those constraints are there. If a subset of the public believes that that
should not be the case and they break the law in dealing with that, then it is a legal matter and not a scientific matter.

Q281 Dr Harris: Where there is government policy and Parliament does not seem to mind (and GM is a good example) but there is a media storm, do you see it as part of your role to be out there advocating Parliament and the Government and the evidence-based position, or would you leave that to others?

Professor Beddington: It would depend on the detail of the issue. For example, I have been asked on a number of occasions in the media about GM crops, and my answer has been (I think a made a similar answer to a question to the committee) that it is a case by case thing. You have got to worry about the environmental and health implications but in no way should you actually ban using genetically modified organisms or researching them.

Q282 Dr Harris: That is helpful but it is about your role in the media. You just said, if you are asked you give an answer, and we would expect that, but do you see your role as proactively leaning to say, “I am happy to discuss this if something comes up”?

Professor Beddington: Yes.

Q283 Dr Harris: So if Prince Charles says something and the Today programme ring you and say, “Will you come on and give you your view?”

Professor Beddington: Yes. In that particular case, I do not know if you read—. I gave an interview to The Independent.

Q284 Dr Harris: Yes, I have read it.

Professor Beddington: I think I was asked whether I agreed with Prince Charles on GM crops, and I said not entirely.

Q285 Chairman: Not entirely.

Professor Beddington: Yes.

Q286 Dr Harris: Where do you agree with him, since you raised it?

Professor Beddington: I think my “not entirely” was said in the spirit of Evelyn Waugh’s Scoop when Lord Copper made a statement that was incorrect. His editor would say “Up to a point, Lord Copper.”

Q287 Dr Harris: So, basically, you are willing to be proactive.

Professor Beddington: I am indeed.

Q288 Dr Harris: And call up the media and say, “Look, I want to counter this”?

Professor Beddington: I think it would depend on the circumstance and how important it is. Yes, in principle, of course. I think the issue that I was very concerned about, which I have had a relatively high media profile on, was food security and bio-fuels and I have been active in soliciting the media and saying, “Get this out”. Taking it in that form, GM, I was fairly proactive in suggesting to the Royal Society that they had a study on how bio-technology can contribute to the food security problem, which would include looking at GM organisms. That is in hand and I will be involved in that and thinking about that. The Foresight Study on Food is addressing these things generally, but it is outside that also. Take the issue of the nuclear area.

Dr Harris: I will be back in a minute.

Q289 Mr Boswell: Two quick comments on that. The first one is: do you recognise at all, and this is not an oblique way of trying to criticise ministers or anyone else, that there may be occasions where we as politicians may have a certain view but you as Chief Scientific Adviser will have a certain credibility and, even if our views are coincident, you may be actually the person to establish those views. I think I will settle on that one.

Professor Beddington: I am sorry?

Q290 Mr Boswell: I am just saying that there may well be cases where governments, ministers of different parties, are advised by their scientific advisers—certainly I have had this experience in government—and there is a perfectly coherent case which is accepted, but in terms of the credibility of that case it may be better rehearsed or advanced by yourself as CSA, or your colleagues, because of your scientific background, than it would be by mere lay persons who might be said to have a political or other interest in it?

Professor Beddington: I think the clear case. I would expect, for the various chief scientific advisers and myself is that we would be prepared to speak on any of these issues and indicate what the evidence base is, indicate if the evidence base is extremely strong in one direction or, indeed, if there are uncertainties. I think that is part of the job.

Q291 Mr Boswell: If there are issues, there may be a different view which may not be particularly strongly evidence-based, do you at least accept that there may be a case for proper evaluation of that if no evidence is produced as part of the analysis? I am thinking, for example, of issues about organic farming which I have had some experience with in the past. I used to say, even if there may be no particularly firm evidence, at least it is worth putting some research effort into seeing whether there is such evidence.

Professor Beddington: Yes, I think the answer is if there is an important question on which scientific evidence is required, subject to resource constraints, we should actually look at it.

Q292 Dr Iddon: Finally, let us raise a couple of those issues. I will raise one and Dr Harris will raise the next one. Let me come to badgers, first of all, which is a topic, I am sure, dear to your heart John. Professor David King endorsed the culling of badgers as a means to eradicate bovine TB and then was ignored by the Government more recently. Do you think that has damaged the Chief Scientific Advisor’s role to government?

Professor Beddington: In terms of the scientific evidence on badgers, there was a lot of publicity, but in fact the report of the ISG Group and the report
that David’s group produced are virtually identical in scientific content. There is really no disagreement on science. It was characterised that there was a major disagreement, but I do not think that in terms of the science there was any real disagreement. Where there was disagreement was, I think, between the economics and the practicalities, which were not part of David King’s terms of reference for his study, but in terms of the science, it was the question I asked very early in January when I came through, “Are there any fundamental scientific disagreements between the group that Sir David led and by the ISG Group?”, and the answer was none. Indeed, there is a report which I think was shared with the EFRA Committee, which was a joint meeting between Sir David and the ISG and a number of the ISG members. Essentially that report says: “This is where we agree”, and the areas of disagreement were effectively either trivial or zero. So the science case is very clear there. Twenty-twenty hindsight is very easy, but I think that the EFRA Committee commented that they felt it would have been better if Sir David’s group had engaged earlier with the ISG group; and I had this discussion and I think I would agree with that. As I say, I would qualify that by saying twenty-twenty hindsight is a wonderful thing but also I think the evidence base is growing. New evidence accumulates and, I think, as that new evidence accumulates, the Defra science team, under Bob Watson, are looking at it. I am not involved at in that at the moment, except in the sense that I talk to the Defra scientists who are actually working in this area and monitor if there is any new evidence coming up.

**Q293 Dr Iddon:** So you would be recommending to the Government, “Cull the badger to control bovine TB”?

**Professor Beddington:** No, I think I am saying this is the scientific evidence. This is the implication of culling badgers. This is the effect on the peripheral areas. The evidence indicates that there will be an increase in the herd incidence on the peripheral areas, but the level of decline in the incidence is this. I think that evidence is there. It is not a recommendation to cull badgers. It says, if you cull them, this is what is going to happen, and I think that is the appropriate way to phrase it. I do not think it is appropriate for me to recommend whether you cull or do not cull badgers. I should say, if you do, this is what we believe the scientific evidence will tell you will happen.

**Q294 Dr Harris:** Do you think the NHS should spend money by homeopathic treatments?

**Professor Beddington:** Again, you have been reading *The Independent*. I find homeopathy a difficult thing. The question is: is there any scientific evidence beyond the placebo effect that homeopathy works? I know of no such evidence.

**Q295 Dr Harris:** I will come back to my question. Do you think the NHS should be spending money that could be spent on evidence-based treatments on homeopathy?

**Professor Beddington:** It depends on the extent of the placebo effect, of course, does it not? It is not just in terms of homeopathy, but, I suppose, less conventional medicines. There does seem to be some evidence that they are effective. In terms of homeopathy, as I have said, I see no evidence beyond the placebo effect that it works, but, again, the point I would answer is slightly similar, Dr Harris, to the way I answered Dr Iddon. I can make that point to government and say that there is no evidence that homeopathy works. The decision on whether you wish to fund homeopathy as part of the National Health Service has other factors which are beyond science.

**Q296 Dr Harris:** As you know, homeopathic remedies have no molecules of the “active” ingredient in them, yet you can pay quite a bit for this water; so why not just give people, for the placebo effect, water free, tell them its homeopathy and save the money for the NHS? It is a serious point.

**Professor Beddington:** It is a serious point but not a scientific one. I think this is more policy than science, Dr Harris. I am quite firm with this. I see no scientific evidence that homeopathy has an effect beyond the placebo effect. The question that you ask is a reasonable one, but I think it is possibly better posed to the Department of Health rather than me.

**Q297 Dr Harris:** What about the issue of the Department of Health insisting that the MHRA, which controls drugs, accepts homeopathic provings as evidence for the labelling of homeopathic medicines as medicines?

**Professor Beddington:** I would say again, I think there is no evidence base for homeopathy, so the implications are fairly clear, that there is no evidence base to continue to use it.

**Q298 Chairman:** Why is not the Departmental Scientific Adviser at the Department of Health saying that?

**Professor Beddington:** It is not an issue I have discussed with Sally Davis. I am not aware whether they have or have not said anything.

**Q299 Dr Harris:** You have got the Science Review at the Department of Health?

**Professor Beddington:** Yes.

**Q300 Dr Harris:** I expected this to be in here, and I have not found it. There are eight annexes as well, so there is lot to read, but you have written the foreword, and you must have read it. Do you recall it being in here?

**Professor Beddington:** Certainly homeopathy was looked at as part of the study but not as one of the case studies.

**Q301 Dr Harris:** I see lots of areas of good practice boxed here, but I could not find one area of bad practice boxed. Sir David King when he came to see us just before you did said, “The issue of homeopathic medicines leaves me completely
puzzled. How can you have homeopathic medicines labelled by a department”, the health department, “which is driven by science? I would say there is a risk to the population because people who take them may be expecting that they are dealing with a serious problem.” He then says, “For example, we are currently doing the Department of Health. You may want to look at that. Of course we will look at homeopathic so-called medicine. These external advisers”—because we were talking about whether these reviews were independent of government—“I think, carry the way to objectivity that you are looking for in your idea.” So I was waiting expectantly for the Chief Scientific Advisor who started that review (I know you finished it off) to raise this point. Perhaps the answer has just arrived. 

Professor Beddington: I do not know. I was going to say could you give me a little time to respond to you on this? As you say, it is a large report. I can indicate that this was published in Annexe 1 of the interviews on the Go Science website, which is probably not what you want.

Q302 Chairman: This is an important issue, it is not a frivolous issue, because it goes right to the heart of the issue of whether or not you have evidence-based policy-making in a key area of health. Could we ask if you would perhaps write to us to respond to that? 

Professor Beddington: Yes, I will.

Q303 Chairman: I would much prefer that than us trying to score points off you or you score points off us.

Professor Beddington: I think the latter is highly unlikely, Chairman, but I will certainly do that.

Q304 Dr Harris: I have only got one more question, which is something I did raise with Sir David King. You may have seen the transcript. We have got these scientific adviser committees and the people who are on them, particularly people who chair them in some way, presumably have a responsibility not to speak outside of what their committee says. I raised the example of, I think, the HPA Chairman giving an interview for Panorama in which he said that there was quite possibly a risk from Wi-Fi, and that set several hares running. I was wondering whether you had a view on whether people who chair those agencies or advisory committees have a responsibility to stick within the published view of those committees when giving high profile media interviews and, as I asked Sir David King, if they do not, whether you talk to them about that behaviour? 

Professor Beddington: First of all, I think the appointment of science advisory councils is clearly important, they clearly have got to be seen to be a benefit, but if in fact an individual chairman is going outside essentially the agreed position of that committee and does not make it clear that he is actually speaking as an individual rather than as chairman of the committee, that is inappropriate and if I came across that practice I would discuss it with them and indicate that I do not think that it is appropriate. Clearly, you cannot completely muzzle an individual. If they make it clear they are speaking as an individual, that seems reasonable, but they cannot speak as if they are chairman of the committee.

Q305 Chairman: Can I ask you, finally, Professor Bennington, the predecessor committee did a major report on marine science and two recommendations were agreed by government. One was that there should be a new co-ordinating committee established which brought in private sector organisations with an interest in marine science and, secondly, that there should be, for the first time in the UK, a national marine science strategy. Are you aware that either of those two things have happened and, if not, what are you prepared to do to support what is purported to be government policy?

Professor Beddington: I think the history of this is before my time, as you are well aware, Chairman, but in the discussions I have had I understood that, in fact, Defra had taken on the responsibility and were actively taking both these recommendations forward.

Q306 Chairman: Are you aware that they have been taken forward?

Professor Beddington: No, I am not, but I am aware that Defra has agreed, which was problematic at one time, that Defra indicated it would be the government department which took on the responsibility for marine affairs. I cannot tell you at the moment whether, in fact, they have taken it forward or not. I have not checked on it. I am more than happy to write to you, Chairman.

Q307 Chairman: I think the point is a serious one, that where in fact an area of scientific activity is accepted to move forward, somebody should be checking that it actually happens. Do you feel that that comes within your area of responsibility?

Professor Beddington: I encountered this when it was not clear which department was going to take responsibility, and I was involved in the discussions which led Defra to say they would take the responsibility. Following that, I have not followed it up any further, but I can do that.

Q308 Chairman: A note on that would be great.

Professor Beddington: Okay; will do.

Q309 Chairman: Could we thank you very much indeed, Professor John Beddington.

Professor Beddington: Thank you.
Witnesses: Rt Hon John Denham MP, Secretary of State, Department for Innovation, Universities and Skills, and Mr Ian Watmore, Permanent Secretary, Department for Innovation, Universities and Skills, gave evidence.

Q1 Chairman: Could I welcome the Secretary of State, the Rt Hon John Denham MP, to his first visit to the new Innovation, Universities and Skills Select Committee, and welcome to Ian Watmore, the Permanent Secretary at DIUS. This is the last of the individual sessions which the Committee organised to get a feel for what the Department is about and to meet some of the key players within the Department. We are particularly grateful to you, Secretary of State, for coming along this morning. In a recent speech to the CBI you said that: “the formation of DIUS does not mean that past policies, past ministers, or any of the Department’s key areas of work have failed”. Why do we need a new department?

Mr Denham: What I meant by that, Chairman, was if you look at the three broad strands of work that have been brought together in the new department—further education, higher education and science and innovation—you would not look at any of those areas and say, “We have got a terrible university system”, we have a very good university system, a good record of achievement of skills and obviously a very significant achievement in the science budget. The question is, are we as Government and the country as a whole getting the most out of those three strands of work. There is obviously a synergy between them. Developing the skills of all of the population, which is everything from basic numeracy and literacy through to post-graduate research skills, having a very strong base of research and scholarship, and applying them to create the right environment for innovative businesses and public services means bringing them together. What you could say about past arrangements, and what our job is to try and tackle is, you have not necessarily had within one department the discussion between the education and skills side of government and the people working on innovation and working with business. Our challenge, if you like, Chairman, is to show that by bringing those strands of work together within one department we can make a greater picture than having them separately in government as they have been in the past.

Q2 Chairman: The impression or the feeling in some quarters that the Government wanted to set up a Children, Schools and Families Department and that what was left of that and the old DTI came together is not true; this is not a leftover department?

Mr Denham: No, it is not a case of, “We will put all those bits that are left over somewhere and we will call it DIUS”. There is a logic behind both departments. There is a logic in having a department which is broader than essentially a schools department looking at 0–19 which is able to take a broader view over education, family policy, youth justice and so on. There is clearly a logic as well in having a department that is looking at the adult world, which has a strong economic focus about our ability to be competitive as a society but also has a strong social dimension, and particularly the development of adult skills is going to be the key to social inclusion and prosperity and security for many families. There is a logic to both departments, not just a logic to one and what is left over.

Q3 Chairman: What always amazes me, Secretary of State, is if there is such a logic why did it take 10 years for this logic to become apparent?

Mr Denham: I do not live in a world where I think governments should always have got everything the way it should be on day one or they have failed. Things emerge over time. Obviously I was not directly involved in the decisions that led to the machinery of government changes, but I think it became clearer and clearer over the 10 years that, for example, looking at young people’s educational achievements without looking at broader issues was not likely to achieve what we want to do for young people. In my past role as Chairman of the Home Affairs Select Committee we produced a report saying just that sort of thing. Secondly, if you look at, for example, science and innovation, there has been a progression from initially investing substantially in science and building up that investment to recognising that we then needed to invest in universities through the Higher Education Innovation Fund to improve the interface between higher education and business, to the realisation that business wanted to talk about the whole range of its interaction with education. When I meet people from business I do not meet a separate set of people who talk about research or degree level skills or craft skills, the same businesses will want to address the
whole agenda. I think it is a realisation that a great deal has been achieved but we could do more by reorganising in this way.

Q4 Dr Gibson: When the political gravestone is laid I would not like to see it just written with “John Denham” at the top saying, “He made a difference”. What kind of difference do you aspire to? What would you like to see quite specifically? Your generalities are in tune with the nation and what we are doing but specifically what have you in mind that you would like to really achieve? Would it be on work in this country or developing countries in terms of innovation and sciences and the onward movement of knowledge?

Mr Denham: Come back to me, Dr Gibson, if I am saying things at too high a level.

Q5 Dr Gibson: In terms of generalities, not in any other way. I think it would be to make a real contribution to the two areas of our future economic competitiveness and prosperity by making a success of the way in which we support innovation and bring science and the rest together to do that effectively. Secondly, it would be to demonstrate that we can make a real difference to social inclusion, social mobility, by raising the skill levels of people whose skills are poor at the moment and who will otherwise struggle in the labour market. Those are both areas where over a period of time, and obviously other government departments contribute to this, our Department ought to be saying that we can make a real difference. You can then break that down into how you measure it in the number of spin-off companies or the competitive success of our businesses or the number of people with skills or the number of people in work and all those sorts of things. Those are the two big areas where the Department as a whole will rightly be questioned. There are many other areas and I will be speaking later today about the way in which we use scientific evidence in government. I want us to be a champion of science within government. Yesterday we opened some sort of umbilical cord, there are clearly crucial areas of human activity. There are many other specific areas where I want to move the agenda forward. It is those two big ones, our economic competitiveness and our ability to develop a more inclusive society, that seem to me to be the two big challenges.

Q6 Dr Gibson: At the same time as you have competitiveness you have got co-operation going on with China and India too in the exchange of students, ideas, work and so on. You cannot really compete, as it were, with the great continent of Africa and the problems there but you can add a lot to their culture. How does that gibe with the competitiveness agenda?

Mr Denham: This country has to build a strong economic base on the basis of the quality of the skills of the people we have on offer here, the quality of the research and the extent to which we create an environment for innovation. In practice, of course, these are not isolated activities. We are second only to the USA in the number of citations of our scientific papers and a very significant proportion of those are through international collaboration. The funding that goes into programmes like Science Bridges, the links that we make around the world through the Science and Innovation Forum are important globally but are also important to our national economic advantage and I do not think we should shy away from saying so. The truth is there are many situations, and if we take the UKIER programme with India, where it is to our national economic advantage to participate and it is to the Indian national economic advantage to participate and both countries will seek to be more competitive in the world but we will build stronger positions for ourselves by working more closely together. As far as Africa is concerned in terms of development, there is a substantial part of our research effort and our academic work which goes towards supporting work on issues which are going to be vital to development, whether that is in food science, dealing with the problems of climate change or understanding climate impact around the world, those are enormously important.

Q7 Dr Gibson: In terms of the two departments that were set up there is a kind of age specificity there.

Mr Denham: Yes.

Q8 Dr Gibson: Were other models considered?

Mr Denham: I would not know, Chairman, what other models might have been talked about, I was not responsible for the machinery of government changes.

Q9 Dr Gibson: You do as you are told!

Mr Denham: I do as I was offered actually! I did not actually say, “Prime Minister, why don’t you think of doing it this way?” I do think there is a real logic to a department that brings together in a coherent way 0–19 policy, there is a really strong logic in looking at the adult world across all levels of skills, science and innovation. It does not mean that it has severed some sort of umbilical cord, there are clearly crucial areas of co-operation between the two departments, as there would be whichever way you cut the cake, but I think this is actually a very logical way of doing it.

Q10 Dr Gibson: Have you any evidence that there were discussions along those lines? I know you were not involved.

Mr Denham: No. I have not taken part in any discussions of that sort at all. What I would say on the more positive side, and Mr Watmore might support me on this, is that now we have a new department discussions do take place between higher education and science and innovation, further education and science and innovation, on a routine basis between officials who rarely met and worked together previously because they were separated. Now we have relocated in new headquarters you will actually see a much richer output from that work.
Q11 Dr Gibson: Perhaps you would know if there had been discussions, Mr Watmore?

Mr Watmore: No. Again, I was rung up three days before the machinery of government and asked would I be prepared to take this role.

Q12 Dr Gibson: Gosh, we will never know then.

Mr Denham: I just took it as it was offered as well.

Chairman: Do you think anybody knows?

Dr Gibson: Does anybody care?

Q13 Chairman: Can I follow up on Dr Gibson’s question on the issue of structures between your group of civil servants and the one in Children, Schools and Families. What formal structures are there to ensure that there is that, if you like, seamless progression rather than two silos that sit side-by-side?

Mr Watmore: If I could broaden that slightly. There are four departments that work very closely together on interlocking issues because of work and pensions as well as the Jobcentre and skills and, of course, the artist now known as BERR, the former DTI, with all those interests in business, enterprise and growth. The four of us work very strongly together. At a formal level we have joint board meetings amongst officials. It is not the whole board because it would be unwieldy but with the key subsets and we look at issues of cross-interest. Similarly, there are regular bilaterals between the Secretaries of State and our key Ministers. We encourage right throughout the Department for people to interlock with their former colleagues on key issues and some ways in which we are achieving that are to create more formal structures, such as meetings on 14–19 agendas or whatever it might be, and quite often informal as well. Literally last week I had a very free-ranging discussion with David Bell, my counterpart at DCSF, on a whole range of issues which we will pick up.

Q14 Chairman: Secretary of State, one of the casualties that there appears to be of the new arrangement is the FE sector. If we look at Lord Sainsbury’s report, Race to the Top, he very interestingly makes a huge bid for the FE sector to be beefed-up in terms of providing much of the skills, particularly at Level 2 and 3 and into foundation Sub-Level 4. In order to drive that agenda, how do you and Secretary Balls organise the FE sector to make sure it is a dynamic vehicle rather than, if you like, a casualty of war?

Mr Denham: I am glad you put it as something to be avoided because I do not accept that it is a casualty. The reality is that we have to ensure that the FE sector colleges play precisely the role that you have said and our commitment to invest in them, not just in training programmes and training activities and educational activities but in capital terms is very big. Our capital budget, as you will know, is about £2 billion for the FE sector and that comes on top of £2 billion which has been spent over the past period, so that is a massive investment in a sector that 10 years ago had no capital programme. What we have, of course, depending on how you look at the figures, is about 50% of the 16-19 generation educated in colleges that are mixed to a significant degree, primarily FE colleges that are doing both 16–19 and adult, and a significant section of sixth form colleges which have some adult provision. What is absolutely key is that the funding arrangements from the two departments work at an institutional level. So although it will be the case certainly that colleges will receive funding for 16–19 which will be increasingly determined by local strategies for that age group, and they will receive adult funding from us which will become increasingly demand-led with the dynamic impact of Train to Gain as employers have more influence over the system and individuals have more choice, still some planned provision within that, we have got to make sure if you are running a college that works financially and gives you the flexibility and ability to innovate that you want. Where we are at the moment, Chairman, is we are aiming, we hope in February, to publish a consultation document setting out exactly how that will work. That is obviously something we are working on very carefully and I met with Ed Balls, with my colleague, Bill Rammell, and Jim Knight yesterday to go through it, and we are meeting on a very regular basis. It is a complex area but I do not think it is an area where it is impossible to come out with a very satisfactory solution.

Q15 Chairman: I think that is something the Committee will want to keep abreast of in the future.

Mr Denham: I would hope so.

Q16 Dr Harris: I think I read somewhere that you recognise that you want your Department to be a champion for the proper use of science across departments.

Mr Denham: Yes.

Q17 Dr Harris: Or maybe you just said that, and the use of evidence-based policy-making. What evidence was commissioned, gathered or used in deciding how to create your Department because you were not asked and your Permanent Secretary was not asked?

Mr Denham: No, indeed, and nor have I gone back through the archives to look at these things. I would not be able to tell you because it never really occurred to me as an issue where it was worth going back over the extent of academic evidence in this area. However, a considerable amount of evidence existed that informed the decision. At the time the Department was formed much of the work had already been done on Lord Sainsbury’s report on innovation. I am sure that would have influenced thinking about the nature of the arrangements we needed in government in order to drive forward innovation successfully. We have the Leitch Report which demonstrated a pretty compelling case that we needed to increase the number of people skilled at every level in our society. If you take that sort of evidence together, and I would not know whether somebody then commissioned a separate academic study about the machinery of government, there would two pieces of evidence which would have
made a pretty compelling case that something like DIUS would be a logical way of organising our activities. It is a very powerful case that the old arrangement where science was being dealt with over here and higher education was being dealt with over there was not the best way of achieving the culture of innovation that Lord Sainsbury was after.

Q18 Dr Harris: There is clearly a political argument for a new Prime Minister making some initial decisions that look as if they are, or indeed are, important and felt necessary and radical and stamping a new approach, but that does imply there are going to be some things that are done in government, particularly at the top, that are never going to be based on consultation, deliberation and evidence-gathering because prime ministers or ministers sometimes just have to look as if they are being decisive. Do you recognise that is an inevitable tension? Do you accept it is unfortunate within a department that is leading evidence-based policy-making you are formed from what looks like a decision that cannot clearly be seen to have been based on not just academic evidence but evidence of what might work?

Mr Denham: I do not think that is fair. I set out two major reports, one of which has been published and one of which would have been familiar at a senior level in Whitehall, the Sainsbury Report, both of which pointed very strongly in the direction of a department that was able to focus on the adult world and on the links between skills, wider economic activity and innovation. It is simply not fair to say there was no basis for it. Nor do I accept that the decision was taken cynically to show something was being done by a new Prime Minister. It makes sense to me and it makes sense in terms of the structure of government. There is a difficulty. When I was where the Chairman is, when I was chairing the Home Affairs Select Committee, there was a similar issue about reforming the Home Office and Ministry of Justice. When we looked back through it, I do not think any government has ever felt that you could go out for a massive public consultation about the future shape of the machinery of government without stopping Whitehall working for a very considerable period of time. It is a dilemma.

Q19 Dr Harris: If I were Mr Watmore I would feel a bit disappointed that I could not be trusted to be asked my opinion about a massive change like this, but I accept what you are saying. My last question is about science. The last Select Committee produced a report which made suggestions about putting “science” in the departmental title and I know that you responded to that recently and it has not yet been published by us but I imagine you would say it would be unfortunate to change stationery and stuff even if there was a case to be made, and let us say I accept that. What I would like to ask is whether in retrospect you think had you not set up the nameplates, the stationery and all that and started getting identification it would have been, as the President of the Royal Society says, better to have had “science” in the title, but we are where we are?

Mr Denham: We are where we are and it is a difficult one. I would say if “science” had been included in the title in a way that would have reflected the importance of science to the actual work of our Department we would also have had to include “colleges” in the title, who do not mount the same lobby but have often said to me they feel excluded because universities are in and colleges are not and they have said, as the Chairman said, they are very important. We would then have been “DISCUS” rather than “DIUS” if we had included science and colleges. We are where we are and I think it is a more manageable name. I would say to this Committee I need to demonstrate in practice that as a Department we are engaged in science, we want to lead on the science debate and that is why, amongst other reasons, I want to talk about the use of scientific evidence in decision-making tonight. We need to demonstrate through our commitment to the research budget what we are going to do about science. I hope that this debate about what is included in the title or not will go away because people will be comfortable with what we are doing as a Department. It is part of my job to ensure that happens, I think.

Q20 Dr Gibson: You talked about fragmentation, the ghettoisation of science over there and other things over there, but sometimes do you think it might evolve into a Ministry of Science in this country because you have still got that fragmentation in different departments, there are chief scientists here, there and everywhere? You say they meet for a cup of coffee now and again but do they actually form a joint scientific policy for the nation? In the past we have had a Ministry of Tech remember.

Mr Denham: My own thinking is that I would not be convinced about a Ministry of Science because we have to do two things. We have to protect the pure science, the research driven agenda, which is crucial to our future science-base as well as our economic basis, but we also have to have the links between science and innovation, the links between science and business and public policy, the links between science and the wider educational field. It will depend how you draw the boundary obviously but a Ministry of Science might institutionalise just one aspect of scientific activity. As far as chief scientific advisers here, there and everywhere, I am rather in favour of that. I think one of the significant achievements of recent years has been the development of the network of scientific advisers in government departments with the Chief Scientist. I know that Professor John Beddington, I do not know if you have had him as a witness?

Q21 Chairman: We have.

Mr Denham: I thought you had. I think he sees himself as leading that profession of scientific advisers within government. That is crucial, we do need that scientific advice embedded across government and not just within one department.
Q22 Dr Gibson: I think Dave King was a bit disillusioned that it did not really work as effectively as it might. Maybe it is an evolutionary process.

Mr Watmore: I think it is an evolutionary process about which I will say a few things tonight.

Chairman: Can I say, Secretary of State, we are very conscious of the issue and we are grateful for your support in putting “science” in the title of this Committee because it is a very, very important statement that this Committee will be looking at science across government in exactly the way to which Dr Gibson has referred.

Q23 Graham Stringer: I do not want to labour the point too much about titles because titles are titles and it is what you do, I accept that, but is it not rather surprising, given that Tony Blair said our party’s priorities are “education, education, education”, that there is no department with “education” in the title?

Mr Denham: I do not think it is. It is the case that for a long period of time, and this is my view of the situation, it was assumed that the spine of the system was lifelong learning and you therefore had an Education Department which was lifelong learning and other activities were organised around that. The insight that has led to the two departments is a recognition that although that strand of lifelong learning is absolutely critical, and that is why we have to liaise so closely with DCSF, there are different ways of looking at it and looking at a department which is looking in a broader way at families and children with education at its core is the right way to deal with 0-19 policy and looking at education in the context of scientific research, adult skills and innovation is the right way of organising things. That is a radical break with an assumption that had been made over many generations that you made education the spine and then hung everything off it. I think it is the right way to look at things today. What is critically important, and Ed Balls and I both accept this, is that there cannot be a severance, there still has to be a root of lifelong learning all the way through the system and that is where liaison between our departments is critical.

Q24 Graham Stringer: What is the cost of creating this Department?

Mr Denham: It has not been huge but I will let Ian talk about that.

Mr Watmore: In effect the cost is net zero because the money that was previously agreed as the two DTI and DfES budgets and settlements has been split between the three departments.

Q25 Graham Stringer: That is a simple accountant’s answer, is it not?

Mr Watmore: There is no new money involved in the system. In reality, for creating our corporate structure on top of what we inherited from the previous department, we inherited 761 staff on the first day of the transition. We anticipate we will recruit not more than 900. We are up in the 800s at the moment, so we will add between 100 and 150 staff to the department. Offset with that we will be employing quite a broad shared service approach to our back office at the department and we think the two will net out so that we can afford to do the increase in staff to support ministers, do the communications function and have a core HR and finance function in the department, but we will allay the other costs by doing it through a shared service model.

Q26 Graham Stringer: That is a sort of bottom-line answer, is it not? There will have been the costs of creating new corporate logos. There will be the time costs of interviewing staff for different jobs and simply moving location, so there are real costs. While you are interviewing staff and moving offices you are not doing the core business of the department, so have you got an estimate of that cost?

Mr Denham: The corporate logo was less than £13,000.

Q27 Graham Stringer: We will not worry about that.

Mr Denham: No, but if that is an indicator of approach, we did not go out to an expensive corporate re-branding organisation. It was done essentially with in-house skills. One of the advantages of DIUS is that we have a range of organisations attached to us that have in-house skills so it was done very cheaply, and we have set out very carefully, and ministers have said this from the top, not to have undue expenditure in this area.

Mr Watmore: You are clearly right that there is effort in the creation of the new department and its culture. That is something that virtually everybody is involved in at some level in the organisation. Again, what I am finding with our staff is that this is enthusing and motivating them. They are in a new exciting world. They are getting more focused. They believe in the mission and the vision of what we are trying to do. I have a lot of people saying to me, “Initially we thought what was all this about and it felt very negative, and now we are beginning to see the value”, and so they have seen the payback of that change, so yes, there is effort going into the change but we are already seeing some of the fruits of it.

Q28 Mr Boswell: Just briefly on what Mr Watmore said a moment ago, as I understood it, he said that he inherited the budget lines from the various departments’ constituents. He also said that he hoped to recruit 100–150 new staff. I would just like to be clear in my own mind whether the costs of that are going to be absorbed into the existing budget provision or whether they will be provided for at a later date and, if so, what the implication of those extra costs will be.

Mr Watmore: They will be absolutely absorbed and, to be clear, what I got across from the two former departments was the budget lines for the people that transferred plus a contribution to this corporate change. The net budget that DIUS received, when added up with the two net budgets of DCSF and BERR, was the same as the two previous budgets for
DFES and DTI, so there has been no alchemy here. We have just distributed the money differently between the three departments.

Q29 Graham Stringer: You have given the bottom-line answer and the positive sale, but I would really like you to be more explicit about the time costs and what is not being done, because if you are moving and you are interviewing staff some things are not going to be done, and I know you have put a brave face on it that everything is the same but it clearly is not. For instance, how many extra interviews have you carried out? That must delay delivering the basic service.

Mr Watmore: For recruitment purposes?

Q30 Graham Stringer: Yes.

Mr Watmore: I do not know if you know my background, but I have had a business background for most of my career. I have only been in the Civil Service three years so I am not a career civil servant in that respect. One of the reasons I was asked to do this job was that I have experience of building businesses and transferring and merging and acquiring companies and so on. You nearly always in such a situation divide the world into two—a business-as-usual world, keep the show on the road, keep focused on delivering what you need to do, whilst you put a relatively small team at the centre to start to build the corporate change, do all the interviewing and purchasing and finding of buildings and all of that sort of stuff. That was essentially the split that we made. The director-generals that we inherited from Education and DTI were very much empowered to deliver on the policy agendas and worked with our staff on the policy agendas whilst I recruited a small team of leaders at the centre and then we built up the corporate capability, so we have put a lot of time and effort into that but we have tried to involve as little as possible the front-line staff who are delivering the everyday services. Now what we have to do, as we bring the changes through into the business, is involve the front-line staff and gain their ownership for those changes and that is the period that we are now entering when we are into a lot more cross-departmental communication, networking, team building and all of those sorts of things. As I say, for whatever time they are spending on that we are getting a corresponding value because they are seeing the motivation and the connection.

Mr Denham: If I may add something from a ministerial point of view, because I obviously did about six years as a minister previously, ministers certainly feel that we have been able in six months to take policy forward, to open up new areas of policy, as we would have expected to in any other department, whether that is in the implementation of the skills agenda and our work with DWP, the extensive work that has already been done on the new Science and Innovation White Paper which we want to publish in the spring, or the framework we have set out for looking at higher education policy, so there has not been any sense from our point of view that we have not been able to do what we would have wanted to do as ministers because of the change. Probably the one area that everybody would accept is that the one thing you do not inherit with a new department is a fully formed press office and communications department, and so there was a period of time, and it probably would be about three months, until those functions were fully staffed and professionally led by new people, which was a difficulty from our point of view, but I would not say we have been in a position where Ian or other people have been turning round to us and saying, “Look: we just do not have the capacity to do what you want because we are still settling down”.

Q31 Graham Stringer: When will the change be complete? When will you be a stand-alone department? When will your website be as you want it to be, because you have not reached either of those points yet, have you?

Mr Watmore: From 15 December or thereabouts we formally got the accounting officer changed, so until that point that we were technically operating under the cover of the two previous departments, so that was the day when we were on our own two feet for the normal business management aspects of being a department. We are already in our new building. To go from creation to selecting a new building, moving everybody in and getting it working in six months is fast by anybody’s record, and certainly by Whitehall’s standards it is turbo-charged, shall we say. We have implemented a new IT system to enable us all to be on the same IT platform, which is completing this month with our Sheffield and Runcorn and Darlington colleagues, so by the end of this month we ought to be all on the same IT platform. That gets us the real basis on which we can move to the next stage of our journey and we have communicated with our staff on a blueprint for what the department looks like and our aspiration for what we want to do.

Q32 Mr Marsden: Could we have it?

Mr Watmore: Yes, you can indeed. It is one piece of paper as well. That is another innovation in Whitehall, to do things on one piece of paper. We anticipate that we will reach the end of that blueprint over a two-year cycle from here but with a lot of progress made this calendar year and in 2008.

Mr Denham: The other thing I would like to say, Chairman, is that if we are going to have “innovation” in the title we do not quite want to end up feeling like any other Whitehall department which has got “innovation” in the title and we need over that two-year period of time to experiment with different ways of working as a Whitehall department, so ministers have been discussing—and there are risks involved in it—the extent to which when we commission policy papers we do not just commission them from a narrow group of officials but send a wider signal out to people in the department that they can contribute to that. We are already trying to do that on the Science and Innovation White Paper. We want to create a floating policy pool so that we do not just have policy made in the usual silos. We want to use the
internal intranet to enable people from different areas of staff to be briefed to communicate constructively around policy in more new ways. Changing the culture to work in a different way is going to take some time. We are trying to organise—and Ian can say more on that—how we use private sector and public sector partners to see themselves as customers of the department so that they are coming in from outside telling us what it is like to be a user. It would be lovely to say you can just do all of that on day one but it is changing the culture of the department in a way that will take time.

Q33 Graham Stringer: I have got a sense of déjà vu here. Ten years ago, I think in this room, we interviewed John Prescott when DETR was set up and we wanted to understand how transport and environment would be integrated. He was slightly less articulate than you are, Secretary of State, but essentially we got the same answers, that they would be integrated and put together and yet, after the 2001 election when it was decided that transport should stand alone again, the Department of Transport came out almost unchanged and was set up independently and that department has been through that process at least three times. How can you assure this committee that Education and Skills and Trade and Industry will be an integrated department and in five years’ time the Secretary of State is not sitting there saying, “Actually, we are recreating the DTI and there it is”?

Mr Denham: I think we both need to answer this. Ministerially I think we have to show a lead and not be prepared to accept ways of working that do not work across the department. For example, in developing the Science and Innovation White Paper ministers have to be insistent that the contribution of skills and higher education officials to that White Paper is built in from the beginning, that it is not just developed as a product of the team that might have done it a year ago. Political lead on these things, I think, is critical. A political willingness to ask questions and make sure people are involved is one part of it and for the organisational side I will turn to Ian.

Mr Watmore: Clearly, one of the general criticisms of Whitehall as a whole is that it operates permanently in silos and then when you get into a silo there are sub-silos. That is the kind of thing that I have heard almost from the day I arrived three years ago. I would say on the bigger stage that in the whole new Comprehensive Spending Review agenda, the PSA framework that has been laid out, there are 30 very big cross-cutting items, all of which have to be delivered by several departments working together, and this is going to have to change the way that Whitehall works en masse in terms of breaking down those traditional silo boundaries. In fact, there was a meeting under the Cabinet Secretary’s leadership just before Christmas to work out what Whitehall needs to do differently in order to be able to operate on a much more cross-cutting basis. The same is true within the department. We will continue to have teams of people focused on FE, HE, science, innovation and so on. The important thing is that we get those people working together and joining forces to get the added value out of the creation of the new department. If that does not happen then it will just be a different holding company, if you like, of a series of sub-silos. What are we doing about that? The first thing is that we wanted to get under one roof, which we have achieved, and I know it is only about two weeks in but people are coming up to me saying they are meeting people informally and starting to have discussions on topics that they would never have had before and it is beginning to build that sort of informal networking. We are also most likely going to implement very strong professional skills and development agendas right across the department, so if you are familiar with the Professional Skills for Government agenda, policy delivery being one of the major professional skills, we will have a clearly identified head of policy delivery from a professional point of view and put all our policy delivery people on working through the same training and capability building programme so it does not then matter whether they are focused on HE or FE or science or whatever; they are all operating and building the same methods and professional disciplines and learning from each other along the way. Another example of what we are doing is that I used to run the Prime Minister’s delivery unit from Number 10. I am taking those methods and disciplines inside the department, so we are going to have a ministerial delivery unit, if you like, and I have just recruited two very bright young people to come and head that up and work with our team of ministers to make sure a good delivery agenda right across the policy of the department is joined up and adding value. These are some examples of what we are doing to get that horizontalism to make sure that we do not just end up in vertical stagnation.

Chairman: Thank you. Clearly money is a very important ingredient and I will bring Roberta in here.

Q34 Dr Blackman-Woods: Does the Comprehensive Spending Review provide enough funding to achieve the aims of DIUS?

Mr Denham: I think we have got a good settlement. We have got a real growth settlement in every major area of activity from the science budget to the expansion of skills training to widening participation and increasing partnerships in higher education, so we have certainly got the money, it seems to me, to achieve the targets that we have set out for ourselves publicly in each of those areas. We have talked about increased participation in higher education, we have talked about research spending and guaranteeing the real terms rise and we have also set out in each area of skills activity the sorts of numbers of people who want to qualify at certain levels, so yes, I think it is a good settlement, particularly one coming against what is seen as a tight public spending round, to be enjoying real growth in each major area of activity.
Q35 Dr Blackman-Woods: You did mention earlier Lord Leitch, Lord Sainsbury and their reviews and the fact that you will have to implement those reviews and achieve the targets. Is it possible to plan accurately the implementation of those reviews in financial terms?

Mr Denham: It is to a considerable extent but we all need to recognise the things that we have to get right to achieve our targets. If we took, for example, over three years 1.2 million people of working age to achieve a first full Level 2 qualification, that comes over a period of time when we are roughly going to treble the amount of the adult skills budget that goes through Train to Gain, which is particularly responsive to employers’ demands for training and requires FE colleges and training providers to change how they operate to deliver skills, particularly in the workplace. The money is sufficient to cover that level of achievement and that is what the CSR does. In delivery terms, which Ian has just been talking about, we have to make a success of the ‘Train to Gain’ policy. We have to engage employers, we have to convince people that (a) they have a training need, and (b) they can work with their local colleges or training providers to do it. We have the money. The challenge now is to get the policy right in order to deliver it. That is our job, I suppose.

Q36 Dr Blackman-Woods: The CSR package also asks you to make annual efficiency savings of £1.5 billion by 2010–11. Are these savings realistic?

Mr Denham: Yes. To pick out a few examples, and Ian may add others, we are looking in higher education that procurement and shared services between universities could save, we think, about £150 million over the three-year period of time. A similar exercise in FE saves not so much money but about £40 million on non-pay spending of about a billion. There is similar co-operation taking place within the research councils to pool various services that they currently and have previously run separately and so on. We have not at the moment identified every single penny of the £1.5 billion but the initial look at this suggests that there are areas which are straightforward efficiency savings which ought to realise money that enables us to achieve that target.

Q37 Dr Blackman-Woods: Are you confident that in making these savings you will not damage the work of the department?

Mr Denham: Yes, I am. Some of them arise, in the way that these things are accounted for, from activities that we would want to be doing anyway. Train to Gain, for example, provides better value for money for the investment we have put into skills and some other ways of doing training, but we need to be doing something like Train to Gain anyway because training for vocational qualifications in a way which is not related to what employers actually want and is not delivering what they need in the workplace does not make very good sense, so there is a very good case where you have a more efficient way of spending your money in a way where the economic impact should be greater, and that is surely what the whole challenge of value for money is. It is not taking something which is a simple cut in service and trying to dress it up as an efficiency saving.

Q38 Dr Blackman-Woods: You mentioned PSA targets earlier. What input did you have into the development of PSAs and indicators for DIUS, and would you accept that they are quite challenging?

Mr Denham: They are challenging. It is fair to say that pretty much the skeleton of the PSA and the CSR had been settled by the time of the changes that took place in the summer but not all of the detail. There are certainly changes that were made to the PSA indicators and targets as a result directly of the intervention of this group of ministers when we took over. I think particularly that would be true not so much on the skills side where things really derive directly from Leitch and that agenda but certainly in the ways in which we wanted to monitor progress in the science and innovation field where we as a team of ministers very clearly came in and said we wanted to broaden the range of indicators. They had been a bit of a one-club measure as a proportion of R&D spend, which I think is widely accepted as an inadequate total measure of innovation funding, so we did have the ability to come in and say we did not like those. I said as a minister to the rest of my team, “Once you have got these things you are stuck with them. There are two things: one is, make sure they are measuring something real and, secondly, think about what the most perverse interpretation of this indicator could be and what the most perverse person might do with it and imagine that happens, and if you do not like it come back with a better indicator”, so we did have some input on that.

Mr Watmore: The additional point I would make is that we created the thing that appears in the CSR as the departmental strategic objectives, and we created that in effect from scratch, taking the mission that we were given by the Prime Minister and converting it into an agenda that we felt was the richness of the agenda, and, speaking from the Treasury side, they were extremely pleased with the quality of what we did in a very short space of time, and they actually said to me privately, “One or two other departments could learn from you how to do this”, because they came out very clearly—six punchy objectives with quite strong economic and social and cross-cutting government outcomes, so we are quite pleased with it.

Q39 Dr Blackman-Woods: So should we conclude that they were imposed by the Treasury or were they subject to negotiation?

Mr Denham: Clearly, in the areas where we tried to change things they were subject formally to negotiation. I think we were able to achieve everything we set out to do. In terms of skills, if you take that particular area, the Leitch report had been published the previous autumn. It had been endorsed by the current Prime Minister when he was Chancellor of the Exchequer. Obviously, the CSR settlement that we inherited was built around the implementation over the next three years of the
targets that Leitch had set out, so in that area it would have made no sense to go back and say, "Thank you, but frankly we fancy doing something different". One of the roles of our department was to help implement the Leitch report and that was built into our PSAs and into the settlement, as you would expect.

Mr Watmore: I think the Secretary of State makes a very good point there, that the financial side of the settlement was previewed before we turned up, so the science budget had been announced in the Budget of 2008 and so on. Our objective in the period we had between them and the publication of the CSR was to get the indicators lined up where the Secretary of State has identified and to make sure that we had a full set of departmental objectives that reflected the new mission, and I think we achieved them and I think the Treasury were pleased with what we did.

Q40 Dr Turner: Just harking back to the savings which your department has to make in terms of the CSR, 2007, it does imply that there may well be financial pressures within the department. I recall a year or so ago the DTI, when they were responsible for research council budgets, had a bit of a financial problem. I think it was not unconnected to Rover(?). In order to help fill their gap they raided as yet unallocated monies from research council budgets, which obviously caused a minor storm at the time. Can you give us an assurance that no such thing would happen under your stewardship?

Mr Denham: What I think the settlement does in science is restore the position, the commitment we have made to real terms growth, and that is what we will set out to honour. The issue about value for money savings is, I think, part of the overall approach across government to achieving value for money savings is, I think, part of the overall drive for efficiency.

Q41 Dr Turner: So the research councils can be confident in their budgets?

Mr Denham: That is what we will set out to honour. These are always "When did you stop beating your wife?" types of questions. The position the old DTI was in was a position where there were unexpected pressures on their budget at a time when there was no other source of money available and for a short period of time they took money from the research council annotated budget. Clearly that is not what I want to do.

Q42 Chairman: Can you give us an assurance that that will not happen?

Mr Denham: Chairman, I will set out to honour it. That is the best I can say because my colleagues were in a position where they had no alternative way to approach it and that is not what I want to see happen. My commitment is to set out to honour that obligation. I think it is important to the research community for me to say that, but in real life I do not think anybody can ever say that there is no set of circumstances that could possibly arise that might not come up again. However, let me underline the strength with which I want to honour this commitment and it is that here we have made a commitment as a Government to increase science spending in line with the growth in the economy. If we were not to honour the budgets that we have put in place at the moment then we would not be honouring that or the commitment.

Q43 Chairman: Why we are slightly suspicious, Secretary of State, is that already under your watch MRC in fact have had their reserves raided with £92 million taken out. There is also a cut in the amount of money which the MRC commercial department can retain over the next three years, and that seems to fly in the face of what you have just said, and indeed is the background to what Des Turner has just been asking.

Mr Denham: No. Can I set my mind at ease on that, Chairman?

Q44 Dr Harris: You can try.

Mr Denham: The change in the accounting rules around the MRC research fund was known about within the Whitehall system prior to the CSR settlement, and therefore, having been through this, I am happy that the overall funding that is available to things the MRC would have funded is not different from what it would have been if the accounting treatment had not changed.

Q45 Graham Stringer: So you are happy that the £90-odd million has been pinched by the Treasury?

Mr Denham: Because that was known about before the overall CSR settlement, if the £90 million had appeared there it would not have appeared somewhere else. The crucial thing from our point of view is whether the MRC is in broadly the same position as it would have been to see activities supported in its field of interest over the next three years, and I believe the answer to that is yes, partly because we have made it clear that things like the molecular biology laboratory at Cambridge, which was one of the things to be funded out of the research fund, is, according to RCUK, at the top of the list for the large facilities capital programme. I think at the end of the day what scientists want is to make sure the investment that they were hoping would take place would take place, so this was not, if you like, a post-CSR adjustment to the resources that are available to research.

Q46 Dr Harris: So what you are saying is that it was taken and it is going to be given back to the MRC in another form?

Mr Denham: Effectively. We have worked to ensure that the MRC does not suffer as a result of that change. The way it came to public light is in a different sequence of events; I entirely accept that. We then need to discuss with the research councils the framework for future income from intellectual property.
Q47 Dr Harris: But it does have an impact because I thought the understanding was that if the MRC does well, gets IP, it is innovative, it is inspired to do this, then it has an incentive because it can retain later proceeds, and now you are saying that there is going to be a cap on that, a cap on ambition, a cap on the funding they get from that.

Mr Denham: The historical position is that the MRC fund had been treated for reasons (which, as you will understand, entirely predate my involvement in this) outside the normal accounting rules, which is how the funds accumulated in that way. That is not how similar funds have been treated by the Treasury elsewhere in government. The Treasury, from their point of view at least, not unreasonably wanted to have a consistent accounting treatment across the piece and that is what they have done. We have worked very hard, and I think this would have happened before I was in the department, to ensure that the actual activities on the ground that would have taken place have not been affected. You then, Dr Harris, raise, I think, a very important issue for the future. The MRC’s funds, and therefore the same for all the other research councils, are being treated under a Treasury rule which essentially enables you to agree what you think you are going to earn and then retain some extra income and so on. I think there is a debate, and far be it from me, Chairman, to suggest whether the committee might want to look at this at some point—

Q48 Chairman: We are looking at it.

Mr Denham: Great. I think there is a debate, but this is only from me as a departmental minister, about how you structure the returns from research in order to incentivise innovation. Clearly, on the one hand this is public money in which there is a public interest and an expectation of a public return, and so there is going to be a debate about what comes back to the central exchequer that paid for it in the first place and how you stimulate innovation. On the other hand it is clearly in our interests to have a structure which maximises the incentive to good scientific innovation and translation. All I would say today is that I think we are where we are at the moment, but this is not a debate that I would want to discourage taking place. This is not entirely within my gift, you understand that?

Q49 Chairman: Yes.

Mr Denham: However, I think it is worth having a discussion about how you in future treat research funds to maximise the incentive to good innovation.

Chairman: Okay. I have got two colleagues that want to come in on this particular issue but, Secretary of State, I do not really want to pursue this at great length today because I think you have been very straight and open with us on that.

Q50 Mr Boswell: It is in fact structural organisation rather than financial, but Mr Watmore a bit ago was talking about the six objectives and he is right to take some credit for that, if I may say so. Can we have the Secretary of State’s assurance that, as he knows he has to deal very largely through buffer, intermediate bodies, like the Learning and Skills Council, the Higher Education Funding Council for England and so forth, and these are normally validated or driven by guidance letters or remit letters, in drawing these up in the future, instead of the somewhat diffuse documents which we have probably all either produced or have to read, we can have a fairly salient set of cardinal objectives rather than a long list of things that it would be really nice to do, if you understand the point?

Mr Denham: I do understand the point and, of course, the nature of the relationship is different in each case.

Q51 Mr Boswell: Indeed.

Mr Denham: So the letter that we sent to the Learning and Skills Council is far more detailed and far more prescriptive than the letter that will be sent to HEFCE in the very near future about higher education, which is different again from the nature of research councils, but if you are saying, Mr Boswell, that what you would like us to do is write a letter where it is pretty clear what it is we are trying to achieve,—

Q52 Mr Boswell: That would be very helpful. It might even be an innovation.

Mr Denham:— whatever might go in the annexes, I am absolutely happy to try to achieve that.

Q53 Dr Turner: John, you said that clawback of the £92 million MRC technology money would not affect MRC’s activities, but in fact it does directly affect them because MRC is trying to put together a financing package for the new research institution at St Pancras, of which that would have formed a part. It simply means that now the MRC will be forced to come to the large facilities committee for that money, again, from another source, so it does have an impact.

Mr Denham: Except that the assumption you were making was that if the MRC had its own resources to pay for it it would also have had a similar amount of money from the Large Facilities Capital Fund, and I am just suggesting to you that that may not actually be the case.

Q54 Dr Turner: But then it would require less.

Mr Denham: There would be other priorities within the system. There are many projects but the two key projects, I think, for the MRC in this sort of area of discussion are the Camden project and the National Molecular Biology Centre. We have worked very hard to ensure that, subject to the business cases and all the usual things we have to go through, there is funding in the system to enable those projects to proceed as they would have done had there been no changes to the accounting rules.

Chairman: We are going to return to this but thank you for that.

Q55 Mr Cawsey: I would like to move on to some policy issues now, particularly skills policy. The former Education and Skills Committee expressed concern that “finding out what was available in
terms of skills training was often not a straightforward task” and went on to say, “Proceeding down a policy route which treats skills as an ‘independent variable’ is unlikely to lead to the hoped for levels of economic prosperity and sustainability”. It is talking about skills needing to be one part of the wider issues in developing economic prosperity and building businesses, so what consideration is going to be given to wider issues such as capital investment, innovation, workforce planning and management skills in developing a skills policy for the department?

**Mr Denham:** I would hope that we are trying to embed all of those wider issues in what we are doing as a department at the moment. We have, if you like, technical and measurable objectives in terms of the numbers of people who achieve different types of qualifications, but we set up the Commission for Employment and Skills, chaired by Sir Mike Rake, to bring a very strong employer focus into the development of our skills policy and we hope they are going to advise us on issues as varied as the simplification of the system, the role of the sector skills councils and the issue of soft skills and employability, so we are trying to bring a practical perspective from those areas in. We are within our policy looking to develop an advancement of the adult careers service so that individuals have got guidance around the system, not just about their skills needs but also about many of the other barriers which exist to somebody moving from perhaps a poorly paid unskilled job to a better skilled job. I would hope, Mr Cawsey, that we are trying to address most of those issues in the way that we are developing our policy.

**Q56 Mr Cawsey:** When you have these discussions with employers are you told about some of the problems they are finding? I was meeting with some employers in my own constituency just before Christmas in the oil industry who were saying that they were very worried about the age profile of their skilled workforce. What they were finding was not so much that they could not attract young people to go into apprenticeships or whatever, but that retaining them was quite difficult because there was job mobility and they could move to other jobs that at this stage of their life paid better, even though they might not have a skills career path for them to follow in the future. In other words, youngsters were choosing the short-term gain, not necessarily their long term interests.

**Mr Denham:** We certainly hear those sorts of issues and we certainly hear issues about the strategic need for skills within the economy. One of the things that we need to do more effectively over the next year or so is to build a system that is more responsive to employers, is more demand-led, that creates the ability for employers individually and collectively to shape training provision in their area, and so if their need, for example, is to raise the skill levels of their existing older workforce, which is often the case, not necessarily those about to retire but those in mid-career, to bring them up to the standard, then it ought to be possible for employers to engage with providers in the area, and indeed with the LSC, for the development of specialist provision to make sure that people can grow the workforce that they have got. Train to Gain has only been going for a year and we have not yet got to a stage where the employer community is using the power it gives them to get what they want out of the training system. I hope that as we do that that will be part of the answer to the problem that you raise. I hope that also, employment and skills boards, which we are not mandating people to have but which we are encouraging people to have at their local level, will give a forum in which some of these issues can be discussed more widely. Clearly, retention issues are issues that to some extent employers have always had to deal with through their own HR policies and they need to look at their own career structures and so on, but we are doing what we can to make the training system as responsive to employers as it can be.

**Mr Watmore:** Could I add something to that? I sat on one of the sector skills councils as an employer for five years and it was the one that deals with IT and telecommunications, which needs skills and which I think (fortunately, given my current job) is seen to be one of the better ones and it would be embarrassing if it was not. What we did on that council was come together as employers of all the big IT firms in the country and we looked at different topics and initiatives. First of all was the training that was available to people inside the corporate sector, and we found that big companies were doing very strong training programmes but smaller companies did not have that access, so we looked at ways in which we could find that smaller IT firms could get access to the bigger, more broad-band training programmes. We looked secondly at the fact that what was coming out of the higher education sector was not what we regarded as right for our industry and we got all the vice-chancellors from the universities and talked to them about things like computer science degrees not being fit for our purpose as employers, and out of that has come a lot of work on new forms of IT qualifications and new diplomas and IT-business-type degrees and so on. Now we are starting to see people taking those things through and coming into the workforce much better trained. The third thing we did was that we recognised that we had a massive gender imbalance in our industry. We were pretty much an 80/20 male/female industry and it was true all the way down the organisation of every company, and we went back into the universities and the courses were 80/20. We tracked it back and it was actually around the early teenage period where the interest waned and there were lots of amusing comments about spotty boys and geeky boys doing nerdy things in bedrooms and stuff, and we all looked at each other rather embarrased, but the consequence of it was that we went out there and started to form computer clubs in schools, particularly, initially, aimed at girls, to try to get the interest level up in careers in IT and telecoms, and now that is five years on it is beginning to bear fruit.

I use that as an example of a very engaged employer base in shaping the training that they give to each
other and to the rest of the sector, and which could then be developed in Train to Gain in terms of shaping the curriculum that is coming through from higher and further education and going right down into the age range in terms of inspirational leadership. That is a model which I think we could apply more broadly on a number of topics and it is one which I aim to expand on.

**Q57 Mr Cawsey:** Engaging with employees can be difficult. I have seen it in my area and over the years there has been a lot of downsizing and a lot of skills training has stopped and we are paying the price of that now. If I were to speak to the people at the management end they would say, “It is easy to say we should have been paying for training when we are trying to survive to the end of the year, let alone talking about 10 years down the line”. We spoke earlier about public service agreements and the role they have to play in all of this. A number of them have the theme of social improvement which employers often express concern about. What is the priority for the department’s skills agenda? Is it economic prosperity or social improvement?

**Mr Denham:** Both.

**Q58 Mr Cawsey:** Both are priorities?

**Mr Denham:** Yes. The thing about economic prosperity and social improvement is that, particularly in the skills area, what we need to do for economic prosperity is the biggest contribution we can make to social inclusion. I often find that when I am talking to a business audience I am able to make the point that there are huge benefits to individuals and families from raising skills levels. Not only is the family better off; individuals also have higher aspirations, and children will probably have higher aspirations at school and do better at school. Not only are there benefits from raising skills levels but actually we do not need to ask businesses to raise skill levels as a matter of corporate social responsibility. We only ask businesses to do what it makes sense for them to do as businesses, so we can say, “You can have economic prosperity and social inclusion”. The same things need to be done to guarantee both and that is why the two objectives of the department fit together. I cannot overstate that principle. There are probably some areas of basic skills where business may not be pushing us as strongly as in other areas but ultimately the two fit together very well.

**Q59 Mr Cawsey:** You spoke briefly earlier about the complexity of the system. How much of a focus is it for you to try and get the skills programmes much more easily understood by both employers and, course, the beneficiaries of them?

**Mr Denham:** One of the top issues that we have asked Sir Mike Rake from the Commission for Employment and Skills to look at is the simplification of the system. It is a shared objective. We recognise that the system is incredibly complicated. It is difficult to understand who is meant to be doing what within the system and that has an effect on the ability of employers to understand it. Whilst we can try to simplify the infrastructure of the system we also need to make the system as simple as possible for people to use. The aim of the Train to Gain system is very much that employers do not need to understand the whole of the skills system but they should be able to talk to a skills broker who is able to talk through their skills needs and put them in touch with the training provider or college that can meet the skills they need, and so the employer should not need to understand how the whole of the system operates.

**Q60 Mr Cawsey:** The Chairman mentioned right at the start of this session the role of FE, which you have described as not being a casualty, which I would agree with, although it often feels a forgotten sector, particularly if you compare it to HE. Again, I think of my own community where we have an HE college and an FE college, both of which got government beacon status, yet I still think that it is often thought that the achievers go to HE and FE deals with what is left. How are you going to break down that sort of barrier and raise the prestige of that sector and what is likely to emerge from consultations on the college of the future?

**Mr Denham:** We want to raise the status of colleges in a number of ways. Incidentally, if you ask people in the college sector I think they would say that they have been very happy with the amount of time that ministers have personally engaged with college leaders over the last six months. We are involved in a major future scenario planning exercise with nearly 200 college leaders in Birmingham towards the end of February, so we are involving ourselves personally in those face-to-face discussions with college principals at a level that perhaps has not happened previously. The critical thing here is to get the colleges in a position where they recognise that they need to serve the needs of employers and individual learners and that is how their status will rise. When employers say, “People are providing what we want”, as they do in many cases, and particularly in colleges with beacon status, that is how they have helped to achieve that. I think it will be helped in addition by the work of the other departments in improved 14 to 19 planning where it will be very clear what role colleges play for younger learners, and in our area, as I say, it is the success of Train to Gain and of the development of the skills accounts for individual learners which give colleges a central role. What might we see in the future? I think that we want to see colleges that have a core of activity which is uniformly good. I think we need at sub-regional level to see colleges that have probably different areas of specialist provision which are necessary within the sub-regional economy, and at regional and national level concentrations of particular specialist skills which we are already beginning to see develop with national skills academies. What I think that will do is give colleges both their important broad general role in the local economy and a clear specialist status in the areas where they have developed particular areas of expertise and strong links with employers. I think the large capital programme that we have got, £2
something that you have taken a particular focus on. The previous Education and Skills Committee, in its post-16 skills report, a committee of which I was a member, raised a number of concerns about the current structures of apprenticeships and their fitness for purpose in terms of what we are doing today. One example is in the construction area where there is a real problem with completion because students start off, they do very well in the apprenticeships and they then get snaffled for the Olympics projects or whatever. Are you beginning to think yet about really radical changes in the structures of apprenticeships that will meet the needs both of employees and employers more in the 21st century?

Mr Denham: We will, we hope, by the end of the month publish the results of our apprenticeship review. That will, I think, do a number of things. It will clarify this confusion about whether apprenticeships are generally work-based or not, which clearly, in any sensible use of the term, need to have work-based training opportunities. We will address issues raised by yourselves and in the House of Lords report about the leadership of the Apprenticeship Service, and we are willing to look at, including the fact that we have provision, as you know, in the Queen’s Speech, for a draft bill, the legislative framework around apprenticeships. I have to say, Chairman, that we would be very pleased to hear ideas from this committee or elsewhere about things that might be included in that approach. We have done a lot on apprenticeships. The idea that they are in decline is wrong, but they need to be a really powerful, well recognised and well respected option for young people and for older workers.

Mr Marsden: My understanding is that this committee has already expressed its interest in being involved in important pre-legislative scrutiny on that.

Mr Denham: Yes, and we welcome that.

Q64 Mr Marsden: I need to move on, but just one last bit on apprenticeships. In the 2006 White Paper there was an entitlement to free training to Level 3 for 19 to 25 year olds and the LSC has given £30 million to provide apprenticeships for those over 25. Are you convinced that the 25 cut-off in general terms is anything other than an artificial division which you need for financial purposes?

Mr Denham: I think there is a logic to it and the logic is recognising the reality that not everybody is achieving a Level 3 at the end of their school/young college career, and extending the period of time in which financial support for that is guaranteed. There is also a logic in our broad policy within Train to Gain that Level 3 qualifications, because they bring the most immediate returns for employers, should be a shared financial responsibility, not a pure state subsidy, so I think that, as a step beyond where we have been, giving the LSC £30 million to those who are not getting training through work full financial support, is the right step forward. Yes, of course, if there was more money on the table one could always look at more but I think there is a logic to concentrating
those funds that we do have in the 19 to 25 group rather than not having any type of guarantee and merely spreading it across the system as a whole.

**Q65 Mr Marsden:** I entirely agree and I am not in the business of wish politics without on-costed funding, but do you not accept that as the imperatives on re-skilling become stronger there may be a case for looking at an application which is not simply based on an age division?

**Mr Denham:** Of course we need to look at re-skilling. The evidence tends to be that people, once they have got that level of qualification, get themselves in a job where it is more likely that they will be re-skilled with support from their employers, but of course it does not apply to everybody and, of course, we will always need to look at the issue of re-skilling as well as first qualifications.

**Q66 Mr Marsden:** Mr Watmore, can I take you back to Train to Gain? In its previous life the post-16 skills and other reports of the Education and Skills Committee were highly critical (admittedly given it was a relatively short period of time) of aspects of Train to Gain and the take-up, and particularly the issue of dead weight. Are you confident that the issue of dead weight, which was admitted by your predecessors, is beginning to be substantially addressed and that we are not simply adding on a layer of extra bureaucracy or funding things that employers are already funding?

**Mr Watmore:** We are effectively in the first year of the new system operating and there has been good progress but we need to see the thing bed down over a longer period.

**Q67 Mr Marsden:** That sounds as if you are not confident.

**Mr Watmore:** No, no. The issue, which you rightly raise, is to make sure that as we move towards a demand-led system, which Train to Gain and apprenticeships and other products are representatives of, we really are hitting the needs of individuals and businesses, as was discussed earlier, and are not just replicating stuff from the past. This is something that our team are very focused on. Am I confident that we will get there? Yes, I am, because we appreciate the issue and we are driving it out. The general strategic direction that we have taken on the skills policy is to move towards that demand-led system and that if we do not solve that problem we will not get there on the bigger picture.

**Q68 Mr Marsden:** And I take it you would be happy to come back in oral or written form at some stage when you feel you have something substantive to say about the further progress of that?

**Mr Watmore:** We are absolutely happy to do that.

**Q69 Mr Marsden:** That is really helpful. My colleague, Ian Cawsey, referred to his experience in his constituency with employers. In my constituency, in Blackpool, of course, we do not have a large number of large employers. What we have is a very large number of small and medium sized employers and you yourself acknowledged one of the problems there have been in the IT industry in respect of that. Given that you have this new commission being set up, are you confident that small and medium-sized businesses will have a sufficient crack of the whip in terms of developing the needs that they have for Train to Gain and the support because in the past that has not always been the case?

**Mr Denham:** One of the things we have done, and it is built into the programme, is increase the funding for the management training for small and medium sized enterprises from, I think, £4 million a year to about £30 million a year, and this is very directly reflecting the experience that one of the major problems with engaging small and medium sized employers is a lack of capacity to understand the skill needs of their business. There will be, we think, a considerable time lag, possibly as long as 18 months, before investing in the leadership and management of a small business and enabling it to understand its skills needs and people turning up to use Train to Gain. We are quite realistic about the time lag that will be there. We are convinced that investing in the capacity of the leadership of small businesses to understand their skills needs is the key in this area, and if we do not do that then we will run a system that is theoretically open to small businesses but where they never turn up.

**Q70 Mr Marsden:** Can I have a quick question to Mr Watmore? You said that you found your experience of serving on a sector skills council very productive and useful and all the rest of it, and presumably it contributed to you finding your present job, but one of the things that has been said generally is that the performance and structures of the sector skills councils have been highly variable and that indeed there may be too many of them at the moment. Okay, you have got a new badge, the new commission is going to oversee their performance, but how can you be confident that you will have enough of the employers who are doing innovative things in those sector skills councils rather than some people who simply shout louder or network better?

**Mr Watmore:** That is a very good question. In the IT one that we did we started off a bit at the negative end of your scenario. We made sure that it was only the chief execs of the companies themselves who turned up and if they did not turn up they were not at the table and it became a kind of badge of honour to turn up. I think it was when we got the real top end engagement that we started to get traction. The variability in performance in sector skills councils is an issue and it is one that in moving to the new commission we want to drive up the rest to the best. That, I would say, starts with one called Government Skills , which is closer to home and where we have a new and vibrant chief executive who is really making quite a difference on that, and we can start to apply what I call “practise what you preach” approaches to our own skills development within the public sector.

**Chairman:** That is going to make you very popular.
Q71 Dr Iddon: John, the Office of Science and Innovation, previously in the DTI, appears to have been divided between mainstream DIUS and the Government Office for Science, the trans-department called Science and Technology Group, for example, going to GO-Science. Was there a rationale to divide the OSI in that way?

Mr Denham: Yes, I think the rationale was that the Director-General of Science and Innovation within DIUS is clearly a senior official responsible for the research councils and also, in the way that we have started off, the TSB and so on, part of that area of ministerial accountability to me as the Secretary of State and to the ministerial team. The office of GO-Science, with its critical work in support of the Chief Scientific Adviser and being a support and challenge on science across government, if you like, hosted with us, provides enormous support to us but has a degree of autonomy from us because it has a cross-government role, and so I think that what was done was to create a division which reflects essentially the difference between those functions which are cross-government and those which are within DIUS as a department.

Q72 Dr Iddon: The previous Science and Technology Committee, on which some of those on this committee sat, always argued that the Government Chief Scientific Adviser should be completely independent of state departments. Could I put it to you that this suggests to me giving the Government Chief Scientific Adviser more responsibility within DIUS and embeds the GSA further in a state department and makes the office less independent?

Mr Denham: No, I think the opposite, and I am happy, Chairman, to put on record the discussion (which was a private one but I am sure he would be pleased to have it on the record) that I had with Sir John Beddington when he started, which was that in his role as Chief Scientific Adviser I respect absolutely his complete autonomy in his role of giving advice to the Prime Minister, giving advice to Government as a whole, and that there is no sense in which, in playing that role, he is expected to come through me to seek my leave or to discuss what he is intending to do. In my role as the ministerial champion of science, as I see it, within my department and across Government, it is much better, I think, to have the Chief Scientific Adviser on the patch and available and his staff available to work with because we need to work closely together in doing that. I believe that if GO-Science is in the Cabinet Office it will be a less good outcome both for the Chief Scientific Adviser and for me as a department. If I can give you an example which is in a speech I will be giving later tonight about science in society I have been able to draw both on Sir John’s expertise and that of the people around him, and we know the way things are in Whitehall. If it is all over there somewhere it is harder to build up the relationships which enable you to draw on it, but I did want to put on the record this morning my support for his professional autonomy and his professional position as the professional leader of the science advisers across government.

Q73 Dr Iddon: I think that is important and I welcome those remarks. The CSR announced interdisciplinary programmes in “key areas”. Obviously, the seven research councils will be responsible for delivering a lot of that interdisciplinary research. How will DIUS be influencing that?

Mr Denham: I am not sure that DIUS itself will be influencing the detailed delivery of that interdisciplinary work. It is a different relationship with the research councils, for example, from the Learning and Skills Council where there is a much stronger degree of performance management across the piste. Clearly the research councils are delivering interdisciplinary work in areas which the Government also believes are areas of great importance and where the science from different fields needs to be brought together to achieve results.

Q74 Dr Harris: Can I just come in here on this question about the Haldane principle, because on 10 January you referred to the Haldane principle and you said that that says that ministers should not intervene directly in the funding decisions of research councils, but then you cited that to say that it was inappropriate for you to vie between budgets because you then said it would not have been appropriate to breach the Haldane principle to step in and take money away from the MRC and give it to the STFC. There are two questions. Are you saying that Haldane prevents you from allocating money differentially between research councils, because that is the implication?

Mr Denham: No. Clearly, big decisions are taken and they are taken in the CSR and we made the CSR announce how much money the MRC and the HRC were going to get. That is a decision that is signed off by ministers, but we do not get involved in saying to research councils, “We want you to fund this particular research project” in a way that you might in another area which was not to do with the research councils, and we do not involve ourselves in the detailed activity in the same way. The one exception that I would put on the record here today is that there are some areas where research councils are involved in projects which have much wider implications than just the activities of the research council itself, where inevitably discussions take place at official and ministerial level. The research project centre in Camden, for example, which was discussed earlier, could not feasibly have got to this stage if we had just said to the MRC, “That is an interesting idea. Go and get on with it”. There had to be discussions across government departments and with the MRC, so sometimes what a research council is doing has a much wider implication and it is appropriate to have a ministerial or official discussion at that level.
Q75 Dr Harris: But the general point is that if a problem arises between CSRs it is quite possible for you or the Government to take money from one area and put it in another. That is not affecting how it is spent; it is just money, because you could take it from the MRC’s Innovation Fund and stick in the Large Facilities Capital Fund, and no-one is arguing that you have that power so you cannot say you are powerless not to ensure that a problem arising is not funded, like the STFC, arguably.  

Mr Denham: That is probably technically true, but it is important that we try to limit how we do that, and if a problem arises it is very often the case that my response is going to be to say, “Look: there is a problem here that I am concerned about and it would be good if this could be addressed”, rather than me stepping in and saying, “I think this is a solution”. Let us take one particular example. Because of the implications of some of the decisions that were taken I was concerned about the possible implications for the health of physics as a discipline across the system as a whole, but obviously, talking about STFC and some of their decisions, I did not feel that it was my job, given that lots of physics is supported very healthily within this budget, to step in and say, “I think this amount of money should be taken from the MRC and put in to plug this gap”. For a start I would not have known which piece of research I was changing in the MRC. It seemed to me that the appropriate level of my intervention was to say, and I think this was initially done to Ian Diamond, the Chairman of RCUK, “Can we have a review of the health of physics as a discipline?”, so that if there are consequences of these decisions which are wider than whether just this particular research project is going ahead but are about the health of the subject that is highlighted to us.

Q76 Dr Harris: I understand.  

Mr Denham: If I may just follow the point through, that seemed to me to be the right thing to do. We do not know what Bill Wakeham’s report will say. Depending on its conclusions though, it is perhaps more likely that I will go back to the research councils and say, individually or collectively, “Can you address the issues that Bill has highlighted?”, than I would be likely to say, “He says we need £10 million here so I am going to take £10 million from there”. Do you understand the level of intervention that I am talking about?

Q77 Dr Harris: I want to deal with the middle way. Health of physics, yes, that is fine; the research councils deciding to fund or withdraw funding from individual research projects for presumably scientific reasons, fine; I would strongly endorse your interpretation of the Haldane principle there, but if a research council suddenly says, “Right, we are going to have essentially random calls for voluntary redundancies, not based on science but on who happens to want to leave”, that cannot be your interpretation of the Haldane principle there, that is panic and cannot be ideal.

Mr Denham: Part of the proposal from the STFC is undoubtedly the closure of SRS, which is taking place according to the schedule, whichever way has been publicised and has always been planned and where it was always anticipated that redundancies would take place. I understand the point you are making, Dr Harris. I have to say, and the committee may disagree with me and may need to say so, that I do not think we will help the situation we are in if ministers intervene on a very specific basis to say, “You must withdraw the call for voluntary redundancies in this particular area”. I think the relationship between our department and the research councils needs to be strategic, and that is why understanding the consequences of what is being proposed for physics seems to me to be the right level on which to respond. It is certainly true that in relation to Daresbury this was one of those areas where what a research council was proposing went beyond simply the allocation of research funds because we have an enormously strong commitment to the development of that science and innovation campus in the national interest, and it is only one of the players there. That is why, amongst other things, we expressed concern about plans to close activities artificially early, which could have sent a very damaging message about the commitment to Daresbury, and why we have also asked Sir Tom McKillop and the North West Regional Development Agency to produce a report for ministers about securing the future of Daresbury as a science and innovation campus. Again, I have tried to judge my intervention in this at the appropriate level. I have to say, Chairman, that as a Secretary of State, if the committee were to express a view on whether Secretaries of State should intervene less or should intervene more, I would not find that unhelpful at all.

Chairman: I am going to leave that if you do not mind because we are returning to this with the Minister of Science and therefore will be able to explore those issues in greater detail, but I do not think we as a committee would in fact disagree with the fundamental principles that you have set down, recognising that there are times when clearly strategic national interests have got an important requirement of science but that that should be open and transparent in that way.

Q78 Dr Turner: The responsibility for Government’s involvement in the innovation process used to rest entirely within the DTI, and it is not unfair to say that the UK’s record in terms of outcomes of innovation is far less impressive than our record in terms of outcomes on basic science in the UK. You have now got a part of the responsibility in DIUS. Can you tell us what you are going to do to stimulate better outcomes from innovation in the UK?

Mr Denham: You will not want me to go on too long, Chairman, and we will produce a White Paper in due course, but one of the key responsibilities we have, like the Technology Strategy Board, the Energy Technologies Institute, which are places that bring together public and private money for particular investment in the translation of research...
Q79 Dr Turner: There must still be a need for the involvement of DBERR in the total process.

Mr Denham: Yes.

Q80 Dr Turner: Liaison at different parts of the innovation process was not all that it might have been when it all happened but in DTI. What steps will you take to ensure that there is a smooth interface between yourselves and DBERR in innovation?

Mr Denham: I will bring in Ian on the structural solutions but, to give you examples, areas we have a common interest, for example, the innovation and service sector, those are very clearly run as joint projects between the two departments reporting to ministers. In areas, again, where there is a huge overlap between DBERR's role as an industry sponsor and ours in innovation and skills like manufacturing, those are things that we do and work jointly together with as a department, so we understand the point you are making.

Mr Watmore: One of the significant structural changes we made was to appoint officially a director of innovation who reports in effect direct to me within the department official-wise and through to Ian Pearson as Minister, and that is David Evans, if you know David Evans. In the past he very successfully set up the Technology Strategy Board and I think has a very good track record. He is now the lynchpin around which the innovation official work is now happening. BERR have an innovation adviser, whose name has gone straight out of my head but who is part of David's extended team for shaping the policy. We are also, interestingly, in shaping the policy being much more open in the way that we are doing the policy-making. We are trying to be innovative in the making of the policy and so we have thrown it open to a very broad church of people to contribute, not in the post-policy consultation phase but in the formulation of policy itself. For example, we recently held a very successful workshop on public service innovation at which we had people like NESTA and the Design Council and the Innovation Unit and all sorts of people from a social entrepreneurship and social innovation background contributing to the debate as well as private sector companies. That is the way we are trying to have a clear focus on innovation, connect with it and be much more broadly connected as well.

Q81 Dr Turner: One of the other difficulties that we have in this country, and particularly it relates to the innovation process, is the lack of appeal of engineering to young people and the entrants into engineering as a career, which really exercises the Royal Academy of Engineering which wants to see that children right from primary school see engineering and science as a key 21st century career choice. How are you going to be able to help in this process to make it apparent to young people that engineering is an attractive and sexy career choice because it is vital for our economy?

Mr Denham: There are many different strands to this and one of the things that David Sainsbury has asked us to do is rationalise the many hundreds of initiatives around stem subjects, including engineering, down to a few. One of the ones which I think is of proven worth is the STEMNET ambassadors, which gives a great many engineers who are going into schools talking about modern engineering as a profession. I am very keen that we look at the whole situation from schools through university and into employment because it is also the case that we train four engineers for every one who goes and works as an engineer. That is partly because engineers are really good. They are problem-solvers, they are project managers, they have a scientific background. They are therefore attractive to a lot of employers who are looking for those skills who do not need them as engineers but I think we need to increase the supply, and I think there is also an important discussion with the employers about capitalising on the investment that we make at the moment.

Q82 Mr Boswell: I have two completely different questions on higher education, Secretary of State. Can we start with students and, leaving aside the observation that perhaps being the first badge minister for students is about as short-term an activity as being an England football manager, can you tell us what is happening in student consultation? There are, I gather, to be five student juries, there is going to be a national student forum. Can we start with students and, leaving aside the activity as being an England football manager, can you tell us what is happening in student consultation? There are, I gather, to be five student juries, there is going to be a national student forum.
Mr Denham: No.

Q83 Mr Boswell: Is it all going to make a practical difference to your informing your policies?

Mr Denham: Some of the student juries have taken place, some have yet to be completed. I think the last one is on 4 February. The national student forum we hope to launch I think in the next couple of weeks, so I need to check for the committee on that. The practical effect I think it is going to make is that when you get into these discussions students raise different issues. Students raise issues like contact time, students raise issues like the contrast between the wealth of information on the choice of undergraduate degrees and the paucity of information on masters degrees. Many students are now choosing to do masters. Students, because we have gone outside (and the NUS has been very supportive on this) the traditional NUS catchment area; raise all the issues of part-time students, people with families, people working from home. In other words, it is broadening the agenda and I think it will enable us in our discussions about higher education to put forcefully on the agenda for providers and ourselves issues that I would not say we would not know about but that probably would not come through as promptly if we were not talking to students directly.

Q84 Mr Boswell: And no name yet?

Mr Denham: No, no name yet. I think we need to be careful because I think you will anticipate what is going to happen. I think today is the day that any possible change in the fortunes of the student minister would be confirmed so we need not get ahead of ourselves.

Q85 Mr Boswell: Thank you for that. Now I have an even naughtier question. We generally expect the Secretary of State to give us the whole bang, but he will know, quite apart from the short term worry about ELQs which we will discuss in another context, it is now next year that the whole review of higher education student funding will take place. I would ask him to give us a brief take in conclusion first of all on the recommendation of our predecessor committee, Education and Skills, about looking at part-time and full-time students to be treated as one group. Secondly, is there any insight he can give us, given the emphasis in further education on employer-led and demand-led activity, on the extent to which he sees any scope for tweaking the financial envelope for higher education between what might arguably be called useful subjects and those which are of more general interest? The third point is within contrasts between higher education and further education, and indeed skills training and apprenticeships. For most students at HE you have to pay to some extent, although you may get a rebate, of course, for it. For most FE activities the students themselves are not involved but in some respects the packages, including, of course, the public support package to the providers of the FE services, are less generous than they are to HE. How is all that going to be factored into the review?

Mr Denham: Let me say, Chairman, that my approach has been to say very clearly that I am not going to engage in a debate publicly or privately about the fees review until 2009 for the very good reason that all of the other issues—widening participation, links between business and higher education, the internationalisation of higher education, the relationship with FE provision, yes, undoubtedly issues about what is likely to be a growing proportion of part-time students, not least because of demographics and the need to raise the skills of the older workforce—I really want to work through with the university sector to form a vision of where we want to get to and then put the fees review in the context of that vision as a strategy for higher education.

Q86 Mr Boswell: Does that mean we may get a document in terms of the vision thing?

Mr Denham: I do not want to commit myself but I would not want to rule it out either. I think we need to look at that, even within our existing resources. You have raised the point about tweaking resources to encourage business and higher education links. You made a suggestion, Mr Boswell, that we do that in terms of distinguishing between courses. There are other ways in which the links can be enhanced. We have already announced a £100 million package for employer co-funded courses with higher education to encourage more engagement and there may be more things of that sort that we need to work through. My personal view, Chairman, is that the last time round when we debated fees, when I was a protagonist from the back benches, as I recall, all of these issues got mixed up together and so the question about what you were trying to achieve with higher education got entangled with what you were going to going to pay for it and how. If I could achieve a situation where we could have a consensus about what sort of higher education we want and the role it should play and then we have the focused discussion about how we pay for it, although I accept that you cannot divide things quite that simply, I think we will have a much more constructive debate next year when the fees review takes place.

Chairman: Secretary of State, on that note, that was déjà vu for 1997 and Lord Dearing’s report, which did in fact try to do that but it was the fees issue that got hijacked on that occasion, so we wish you well on that particular review. Could I say that it has been a pleasure this morning meeting you, Secretary of State, and indeed Mr Watmore, and we wish you both well in your posts and we feel deeply envious that we have not got them.
Written evidence

Memorandum 1

Submission from the Department for Innovation, Universities and Skills

DEPARTMENT FOR INNOVATION, UNIVERSITIES AND SKILLS (DIUS) DEPARTMENTAL ANNUAL REPORT 2008, MAIN ESTIMATE MEMORANDA 2008–09, ETC.

RESPONSE FROM DIUS TO QUESTIONS OF 18 JUNE 2008 FROM THE HOUSE OF COMMONS INNOVATION, UNIVERSITIES, SCIENCE AND SKILLS SELECT COMMITTEE

MAIN ESTIMATE MEMORANDA 2008–09

The End Year Flexibility section does not explain how the Department plans to use the EYF stock. The Committee would be grateful for an explanation of the total End Year Flexibility carried forward to 2008–09 and how the Department is currently planning to use the resource ahead of the oral evidence sessions in July.

Is any EYF ring-fenced?

Total EYF carried forward into 2008–09 is shown below.

<table>
<thead>
<tr>
<th>£000</th>
<th>Near Cash</th>
<th>Non Cash</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>RfR1—Education Admin</td>
<td>5,971</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>RfR1—Education Programme</td>
<td>521,329</td>
<td>80,759</td>
<td>133,583</td>
</tr>
<tr>
<td>RfR2—Science Programme</td>
<td>251,263</td>
<td>—36,146</td>
<td>77,637</td>
</tr>
<tr>
<td>Total</td>
<td>778,563</td>
<td>44,613</td>
<td>211,220</td>
</tr>
</tbody>
</table>

* RfR2 Science does not currently have any non cash EYF stock. A separate request is being made to treasury in relation to Non Cash.

DIUS is currently in negotiations with Treasury to agree the total 2008–09 EYF draw down. DIUS have requested the following:

<table>
<thead>
<tr>
<th>£000</th>
<th>Near Cash</th>
<th>Non Cash</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>RfR1—Education Admin</td>
<td>5,971</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RfR1—Education Programme</td>
<td>115,796</td>
<td>37,000</td>
<td>66,686</td>
</tr>
<tr>
<td>RfR2—Science Programme</td>
<td>95,000</td>
<td>6,000</td>
<td>23,000</td>
</tr>
<tr>
<td>Total</td>
<td>216,767</td>
<td>43,000</td>
<td>89,686</td>
</tr>
</tbody>
</table>

The EYF requested is in line with our settlement letter and budgetary announcements and as such formed part of the allocations on which departmental plans were based.

Of the total Near Cash EYF request, it includes £10 million EYF for the FES Level 3 Entitlement which was agreed as part of the 2008 Budget, the original profile of £44 million EYF required to meet HE student grant pressures and an additional amount of £59 million where it is forecasted that EYF will be required to meet Departmental pressures in 2008–09, in particular Student Grant pressures. In addition, there is £95 million which has been requested to fund Research Council programmes.

Of the total Capital EYF request, it includes £23 million EYF in relation to the Laboratory for Molecular Biology (LMB) capital project and also £55 million of EYF to fund HEFCE capital projects where delays and slippage has meant the timing of the capital expenditure will fall into 2008–09 rather than 2007–08.

RfR 2 is the ring-fenced Science budget. There is £2.9 million EYF within the RfR 1 Programme Near-Cash stock relating to the ring fenced Innovation budget. DIUS has requested to draw down the full £2.9 million in 2008–09.
Performance on PSA Targets

1. **Performance has not been updated in the DAR on elements underpinning PSA 1 [element 1 & 5] and PSA 2 [element 1]**. Nor was performance on these measures updated in the APR2007. Why have assessments on these measures not been updated for over a year?

   PSA1 [element 1 & 5]—The 2008 benchmarking study which provides the evidence to update progress against elements 1 and 5 will be published in July before the Autumn Performance Report 2008. DIUS will ensure the Committee receives a copy of the benchmarking study immediately on its publication.

   PSA 2 [element 1]—Usually data on Skills for Life achievements is available in the April following the end of the academic year (ie April 2008 for the 2006–07 academic year). However for 2008, we have undertaken an additional piece of quality assurance work to ensure that the figures we announce are as robust and accurate as possible. This work took a number of months. We have now incorporated the results of the work into the Skills for Life achievement figures, and made the results available on 23 June 2008.

   In 2006 the National Audit Office queried the validity of the assumption that the Department makes about the number of repeat Skills for Life learners in different years and the discount applied to LSC data to avoid counting their multiple achievements against the target. The Department has responded by carrying out a piece of research which reported at the end of May 2008. The findings from this have now been applied to achievement data and give a new figure for progress against the target. The outcome of this work is in fact good news, and it shows that the 2010 target was met by July 2007. In addition to announcing the results of the work, a technical note will be produced setting out the methodology of the research and its findings.

2. **Performance on PSA 1 [element 4—Increasing business investment in R&D and increased business engagement] for UK BERD as share of GDP for 2005 has been reduced from 1.08 in the APR to 1.07 in the DAR. Why has the figure reported for 2005 revised in the DAR?**

   The UK BERD as a share of GDP measure is based on data from the ONS BERD Statistical First Release. In November 2006, the ONS first published the 2005 figure as 1.08%. In the subsequent year, the ONS revised the 2005 figure down to 1.07%. This reflected a downward revision to BERD of 0.7%, and an upward revision to GDP of 0.9% for that year.

   The ONS BERD and GDP figures are based on surveys of UK companies. Revisions are often made as a result of the receipt of late survey returns and corrections to previously supplied data, and are not unusual.

3. **Performance on PSA1 element 4 [innovation in the market] has been updated for 2007 but four of the six measures have shown a decline in performance when compared to the 2005 data reported. The 2005 data for the same four measures has also been revised downwards since the time of the APR2007. Why has performance declined on these measures? Why has the 2005 data been revised in the DAR?**

   The UK Innovation Survey is a relatively young survey, and its sectoral coverage is still being developed: it has therefore been slightly different for each iteration of the survey. In order to make like-for-like comparisons between surveys, it is necessary to restrict the analysis to just those industry sectors that are common to both. Previously, the 2005 results were compared to the 2001 results, with just those sectors covered by both surveys being considered. In the latter report, the 2005 figures are being compared to the 2007 survey results, again with just those sectors common to both of these surveys being covered. Because of the changes within the common sectors between these two sets of comparisons, the results for the 2005 survey appear slightly differently in each. Rather than an actual revision, the change in the 2005 results between the two reports reflects merely a change in the basis for comparison.

   The innovation-active headline result is a composite of the other sub-measures that make up the PSA target and represents overall performance. The fact that this measure has shown an increase, despite some fluctuation in the sub-indicators, demonstrates that overall performance has improved. Taken together, the movements in the indicators show that the proportion of firms engaged in innovation related activity has increased. The number of different types of these activities carried out by each enterprise has, however fallen, which indicates that firms are generally taking a more focussed approach in their innovation strategies.

   The new DIUS PSA targets have been adapted to reflect the over-arching nature of the innovation-active indicator, with all of the component sub-indicators being dropped.
4. The performance reported on PSA-2 [element 2—Reducing the number of adults in the workforce who lack level 2 qualifications] in the DAR states that “we now have 74.7% of the economically active...” What period or point in time does the 74.7% refer to? Why has the 2001 baseline figure for this target been revised?

The figure of “74.7% of the economically active workforce qualified to at least Level 2” refers to the most recent percentages from the Labour Force Survey at the time of the report’s publication, which was Quarter 4 of 2007.

The 2001 baseline figure (along with all other Labour Force Survey estimates) has recently been revised to take account of newer Office for National Statistics population estimates. These new estimates entailed the reweighting of all the Labour Force Survey microdatasets back to 1992. The new Labour Force Survey data was published by ONS on the 14 May 2008, and DIUS published a Statistical First Release of this revised data on 19 June 2008.

5. Reporting on PSA 3 [element 3—bearing down on rates of non-completion] for the period 2004–05 has been revised since the APR2007. The APR reported performance at 14.2% while the DAR states that it is 13.8%. Why has the reported outturn for 2004–05 changed since the APR?

The change in outturn is due to geographical coverage. The Autumn Performance Report quotes non-completion rates for UK HEIs (14.2), while the Departmental Annual Report quotes rates for English HEIs (13.8). Both are correct. The latest figures for 2005/06 are now available showing the rate of non-completion for UK HEIs at 14.1% and for English HEIs at 13.9%.

6. The APR 2007 confirmed that DIUS had taken over responsibility for continuing to report on the outstanding DTI 2002 PSA2. The APR2007 did not state that it was reporting a final assessment. Why has this target not been updated in the DAR?

Firstly DIUS accepts that a PSA summary table towards the front of the document, including reference to previous SR’s PSA targets would help provide more clarity. DIUS PSA 1 takes forward the former DTI SR04 PSA2 which in turn was a continuation of DTI 2002 PSA2. This should have been clearly stated in the DAR. DIUS apologises for this inadvertent omission.

7. Table 12 [page 113] shows that DIUS expenditure on 19+ further education will decline slightly by 2010–11, when compared to 2007–08, and by 13% when compared to the start of the SR2004 period in 2005–06. Why is expenditure declining in this area? How does this fit with the Department’s new Strategic Objectives?

These figures capture only part of the overall planned expenditure for adults. Total planned expenditure (adult and employer responsive participation) actually increases by over 17% by 2010–11 when compared with 2007–08. As shown in table 12, LSC funding through employer focussed provision especially Train to Gain increases substantially over this period supporting the delivery of one of the Department’s key policy deliverables “ Maintaining progress to create a demand-led skills system that is responsive to the needs of employers, including the need for higher level skills” (page 23 of report).

Taken together our increased investment in adult education and training through Skills for Life, full level 2 and full level 3 as well the full range of first steps and progression learning below level 2 supports the delivery of the Department’s Strategic Objectives 2 & 3. (DSO 2: Improve the skills of the population throughout their working lives to create a workforce capable of sustaining economic competitiveness, and enable individuals to thrive in the knowledge economy. DSO 3: Build social and community cohesion through improved social justice, civic participation and economic opportunity by raising aspirations and broadening participation, progression and achievement in learning and skills.)

8. Table 15 [page 116] shows that funding per full-time equivalent student in further education will grow more slowly over the coming CSR2007 period than over the last two spending review periods. Why is growth in expenditure in this area slowing? How does this fit with the Department’s new Strategic Objectives?

Growth in further education funding per FTE appears to be slowing over the CSR2007. This does not mean that investment in further education and skills is falling. With regards to adults total funding through the Learning and Skills Council increases by over 17% over this period.

What the figures in the table do indicate is that with regards to adult FE unit costs are being held steady reflecting the Government’s commitment to deliver public services in the most efficient way possible so that more learners are able to benefit from the significant investment that we are making. They also take account of the Government’s expectation that adult learners and employers who see the greatest private returns from their learning should contribute more to the costs of learning where they are able to. This is reflected in our commitment to raise the private fee assumption to 50% by 2010–11. At the same time we also expect more colleges and providers to generate income from their ability to meet existing and growing demand.
It is important to note that while the funding per full-time equivalent (FTE) student in further education table covers funding for post-16 further education provision. It does not include investment in employer based provision such as Train to Gain and Apprenticeships as the FTE volume measure is not appropriate for this provision. Therefore the figures in the report present the position with regards to further education only. For future Departmental Annual Reports we will consider how the new volume measure (standard learner numbers) being introduced for 2008–09 can be used to provide information of funding by volume across the whole range of adult learning.

Through seeking greater efficiencies in unit funding more learners can be funded in priority areas. This approach supports the delivery of the Department’s Strategic Objectives 2 & 3. [DSO 2: Improve the skills of the population throughout their working lives to create a workforce capable of sustaining economic competitiveness, and enable individuals to thrive in the knowledge economy. DSO 3: Build social and community cohesion through improved social justice, civic participation and economic opportunity by raising aspirations and broadening participation, progression and achievement in learning and skills.]

9. Table 16 [page 116] shows that funding per full-time equivalent student in higher education will be relatively stable in real terms over the coming three years. How does this fit with your new Departmental Strategic Objectives?

Our policy of maintaining the unit of funding per student in real terms for HE directly supports DSO 5, about strengthening capacity, quality and reputation. Taken with new fee income (to which teaching grant is additional), increased capacity to attract philanthropic donations (supported by our £200 million match funding scheme), and increasing commercial revenues, the policy empowers institutions to invest in staff and facilities to benefit students and employers and to undertake long term investments.

THE DEPARTMENT’S EFFICIENCY PROGRAMME

10. The DAR stated that you had “exceeded” the financial savings target by the end of December 2007 and that the staff relocation target of 223 by 2010 is “on course.” Who validates the reported efficiency savings? When will the final outturn for the period to March 2008 be validated?

The efficiency savings are reported using agreed OGC/HM Treasury methodology. The reported savings are validated by Director Generals as the Senior Responsible Owners (SRO) through the programme management arrangements in place. Some elements of the programme have also been audited by Internal Audit. In addition central finance and Treasury challenge the data to check for robustness and validity.

The final outturn will be reported in October/November 2008 by the Boards and Permanent Secretary. The final outturn for Relocations will be validated sometime in 2010 as the programme runs until March 2010.

11. The DAR states that “Quarterly reports of efficiency savings are presented to the Permanent Secretary and externally to the Office of Government Commerce [OGC] and HM Treasury.” The Committee would be grateful if the Department could provide a copy of the quarterly OGC efficiency report to the end of March 2008, in confidence if necessary

The SRO4 efficiency programme, of which the OGC efficiency is a strand, is also reported annually by HM Treasury in the Autumn Performance Report. A copy of the OGC relocation report, which is not published, is attached. It formed part of the March 2008 efficiency report to HM Treasury.

This shows that DIUS has now recorded 75 relocations against a target of 223. This target is expected to be achieved through:

- Technology Strategy Board relocation of 75 posts to Swindon: scored as achieved.
- The Research Councils relocation plan: 58 posts have now been relocated which will be scored in the next quarter report, and a further 50 that are to be achieved.
- Investors In People move of 40 posts out of London.

12. The DAR [page 122] states that it has “a number of quality measures … to ensure that the efficiencies do not lead to reductions in quality.” What measures does the Department use to track service quality? How did performance on these measures change over the last year?

The purpose of the SR 04 efficiency programme was to redirect resources to the front line and as such meant that additional resources were released for learning, teaching and research within FE and HE sectors with a positive impact on quality.

Tracking a suite of quality measures associated with the efficiency programme has had to be balanced between the need for robust measurement and the strong desire to minimise unacceptable reporting burdens and the significant resource implications for the frontline. The following are measures that have been tracked to provide evidence to ensure that quality within the sector has improved.
The quality of teaching and learning in the higher education sector is assured through the Quality Assurance Framework (QAF). This framework comprises:

- institutional audits from the Quality Assurance Agency (QAA);
- collaborative provision audits, to supplement institutional audits, for those HEIs with large or complex provision; and
- the publication of information about quality standards (Teaching Quality Information (TQI)).

A recent evaluation of the QAF shows a reduction in the overall burden and costs to HEIs compared to previous quality assurance mechanisms.

HEFCE also undertakes an annual National Student Survey (which forms part of TQI) to ascertain students’ perceptions of their experience in HE. Overall satisfaction rates have increased slightly between 2005 and 2008, demonstrating that there has been no drop in quality in the HE sector over SR04.

The headline measures of quality in FE are the FE College success rate and the apprenticeship full framework completion rate. These measures show the proportion of learning aims that were achieved. Between 05/06 and 06/07 the FE College success rate increased from 77% to 78% and the apprenticeship completion rate increased from 53% to 63%. Secondary indicators include the proportion of learners and the proportion of employers who are very satisfied with FE provision, both of which have shown increases over the same time period.

13. The DAR [page 138] states that for the CSR2007 period the Department is required to achieve 5% year on year efficiency savings on the administration budget and that the Department is planning to reduce staff numbers from 809 in 2008 to 740 by 2011. The same page also states that “the Department will explore other means of achieving efficiencies to avoid this outcome [staff losses].” What areas of activity are being considered for further efficiency? The Committee would appreciate a breakdown of staff numbers by Departmental Strategic Objectives across the CSR2007 period, along with a separate breakdown of staff numbers in central service areas such as Finance and Human Resources.

In order to achieve its year on year efficiency savings, the Department routinely explores means of working more effectively. This includes considering the scope for not replacing employees when vacancies occur, introducing alternative ways of working and working more effectively with our delivery partners. We are looking to achieve savings in travel and subsistence costs by maximising the use of video conferencing facilities and the new Telepresence room and all our meeting rooms are fitted with telephone conferencing facilities. We have also invested in flexible computing resources, enabling staff to work effectively from other locations, including from home, and allowing the Department to maximise the use of office accommodation through alternative working patterns. Taken together, these introduce potential cost savings through a reduced requirement for office accommodation.

We are also participating in a project to introduce cross Whitehall contracts for the provision of learning and development solutions and we would hope that this will deliver further efficiencies on our training and development spend.

The reference in the Report is to achieving cost efficiencies through such means rather than specific activity reviews. This is also consistent with an approach to employee relations that involves routine consultation with the recognised trade unions to avoid redundancy situations.

July 2008

DIUS staff numbers by Departmental Strategic Objectives across the CSR2007 period, with a separate breakdown of staff numbers in central service areas such as Finance and Human Resources.

The Department has not yet formally allocated or attributed central service headcount to individual DSOs but we recognise the need to consider this carefully as strategies for resource allocation across the Department are developed. The distribution of staff by policy group is shown in the following table.

**DIUS Structure by Policy Group and Strategy & Communications**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Director</td>
<td>Stephen Marston 313</td>
<td>Ruth Thompson 152</td>
<td>David Evans 58</td>
<td>Alun Evans 106</td>
<td>John Beddington 87</td>
<td>Gareth Davies 15</td>
<td>Zina Etheridge 43</td>
</tr>
<tr>
<td>General/Head</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FTEs at April 2008—total 772</td>
<td>4,314</td>
<td>8,680</td>
<td>327</td>
<td>2,791</td>
<td>Included within Science and Research total</td>
<td>4.373</td>
<td></td>
</tr>
<tr>
<td>Programme budget 2008–09 £m</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Ev 72  Innovation, Universities, Science and Skills Committee: Evidence

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>492</td>
<td>741</td>
<td>23</td>
<td>733</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

**Key functions**

- Taking forward the Government’s skills agenda, including the Leitch Review
- Ensuring employers have a strong voice in design and delivery of adult training
- Strategy, sponsorship and funding for the FE sector
- Raising standards, quality and capacity of the learning and skills sector
- Policy on Student Finance
- Support and transformation of student finance delivery
- Sponsorship of Higher Education Funding Council (HEFCE) and Student Loans Company (SLC)
- Maximising value for the UK from the science budget
- Development and co-ordination of UK space policy
- Promoting technology and innovation across UK business
- Strengthening strategic policy-making through the Foresight Programme
- Ensuring improved use of science in Government
- Provide flexible support for key short-term strategic priorities
- Support the Department to successfully deliver policies and achieve outcomes
- Press office
- Internal communications
- Strategic communications advice across the Department
- Strategic communications channels

**Composition of the Central Service Area**

The central service teams have each been formed since the Department was established. In some functions, the permanent staff are supplemented by contractors and employees on secondment—pending the recruitment of permanent staff—to enable delivery of Departmental objectives.

<table>
<thead>
<tr>
<th>Function</th>
<th>Staff</th>
<th>FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Finance</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Business Operations</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>IT</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Private Office</td>
<td>29</td>
<td>29</td>
</tr>
</tbody>
</table>

**Note:**
Staff numbers in both tables are taken from the Departmental Business Plan for 2008–09 and show employees in post at 31 March 2008.
### Quarterly Reporting Schedule

**Department:** DIUS  
**Target:** 223 Posts  
**Quarter Reported:** Q4 07/08

#### Initiative Title

<table>
<thead>
<tr>
<th>Initiative Title</th>
<th>Cashable Savings</th>
<th>04/05</th>
<th>05/06</th>
<th>06/07</th>
<th>08/09</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3 Dec-04 Q4 Mar-05</td>
<td>Q1 Jan-05 Q2 Sep-05 Q3 Dec-05 Mar-06</td>
<td>Q1 Jan-06 Q2 Sep-06 Q3 Dec-06 Mar-07</td>
<td>Q1 Jan-08 Q2 Sep-08 Q3 Dec-08 Mar-09</td>
<td>Q1 Jan-08 Q2 Sep-08 Q3 Dec-08 Mar-09</td>
</tr>
<tr>
<td>DIUS0109: Relocations</td>
<td>(blank)</td>
<td>0 0 0 0</td>
<td>0 0 0 0</td>
<td>0 0 0 0</td>
<td>0 0 0 0</td>
</tr>
</tbody>
</table>

#### Forecast

<table>
<thead>
<tr>
<th>Q1 Dec-04</th>
<th>Q2 Mar-05</th>
<th>Q3 Jun-05</th>
<th>Q4 Sep-05</th>
<th>Q1 Jan-06</th>
<th>Q2 Sep-06</th>
<th>Q3 Dec-06</th>
<th>Q4 Mar-07</th>
<th>Q1 Jan-08</th>
<th>Q2 Sep-08</th>
<th>Q3 Dec-08</th>
<th>Q4 Mar-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>223</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

#### ActuaL

<table>
<thead>
<tr>
<th>Q1 Jan-09</th>
<th>Q2 Sep-09</th>
<th>Q3 Dec-09</th>
<th>Q4 Mar-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>160</td>
<td>170</td>
<td>180</td>
<td>190</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-10</th>
<th>Q2 Sep-10</th>
<th>Q3 Dec-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>210</td>
<td>223</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-05</th>
<th>Q2 Sep-05</th>
<th>Q3 Dec-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-06</th>
<th>Q2 Sep-06</th>
<th>Q3 Dec-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-07</th>
<th>Q2 Sep-07</th>
<th>Q3 Dec-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-08</th>
<th>Q2 Sep-08</th>
<th>Q3 Dec-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>140</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-09</th>
<th>Q2 Sep-09</th>
<th>Q3 Dec-09</th>
<th>Q4 Mar-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>160</td>
<td>170</td>
<td>180</td>
<td>190</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-10</th>
<th>Q2 Sep-10</th>
<th>Q3 Dec-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>210</td>
<td>223</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-05</th>
<th>Q2 Sep-05</th>
<th>Q3 Dec-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-06</th>
<th>Q2 Sep-06</th>
<th>Q3 Dec-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-07</th>
<th>Q2 Sep-07</th>
<th>Q3 Dec-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-08</th>
<th>Q2 Sep-08</th>
<th>Q3 Dec-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>140</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-09</th>
<th>Q2 Sep-09</th>
<th>Q3 Dec-09</th>
<th>Q4 Mar-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>160</td>
<td>170</td>
<td>180</td>
<td>190</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-10</th>
<th>Q2 Sep-10</th>
<th>Q3 Dec-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>210</td>
<td>223</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-05</th>
<th>Q2 Sep-05</th>
<th>Q3 Dec-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-06</th>
<th>Q2 Sep-06</th>
<th>Q3 Dec-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-07</th>
<th>Q2 Sep-07</th>
<th>Q3 Dec-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-08</th>
<th>Q2 Sep-08</th>
<th>Q3 Dec-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>140</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-09</th>
<th>Q2 Sep-09</th>
<th>Q3 Dec-09</th>
<th>Q4 Mar-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>160</td>
<td>170</td>
<td>180</td>
<td>190</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-10</th>
<th>Q2 Sep-10</th>
<th>Q3 Dec-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>210</td>
<td>223</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-05</th>
<th>Q2 Sep-05</th>
<th>Q3 Dec-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-06</th>
<th>Q2 Sep-06</th>
<th>Q3 Dec-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-07</th>
<th>Q2 Sep-07</th>
<th>Q3 Dec-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-08</th>
<th>Q2 Sep-08</th>
<th>Q3 Dec-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>140</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-09</th>
<th>Q2 Sep-09</th>
<th>Q3 Dec-09</th>
<th>Q4 Mar-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>160</td>
<td>170</td>
<td>180</td>
<td>190</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-10</th>
<th>Q2 Sep-10</th>
<th>Q3 Dec-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>210</td>
<td>223</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-05</th>
<th>Q2 Sep-05</th>
<th>Q3 Dec-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-06</th>
<th>Q2 Sep-06</th>
<th>Q3 Dec-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-07</th>
<th>Q2 Sep-07</th>
<th>Q3 Dec-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-08</th>
<th>Q2 Sep-08</th>
<th>Q3 Dec-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>140</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-09</th>
<th>Q2 Sep-09</th>
<th>Q3 Dec-09</th>
<th>Q4 Mar-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>160</td>
<td>170</td>
<td>180</td>
<td>190</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-10</th>
<th>Q2 Sep-10</th>
<th>Q3 Dec-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>210</td>
<td>223</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-05</th>
<th>Q2 Sep-05</th>
<th>Q3 Dec-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-06</th>
<th>Q2 Sep-06</th>
<th>Q3 Dec-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-07</th>
<th>Q2 Sep-07</th>
<th>Q3 Dec-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-08</th>
<th>Q2 Sep-08</th>
<th>Q3 Dec-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>140</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-09</th>
<th>Q2 Sep-09</th>
<th>Q3 Dec-09</th>
<th>Q4 Mar-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>160</td>
<td>170</td>
<td>180</td>
<td>190</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-10</th>
<th>Q2 Sep-10</th>
<th>Q3 Dec-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>210</td>
<td>223</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-05</th>
<th>Q2 Sep-05</th>
<th>Q3 Dec-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-06</th>
<th>Q2 Sep-06</th>
<th>Q3 Dec-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-07</th>
<th>Q2 Sep-07</th>
<th>Q3 Dec-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-08</th>
<th>Q2 Sep-08</th>
<th>Q3 Dec-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>140</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-09</th>
<th>Q2 Sep-09</th>
<th>Q3 Dec-09</th>
<th>Q4 Mar-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>160</td>
<td>170</td>
<td>180</td>
<td>190</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-10</th>
<th>Q2 Sep-10</th>
<th>Q3 Dec-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>210</td>
<td>223</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-05</th>
<th>Q2 Sep-05</th>
<th>Q3 Dec-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-06</th>
<th>Q2 Sep-06</th>
<th>Q3 Dec-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-07</th>
<th>Q2 Sep-07</th>
<th>Q3 Dec-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Jan-08</th>
<th>Q2 Sep-08</th>
<th>Q3 Dec-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>140</td>
</tr>
</tbody>
</table>
Memorandum 2

Supplementary evidence from the Department for Innovation, Universities and Skills following the oral evidence session on 13 October 2008

DIUS RESPONSE TO FOLLOW-UP QUESTIONS

1. *A note on the costs of setting up DIUS and on its administration costs, including a reconciliation of the administration costs of DFES and DTI with DIUS, DCSF and BERR.* (Qq 28–30, 99)

The Committee questioned the cost of setting up DIUS as a new department. They requested an analysis comparing the prior DFES and DTI budgets to the outturn of the three new departments in 2007–08.

The creation of DIUS was not the only Machinery of Government change that applied to the former DFES and DTI in 2007–08. As a result the direct comparison requested is not available.

The tables below provide evidence that the Administration expenditure on the three newly formed departments is consistent with the Administration expenditure on DFES and DTI.

This table records the net Administration expenditure for the DFES and the DTI in 2006–07.

<table>
<thead>
<tr>
<th></th>
<th>£’000</th>
<th>£’000</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>DFES</td>
<td>148,146</td>
<td>175,721</td>
<td>323,867</td>
</tr>
<tr>
<td>DTI</td>
<td>97,436</td>
<td>151,717</td>
<td>249,153</td>
</tr>
<tr>
<td>Income</td>
<td>(2,937)</td>
<td>(22,154)</td>
<td>(25,091)</td>
</tr>
<tr>
<td>Net Admin</td>
<td>242,645</td>
<td>305,284</td>
<td>547,929</td>
</tr>
</tbody>
</table>

The difference between the two totals is as a result of other MoG changes affecting the ex DFES and ex DTI.

This table records the net Administration expenditure for BERR, DCSF and DIUS for 2006–07 restated within the 2007–08 Resource Accounts.

<table>
<thead>
<tr>
<th></th>
<th>£’000</th>
<th>£’000</th>
<th>£’000</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCSF</td>
<td>126,312</td>
<td>159,906</td>
<td>40,045</td>
<td>326,263</td>
</tr>
<tr>
<td>BERR</td>
<td>97,496</td>
<td>151,323</td>
<td>21,000</td>
<td>269,819</td>
</tr>
<tr>
<td>Income</td>
<td>(14,523)</td>
<td>(24,176)</td>
<td>(1,012)</td>
<td>(39,711)</td>
</tr>
<tr>
<td>Net Admin</td>
<td>209,285</td>
<td>287,053</td>
<td>60,033</td>
<td>556,371</td>
</tr>
</tbody>
</table>

The rise in the BERR administration costs is due to an increase in the cost of capital charge in excess of £200 million.

The 12% increase in DIUS Administrative costs from 2006–07 to 2007–08 amounted to £7,104k consisting of £5,381k related to IT set up costs and a reduction in staff expenditure of £2,075k. Also included in 2007–08 are other set up costs. The 2006–07 were produced on an estimate basis as DIUS did not exist as a single department in 2006–07 and will not reflect exactly the comparative expenditure.
2. The results of DIUS staff surveys. (Qq 32–34)

DIUS carried out an interim staff survey in December 2007, which was sent to 300 staff (about a third of DIUS staff) and had a response rate of around 50%. It posed the question “I am proud to work for my Department?”. In response, only 20% of staff disagreed with the statement.

The survey also showed that 78% “agreed” or “strongly agreed” with the statement “My team looks for ways to to serve our customers better” and 62% “agreed” or “strongly agreed” with the statement “I feel my work makes the best use of my skills and experience”.

The annual all staff survey is currently being carried out and the results will be published on the DIUS website later in the year. We would be happy to send a copy to the Committee on completion.

3. Confirm that a search of the DIUS website using “departmental report” produces http://www.dius.gov.uk/annual_report.html as the first item displayed. (Q 43)

The full DIUS Annual Report is available (and has been since publication) on the DIUS Corporate website. It is linked from the homepage underneath the “About DIUS” heading in the menu on the left of the page. It is also the first link displayed when the search term “annual report” is entered. We are working with our website suppliers to amend the search function to ensure that the wording “departmental report” also produces the correct link to the DIUS Annual Report as the first item displayed rather than simply to the foreword of the document.

4. Arrangements for consulting users of DIUS’s website (Q 46)

Over the next six months the DIUS corporate website will have completed a full re-design and the Department will have switched web service provider. As part of the re-design process a wide range of DIUS website users will be consulted including face to face interviews with a selection of NDPBs and Executive Agencies, face to face interviews with senior officials, Ministers and other stakeholders, online questionnaire for staff and an online questionnaire for public external users.

Full user testing will also take place at several stages of the re-design and both internal and external users of the site will be given the opportunity to test and comment on the proposed site. We are also commissioning research with our intended audiences for the DIUS website and our primary customer-facing online channels to ensure the service we provide reflect their needs and where they look for information online.

5. Co-operation between DIUS and DSCF on promotion of the programme of diplomas and STEM (Qq 51–2)

At the Select Committee hearing on 13 October, members asked for a note on the particular areas of co-operation between DCSF and DIUS, including the level at which they occur and how they actually cooperate.

Both Departments have a strong stake in 14–19 education and training, and we are working together on a number of fronts.

Following the Departmental split last year, Ministers commissioned officials to produce a joint working document which set out the areas where joint working would be required and how this should be structured. The aim was to secure clarity on the respective roles and responsibilities of DCSF and DIUS; and to set out the mechanisms and protocols for joint policy development and decision-making.

DCSF has overall responsibility for ensuring the successful development and delivery of the 14–19 reform programme, including the development of 14–19 diplomas. DIUS is closely engaged in this work, to ensure close integration with apprenticeships and progression to post 19 vocational and non-vocational qualifications, and to improve the “flow” of skills into the workforce through 14–19 Reform. DIUS also has a key role in securing delivery of 14–19 learning through its overall responsibilities for improving the structure and quality of the FE system, and actively engages with DCSF on this. In addition, the Learning and Skills Council, which is the body responsible for delivering post 16 education and training on behalf of both Departments, is a key partner in helping to develop the local 14–19 partnerships and Diploma delivery consortia, and in encouraging more employers to support skills development for young people.

Both the DCSF and DIUS PSA and Programme Boards have official representation from both Departments. These arrangements are reinforced by other joint arrangements, including the formal groups put in place to enable DIUS and DCSF to agree the priorities and underpinning budgets for inclusion in the joint DCSF and DIUS annual Grant Letter to the LSC. The LSC is also held to account for its delivery of both 14–19 and post 19 programmes through a joint accountability system which includes the quarterly Ministerial Review meetings and joint financial stock take meetings. DIUS and DCSF are also represented on the underpinning 14–19 and post 19 Performance and Funding Groups which meet once a quarter.

Formal mechanisms have also been set up to take forward the Machinery of Government changes, which will create new delivery arrangements for 14–19 and post 19 learning. A Joint Programme Board is in place to monitor progress against milestones, identify and manage risks and issues, monitor impact on wider
sector, and manage joint communications with stakeholders including through a joint monthly bulletin. Reporting to this are a number of other boards on which both DIUS and DCSF are represented. These include the Post 19 Board, which is leading the set up of Skills Funding Agency; the Cross Cutting Functions Board, which is ensuring a joined up approach to Human Resources and Communications, and reviewing opportunities for shared services between DCSF and DIUS and between SFA and YPLA; and the 16–18 LSC Transition Board, whose work is underpinned by a number of strands, including funding and commissioning, sub-regional groupings, and performance management, all of which have been undertaken jointly with DIUS. In addition the Bill Team leading on the fourth session education and skills Bill is joint across DCSF and DIUS.

We are also working closely with DCSF to ensure that no learner falls through a gap. Until the Skills Funding Agency and the Young People’s Learning Agency come into being in 2010, the LSC will continue to oversee provision for all post-16 FE learners. We are working closely with DCSF to ensure that, under the new arrangements, programmes that extend beyond 19 such as Apprenticeships and provision for learners with learning difficulties and/or disabilities will work together to provide a single service. As a general rule those learners that start their course before the age of 19 should continue to be treated in the same way while they continue on that course.

We are also developing joined up advice services for learners of all ages. The new adult and advancement and careers service and Connexions will work closely together so ensure greater synergy and coherence between youth and adult services and secure smoother transitions for learner pre and post-19.

The discussion on 13 October also touched on the joint working arrangements for Science, Technology, Engineering and Maths (STEM). Our ambitions for STEM are set out in the ten-year Science and Innovation Investment Framework (2004), which explains the importance of a strong supply of scientists, mathematicians, engineers and technologists to the long-term health of the science base and the wider UK economy. The critical school age delivery of STEM is overseen by the 5–19 STEM Programme. It is on this basis that DIUS and DCSF work collaboratively to achieve their goals.

A STEM governance structure has been developed by DCSF to run this programme, and includes officials from both departments, together with representatives from a wide range of customer, stakeholder and delivery bodies. The principal components of the governance mechanism at present are: a High Level Strategy Group—with senior membership from DCSF, DIUS and external stakeholders; and a 5–19 STEM Programme Board, which is responsible for delivery of the STEM Programme as a whole.

6. The further education voucher scheme (Qq 61–2)

The further education voucher scheme, also known as the “Perfect Gift” voucher scheme, was a joint DIUS / LSC pilot scheme launched by David Lammy at the College of North East London (CoNEL) in October 2007. The scheme was launched as part of the LSC’s then “Value of Learning” campaign and involved ninecolleges around the country offering people the opportunity to purchase £50 gift vouchers for friends, relatives or colleagues which could be used towards the cost of Further Education courses in the 2007–08 academic year.

Although there was a national LSC press release, the localised nature of the scheme meant that local marketing carried out by the colleges involved was varied in terms of the approach and intensity. In some cases, effective marketing of the scheme through local press and radio resulted in a good level of take-up, demonstrating that where properly marketed, the concept of a financial gift towards learning is attractive to some people. However there were also examples of less intense marketing ie only through a college website or onsite, which resulted in no vouchers being sold.

In evaluating the success of the scheme, initial feedback from conversations with students at a college where the scheme was less successful suggested that the primary reason for not obtaining vouchers was that the value was too small and did not reflect the cost of a course. Even with a gift voucher, a student could still be required to contribute a considerable amount to the course cost. In addition, despite research which suggested that 56% of people surveyed would like to receive a gift voucher, another reason given by individuals for not purchasing the vouchers was that they were not a gift that they wanted to buy.

It has therefore been decided not to pursue the scheme for the current academic year.

7. The Committee noted that four out of the six “innovation in the market” indicators on page 87 of the Departmental Report 2008 showed a decrease between 2005 and 2007. What conclusions should be drawn from these indicators, in particular whether the UK is becoming less innovative? (Q 96)

Individual indicators such as the share of firms who bring in new products or processes can vary over time, for example with the state of the market. The 2001 survey, covering the reference period 1998–2000, showed that 18% of businesses were product innovators and 15% were process innovators, well below the levels recorded by the 2005 survey for the reference period 2002–04.

The indicator of innovation intensity—share of sales of innovative products—was on the other hand considerably higher in the latest survey (covering the reference period 2004–06) than in the 2005 survey.
But firms may be investing in future innovation, without bringing in new products and processes over the same period. The UK Innovation Survey covers this aspect through firms’ spending on R&D, acquiring knowledge from others, training staff, and on design and marketing. The indicator for the share who are “innovation active” includes those making such preparatory investments, as well as product and process innovators, and is substantially higher in the latest 2007 survey.

This is the summary market innovation measure that features in the smaller number of indicators selected for the latest Science and Innovation Public Service Agreement.

On balance, therefore, these indicators do not show that the UK is becoming less innovative but are a basis for cautious optimism about the underlying innovation capability of the economy.

8. The reasons for the overspend on higher education in 2007–08 and the underspend on Train to Gain. (Qq 103, 109) In addition, can DIUS confirm that the virement to higher education has been “repaid” in 2008–09, and explain the baseline and repayment in the DIUS Main Estimate?

In response to the underspend on Train to Gain

Train to Gain is a demand led programme. There has been good growth in the number of employers and learners engaged in the programme, and demand is still growing. However, we still want more employers to use the service in order to benefit their business.

In response to what actions are in place to ensure that the underspend will not be repeated

Alongside significant communications campaigns designed to increase employer demand, we are building on the flexibilities that were made available from Summer 2008 to ensure that businesses are able to use Train to Gain in a more flexible way to meet needs of their business and sector.

We have already agreed 10 compacts with sector skills designed to meet the needs of individual sectors and drive up demand from employers. We are negotiating more compacts with other sectors.

To help them respond to changing economic circumstances, we have introduced a new package of support for SMEs which is designed to meet their particular needs.

Resource Accounts and Budgetary Transfers

The Secretary of State agreed to write to Mr Willis on this issue, following the DIUS oral questions session on 16 October. We expect this letter to be with the committee shortly.

Disclosure within the Accounts

Government Accounting requires explanations for significant variances between Estimate and Outturn. The variances on the HE overspend and LSC underspend were less than 10% and so in our assessment not significant. However we have noted the interest generated in relation to these areas and we will reflect this in the preparation of future DIUS Resource Accounts.

9. On page 84 of Departmental Report 2008, the number of patents granted to higher education institutions is used as an indicator. They fell from 711 in 2004–05 to 576 in 2005–06. What conclusions should be drawn from this?

These are still relatively new data series and there do seem to be variations from year to year in the indicators. It is more important to focus on the broad trends, which are positive, than on year on year variations.

More recent 2006–07 data show patent applications up to a new high of 1,913 and a 12% increase in patents granted to 647. There is of course a lag between applications and patent grants.

10. On page 85 the Public Sector Research Establishments Income from business consultancy fell significantly in 2005–06, to £26 million, from previous two years. What conclusions should be drawn?

Firm conclusions cannot be drawn from one year’s data and DIUS takes into account the overall trend in numbers to inform policy decisions.

The PSRE income data can be volatile—they may be affected in particular by the presence of a small number of large but “lumpy” projects. More recent 2006–07 data shows an increase in PSRE income to £43 million.

For the purposes of measuring progress in the new PSA, from 2008, a three year average of business consultancy income will be used, to correct for this volatility.
11. In July 2004, the Government published a 10-year Science and Innovation Investment Framework, which set out a long-term vision for UK science and innovation. It included "the ambition that public and private investment in R&D should reach 2.5% of GDP by 2014". According to page 86 of the Departmental Report 2008 the BERD [business enterprise research and development] expenditure as a proportion of GDP was 1.08%. Is 2.5% still the target?

The aspiration for total R&D, (GERD—Gross Expenditure on Research and Development) including both public and private spending, to reach 2.5% of GDP by 2014 has not been changed.

Note: The BERD share of GDP at 1.08% accounts for only part of the total expenditure on R&D (GERD), which was 1.75% of GDP in 2006, a slight increase on the share for 2005 of 1.74%.

12. On page 16 under business operations the Departmental Report says all staff were issued with modern, lightweight laptops. What was the cost?

Following a competitive procurement exercise run by the Cabinet Office, DIUS adopted the Public Sector Flex contract with Fujitsu Services. Flex provides ICT as a shared service across the public sector. The cost to DIUS is under £1,700 a year per user, and includes state of the art, lightweight, encrypted laptops, peripherals, printers, all software, email services, internet & GSI connectivity together with helpdesk services, support and maintenance.

Flex is a regularly benchmarked service which provides a comprehensive range of ICT and which allows Departments to enjoy economies of scale, improved sustainability and opportunities for flexible working.

John Suffolk, Government Chief Information Officer, described Flex as “good for the taxpayer, good for our employees and good for the planet”.

13. Table 7 on page 106 of the Departmental Report identifies “total identifiable Departmental spending on services by country and region” It shows that England DIUS spending fell everywhere except London between 2006–07 and 2007–08. What was the reason for this?

Following your question, we have reviewed the underlying data that supported this table and identified an inconsistency in the allocation of spend by the Learning and Skills Council between 2006–07 and 2007–08. We will supply an updated table as soon as possible and will in any case aim to do this within two weeks.

October 2008

Memorandum 3

Letter from the Rt Hon John Denham MP, Secretary of State for Innovation, Universities and Skills to the Chairman, Phil Willis MP

During Parliamentary Questions last week you asked me about budget transfers between Further Education and Skills and Higher Education in the department’s Resource Accounts for 2007–08. I said I would write to you to explain the background and effect of these transfers.

Resource Accounts and Budgetary Transfers

The DIUS 2007–08 Resource Accounts reported an underspend in 2007–08 of £172 million on the Further Education and Skills budget. The Accounts also show an overspend on Higher Education expenditure of £128 million. A transfer of £116 million was therefore made from Further Education and Skills to Higher Education in 2007–08 to address the overspend.

Of the £116 million transferred, £67 million was temporarily made available from Further Education and Skills to Higher Education. This relates to payment made to students for the third academic term (these payments were made within the 2007–08 Financial Year as a result of Easter falling earlier than usual). The remaining £49 million was a permanent transfer from Further Education and Skills to Higher Education in 2007–08. The budget for these payments has now been allocated to Higher Education within the 2008–09 Financial Year and the £67 million has been reallocated to Further Education and Skills budgets.
Innovation, Universities, Science and Skills Committee: Evidence

Ev 79

REINVESTMENT OF £115 MILLION IN FE AND SKILLS PRIORITIES

Separately, in response to emerging underspends in 2007–08, the LSC made payments in 2007–08 to meet commitments that would normally have fallen in 2008–09. This reduced the required spend on some LSC budgets in 2008–09, allowing the flexibility to invest £115 million in additional FE and Skills priorities in 2008–09 including:

— Our leadership and management offer in Train to Gain for small and medium sized businesses.
— Enabling adult learning providers such as WEA to continue to offer provision that contributes to the wider adult learning offer.
— Supporting adult learners to gain employability skills.
— Ensuring the continued roll out of National Skills Academies.
— Funding pathfinder Networking Projects designed to unlock the talent of the FE workforce to drive business innovation through knowledge transfer.
— Supporting an additional 1,200 adult apprenticeships in the best training companies as announced through WorkSkills in June this year.
— Expanding Level 3 pilots focused on removing barriers to training.

You will also be interested to know that we expect to publish shortly our LSC Grant Letter for 2009–10, setting out our strategy for continuing investment in further education and skills.

October 2008

Memorandum 4

Supplementary evidence from the Department for Innovation, Universities and Skills following the oral evidence session on 29 October 2008

Note on Q170–174, in particular the assertion that on page 69 of the Departmental Annual Report (DAR) that: “The gap between 2002–03 and 2005–06 in participation among young people from higher and lower socio-economic classes grows (sic) by 3.5 percentage points” and its relationship to Table 1 which “shows the proportion of young, UK domiciled entrants from state schools and disadvantaged groups to full-time first degree courses at universities in England”. The claim seems at odds with UCAS data—see table below

The first point to make is that the DAR does not say, as quoted in the Committee transcript: “The gap between 2002–03 and 2005–06 in participation among young people from higher and lower socio-economic classes grows (emphasis added) by 3.5 percentage points”—it says “The gap … closes” (again, emphasis added). Although later in the transcript reference is made to the gap closing. The (accurate) claim that “between 2002–03 and 2005–06, the gap in participation among young people from higher and lower socio-economic classes closed by 3.5 percentage points” is based on the Full-time Young Participation by Socio-Economic Class (FYPSEC) measure. This is Indicator 6 for the DCSF-led PSA 11 on narrowing the gap: “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 classes”.

FYPSEC provides three figures for each year:

— The proportion of English-domiciled 18, 19 and 20 year olds from the top three socio-economic classes, who participate for the first time in full-time higher education courses at UK higher education institutions and English, Scottish and Welsh further education colleges.

— The proportion of English-domiciled 18, 19 and 20 year olds from the bottom four socio-economic classes, who participate for the first time in full-time higher education courses at UK higher education institutions and English, Scottish and Welsh further education colleges.

— The gap between these two participation rates.

At the time of publication of the Departmental Annual Report, FYPSEC figures were available for 2002/03—2005/06 as follows:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation rate for NS-SECs 1, 2, 3</td>
<td>44.6%</td>
<td>41.5%</td>
<td>41.5%</td>
<td>43.3%</td>
</tr>
<tr>
<td>Participation rate for NS-SECs 4, 5, 6, 7</td>
<td>17.6%</td>
<td>17.9%</td>
<td>17.7%</td>
<td>19.9%</td>
</tr>
<tr>
<td>Difference</td>
<td>27.0%</td>
<td>23.6%</td>
<td>23.8%</td>
<td>23.4%</td>
</tr>
</tbody>
</table>

(Total drop in gap: 3.5 percentage points)

Source: DIUS response to Parliamentary Question 208354 http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080605/text/80605w0020.htm
Since the Departmental Annual Report was published, FYPSEC has been revised according to changes in underlying datasets (including revisions to the population estimates and the Labour Force Survey by the ONS) and updated to 2006–07 as follows:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation rate for NS-SECs 1, 2, 3</td>
<td>44.1%</td>
<td>40.9%</td>
<td>41.2%</td>
<td>42.8%</td>
<td>39.5%</td>
</tr>
<tr>
<td>Participation rate for NS-SECs 4, 5, 6, 7</td>
<td>17.5%</td>
<td>17.8%</td>
<td>17.4%</td>
<td>19.8%</td>
<td>19.0%</td>
</tr>
<tr>
<td>Difference</td>
<td>26.5%</td>
<td>23.1%</td>
<td>23.7%</td>
<td>22.9%</td>
<td>20.5%</td>
</tr>
</tbody>
</table>

(Total drop in gap: 6.1 percentage points)


Note that the figures suggest a narrowing of the gap of 6.0 percentage points rather than 6.1 percentage points. This is due to rounding and the correct figure is 6.1 percentage points.

Table 1 in the Departmental Annual Report showed the proportion of young, UK domiciled entrants from state schools and disadvantaged groups to full-time first degree courses at universities in England. These figures are published by the Higher Education Statistics Agency in the annual Performance Indicators in Higher Education publication.

The performance indicators in Table 1 were not intended as evidence for the 3.5 percentage points claim, but as supplementary evidence of progress in widening participation.

The key difference between FYPSEC and the Performance Indicators is as follows:

— FYPSEC provides the proportion of the English young upper/lower socio-economic class populations who participate in higher education: ie a population basis. This allows the measure to account for changes to the socio-economic breakdown of the underlying population of England.

— The Performance Indicators show the proportion of UK-domiciled young full-time first degree entrants who are from lower socio-economic classes, ie a student basis. This takes no account of the socio-economic breakdown of the underlying population, nor any year-on-year changes to this.

UCAS figures provide a different perspective again, looking at the socio-economic breakdown of the higher education applicant group. But again, this does not take account of changing size of socio-economic groups.

No single background type (eg socio-economic class, home area, school type, income) can comprehensively convey that somebody is from a deprived background. Differences in coverage of higher education data sources have led to the production of a number of different measures and indicators of progress with widening participation, each focusing on a particular background type (eg socio-economic class) and a particular group of students (eg young full-time). Therefore using a basket of measures/indicators gives us more confidence in the overall story being told.

Note on Q178 that “there were more black Caribbean students in one university than the whole of the Russell Group. Does that worry you and would it be possible for us to have a brief note from you as to how in fact you are dealing with that issue of ethnic minority students in the Russell Group universities?"

HESA data tell us that, in 2006–07, there were 1,850 UK-domiciled Black Caribbean students enrolled in London Metropolitan University. This compares to 1,820 in the Russell Group institutions.

Looking at all UK-domiciled Black students (ie including African and “Other”), there were 6,125 Black students in London Metropolitan University, compared to 7,775 in the Russell Group institutions.

The Government is committed to increasing and widening participation in HE, so that people from all backgrounds are able and willing to apply successfully to the university or course—including where competition for places is fiercest—that best fits their talent, potential and ambitions. The best university or course means the best for the individual, and any university can be the best place for the right student.

The Government continues to support interventions such as the Aimhigher Programme, which supports local partnerships of schools, colleges and universities which co-design and deliver a range of attainment and aspiration-raising activities which seek to attract young people from disadvantaged backgrounds into HE. Local Aimhigher Partnerships tailor their provision to local needs, so where there is a concentration of ethnic minority groups then targeted events can be delivered appropriately.

David Lammy recently launched a new publication by National Black Boys Can Association, called “Black Boys Can Make It…”. The book demonstrates how Black boys can overcome obstacles to attending university, and some of the challenges that remain. Several universities, including some of the most selective, have been involved with the Association in order to improve the educational opportunities available to Black boys.

Prior attainment is a key determinant of HE participation patterns, so interventions earlier in the education system are highly influential. Raising the academic achievement of minority ethnic background pupils is a key priority for the Department for Children, Schools and Families. Following the “Aiming High” (not to be confused with Aimhigher, which is a widening participation in HE initiative) consultation
of 2003, the then Department for Education and Skills introduced targeted initiatives aimed at addressing specific areas of minority ethnic underachievement and to enhance mainstream and specialist provision in schools.

One such initiative was the Black Children’s Achievement Programme (BCAP) is a national programme aimed at raising the attainment of Black pupils in the Foundation Stage, KS1 and KS2 in primary schools. BCAP is delivered through the National Strategies. The programme started as a test-based pilot, involving five Local Authorities and around 15 schools in January 2005. From September 2006 the pilot was rolled out more widely to 20 Local Authorities and approximately 100 schools.

November 2008

Memorandum 5

Supplementary evidence from the Department for Innovation, Universities and Skills following the oral evidence session on 13 October 2008

In respect of Question 13, the question and response are below.

Question: 13. Table 7 on page 106 of the Departmental Report identifies “total identifiable Departmental spending on services by country and region” It shows that England DIUS spending fell everywhere except London between 2006–07 and 2007–08. What was the reason for this?

Response: In looking to respond to the Committee’s question, we identified inconsistencies in the allocation of spend in compiling the three Country and Regional Analysis (CRA) tables in the Departmental Annual Report. These affect all three CRA tables. The key issue related to the allocation of spend by the Learning and Skills Council from 2007–08. Addressing this means that DIUS spend in all regions increased between 2006–07 and 2007–08, and the movement of London spend is now in line that of the country as a whole.

We attach revised tables in Annex A below. For convenience, we also attach copies of the original tables in Annex B below.
Annex A

REVISED TABLES

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Plans</td>
<td>Plans</td>
<td>Plans</td>
</tr>
<tr>
<td>North East</td>
<td>588.0</td>
<td>641.0</td>
<td>686.5</td>
<td>751.6</td>
<td>789.9</td>
<td>875.3</td>
<td>906.7</td>
<td>914.5</td>
<td>927.9</td>
</tr>
<tr>
<td>North West</td>
<td>1,455.3</td>
<td>1,547.0</td>
<td>1,682.2</td>
<td>1,828.6</td>
<td>1,897.2</td>
<td>2,110.2</td>
<td>2,305.9</td>
<td>2,412.3</td>
<td>2,546.0</td>
</tr>
<tr>
<td>Yorkshire and Humberside</td>
<td>1,083.5</td>
<td>1,194.3</td>
<td>1,294.3</td>
<td>1,404.0</td>
<td>1,447.2</td>
<td>1,593.9</td>
<td>1,710.0</td>
<td>1,787.6</td>
<td>1,895.0</td>
</tr>
<tr>
<td>East Midlands</td>
<td>851.4</td>
<td>909.3</td>
<td>1,016.2</td>
<td>1,065.1</td>
<td>1,130.1</td>
<td>1,236.8</td>
<td>1,349.6</td>
<td>1,357.2</td>
<td>1,473.7</td>
</tr>
<tr>
<td>West Midlands</td>
<td>1,054.4</td>
<td>1,133.3</td>
<td>1,210.5</td>
<td>1,297.9</td>
<td>1,361.6</td>
<td>1,453.0</td>
<td>1,604.3</td>
<td>1,680.4</td>
<td>1,775.0</td>
</tr>
<tr>
<td>Eastern</td>
<td>1,117.5</td>
<td>1,142.6</td>
<td>1,141.0</td>
<td>1,268.1</td>
<td>1,371.4</td>
<td>1,504.0</td>
<td>1,678.7</td>
<td>1,778.1</td>
<td>1,877.0</td>
</tr>
<tr>
<td>London</td>
<td>2,203.2</td>
<td>2,441.3</td>
<td>2,632.2</td>
<td>2,865.5</td>
<td>3,049.1</td>
<td>3,429.6</td>
<td>3,717.0</td>
<td>3,884.5</td>
<td>4,092.5</td>
</tr>
<tr>
<td>South East</td>
<td>1,838.4</td>
<td>1,863.9</td>
<td>2,063.1</td>
<td>2,133.5</td>
<td>2,362.5</td>
<td>2,594.5</td>
<td>2,778.0</td>
<td>2,899.2</td>
<td>2,944.5</td>
</tr>
<tr>
<td>South West</td>
<td>826.1</td>
<td>920.8</td>
<td>1,042.3</td>
<td>1,156.8</td>
<td>1,323.8</td>
<td>1,499.8</td>
<td>1,587.7</td>
<td>1,693.1</td>
<td>1,700.2</td>
</tr>
<tr>
<td>Total England</td>
<td>11,096.6</td>
<td>11,683.9</td>
<td>12,782.8</td>
<td>13,957.4</td>
<td>14,650.2</td>
<td>15,220.7</td>
<td>16,769.5</td>
<td>18,162.9</td>
<td>19,161.0</td>
</tr>
</tbody>
</table>

Note: Tables 7, 8 and 9 show analyses of the Department's spending by country and region, and by function. The data presented in these tables is consistent with the country and regional analyses published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2008. The figures were taken from the HM Treasury public spending database in December 2007 and the regional distributions were completed in January and February 2008. Therefore the tables may not show the latest position and are not consistent with other tables in the Department Report.

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

TES is a near-cash measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in Departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2008.

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

The relatively small change for the South East between 2005-07 and 2007-08, as compared to other regions, is due to a technical change in the way Open University (OU) numbers are counted. Up to 2006-07 amounts include all OU costs within the South East in line with the location of the OU HQ. From 2007-08 amounts are dispersed throughout the appropriate English regions.

Table 8: Total identifiable Departmental spending on services by country and region, per head

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Plans</td>
<td>Plans</td>
<td>Plans</td>
</tr>
<tr>
<td>North East</td>
<td>271.4</td>
<td>252.2</td>
<td>271.2</td>
<td>295.6</td>
<td>309.9</td>
<td>343.5</td>
<td>354.7</td>
<td>369.2</td>
<td>390.0</td>
</tr>
<tr>
<td>North West</td>
<td>214.7</td>
<td>227.5</td>
<td>246.7</td>
<td>266.6</td>
<td>276.9</td>
<td>306.0</td>
<td>324.2</td>
<td>346.9</td>
<td>362.9</td>
</tr>
<tr>
<td>Yorkshire and Humberside</td>
<td>212.6</td>
<td>235.6</td>
<td>256.5</td>
<td>274.8</td>
<td>291.5</td>
<td>307.5</td>
<td>328.5</td>
<td>340.5</td>
<td>353.4</td>
</tr>
<tr>
<td>East Midlands</td>
<td>201.7</td>
<td>216.9</td>
<td>236.8</td>
<td>250.7</td>
<td>259.9</td>
<td>281.6</td>
<td>301.0</td>
<td>311.8</td>
<td>326.1</td>
</tr>
<tr>
<td>West Midlands</td>
<td>199.1</td>
<td>213.4</td>
<td>227.3</td>
<td>242.6</td>
<td>253.7</td>
<td>275.2</td>
<td>295.9</td>
<td>306.2</td>
<td>323.7</td>
</tr>
<tr>
<td>Eastern</td>
<td>205.7</td>
<td>208.9</td>
<td>207.0</td>
<td>228.0</td>
<td>244.9</td>
<td>274.6</td>
<td>297.0</td>
<td>307.9</td>
<td>321.9</td>
</tr>
<tr>
<td>London</td>
<td>296.2</td>
<td>331.7</td>
<td>354.9</td>
<td>387.0</td>
<td>405.6</td>
<td>452.7</td>
<td>486.7</td>
<td>504.3</td>
<td>526.9</td>
</tr>
<tr>
<td>South East</td>
<td>228.4</td>
<td>229.3</td>
<td>253.6</td>
<td>270.5</td>
<td>285.3</td>
<td>284.0</td>
<td>306.6</td>
<td>320.1</td>
<td>335.1</td>
</tr>
<tr>
<td>South West</td>
<td>186.1</td>
<td>193.9</td>
<td>211.0</td>
<td>235.8</td>
<td>244.7</td>
<td>269.4</td>
<td>289.6</td>
<td>299.9</td>
<td>313.4</td>
</tr>
<tr>
<td>Total England</td>
<td>232.4</td>
<td>237.3</td>
<td>265.1</td>
<td>276.2</td>
<td>298.6</td>
<td>313.5</td>
<td>337.3</td>
<td>350.1</td>
<td>385.4</td>
</tr>
</tbody>
</table>

Note: See note to Table 7.
<table>
<thead>
<tr>
<th>INNOVATION, UNIVERSITIES AND SKILLS</th>
<th>North East</th>
<th>North West</th>
<th>Yorkshire and Humber</th>
<th>East Midlands</th>
<th>West Midlands</th>
<th>East</th>
<th>London</th>
<th>South East</th>
<th>South West</th>
<th>England</th>
<th>Scotland</th>
<th>Wales</th>
<th>Northern Ireland</th>
<th>UK</th>
<th>EU exemptions</th>
<th>OUTSIDE UK</th>
<th>Total</th>
<th>Identifiable expenditure</th>
<th>£ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>General public services</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total general public services</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Economic affairs</td>
<td>0.6</td>
<td>1.3</td>
<td>0.9</td>
<td>0.8</td>
<td>1.1</td>
<td>0.9</td>
<td>0.7</td>
<td>0.9</td>
<td>0.9</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>General economic, commercial and labour affairs</td>
<td>0.7</td>
<td>1.9</td>
<td>1.4</td>
<td>1.2</td>
<td>1.5</td>
<td>1.6</td>
<td>2.2</td>
<td>2.3</td>
<td>1.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>13.3</td>
<td>0.0</td>
<td>0.0</td>
<td>14.3</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>R&amp;D economic affairs</td>
<td>49.7</td>
<td>140.6</td>
<td>100.0</td>
<td>81.1</td>
<td>77.6</td>
<td>225.4</td>
<td>297.0</td>
<td>222.8</td>
<td>87.3</td>
<td>1,300.9</td>
<td>150.9</td>
<td>42.6</td>
<td>10.7</td>
<td>1,469.2</td>
<td>167.6</td>
<td>1,630.5</td>
<td>440.7</td>
<td>2,071.2</td>
<td></td>
</tr>
<tr>
<td>Total economic affairs</td>
<td>51.3</td>
<td>143.8</td>
<td>102.4</td>
<td>83.1</td>
<td>60.2</td>
<td>237.2</td>
<td>279.9</td>
<td>226.6</td>
<td>89.6</td>
<td>1,384.9</td>
<td>151.9</td>
<td>44.1</td>
<td>10.7</td>
<td>1,489.8</td>
<td>179.3</td>
<td>1,668.1</td>
<td>448.7</td>
<td>2,108.6</td>
<td></td>
</tr>
<tr>
<td>Environment protection</td>
<td>1.0</td>
<td>10.3</td>
<td>19.3</td>
<td>2.1</td>
<td>2.8</td>
<td>16.9</td>
<td>13.9</td>
<td>11.7</td>
<td>23.2</td>
<td>100.3</td>
<td>15.8</td>
<td>3.5</td>
<td>0.2</td>
<td>119.8</td>
<td>43.9</td>
<td>162.8</td>
<td>183.6</td>
<td>346.4</td>
<td></td>
</tr>
<tr>
<td>Total environment protection</td>
<td>1.0</td>
<td>10.3</td>
<td>19.3</td>
<td>2.1</td>
<td>2.8</td>
<td>16.9</td>
<td>13.9</td>
<td>11.7</td>
<td>23.2</td>
<td>100.3</td>
<td>15.8</td>
<td>3.5</td>
<td>0.2</td>
<td>119.8</td>
<td>43.9</td>
<td>162.8</td>
<td>183.6</td>
<td>346.4</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>5.4</td>
<td>40.4</td>
<td>7.9</td>
<td>7.7</td>
<td>8.4</td>
<td>28.7</td>
<td>78.4</td>
<td>48.7</td>
<td>10.7</td>
<td>230.3</td>
<td>21.6</td>
<td>5.5</td>
<td>0.6</td>
<td>257.3</td>
<td>6.3</td>
<td>264.1</td>
<td>259.0</td>
<td>523.0</td>
<td></td>
</tr>
<tr>
<td>Total health</td>
<td>5.4</td>
<td>40.4</td>
<td>7.9</td>
<td>7.7</td>
<td>8.4</td>
<td>28.7</td>
<td>78.4</td>
<td>48.7</td>
<td>10.7</td>
<td>230.3</td>
<td>21.6</td>
<td>5.5</td>
<td>0.6</td>
<td>257.3</td>
<td>6.3</td>
<td>264.1</td>
<td>259.0</td>
<td>523.0</td>
<td></td>
</tr>
<tr>
<td>Recreation, culture and religion</td>
<td>3.1</td>
<td>7.2</td>
<td>6.2</td>
<td>3.0</td>
<td>3.9</td>
<td>10.5</td>
<td>36.4</td>
<td>16.3</td>
<td>4.7</td>
<td>94.4</td>
<td>7.5</td>
<td>2.5</td>
<td>0.1</td>
<td>105.5</td>
<td>0.1</td>
<td>105.6</td>
<td>0.0</td>
<td>105.6</td>
<td></td>
</tr>
<tr>
<td>Total recreation, culture and religion</td>
<td>3.1</td>
<td>7.2</td>
<td>6.2</td>
<td>3.0</td>
<td>3.9</td>
<td>10.5</td>
<td>36.4</td>
<td>16.3</td>
<td>4.7</td>
<td>94.4</td>
<td>7.5</td>
<td>2.5</td>
<td>0.1</td>
<td>105.5</td>
<td>0.1</td>
<td>105.6</td>
<td>0.0</td>
<td>105.6</td>
<td></td>
</tr>
<tr>
<td>Education (includes training)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Post-secondary non-tertiary education</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>3.14</td>
<td>0.0</td>
<td>3.14</td>
<td>0.0</td>
<td>3.14</td>
<td></td>
</tr>
<tr>
<td>Tertiary education</td>
<td>467.7</td>
<td>1,090.4</td>
<td>880.3</td>
<td>679.5</td>
<td>755.7</td>
<td>643.4</td>
<td>1,025.6</td>
<td>1,370.8</td>
<td>703.0</td>
<td>8,155.4</td>
<td>6.0</td>
<td>0.0</td>
<td>0.0</td>
<td>8,515.4</td>
<td>2.9</td>
<td>8,518.3</td>
<td>8.519</td>
<td>9.319</td>
<td></td>
</tr>
<tr>
<td>Education not definable by level</td>
<td>83.2</td>
<td>148.0</td>
<td>111.1</td>
<td>88.5</td>
<td>120.9</td>
<td>128.3</td>
<td>184.7</td>
<td>152.2</td>
<td>101.9</td>
<td>1,671.9</td>
<td>20.0</td>
<td>10.0</td>
<td>1.8</td>
<td>1,103.7</td>
<td>0.0</td>
<td>1,103.7</td>
<td>0.0</td>
<td>1,103.7</td>
<td></td>
</tr>
<tr>
<td>Subsidary services to education</td>
<td>2.2</td>
<td>5.0</td>
<td>3.5</td>
<td>2.9</td>
<td>4.2</td>
<td>3.4</td>
<td>6.0</td>
<td>5.2</td>
<td>3.5</td>
<td>35.9</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>36.9</td>
<td>0.0</td>
<td>36.9</td>
<td>0.0</td>
<td>36.9</td>
<td></td>
</tr>
<tr>
<td>R&amp;D education</td>
<td>0.1</td>
<td>0.3</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.2</td>
<td>2.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>2.0</td>
<td>0.0</td>
<td>2.0</td>
<td>0.0</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Education n.e.c.</td>
<td>8.2</td>
<td>19.1</td>
<td>9.4</td>
<td>11.5</td>
<td>15.7</td>
<td>25.4</td>
<td>21.2</td>
<td>13.1</td>
<td>5.9</td>
<td>139.7</td>
<td>137.6</td>
<td>0.0</td>
<td>0.0</td>
<td>277.3</td>
<td>137.6</td>
<td>277.3</td>
<td>0.0</td>
<td>277.3</td>
<td></td>
</tr>
<tr>
<td>Total education (includes training)</td>
<td>729.4</td>
<td>1,695.8</td>
<td>1,311.4</td>
<td>1,034.1</td>
<td>1,264.3</td>
<td>1,081.1</td>
<td>2,640.8</td>
<td>2,064.3</td>
<td>1,128.6</td>
<td>12,896.3</td>
<td>20.7</td>
<td>10.8</td>
<td>1.8</td>
<td>12,936.0</td>
<td>34.9</td>
<td>12,964.5</td>
<td>0.0</td>
<td>12,964.5</td>
<td></td>
</tr>
<tr>
<td>TOTAL FOR INNOVATION, UNIVERSITIES AND I</td>
<td>790.0</td>
<td>1,897.2</td>
<td>1,447.2</td>
<td>1,150.1</td>
<td>1,361.7</td>
<td>1,371.4</td>
<td>2,049.1</td>
<td>2,350.3</td>
<td>1,263.8</td>
<td>14,602.7</td>
<td>217.6</td>
<td>63.8</td>
<td>14.3</td>
<td>14,646.2</td>
<td>263.8</td>
<td>15,209.7</td>
<td>833.3</td>
<td>16,093.0</td>
<td></td>
</tr>
</tbody>
</table>

See note to Table 7.
### Table 7 Total identifiable Departmental spending on services by country and region

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
<td>Outturn</td>
</tr>
<tr>
<td>North East</td>
<td>587.18</td>
<td>640.43</td>
<td>688.4</td>
<td>759.9</td>
<td>788.8</td>
<td>779.3</td>
<td>781.3</td>
<td>818.8</td>
<td>863.9</td>
</tr>
<tr>
<td>North West</td>
<td>1,452.85</td>
<td>1,545.05</td>
<td>1,678.8</td>
<td>1,818.6</td>
<td>1,892.0</td>
<td>1,831.0</td>
<td>1,997.4</td>
<td>2,093.0</td>
<td>2,211.4</td>
</tr>
<tr>
<td>Yorkshire and Humberside</td>
<td>1,062.02</td>
<td>1,183.09</td>
<td>1,292.1</td>
<td>1,400.7</td>
<td>1,443.8</td>
<td>1,394.1</td>
<td>1,494.2</td>
<td>1,564.1</td>
<td>1,651.5</td>
</tr>
<tr>
<td>East Midlands</td>
<td>850.06</td>
<td>917.88</td>
<td>1,014.3</td>
<td>1,082.3</td>
<td>1,127.2</td>
<td>1,070.1</td>
<td>1,154.3</td>
<td>1,208.7</td>
<td>1,277.2</td>
</tr>
<tr>
<td>West Midlands</td>
<td>1,052.61</td>
<td>1,131.93</td>
<td>1,208.0</td>
<td>1,294.1</td>
<td>1,357.5</td>
<td>1,265.8</td>
<td>1,350.9</td>
<td>1,418.1</td>
<td>1,500.1</td>
</tr>
<tr>
<td>Eastern</td>
<td>1,115.84</td>
<td>1,141.25</td>
<td>1,158.6</td>
<td>1,264.8</td>
<td>1,367.9</td>
<td>1,344.2</td>
<td>1,481.9</td>
<td>1,554.6</td>
<td>1,642.7</td>
</tr>
<tr>
<td>London</td>
<td>2,200</td>
<td>2,440.74</td>
<td>2,617.7</td>
<td>2,878.5</td>
<td>3,042.0</td>
<td>3,092.2</td>
<td>3,346.6</td>
<td>3,499.0</td>
<td>3,686.5</td>
</tr>
<tr>
<td>South East</td>
<td>1,855.74</td>
<td>1,831.83</td>
<td>2,059.5</td>
<td>2,207.9</td>
<td>2,344.7</td>
<td>2,051.0</td>
<td>2,253.0</td>
<td>2,387.0</td>
<td>2,491.3</td>
</tr>
<tr>
<td>South West</td>
<td>923.52</td>
<td>968.45</td>
<td>1,061.5</td>
<td>1,195.1</td>
<td>1,250.2</td>
<td>1,213.8</td>
<td>1,305.8</td>
<td>1,466.8</td>
<td>1,444.4</td>
</tr>
<tr>
<td>Total England</td>
<td>11,079.62</td>
<td>11,820.65</td>
<td>12,738.7</td>
<td>13,901.9</td>
<td>14,613.6</td>
<td>14,041.5</td>
<td>15,165.5</td>
<td>15,881.8</td>
<td>16,771.0</td>
</tr>
<tr>
<td>Scotland</td>
<td>142.00</td>
<td>146.98</td>
<td>160.5</td>
<td>203.3</td>
<td>217.3</td>
<td>229.9</td>
<td>294.2</td>
<td>303.6</td>
<td>312.4</td>
</tr>
<tr>
<td>Wales</td>
<td>55.63</td>
<td>56.36</td>
<td>76.2</td>
<td>108.0</td>
<td>100.9</td>
<td>96.4</td>
<td>84.4</td>
<td>87.4</td>
<td>90.5</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>17.17</td>
<td>8.56</td>
<td>9.4</td>
<td>11.3</td>
<td>14.3</td>
<td>19.5</td>
<td>20.0</td>
<td>19.9</td>
<td></td>
</tr>
<tr>
<td>Total UK identifiable expenditure</td>
<td>11,294.42</td>
<td>12,032.55</td>
<td>13,004.7</td>
<td>14,224.5</td>
<td>14,946.2</td>
<td>14,353.4</td>
<td>15,563.6</td>
<td>16,292.7</td>
<td>17,193.8</td>
</tr>
<tr>
<td>Outside UK</td>
<td>222.40</td>
<td>230.48</td>
<td>250.1</td>
<td>280.7</td>
<td>263.5</td>
<td>275.4</td>
<td>363.7</td>
<td>383.5</td>
<td>406.0</td>
</tr>
<tr>
<td>Total identifiable expenditure</td>
<td>11,516.82</td>
<td>12,263.03</td>
<td>13,254.9</td>
<td>14,505.2</td>
<td>15,209.7</td>
<td>14,628.8</td>
<td>15,927.3</td>
<td>16,676.2</td>
<td>17,599.8</td>
</tr>
<tr>
<td>Non-identifiable expenditure</td>
<td>495.69</td>
<td>648.94</td>
<td>641.6</td>
<td>757.3</td>
<td>883.3</td>
<td>1,133.0</td>
<td>819.1</td>
<td>952.7</td>
<td>986.1</td>
</tr>
<tr>
<td>Total expenditure on services</td>
<td>12,012.51</td>
<td>12,911.97</td>
<td>13,996.5</td>
<td>15,262.5</td>
<td>16,093.0</td>
<td>15,761.8</td>
<td>16,746.4</td>
<td>17,628.9</td>
<td>18,585.9</td>
</tr>
</tbody>
</table>

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

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

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

The data is based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded. Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>North East</td>
<td>231.1</td>
<td>252.0</td>
<td>270.8</td>
<td>298.0</td>
<td>308.4</td>
<td>305.8</td>
<td>306.5</td>
<td>319.4</td>
<td>335.9</td>
</tr>
<tr>
<td>North West</td>
<td>214.3</td>
<td>227.2</td>
<td>246.2</td>
<td>265.9</td>
<td>276.1</td>
<td>265.4</td>
<td>287.9</td>
<td>300.0</td>
<td>315.2</td>
</tr>
<tr>
<td>Yorkshire and Humber</td>
<td>212.3</td>
<td>235.3</td>
<td>255.2</td>
<td>274.2</td>
<td>280.8</td>
<td>269.9</td>
<td>287.0</td>
<td>298.0</td>
<td>312.1</td>
</tr>
<tr>
<td>East Midlands</td>
<td>201.4</td>
<td>213.8</td>
<td>236.4</td>
<td>250.1</td>
<td>258.3</td>
<td>243.6</td>
<td>260.3</td>
<td>270.0</td>
<td>282.7</td>
</tr>
<tr>
<td>West Midlands</td>
<td>198.8</td>
<td>213.1</td>
<td>226.8</td>
<td>241.9</td>
<td>252.9</td>
<td>243.9</td>
<td>249.2</td>
<td>260.1</td>
<td>273.6</td>
</tr>
<tr>
<td>Eastern</td>
<td>205.4</td>
<td>208.5</td>
<td>206.6</td>
<td>227.4</td>
<td>244.0</td>
<td>237.5</td>
<td>259.2</td>
<td>269.2</td>
<td>281.7</td>
</tr>
<tr>
<td>London</td>
<td>298.8</td>
<td>331.4</td>
<td>354.3</td>
<td>386.1</td>
<td>404.9</td>
<td>408.2</td>
<td>437.9</td>
<td>454.3</td>
<td>474.9</td>
</tr>
<tr>
<td>South East</td>
<td>228.1</td>
<td>229.0</td>
<td>253.4</td>
<td>269.8</td>
<td>284.6</td>
<td>247.4</td>
<td>269.6</td>
<td>280.0</td>
<td>293.4</td>
</tr>
<tr>
<td>South West</td>
<td>185.7</td>
<td>193.5</td>
<td>210.5</td>
<td>234.9</td>
<td>244.0</td>
<td>234.7</td>
<td>250.0</td>
<td>259.2</td>
<td>271.2</td>
</tr>
<tr>
<td><strong>Total England</strong></td>
<td>223.1</td>
<td>237.0</td>
<td>254.6</td>
<td>275.5</td>
<td>287.9</td>
<td>274.8</td>
<td>294.5</td>
<td>306.1</td>
<td>320.7</td>
</tr>
</tbody>
</table>

Scotland                  | 28.1    | 29.1    | 31.6    | 39.9    | 42.5    | 44.7    | 57.0    | 58.7    | 60.2    |
Wales                     | 19.1    | 19.2    | 25.9    | 36.6    | 34.0    | 22.7    | 28.2    | 29.0    | 29.9    |
Northern Ireland          | 10.1    | 5.0     | 5.5     | 6.6     | 8.2     | 8.1     | 11.0    | 11.2    | 11.1    |
Total UK identifiable expenditure | 190.4   | 202.0   | 217.3   | 236.1   | 246.7   | 235.4   | 253.4   | 263.4   | 275.9   |

See note to Table 7.


<table>
<thead>
<tr>
<th>Source of funds</th>
<th>North West</th>
<th>South East</th>
<th>East Midlands</th>
<th>West Midlands</th>
<th>Wales</th>
<th>Northern Ireland</th>
<th>UK Identifiable Expenditure</th>
<th>NI Identifiable Expenditure</th>
<th>Scotland</th>
<th>England</th>
<th>TOTAL</th>
<th>(End)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Innovation, Universities and Skills</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General public services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic research</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total general public services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Economic Affairs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General economic, commercial and labour affairs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic affairs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D economic affairs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total economic affairs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Environmental Protection</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D Environmental protection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total environmental protection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and other health services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total health</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Innovation, Research and Religion</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D: research, innovation and religion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total R&amp;D, innovation and religion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Education (includes training)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post-secondary non-tertiary education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tertiary education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education not definable by level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidy services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education N.E.R.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total education (includes training)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total and Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total for Innovation, Universities and Skills</td>
<td>788.3</td>
<td>1,085.0</td>
<td>1,431.8</td>
<td>1,572.5</td>
<td>1,572.5</td>
<td>1,572.5</td>
<td>1,572.5</td>
<td>1,572.5</td>
<td>1,572.5</td>
<td>1,572.5</td>
<td>1,572.5</td>
<td>2,344.7</td>
</tr>
<tr>
<td><strong>(End)Financial</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total for Innovation, Universities and Skills</td>
<td>1,250.2</td>
<td>1,413.6</td>
<td>217.5</td>
<td>169.9</td>
<td>14.3</td>
<td>14,064.2</td>
<td>263.5</td>
<td>11,289.7</td>
<td>895.3</td>
<td>16,990.0</td>
<td>16,990.0</td>
<td>16,990.0</td>
</tr>
</tbody>
</table>
Memorandum 6

Supplementary evidence from the Department for Innovation, Universities and Skills following the oral evidence session on 5 November 2008

GO-SCIENCE RESPONSE TO FOLLOW-UP QUESTIONS

i) Procedures and action taken to follow-up Foresight reports (Q 272)

To ensure that Foresight’s overarching aim of catalysing action using robust state-of-science evidence is achieved, it is critical to secure stakeholders consideration and uptake of the projects’ findings after they are published.

Foresight catalyses stakeholder action by focusing mainly on the dissemination and promulgation of outputs. In exceptional circumstances this may involve the extension of new project workstreams or the commissioning of new works (eg obesity quantitative modelling).

A dedicated follow-up team exists within Foresight to react to stakeholder interest in the Report findings and seek to capitalise on opportunities when they arise.

In all projects the follow-up team work in partnership with project teams, experts and stakeholders to develop a tailored programme of activity which will be flexible enough to allow the reactive and planned exploitation of follow-up opportunities. The commitments to action by stakeholders are published in an Action Plan alongside the Project Report. The follow-up team works alongside individual stakeholders to fulfil these commitments.

Developing relationships with key experts and stakeholders is also crucial and the follow-up team effectively manage these relationships which allow us to capitalise on opportunities to disseminate the projects findings.

The team seeks to reinforce the role of High-Level Stakeholder Group (HLSG) champions from the outset. Each project has a HLSG which supports and steers the project in its aims. Ownership of the project and its findings by the HLSG members can drive the Report into key stakeholder organisations. The follow-up team support the work of the HLSG in taking the project findings forward.

Specifically the follow-up team work to target and exploit opportunities through:
- existing policy forums and other strategic networks;
- shaping evolving initiatives, reviews;
- developing options—make it easy for champions to say yes; and
- publications.

The Foresight model has a built in system by which to review the impacts of individual projects at one and three year intervals allowing us to evaluate, audit and learn from each of the projects, thus ensuring that Foresight methodology is continually evolving.

Notable successes achieved in follow-up include:

Infectious Diseases: preparing for the future (April 2006)
- The Technology Strategy Board has launched a new Innovation Platform on the Detection and Identification of Infectious Agents which has been greatly informed by the DIID Foresight Project. This will lead to an investment of up to £55 million over the next five years to support innovative research and development.
- Foresight has supported the implementation of the Southern Africa Centre for Infectious Disease Surveillance.

Tackling Obesity: Future Choices (October 2007)
- Foresight has worked closely with the Cross-Government Obesity Unit in the promotion and dissemination of both the Foresight Report and the Department of Health’s Healthy Weight Healthy Lives (HWHL) strategy in both the UK and abroad. The Foresight Obesity Report directly fed into HWHL.
- Significant international interest in this Report has lead to a wide range of dissemination activities. Recent workshops in North America have futhered the US obesity agenda and established important networks.
- Foresight supported initiatives aimed at informing stakeholders. These have included the establishment of an Obesity Observatory and the production of an obesity toolkit.
Future Flooding (April 2004)

- The Foresight Flooding Report provided a reference framework for assessing flood risk in China. This work is currently in progress and involves the application of the Foresight project to the Taihu Basin in Shanghai by the key experts involved in the Flooding Report.
- There has been continued interest from the US in the Flooding project and this resulted in a successful workshop in the US in September 2008.

ii) The statements that the Dept of Health has made on the adequacy of scientific evidence to support homeopathic products and the extent to which evidence-based on such products has informed policy-making at DoH (Q302)

At the Committee’s scrutiny session on the 5 November we also touched on the evidence base for the provision of homeopathic treatments by the National Health Service. The evidence base is sorely lacking, but this is another area where wider factors than science may be relevant. For example, there is considerable public interest in complementary therapies and it is estimated that in any year 11% of the adult population visit a complementary therapist for one of six named therapies including: acupuncture, osteopathy, chiropractic, herbal medicine, hypnotherapy and homeopathy.

Homeopathy has been funded by the NHS since its inception 60 years ago. It is used by patients for a wide range of acute and chronic physical and emotional illnesses, and to provide palliative care where a condition is beyond the scope of the body’s normal self-repair mechanisms. Until very recently, there were five NHS hospitals specialising in homeopathic treatments, although one has recently closed.

In my evidence, I said that I knew of no scientific evidence that homeopathy has an effect, beyond the placebo effect. I have since learned of some qualitative evidence that suggests that homeopathy may be effective in treating certain conditions, such as asthma, rhinitis and hayfever. There is also evidence of effectiveness in the treatment of influenza. However, the scientific basis of homeopathy remains highly questionable.

Complementary or alternative medicine (CAM) consultations tend to be more thorough and detailed than conventional medical consultations, focussing on the whole of the patient’s life rather than their physical health alone. Such factors may well contribute to high levels of patient satisfaction with CAM treatments where they occur.

There is also the placebo effect. Studies have shown that patient expectations concerning a treatment, the patient’s experience of the treatment and their attitude towards the healthcare provider can all affect the impact of a treatment. Despite a lack of understanding of the exact mechanisms through which the placebo effect may operate, research clearly shows that the effect exists and can have a significant impact on health. If a homeopathic treatment makes people feel better, whether that be through treatment specific or the placebo effect, then it could be considered as being worthwhile.

The GO-Science Review of the Department of Health did consider the evidence base for the efficacy of homeopathic medicines. It was the subject of a peer review by the independent Steering Panel, carried out to inform and test the broad recommendations in the main report. The study concluded that the scientific basis for homeopathy remained highly questionable and recommended the key components of a programme of research to develop a stronger evidence base. Paragraph 3.16 of Annex 1 to the Review states:

“Homeopathic medicine was part of the NHS, so the scientific evidence for its effectiveness was clearly important. While the reviews of the published evidence were useful, the scientific basis of homeopathy remained highly questionable. A programme for a stronger evidence base would necessitate agreement between practitioners, patients and researchers on what should be evaluated, and on relevant endpoints. Flagship trials should be run in the most promising areas, chosen on plausibility, and patient demand. These should be well planned, including pre-defined agreement on what constitutes a minimally important clinical effect, and adequate resource, so that the results were clear-cut. Innovative methods may be needed, for example, if there was a waiting list, then randomisation is as fair a way as any of deciding who gets treatment. The difficulties in setting up such a programme robustly cannot be underestimated. The Health Technology Assessment Programme provided a framework that should be as applicable to research on homeopathy as to any other therapy.”

This supports the findings of the House of Lords Select Committee on Science and Technology Enquiry on complementary and alternative medicine in 2000, which recommended that money should be ring-fenced to develop the infrastructure for research into the effectiveness of homeopathy.

On the issue of DH statements on homeopathy and the evidence base supporting its use. I understand the Government does not maintain a position on any complementary or alternative treatment. Decisions on what type of treatments to commission and fund are the responsibility of the National Health Service with front line service providers judging the best treatment for an individual’s circumstances, taking into account factors such as safety, clinical and cost effectiveness and the availability of suitably qualified/regulated practitioners.

In addition, the Committee raised the issue of labelling for homeopathic products. It is my understanding that the labelling scheme for homeopathic products is governed by EC legislation and operated in the UK by the Medicines and Healthcare product Regulatory Agency. The scheme ensures that consumers who use homeopathic products are better informed about their purpose, leading to less confusion and incorrect usage. Under the scheme all labels and leaflets state that the product is a homeopathic product, “used within the homeopathic tradition for the following symptoms [...]”. It does not endorse clinical efficacy and contrasts with the requirements for conventional medicines that clearly state that the product is used to treat certain illnesses. All products authorised under the scheme must comply with strict quality and safety requirements, in similar terms to conventional medicines.

iii) Follow-up on two recommendations in the Science and Technology Select Committee’s report “Investigating the Oceans” (Q 306)

At the scrutiny session on 5 November I promised to update the Committee on progress in taking forward two of the actions arising from the Science and Technology Select Committee’s Investigating the Oceans report, specifically: (i) to establish a Marine Science Coordination Committee (MSCC) and (ii) to develop a UK strategy for marine science.

As I said on 5 November, my own involvement on this issue earlier in the year focused on clarifying the key issue of leadership for marine science, and I believe Hilary Benn took an important step in confirming to the IUSS Committee in April Defra’s role in this respect. Alongside this, my officials were closely involved in the development and design of the MSCC itself, on issues such as TORs, structure and reporting. With regard to the last of these, the MSCC will report formally to a Defra-chaired Ministerial group, and in addition I shall receive an annual report from the MSCC in my role as chair of the Chief Scientific Advisors’ Committee. My officials will also continue to keep touch with progress at a more working level.

The MSCC met formally for the first time on 17 July, when it was agreed that its key priority will be to develop the required UK marine science strategy, on which work has started, as well as to fulfil its broader remit on marine science coordination.

At a practical level it is taking a little time to fully establish the necessary Secretariat arrangements and the resourcing for this, however good progress has now been made on this.

I understand that the Committee has also requested an update of progress on these matters from Defra itself, and indeed this is very likely to have reached you in advance of my own response.

iv) Example of the government ignoring the advice of a SAC regarding the classification of cannabis, and how this is not best use of evidence-based policy making. (Q261)

In reaching a decision on the classification of cannabis, I am satisfied that Ministers sought and considered sound scientific advice. The Government consulted the Advisory Council on the Misuse of Drugs (ACMD) which provides independent scientific advice on the harm to society and individuals posed by specific substances. In May the Council recognised that the most worrying individual harms are the effects on mental health, but recognised that evidence on this issue is confused. It found clearer evidence about the social harms (such as impaired driving skills) associated with cannabis, but little real evidence that cannabis is a significant cause of acquisitive crime or of anti-social behaviour. The majority of Council members, having weighed up the evidence available, took the view that cannabis should remain a Class C drug because its harmfulness more closely equates with other Class C drugs than with drugs in the Class B category. However, a minority were concerned about the effects of cannabis on the mental health of users and supported reclassification to Class B.

In the absence of factors other than the scientific advice it would have been appropriate for the Home Secretary to take the view that cannabis should remain in class C. However, scientific advice is not the only factor that Ministers take into account when reaching decisions. In this case, I understand the Home Secretary also considered evidence on wider issues including public perceptions and the needs and consequences for policing priorities. These are issues which the Advisory Council made clear it was not able legally to take into account in advising on the classification of substances.
The Government accepted the other 20 of the 21 recommendations made by the ACMD in relation to cannabis, including those on research to improve the evidence base available for policy making and treatment.

More generally, I recognise that there is a relatively limited evidence base to inform policies on drugs and associated issues such as mental health. The recent Foresight report on Mental Capital and Wellbeing and the report by the Academy of Medical Sciences on Brain Science, Addiction and Drugs provide some helpful suggestions on how to address this. I shall take a close interest in how they are taken forward.

November 2008

Memorandum 7

Supplementary submission from the Department for Innovation, Universities and Skills

NEW SUPPLY ESTIMATE 2007–08
DEPARTMENT FOR INNOVATION, UNIVERSITIES AND SKILLS—ESTIMATE
MEMORANDUM
ANSWERS TO FOLLOW-UP QUESTIONS RAISED IN LETTER OF 12 DECEMBER 2007 FROM THE CLERK OF THE HOUSE OF COMMONS INNOVATION, UNIVERSITIES AND SKILLS SELECT COMMITTEE

1. AMBIT

Background

The Department for Children, Families and Schools (DCSF) and DIUS Estimates contain two similar Requests for Resources (RfRs) (pages 29, 507, HC 29):

DIUS RfR 1:
To help build a competitive economy and inclusive society by: creating opportunities for everyone to develop their learning: realising potential in people to make the most of themselves; achieving excellence in levels of skills; and supporting innovation and standards.

DCSF RfR 1:
To help build a competitive economy and inclusive society by: creating opportunities for everyone to develop their learning; releasing potential in people to make the most of themselves; and achieving excellence in standards of education and levels of skills.

Question

Given the virtually identical Request for Resource descriptions, how would you describe the key differences between the work of the two departments under the RfRs?

Answer

The Department for Innovation, Universities and Skills brings together policy and investment in skills for adults, research and science. It aims to promote innovation, foster a world-class research base and build world-class skills through an expansion of high-end graduate skills and by raising the skills of the wider adult workforce, including those currently unskilled. Its focus is on providing opportunities for, and realising the potential of, those age 19+. The RfR1 for DIUS covers principally funding for: higher education; adult learning in FE colleges and other providers; employer-based learning for adults; and science, innovation and knowledge transfer. In addition, as part of its role in bringing together funding for the Learning and Skills Council in one place, DIUS does manage funding for 14–19 year olds on behalf of DCSF. Please see the answer to question 2 below.

A key aim in the creation of the Department for Children, Schools and Families is bringing together all aspects of policy affecting children and young people and securing the integrated support needed for all children, their families and communities. Its focus is on creating opportunities for, and realising the potential of, children and young people up to the age of 19 through education and training in schools, colleges and work-based learning. The RfR1 for DCSF principally covers funding for: schools and teachers; school standards; school workforce training; the wellbeing of children and young people and their families; further education establishments; employer based learning; and sixth form colleges.
Our priority in developing the New Estimate after the Machinery of Government changes has been to ensure that the core ambit is reasonably comprehensive. We expect to refine the Requests for Resource, including the introductory descriptors over time.

2. FUNDING

Background

The DCSF Winter Supplementary Estimate shows Machinery of Government changes accounting for £4.9 billion and £2.0 billion (RfR 1 subheads F and U) reflecting the transfer of functions to the DIUS. However, the resource appears to remain in the DCSF Estimate [RfR1 sub-heads F & U].

The ambit for the DIUS RfR 1 includes: “Further, higher and other education provision and initiatives for young people and adults.” (HC 29, p29) to which the £4.9 billion appears to relate.

Part 2—Page 2 of the Estimates Memorandum shows a transfer of £6.270 million from the Ministry of Justice to the DIUS for prisoner education needs. Resource for education in prisons and other custodial institutions appears to remain in the ambit of the DCSF (HC 29, p29)

QUESTION

Part 1—Why does the DCSF Estimate appear to retain the £4.9 billion and £2 billion resource while at the same time passing it over to DIUS as appropriation in aid? Why is this DCSF resource line not transferred to the DIUS resource and ambit?

Part 2—Since this does not appear to be DIUS resource in the Estimate, but ownership of the resource retained by DCSF, could the level of funding for the activities it supports be taken back by the DCSF at the Spring Supplementary 2008?

Part 3—Why has £6.270 million been transferred to DIUS when the Estimate’s Ambit suggests that the department that is responsible for education in prisons and other custodial institutions is the DCSF?

Answer

Part 1 & 2—The reason for this arrangement is that the £4.9 billion and £2 billion cover funding for young people which is the policy responsibility of DCSF, but which is routed through the Learning and Skills Council (LSC). DIUS is responsible for bringing together and managing the payment of all funding to LSC in one place.

The Machinery of Government (MoG) changes which created DIUS and DCSF meant that the responsibilities of the former Department for Education and Skills were split between two new Departments. DIUS has responsibility for post-19 funding, including that post-19 funding which is the responsibility of the LSC, whilst funding for the 14–19 phase of education and training transferred to the DCSF, including the 14–19 funding which is the responsibility of the LSC.

This means that the LSC is now funded by two departments—DIUS and DCSF. In these circumstances HM Treasury’s Consolidated Budgeting guidance stipulates that, whilst each Department needs to account for expenditure where it has lead policy responsibility, the preferred model is also for one department to take the lead sponsorship role and bring together funding and budgeting for the NDPB in one department. This enables coherent and effective management of the relationship with the NDPB and of delivery by the NDPB. DIUS is the sponsoring department for the LSC and responsible for collating and distributing funding to the LSC.

In accordance with Treasury’s guidance, a “vote to vote” arrangement operates between the two departments, with DCSF making payments to DIUS in respect of the 14–19 funds it wishes to make available to the LSC, and then DIUS providing this funding to LSC on behalf of DCSF as part of a single funding stream. DCSF accounts for these payments as part of its DEL expenditure, and the payments are taken in as appropriations in aid by DIUS.

The “vote to vote” approach offers transparency of funding flows, enabling the expenditure and the activity it delivers to be recorded in the accounts of the respective departments which lead on 14–19 and adult policy, whilst maintaining a single sponsorship relationship with the LSC.

An agreement is being finalised between the two departments to ensure that these arrangements work smoothly and that financial risks are managed effectively.
Part 3—DIUS and DCSF have responsibility for different aspects of offender learning. DCSF’s responsibility covers provision for young offenders, whilst DIUS’s responsibility is for adult offenders. In terms of the Estimate Ambit for DIUS, provision for adult offender learning is included within the current wording: “Further, higher and other education provision and initiatives for young people and adults”. This wording does not list all the individual groups who are covered with a view to keeping the text manageable.

3. STUDENT LOANS

Background

The DIUS Estimates Memorandum (p3–4) states that “the department has inherited three major provisions from the DCSF all relating to Student Loans. The balance of the three provisions was £3.482 billion.”

QUESTIONS

Part 1—What assessment have you made of any resource consequences of the interest subsidy on the student loan book since the student is only charged interest at the rate of inflation?

Part 2—Has the Treasury given a commitment that any resource consequences will be funded by additional resources available from the Treasury rather than from within the department’s existing resource allocation?

Answer

Part 1—The total provision for student loans transferred to DIUS is £3.482 billion. The make up of this figure, as published in the 2006–07 DfES Resource Accounts, is £1.224 billion for interest subsidy provision, £1.899 billion for write off provision and £0.359 billion for subsidy provision relating to the sales of mortgage style loans in 1998 and 1999.

Student loans have attracted interest at the rate of inflation since their inception in 1990 though the cost to Government is higher. The cost of the interest rate subsidy is built into the estimate of the cost of the loans when they are made, and reflected in the provision made for the loans in the Department’s resources. The value of the provision is reviewed regularly.

Part 2—The resource consequences of student loans provision are already factored into the budgets which we are allocated by HMT during the CSR process.

4. VOTED CAPITAL

Background

The Written Statement published on 15 November 2007 notes a number of changes in voted capital DEL. These include:

a) A transfer of £299 million from the Department for Business, Enterprise and Regulatory Reform (DBERR).

b) A technical movement of £281 million to non-voted capital DEL to the Higher Education Funding Council for England (HEFCE) for the Science Research and Innovation Fund.

c) A transfer of £32.4 million from DBERR voted capital for Science and Research Investment Fund.

d) A drawdown of EYF of £11.9 million for capital Science and Research Investment Fund.

QUESTION

Can the Department provide further information on how the items listed in the Written Statement reconcile with the movements in the Estimate, and hence reconcile the voted capital movements in the Estimate to the figures published in the DEL tables?

Answer

The table below outlines a reconciliation of the movements of the Voted and non voted capital which reconciles to the capital DEL in the DIUS winter Supplementary Estimate.

<table>
<thead>
<tr>
<th>RfR1</th>
<th>Amount</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>From DCSF</td>
<td>– 456,700,000</td>
<td>MOG capital transfer</td>
</tr>
<tr>
<td>From non-voted capital DEL</td>
<td>281,970,000</td>
<td>Technical adjustment from matched non-voted expenditure</td>
</tr>
<tr>
<td></td>
<td>– 174,730,000</td>
<td></td>
</tr>
</tbody>
</table>
Innovation, Universities, Science and Skills Committee: Evidence  Ev 93

<table>
<thead>
<tr>
<th>RfR1</th>
<th>Amount</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>−176,000,000</td>
<td>AiA for 14–19 expenditure</td>
</tr>
<tr>
<td></td>
<td>1,270,000</td>
<td>DCSF share capital DEL</td>
</tr>
<tr>
<td></td>
<td>19,932,000</td>
<td>DBERR share capital DEL</td>
</tr>
<tr>
<td></td>
<td>−154,798,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RfR2</th>
<th>Amount</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>From DBERR</td>
<td>299,000,000</td>
<td>MOG capital transfer</td>
</tr>
<tr>
<td>To non-voted capital DEL</td>
<td>−281,970,000</td>
<td>Technical adjustment to HEFCE</td>
</tr>
<tr>
<td>End Year Flexibility</td>
<td>11,969,000</td>
<td>For the Science Research Innovation Fund</td>
</tr>
<tr>
<td>Transfer from DBERR</td>
<td>32,391,000</td>
<td>Funds totalling £78m not part of MOG</td>
</tr>
<tr>
<td></td>
<td>61,390,000</td>
<td></td>
</tr>
</tbody>
</table>

**Non-Voted**

| From DBERR | 113,599,000 | MOG capital transfer |
| From RfR2 capital DEL | 281,970,000 | Technical adjustment to HEFCE |
| From DCSF | 1,622,962,000 | MOG capital transfer |
| Transfer from DBERR | 45,609,000 | Funds totalling £78m not part of MOG |
|                     | 2,064,140,000 |                    |

Total Voted Capital DEL | −93,408,000 |
Total Non-Voted Capital DEL | 2,064,140,000 |
Total Capital DEL | 1,970,732,000 |

The DIUS winter estimate was completed following treasury guidance that donating and receiving departments to exactly match each other’s transfers entries (eg equal and opposite).

The total capital DEL is £1,970,732,000 made up of a negative voted capital DEL of £93,408,000 and positive non-voted DEL of £2,064,140,000.

Of the voted capital DEL RfR1 has a negative £154,798,000 and RfR2 has a positive £61,390,000. Of the non-voted capital DEL £1,340,992,000 relates to RfR1 and £723,148,000 to RfR2.

Voted RfR1 is made up of a negative transfer of £456,700,000 from DCSF. Included within this is a Science Research Investment Fund (SRIF) receipt of £281,970,000 which DCSF used to take in as appropriations in aid (AiA) from DBERR. The matching expenditure of £281,970,000 was transferred as part of the MOG into non-voted capital DEL. As DIUS cannot make a payment from non-voted to voted DEL, these were offset into one another, hence the technical movement of £281,970,000 from non-voted capital DEL. The remaining negative £174,730,000 was made up of a £176,000,000 AinA for the 14–19 year old programmes remaining in DCSF (this is the Treasury’s preferred mechanism for co-funding an NDPB), which will ultimately be passed to the Learning and Skills Council (LSC) as grant in aid (GIA). A MOG increase of £1,270,000 representing DCSF share of RfR1 capital DEL, a MOG increase of £19,932,000 representing DBERR’s share of capital DEL. This leaves a final RfR1 capital DEL of negative £154,798,000.

Voted RfR2 is made up of a MOG transfer from DBERR of £299,000,000 of which £281,970,000 is the SRIF payment that would have been used prior to MOG to fund the payment to DCSF. As DIUS ultimately wants this budget within HEFCE there was the technical movement to move it to non-voted capital DEL. There was a draw down of end year flexibility of £11,969,000 into the SRIF with a further transfer of £32,391,000 from DBERR again for the SRIF (this forms part of an agreed transfer of funds totalling £78 million). This was not part of the MOG. This leaves a final RfR2 capital DEL of £63,390,000.

Non-voted capital DEL is made up of a £395,569,000 MOG transfer from DBERR of which £281,970,000 from RfR2. A MOG transfer of £1,622,962,000 representing DCSF share of non-voted capital DEL and a further transfer of £45,609,000 from DBERR again for the SRIF (this forms part of an agreed transfer of funds totalling £78 million). This leaves a final non-voted capital DEL of £2,064,140,000.

January 2008
Memorandum 8

Supplementary submission from the Department for Innovation, Universities and Skills

SPRING SUPPLEMENTARY ESTIMATE 2007–08

DEPARTMENT FOR INNOVATION, UNIVERSITIES AND SKILLS—ESTIMATE MEMORANDUM

SUMMARY OF SUPPLEMENTARY ESTIMATE

The Department for Innovation, Universities and Skills (DIUS) was created by the Prime Minister in June 2007 to drive forward delivery of the Government’s long-term vision to make Britain one of the best places in the world for science, research and innovation, and to deliver the ambition of a world-class skills base.

PSAs

DIUS have the following CSR 04 PSA targets which have transferred from DTI and DFES.

DTI’s PSA 2 “Improve the relative international performance of the UK research base and increase the overall innovation performance of the UK economy, making continued progress to 2008, including through effective knowledge transfer amongst universities, research institutions and business”.

DFES’s PSA 13 “Increase the number of adults with skills required for employability and progression to higher levels of training through:
--- improving the basic skill levels of 2.25 million adults between the launch of Skills for Life in 2001 and 2010, with a milestone of 1.5 million in 2007; and
--- reducing by at least 40% the number of adults in the workforce who lack NVQ 2 or equivalent qualification by 2010. Working towards this, one million adults in the workforce to achieve level 2 between 2003 and 2006”.

DFES’s PSA 14 “By 2010, increase participation in higher education towards 50% of those aged 18 to 30 and also make significant progress year on year toward fair access, and bear down on rates of non-completion”.

The funds included in this Estimate are being applied to meet these PSA targets. Changes outlined within the Spring Supplementary do not impact the achievement of the departmental PSA targets.

New PSA targets for the full CSR07 period have been published on the Treasury website.

SUMMARY OF CHANGES SOUGHT IN THE ESTIMATE

The Department’s Spring Supplementary Estimate resulted in:
1. A net decrease in Resource DEL of £443,498,000, as a result of:
   --- A reclassification change from DEL to AME of £515,000,000 in relation to student loans.
   --- Draw down of EYF of £63,869,000 non-cash EYF in relation to the student loan provision.
   --- Draw down of £4,090,000 administration budgets.
   --- Net transfers between departments of £2,874,000.
   --- Additional changes of £669,000.
2. A increase in Capital DEL of £95,157,000.
3. A net increase in Departmental Resource AME of £561,315,000.
4. An increase in our net cash requirement of £543,672,000.

DIUS was formed on 28 June 2007; as a result no prior year estimate totals are available.
DETAIL OF THE NEW ESTIMATE SUPPLY SOUGHT

The Spring Supplementary seeks an increase in the resources available to those in the New Estimate published on 15 November.

<table>
<thead>
<tr>
<th>Request for Resource (RfR)</th>
<th>New Estimate</th>
<th>Spring Supplementary</th>
</tr>
</thead>
<tbody>
<tr>
<td>RfR 1—DIUS</td>
<td>£13,694,011</td>
<td>£14,535,587</td>
</tr>
<tr>
<td>RfR 2—Science</td>
<td>£3,367,253</td>
<td>£3,413,066</td>
</tr>
<tr>
<td>Total net resource requirement</td>
<td>£17,061,264</td>
<td>£17,948,653</td>
</tr>
<tr>
<td>Net cash requirement</td>
<td>£18,892,556</td>
<td>£19,436,228</td>
</tr>
</tbody>
</table>

The elements of the Spring Supplementary are as set out below:

**RfR1**

- Take up of End Year Flexibility of £4,090,000 to cover pressure on departmental administration costs.
- Take up of End Year Flexibility £63,869,000 for Student Loan Provision Maintenance following review of the provisions for Student Loans based on the output from the updated student loan provisioning model.
- Transfer to the Ministry of Justice £1,872,000 for Offender education in Prisons.
- Reclassification from DEL to AME £515,000,000 for Student Loan Provision Maintenance. This reclassification aligns the budgetary treatment of annual student loan provisions.
- Impairment costs £20,000,000 towards the National Physical Laboratories. The National Physical Laboratories is a specialist building, and as a result the valuation process for the annual accounts production will result in a decrease in the book value.
- Transfer £1,625,000 to the GO-Science Group administration (RfR2). Contra transfer above.
- Transfer of £205,100,000 to non-voted expenditure for the Technology Strategy Board.
- Increase in capital provision of £422,821,000 for Student Loan Principal Payments, in line with revised projections for student loan payments.
- Increase in capital provision of £76,120,000 for Student Loan Principal receipts, in line with revised projections for student loan payments.
- Increase in capital provision of £206,000,000 for Interest Added to Student Loans, in line with revised projects of student loan interest.
- Increases to grant-in-aid provision of £599,004,000. At the beginning of the financial year an element of the programme funding is place in departmental budgets pending the final decision on how the activity will best be delivered. These plans have been finalised and as a result the funding is being transferred to NDPB partners where they are best placed to deliver.
  - Higher Education Funding Council for England £37,419,000;
  - Student Loan Company £12,318,000;
  - Investors in People £600,000;
  - Learning and Skills Council £320,237,000;
  - Sector Skills Development Agency £17,647,000;
  - Quality Improvement Agency £5,683,000;
  - Technology Strategy Board £205,100,000.
- Transfer of £205,100,000 to non-voted expenditure for the Technology Strategy Board. This is a new body and the treatment within previous estimates did not reflect its status as an NDPB.
- Decrease to grant-in-aid provision of £50,000 for the Office for Fair Access.
- Transfer of £32,476,000 to non-voted for Further Education. See point above on allocation of funding from central to NDPB budgets.
- Increase in non-budget £384,499,000 support for student loan provisions, following review of the provisions for Student Loans based on the output from the updated student loan provisioning model. This relates to the prior year element of the £63,869,000 in year EYF draw down recorded above.
- Increase in appropriations-in-aid of £3,690,000 following revised projects for income.
  - Higher Education £2,936,000;
  - International programmes £754,000.
— Decrease in appropriations-in-aid of £14,927,000, following revised projects for income.
  — Skills £181,000;
  — Further education £14,746,000.

RfR2
— Take up of capital End Year Flexibility £5,489,000 for Scientific Research, form expenditure on the Science Research Infrastructure Fund (SRIF) to develop university research facilities.
— Increase in provision of £200,000 for the Swindon research Council Pension.
— Increase in provision of £27,000 for fees payable under the animal (Scientific Procedures) Act.
— Transfer of £1,625,000 from RfR1 for GO-Science Group administration. Contra transfer above.
— Take up of unallocated provision of £5,046,000 for GO Science programme spend, previous included within central science budget. Not net impact of DEL.
— Transfer of £10,163,000 from non-voted capital grants for Scientific Research. Reclassification of expenditure as a result of the review of budget classification following the creation of the new department.
— Transfer of £6,097,000 to non-voted for Knowledge Transfer. Primarily relating to the reclassification of expenditure to HEFCE, which has now come into the departmental DEL boundary.
— Increase in grant-in-aid of £29,360,000. See point above on allocation of funding from central to NDPB budgets.
  — Biotechnology and Biological Science Research Council £9,861,000;
  — Engineering and Physical Sciences Research Council £19,499,000.

Appropriations in Aid
Appropriations in Aid total £7.9 billion of which 91% (£7.2 billion) is funding by the Department of Children, Families and Schools (DCSF) for the 14–19 work carried out by the Learning and Skills Council (LSC). The majority of the remainder is £721 million representing the repayment of interest on student loans.

Administration Cost Limits
The administrative costs limit is has increased from £71,840,000 to £75,930,000 in this supplementary.

The change in the administration cost budget is made up of £4,090,000 taken up from end year flexibility. This primarily relates to costs incurred on IT projects, on the set up of facilities within Kingsgate House, where the classification between resource and capital has yet to be finalised.

Departmental Expenditure Limits (DEL)
The supplementary estimate exceptionally seeks a reduction in the resource DEL available by £443,768,000 from £16,117,217,000 to £15,673,719,000. The capital DEL will be increased by £95,157,000 from £1,970,732 to £2,065,889.

The DEL requirements of the Spring Supplementary are set out below. The negative voted DEL is the result of the £7.165 billion receipts from DCSF to support the 14–19 programmes controlled by the Learning and Skills Council exceeding DIUS voted Resource DEL expenditure.

<table>
<thead>
<tr>
<th>£000</th>
<th>Voted</th>
<th>Non-Voted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource DEL</td>
<td>4,415,296</td>
<td>20,089,015</td>
<td>15,673,719</td>
</tr>
<tr>
<td>Of which: Administration Budget</td>
<td>75,930</td>
<td>0</td>
<td>75,930</td>
</tr>
<tr>
<td>Near Cash in RDEL</td>
<td>-5,396,338</td>
<td>19,950,469</td>
<td>14,554,131</td>
</tr>
<tr>
<td>Capital DEL</td>
<td>-79,756</td>
<td>2,145,645</td>
<td>2,065,889</td>
</tr>
<tr>
<td>Less depreciation</td>
<td>-4,567</td>
<td>-119,465</td>
<td>-124,032</td>
</tr>
<tr>
<td>Total DEL</td>
<td>-4,499,619</td>
<td>22,115,195</td>
<td>17,615,576</td>
</tr>
</tbody>
</table>
The DEL baseline for the CSR period is set out below:

<table>
<thead>
<tr>
<th>£m Baseline</th>
<th>2008–09</th>
<th>2009–10</th>
<th>2010–11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource DEL</td>
<td>16,888</td>
<td>17,649</td>
<td>18,693</td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration Budget</td>
<td>70</td>
<td>68</td>
<td>67</td>
</tr>
<tr>
<td>Capital DEL</td>
<td>1,990</td>
<td>2,205</td>
<td>2,260</td>
</tr>
<tr>
<td>Less Depreciation</td>
<td>145</td>
<td>162</td>
<td>175</td>
</tr>
<tr>
<td>Total</td>
<td>18,733</td>
<td>19,692</td>
<td>20,778</td>
</tr>
</tbody>
</table>

End Year Flexibility (EYF)

Within DIUS both programme and administrative budgets are delegated to Board members and the expectation is that they will normally manage within their allocations. Where this is not possible and subject to the approval of Ministers the use of EYF will be considered.

End year flexibility take up since the new estimate is detailed below:

<table>
<thead>
<tr>
<th>£’000 nominal</th>
<th>2007–08 EYF Stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Near Cash</td>
</tr>
<tr>
<td>Opening Stock</td>
<td></td>
</tr>
<tr>
<td>RfR1—Admin</td>
<td>4,090</td>
</tr>
<tr>
<td>RfR1—Education Programme</td>
<td>478,673</td>
</tr>
<tr>
<td>RfR2—Science Programme</td>
<td>187,769</td>
</tr>
<tr>
<td>Winter Supplementary Take up</td>
<td></td>
</tr>
<tr>
<td>RfR1—Admin</td>
<td></td>
</tr>
<tr>
<td>RfR1—Education Programme</td>
<td></td>
</tr>
<tr>
<td>RfR2—Science Programme</td>
<td></td>
</tr>
<tr>
<td>Spring Supplementary Take up</td>
<td></td>
</tr>
<tr>
<td>RfR1—Admin</td>
<td>4,090</td>
</tr>
<tr>
<td>RfR1—Education Programme</td>
<td></td>
</tr>
<tr>
<td>RfR2—Science Programme</td>
<td></td>
</tr>
<tr>
<td>EYF Carry Forward</td>
<td></td>
</tr>
<tr>
<td>RfR1—Admin</td>
<td></td>
</tr>
<tr>
<td>RfR1—Education Programme</td>
<td>478,673</td>
</tr>
<tr>
<td>RfR2—Science Programme</td>
<td>187,769</td>
</tr>
</tbody>
</table>

The EYF stocks were inherited from Dfes and DTI on the creation of DIUS.

The draw down of the £4,090k Admin has been made to cover pressures on departmental administration costs. The use of the £447,758k EYF primarily relates to the in year and prior year non-cash adjustment to the Student Loan Provision, following review of the provisions for Student Loans based on the output from the updated student loan provisioning model.

The £95,157 draw down of Capital EYF has been to fund capital investment projects within the FE, HE and Science sectors.

The remaining EYF stock will be drawn down in accordance with the drawdown limits outlined in the CSR settlement.

Provisions and Liabilities

The Department has inherited three major provisions from the DCSF all relating to Student Loans. At 1 April 2007 the balance of the three provisions was £3.482 billion.

The student loan provisions relate to:
— the possible write-off of loans issued which in the event will be unrecoverable for various reasons;
— the interest subsidy as the student is only charged interest at the rate of inflation; and
— the debt sale subsidy which covers the contractually due subsidies to the purchaser of the debt.
Fuller details of these subsidies are given in the Department for Education and Skills Resource Accounts 2006–07 issued as HC 772 on 16 July 2007. Note 20 to the accounts refers.

The Department has inherited 3 quantifiable contingent liabilities from DCSF. They all relate to the Secretary of State acting as guarantor to take over the responsibility for the leases of properties used by local Learning and Skills Councils offices because at the time of establishment the LSC was an unknown body to the landlord. Outstanding liabilities at 1 April 2007 were:

Croydon LLSC £4,037,000
Brighton, Manchester and Coventry LLSCs £30,688,000
Kempston LLSC £386,000

In addition the Department has inherited three unquantifiable contingent liabilities from DBERR:

(i) Liabilities relating to the issue of licences to operators of satellites and other space objects;
(ii) European Patent Office: the UK as one of the contracting states has a potential liability under Article 40 of the European Patent Convention of 1973; and

March 2008

Memorandum 9
Supplementary submission from the Department for Innovation, Universities and Skills

NEW SUPPLY ESTIMATE 2007–08

DEPARTMENT FOR INNOVATION, UNIVERSITIES AND SKILLS—ESTIMATE MEMORANDUM

SUMMARY OF NEW ESTIMATE

The Department for Innovation, Universities and Skills (DIUS) was created by the Prime Minister in June 2007 to drive forward delivery of the Government’s long-term vision to make Britain one of the best places in the world for science, research and innovation, and to deliver the ambition of a world-class skills base.

PSAs

DIUS have the following PSA targets which have transferred from DTI and DFES.

DTI’s PSA 2 “Improve the relative international performance of the UK research base and increase the overall innovation performance of the UK economy, making continue progress to 2008, including through effective knowledge transfer amongst universities, research institutions and business”.

DFES’s PSA 13 “Increase the number of adults with skills required for employability and progression to higher levels of training through:
— improving the basic skill levels of 2.25million adults between the launch of Skills for Life in 2001 and 2010, with a milestone of 1.5million in 2007; and
— reducing by at least 40% the number of adults in the workforce who lack NVQ 2 or equivalent qualification by 2010. Working towards this, one million adults in the workforce to achieve level 2 between 2003 and 2006”.

DFES’s PSA 14 “By 2010, increase participation in higher education towards 50% of those aged 18 to 30 and also make significant progress year on year toward fair access, and bear down on rates of non-completion”.

The funds included in this Estimate are being applied to meet these PSA targets.

DETAIL OF THE NEW ESTIMATE SUPPLY SOUGHT

For the purposes of Estimates, we are publishing a Supplementary which (in addition to the usual Supplementary entries such as End Year Flexibility) takes as its starting point the budgets published in the Department of Trade and Industry (DTI) Main Estimate in relation to Science and Innovation and the budgets published in the Department for Education and Skills (DFES) Main Estimate in relation to Higher Education and Skills.
The main element of the New Estimate is based on machinery of government transfers as set out below:

- From DCSF £14,117,019,000 consisting of £4,753,801,000 Voted provision (£4,297,101,000 resource and £456,700,000 capital) and £18,870,820,000 non Voted provision (£17,247,858 resource and £1,622,962 capital).
- From BERR £3,837,175,000 consisting of £354,134,000 voted provision (£334,202,000 resource and £19,932,000 capital) for RfR 1; £501,104,000 voted provision (£202,104,000 resource and £299,000,000 capital) for RfR 2; and £2,981,937,000 non voted provision (£2,586,368,000 resource and £395,569,000 capital).

In addition the following changes have been made:

- Drawdown of EYF on RfR 2 (Science) set out in the EYF section below; and
- A transfer of £26.8m from the DEFRA Business Resource Efficiency & Waste programme (BREW) for the Technology Strategy Board (TSB) in RfR 1.
- A transfer of £6.270m from the Ministry of Justice for prisoner education costs.
- A transfer of £0.230 million to the Ministry of Justice for PICTA.

As a result of the MOG there is a transfer of resources within RfR 2 from voted to non voted. Prior to the MOG the DTI vote funded DfES for the Higher Education elements of the SRIF and HEIF (Science) programmes. Now that Science and Higher Education are in the same Department the vote funding of these programmes becomes non budget and the related expenditure is non voted within RfR 2.

APPROPRIATIONS IN AID

Appropriations in Aid total £7.7 billion of which 93% (£7.2 billion) is funding by the Department of Children, Families and Schools (DCSF) for the 14–19 work carried out by the Learning and Skills Council (LSC). The majority of the remainder is £515 million representing the repayment of interest on student loans.

ADMINISTRATION COST LIMITS

The administrative costs limit is £71,840,000 consisting of £14,690,000 (RfR1) and £8,500,000 (RfR2) from BERR and £43,450,000 from DCSF under the machinery of government change. In addition Treasury has agreed a switch of £5,200,000 from programme to administration in relation to consultancy costs.

DEPARTMENTAL EXPENDITURE LIMITS (DEL)

The DEL requirements of the New Estimate are set out below. The negative voted DEL is the result of the £7.212 billion receipts from DCSF to support the 14–19 programmes controlled by the Learning and Skills Council exceeding DIUS voted Resource DEL expenditure.

<table>
<thead>
<tr>
<th>£m</th>
<th>Voted</th>
<th>Non-Voted</th>
<th>Total Resource</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEL</td>
<td>−3,742,948</td>
<td>19,860,165</td>
<td>16,117,217</td>
</tr>
<tr>
<td>Of which: Administration Budget</td>
<td>71,840</td>
<td>0</td>
<td>71,840</td>
</tr>
<tr>
<td>Near Cash in RDEL</td>
<td>−5,175,121</td>
<td>19,713,429</td>
<td>14,538,308</td>
</tr>
<tr>
<td>Capital DEL</td>
<td>−93,408</td>
<td>2,064,140</td>
<td>1,970,732</td>
</tr>
</tbody>
</table>

END YEAR FLEXIBILITY (EYF)

Within DIUS both programme and administrative budgets are delegated to Board members and the expectation is that they will normally manage within their allocations. Where this is not possible and subject to the approval of Ministers the use of EYF will be considered.
Following the MOG DIUS had the following 2007–08 EYF stocks.

<table>
<thead>
<tr>
<th>£m nominal</th>
<th>2007–08 EYF Stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Near Cash Non Cash</td>
</tr>
<tr>
<td>DIUS Programme</td>
<td>667 501.3 282.7</td>
</tr>
<tr>
<td>DIUS Admin</td>
<td>4.09 0 0</td>
</tr>
</tbody>
</table>

In addition to access to drawdown of Science capital EYF in 2007-08, it was agreed that £78 million from the ex-DTI’s non-science budget (now BERR) would be made available as a loan to the Science ring fence. This will be paid back to the BERR over the CSR period as required, with, in 2008/09, a maximum repayment of £50 million.

PROVISIONS AND LIABILITIES

The Department has inherited three major provisions from the DCSF all relating to Student Loans. At 1 April 2007 the balance of the three provisions was £3.482 billion.

The student loan provisions relate to:

— the possible write-off of loans issued which in the event will be unrecoverable for various reasons;
— the interest subsidy as the student is only charged interest at the rate of inflation; and
— the debt sale subsidy which covers the contractually due subsidies to the purchaser of the debt.

Fuller details of these subsidies are given in the Department for Education and Skills Resource Accounts 2006–07 issued as HC 772 on 16 July 2007. Note 20 to the accounts refers.

The Department has inherited three quantifiable contingent liabilities from DCSF. They all relate to the Secretary of State acting as guarantor to take over the responsibility for the leases of properties used by local Learning and Skills Councils because at the time of establishment the LSC was an unknown body to the landlord. Outstanding liabilities at 1 April 2007 were:

- Croydon LLSC £4,037,000
- Brighton, Manchester and Coventry LLSCs £30,688,000
- Kempston LLSC £386,000

In addition the Department has inherited 3 unquantifiable contingent liabilities from BERR:

(i) Liabilities relating to the issue of licences to operators of satellites and other space objects;
(ii) European Patent Office: the UK as one of the contracting states has a potential liability under Article 40 of the European Patent Convention of 1973; and

November 2007

Memorandum 10

Supplementary submission from the Department for Innovation, Universities and Skills

DEPARTMENT FOR INNOVATION, UNIVERSITIES AND SKILLS (DIUS) AUTUMN PERFORMANCE REPORT 2007

RESPONSE FROM DIUS TO QUESTIONS OF 3 MARCH 20086 FROM THE HOUSE OF COMMONS INNOVATION, UNIVERSITIES, SCIENCE AND SKILLS SELECT COMMITTEE

The National Audit Office review of the DIUS PSA targets assessed that five of the 11 elements underpinning the targets were not fit for purpose. The Treasury guidance to departments on APR reports for 2007 stated that “where data systems have been externally validated the results should be summarised [in the APR] and the department should explain how they have, or are, responding to any negative conclusions”. What improvements are planned for the five PSA data systems which the National Audit Office has assessed as “not fit for purpose”?  

6 See Annex.
1. **Response:**

Comments on each of the relevant data systems are given below under the associated measure.

1.1 Measure: Sustainable and financially robust universities and public laboratories across the UK. (DTI PSA 2)

NAO conclusion December 2007: “RED—not fit for purpose. We have concluded that the data system for supporting the measurement of this sub-target is not fit for the purpose of measuring and reporting performance against this sub-target. Whilst the Department has identified data sources, it has not established robust baselines or set any specific targets or defined success criteria for all aspects of the sub-target. As a result it will not be possible for the Department to accurately assess whether it has achieved the sub-target at the end of the PSA period”.

DIUS response: The data systems are well developed for assessing the long term financial sustainability of universities and public sector research laboratories so that they can deliver high quality scientific research outputs. Setting a baseline is not appropriate for the following reasons:

1. The metrics have been chosen deliberately to assess quality rather than volume, this aim does not lend itself to setting a baseline.
2. A baseline would not help in giving information on the depth and breadth of financial sustainability.
3. Year to year comparisons might not be particularly meaningful. They could for example, miss the key research intensive universities becoming less financially sustainable whilst most of the others were judged financially sustainable.
4. The needs of stakeholders can change rapidly which might reduce the relevance of an historic baseline.

For these reasons DIUS will continue to use the Funding Council’s “trigger metrics” report to assess progress on university research financial sustainability. This enables DIUS to use a broad range of indicators for assessing trajectories. Progress will be reported in the Science and Innovation Investment Framework’s (SIIF) Annual Reports with the target being to achieve a positive trajectory on the majority of “trigger metrics” by the end of the SIIF period (2014). DIUS notes that there was no criticism of the actual data used which is largely derived from the Higher Education Statistics Agency.

The Department has so far carried out two annual monitoring exercises on the long term financial sustainability of public sector research establishments (PSREs). These are primarily intended to help PSREs and their parent departments assess their long term sustainability and their ability to deliver high quality science. This assessment is primarily intended to help PSREs assess their long term sustainability and they will need to kept under review as the research needs of strategic partners change. It is therefore not appropriate to set baselines across the community, although the two monitoring exercises note that there has already been progress in individual PSREs moving towards sustainability. The first monitoring exercise noted that there were well understood problems affecting the long term sustainability of individual PSREs. The second of these monitoring exercises has noted that there had been improvement in some of the factors contributing to PSREs' long term sustainability and these were especially notable in relation to PSREs relationships to their strategic partners.

1.2 Measure: A more responsive supply of science, technology, engineering and maths (STEM) skills to the economy. (DTI PSA 2)

NAO conclusion December 2007: “RED—We have assessed the data system supporting the measurement of this sub-target as not being fit for the purpose of measuring and reporting performance against the sub-target. The only live indicator for this sub-target is collected as part of the report used to inform sub-target (a). Although there are no issues with the quality of data from this source the Department recognises that this data alone is insufficient to offer a full analysis of success against this sub-target which will be evidenced by a range of factors. If this sub-target is to be retained, the Department needs to begin work to update the Technical Note to include additional indicators”.

DIUS response: A wide range of indicators are now published by DIUS which measure the supply of STEM skills to the economy, and these indicators form part of the annual reporting requirements assessing progress on the 10-year Framework. DIUS’s indicators for its new PSA includes additional STEM indicators such as the number of A levels in maths, chemistry, biology and physics, and the number of UK PhD completers in STEM subjects.
1.3 Measure: improving the basic skill levels of 2.25 million adults between the launch of Skills for Life in 2001 and 2010, with a milestone of 1.5 million in 2007. (DfES PSA 13)

NAO conclusion December 2006: “While the systems supporting the first part of the target attempt to address the key risks to data accuracy, they do not distinguish adequately between individuals and the number of qualifications achieved, nor do they allow for people who achieved comparable qualifications before 2001 to be removed from the data. Thus the data systems as a whole are not fit for the purpose of measuring and reporting performance against the target. Improved validation of the data and better data collection would enhance significantly the accuracy of the data systems”.

DIUS response: the department has addressed the issues raised by NAO on the measurement of the 2010 Skills for Life Target as follows:

— Data collection for learners in the prison service has been brought into the main Learning and Skills Council collection through the Individualised Learner Record (ILR). This allows repeat learners in the prison service to be identified which was the main source of the NAO’s concern in distinguishing between individuals and numbers of qualifications achieved.

— Data matching between different years of the ILR, which provides most of the data for this measure, is being undertaken which will improve the estimate of the number of learners achieving in more than one year. Results of this are expected by end of May 2008.

— The publication of data on Skills for Life is being considered as part of a wider review of Statistical First Releases of post-16 data. This should be reporting by early summer 2008.

1.4 Measures: . . . make significant progress year-on-year towards fair access and bear down on rates of non-completion. (DfES PSA 14)

NAO conclusion December 2006: “The Department has data which it can access to indicate progress against the fair access and non-completion elements of the target. However, the systems are not yet fit for the purpose of measuring and reporting performance against the target, because there is no baseline for fair access; the 2002–03 baseline year for non-completion means that progress against that element of the target can only be measured in future reporting, beginning with the one year’s data that has just become available”.

DIUS response: The Department for Education and Skills (DfES) Public Service Agreement (PSA) target 14 comprised three elements: increasing participation, measured by the Higher Education Initial Participation Rate (HEIPR); fair access, measured using the relevant Performance Indicators published by the Higher Education Statistics Agency (HESA), and non-completion, again measured using the relevant Performance Indicators published by HESA.

The National Audit Office (NAO) reviewed the data systems underpinning the PSA target and reported the following ratings: Amber (increasing participation), Red (fair access), and Red (non-completion). Following the NAO report, DfES completed the methodological changes recommended for the HEIPR and these were reported in a Statistical First Release in March 2007. After a follow-up review, NAO reported a Green rating. The Red rating for the fair access element was based on the fact that there was no baseline in the technical note. DfES set the baseline and revised the technical note. After the follow up review, NAO reported an Amber rating. The Red rating for the non-completion element was based on the baseline figure not allowing for more than two years’ worth of data at the time of the original review. DfES revised the baseline figure to be consistent with the HEIPR baseline year. After the follow up review, NAO reported a Green rating.

PERFORMANCE ON PSA TARGETS

DIUS Public Service Agreements 1 [Previously DTI PSA 2]

This target has been assessed in the APR as “on course” but there are a number of the underlying measures on which performance has declined.

— Element 1 [Researchers per 1,000 workforce]

The APR confirms that this measure has a target of 6.3 for 2006 but that performance has declined in 2005 to 5.8 from 5.9 in 2004. Why has performance on this measure declined? Do you expect to achieve the 2006 target? What action is planned to ensure the 2006 target is delivered?

2. RESPONSE:

Performance on this measure has moved very little since 2002, so we do not consider that performance has declined between 2004 and 2005. Meeting the target of 6.3 for 2006 will prove challenging given the small amount of movement in this indicator. However, an independent report on this indicator for the former Office of Science and Innovation concluded that: “The UK’s rank on this measure is at odds with its rank on other indicators. Historical models of “researchers” may not reflect current employment and work
patterns. The definition of researchers may need to be revised to take account of the shifting structure of knowledge-based economies”. DIUS is undertaking development work examining how to improve the coverage of this indicator.

The Government has a number of policies in place to enhance the attractiveness of researcher careers, and DIUS works with the Research Councils to fund researchers including doctoral students, research staff in universities and research institutes and Research Fellows.

— **Element 3 [Greater responsiveness of the research base to the needs of the economy and public services]**

The APR confirms that performance has declined on two of the HE measures and four of the PSRE measures.

**HE measures with declining performance:**
- Number of patent applications.
- Number of patents granted.

**PSRE measures with declining performance:**
- Number of patent applications.
- Number of licensing agreements.
- Number of spin outs.
- Income from business consultancy.

*Why has performance declined on these measures and what action is being taken to improve performance?*

3. **Response:**

We assess performance against a basket of indicators as we expect there to be year on year fluctuations on individual indicators. In relation to the two HEI indicators mentioned, number of patent applications and number of patents granted, although there has been a reduction in the numbers between 2004–05 and 2005–06, there has been an overall upward trend on both of these indicators over the last five years, with an increase in numbers of patent applications and patents granted of, respectively, 60% and 190%. On the indicators for Public Sector Research Establishments, we recognise that the level of commercialisation across the community should be increased. As the annual surveys on knowledge transfer http://www.berr.gov.uk/dius/science/knowledge-transfer/psre/page12062.html note, the majority of commercialisation activity is generated by a relatively small number of PSREs. As a result we are trying to increase the number of PSREs with effective commercialisation programmes. In the latest round of the Public Sector Research Exploitation Fund—which will provide £29 million from July 2008 onwards—we are increasing the proportion of the fund which will be available to PSREs with research which is capable of being commercialised, but do not yet have a track record of commercialisation.

— **Element 4 [Increasing business investment in R&D and increased business engagement]**

One of the measures for this target is business research and development expenditure as a percentage of GDP. The APR shows that performance on this indicator has declined between 1999 and 2005 from 1.23 to 1.08.

The Delivery Agreement for the 2007 Comprehensive Spending Review PSA 4 [Promote world class science and innovation in the UK], states that “the 10-year Science and Innovation framework set out the Government’s overall ambition to raise investment in R&D to 2.5% of GDP by 2014”. *Why was research and development as a percentage of GDP not included as an indicator for performance on the new PSA?*

4. **Response:**

The overall ambition to raise Research and Development by 2.5% includes all research development in both the Government and private sectors and covers a longer period than the period covered by PSAs. A range of policies managed in other Departments, have a major bearing on business investment in research and Development, notably the R&D Tax credits scheme.

As noted in the Science and Innovation White Paper and the supporting evidence document, close analysis of the industrial structure of the UK vis a vis other major economies shows that lower shares of UK activity are in R&D intensive sectors. Accordingly, for the new PSA target we are taking a more sectorally focused, but still demanding indicator of the R&D intensity of the most R&D intensive sectors. These sectors together constitute the majority of UK Business R&D spending, so that the DIUS PSA indicator is consistent with the longer term ambition to raise investment in R&D to 2.5 per cent of GDP.
In measuring innovation in the economy to assess policy impacts, DIUS supplement the Research and Development based indicator with other evidence:

— A Departmental Strategic Objective included an indicator of the share of firms who are innovation active, measured across all business sectors.
— DIUS works with BERR and others to understand innovation in non-Research and Development based sectors such as retail and financial services.
— The Science and Innovation White Paper “Innovation Nation” includes commitments to work with partners to develop an innovation index, that takes a broad view of the subject and to establish an innovation research centre to improve the measurement and understanding of innovation in its widest sense.

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

Why has the indicator “to increase the number of science students receiving enterprise training” not been updated since the 2002 data?

5. Response:

This information was collected as part of the reporting on projects funded through the Science Enterprise Challenge, which has now been completed. This indicator was in some ways unsatisfactory as it only covered the number of science students receiving training without assessing the depth of the training provided or its effectiveness. The indicator has also been partly overtaken by developments as enterprise training is now not limited to science students and is available to other disciplines as well. It should also be noted that the National Council for Graduate Entrepreneurship has started to publish a survey of entrepreneurship and enterprise in higher education which provides a more comprehensive picture than the indicator previously collected in relation to this PSA.

DIUS Public Service Agreement 3 [Previously DfES PSA target 14]

— Element 1 [Participation]

The target for this element is to increase participation towards 50% by 2010. Given the 4% increase in performance over the six years reported, how is the Department planning to accelerate its delivery to ensure the required 7% increase over the final four years to 2010?

The Delivery Agreement for the comparable target for the 2007 Comprehensive Spending Review period [2007 CSR PSA 2: indicator 6] is to “increase participation in higher education towards 50 per cent of those aged 18 to 30 with a growth of at least a percentage point every two years to the academic year 2010–11.

The new target will therefore be achieved if performance has increased to just 45.5% from 43% in 2005–06. Why has the performance expectation for this target been reduced to below 50% for the next Spending Review period?

6. Response:

The target in PSA 3 is to increase participation towards 50% by 2010. That 50% figure was, and remains, an important signal of our aspirations for participation in higher education, and we expect to continue to make progress towards it over the next CSR period. However, the target does not suggest we would reach 50% by 2010. The target figure is sensitive to changes in the number of 18–30 year olds in the population—between now and 2011 these numbers will continue to increase. Under this demographic pressure, we believe it is realistic to aim for growth in the participation rate of at least a percentage point every two years to the academic year 2010–11, as specified in the delivery agreement for the Comprehensive Spending Review.

Recently released figures for 2006–07 show the latest actual rate is 40%, a drop of 2.7 percentage points from the previous year. However, both the high rate for 2005–06 and the low for 2006–07 are unrepresentative of the long term trend, due to the short term effect of the introduction of variable fees. We know that application numbers recovered significantly in 2007–08, and applications are up again substantially for 2008–09, and the participation rate for that year will be a better indicator of progress against the PSA.

In terms of numbers, the increases in funding over the CSR period to 2010–11 will support at least 40,000 additional students by the end of that period. Additionally, the Higher Education Funding Council for England (HEFCE) have been directed to redeploy, by 2010–11, about £100 million of teaching grant that would have gone to support the costs of teaching students who already hold a qualification at or above their proposed level of study. The policy will allow over 20,000 additional students without an existing qualification to enter HE for the first time or progress to a higher level qualification by 2010–11, taking the total number of additional places to some 60,000.
— Elements 2 and 3 [Fair access and non-completion]

Reporting against both of these elements of the PSA show improved performance. However the Committee notes that neither of the measures has been retained for the new 2007 CSR PSA 2 [Improve the skills of the population on the way to ensuring a world-class skills base by 2020]. Why were the fair access and non-completion measures not considered sufficiently important to warrant a performance measure under the new 2007 PSA?

7. RESPONSE:

Fair access to higher education remains a priority for the Government. This is reflected in PSA 11, which is about narrowing the gap in educational achievement between children from low income and disadvantaged backgrounds and their peers. A key indicator for this PSA is to narrow 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 classes.

Non-completion also remains a priority for the Government. It is not included as one of the key indicators for the new Skills PSA (2007 CSR PSA 2), because this PSA now contains an output measure, in the form of increasing the proportion of the workforce with higher level skills from under 30% now, to over 40%. The target to increase participation towards 50% is an input target. As such, the non-completion element was needed as a counterbalance, to avoid any temptation to pursue the target by packing courses with students who would not complete them. As we now have an overarching output target, the separate focus on non-completion within the PSA isn’t needed—because students who do not complete will not count towards the target’s achievement. We will, however, continue to calculate and publish non-completion rates as one of a number of performance measures that do not form part of the PSA.

SPENDING REVIEW 2004 EFFICIENCY TARGET

The APR stated that you are “on course” to achieve the financial savings target by 2007–08 and that “a contribution of £787.7 million of efficiency gains has been recorded by the end of September 2007 in those areas for which DIUS is now responsible”.

(i) What is the Department’s financial efficiency savings target for the SR2004 period?

8.1 RESPONSE:

The Department has agreed an indicative target of £622.2 million with HM Treasury, DCSF and BERR. This reflects the contribution DIUS is expected to make to the DfES and DTI legacy targets.

(ii) Please provide a breakdown of the target to show how much the Research Councils, Further Education, and Skills sector will be contributing to the target and which elements of their expenditure are to be targeted.

8.2 RESPONSE:

DIUS’s total indicative target of £622.2 million is attributed to the individual areas as follows:

Higher Education, Further Education and Skills—£437.2 million
These gains are to be derived from areas such as improved procurement practice, improved use of capital assets and estate modernisation, improved efficiency in corporate services, reduced administration costs and improved use of ICT.

Science and Innovation—£185 million (including the Research Councils)
These gains are to be achieved through the Research Council efficiency programme, improved use of capital assets and reduced administration costs.

All these gains represent genuine improvements in efficiency and are not simply cuts in expenditure.

(iii) Please confirm which element of the £787.4 million reported efficiency savings has been classified by the Office of Government Commerce as “final”, “interim” or “provisional,” preferably showing the figures broken down by the Research Councils, Further Education and Skills sector contributions.

8.3 RESPONSE:

The Department has classified its total reported gains figure of £784.7m as follows in reporting to HM Treasury, in accordance with the standard categorisation:

<table>
<thead>
<tr>
<th></th>
<th>Preliminary</th>
<th>Interim</th>
<th>Final</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Education, Further Education and Skills</td>
<td>£156.7 million</td>
<td>£182.9 million</td>
<td>£128.7 million</td>
</tr>
<tr>
<td>Science and Innovation</td>
<td>£4.2 million</td>
<td>£72.5 million</td>
<td>£239.7 million</td>
</tr>
</tbody>
</table>
Ev 106  Innovation, Universities, Science and Skills Committee: Evidence

COMPREHENSIVE SPENDING REVIEW 2007 EFFICIENCY TARGET

For the 2007 Comprehensive Spending Review you have a target to achieve £1,543 million annual efficiency savings by 2010–11. The Committee welcomes the information on the new target in the Value for Money Delivery Agreement but would like clarification on the following areas.

With nearly half of the planned efficiency savings target still to be finalised when the Value for Money Delivery Agreement was published, please would the Department confirm:

(i) The final breakdown of the total planned efficiency target and work streams.

(ii) A profile for each work stream showing the expected delivery programme for each financial year between 2008–09 and 2010–11.

(iii) Confirmation of the key risks to the efficiency programme and how these will be managed by the Corporate Board.

9. RESPONSE:

A breakdown of how the Department currently plans to achieve the value for money (VfM) gains agreed with the Treasury is shown below. This gives the expected profile of gains by year in the CSR period.

<table>
<thead>
<tr>
<th>Breakdown of Current Plans to Achieve the Value for Money Gains Target</th>
<th>2008–09 £m</th>
<th>2009–10 £m</th>
<th>2010–11 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Councils UK VfM delivery project package</td>
<td>81</td>
<td>162</td>
<td>243</td>
</tr>
<tr>
<td>Other innovation reprioritisation/efficiency gains</td>
<td>26</td>
<td>31</td>
<td>38</td>
</tr>
<tr>
<td>Science and Research Infrastructure Fund reprioritisation</td>
<td>108</td>
<td>77</td>
<td>110</td>
</tr>
<tr>
<td>FE Train to Gain efficiency gains</td>
<td>223</td>
<td>208</td>
<td>170</td>
</tr>
<tr>
<td>FE reprioritisation gains</td>
<td>70</td>
<td>190</td>
<td>270</td>
</tr>
<tr>
<td>FE Local Initiatives Fund reprioritisation</td>
<td>48</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>FE procurement/estates/NDPB efficiencies</td>
<td>29</td>
<td>50</td>
<td>72</td>
</tr>
<tr>
<td>HE reprioritisation, co-funding including ELQ</td>
<td>63</td>
<td>152</td>
<td>256</td>
</tr>
<tr>
<td>HE procurement/shared services/estates efficiencies</td>
<td>90</td>
<td>145</td>
<td>200</td>
</tr>
<tr>
<td>Departmental administrative costs</td>
<td>-74</td>
<td>-51</td>
<td>124</td>
</tr>
<tr>
<td>(Contingency)/still in development</td>
<td>4</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Total target agreed as part of the CSR07</td>
<td>668</td>
<td>1,020</td>
<td>1,543</td>
</tr>
</tbody>
</table>

Key risks to the Department’s value for money programme remain those set out in the Value for Money Delivery Agreement:

— inertia across an extensive and autonomous delivery chain. This applies in all sectors particularly in HE and Further Education and Skills (FES) and will need to be addressed through sector specific strategies, for instance to establish strong networks of good practice;

— the preparedness of partner bodies, including the private sector, to increase the level of partnership funding. For instance, more difficult than expected market conditions might reduce employers’ willingness to contribute to or release staff for training programmes, or reduce organisations’ willingness to invest in joint research programmes. Explaining well the benefits of partnership funding to bodies making contributions will be key to ensuring targets are achievable.

Responsibility for management of these risks at corporate Board level lies with the relevant Board members responsible for delivery of the value for money gains within their commands. Performance of the Value for Money programme will be reported to the Board monthly, with more detailed review being undertaken by a sub-group of the corporate Board, the Performance Board.

April 2008

Annex

Letter of 3 March to DIUS

DEPARTMENTAL AUTUMN PERFORMANCE REPORT 2007

The Committee has now had an opportunity to consider the Department’s Autumn Performance Report 2007. There are a number of questions on which the Committee would appreciate a response.

The National Audit Office review of the DIUS PSA targets assessed that five of the eleven elements underpinning the targets were not fit for purpose. The Treasury guidance to departments on APR reports for 2007 stated that “where data systems have been externally validated the results should be summarised
Innovation, Universities, Science and Skills Committee: Evidence

[In the APR] and the department should explain how they have, or are, responding to any negative conclusions”. *What improvements are planned for the five PSA data systems which the National Audit Office has assessed as “not fit for purpose”?*

**Performance on PSA Targets**

**DIUS Public Service Agreements 1 [Previously DTI PSA 2]**

This target has been assessed in the APR as “on course” but there are a number of the underlying measures on which performance has declined.

- **Element 1 [Researchers per 1,000 workforce]**

  The APR confirms that this measure has a target of 6.3 for 2006 but that performance has declined in 2005 to 5.8 from 5.9 in 2004. *Why has performance on this measure declined? Do you expect to achieve the 2006 target? What action is planned to ensure the 2006 target is delivered?*

- **Element 3 [Greater responsiveness of the research base to the needs of the economy and public services]**

  The APR confirms that performance has declined on two of the HE measures and four of the PSRE measures.

  **HE measures with declining performance:**
  - Number of patent applications.
  - Number of patents granted.

  **PSRE measures with declining performance:**
  - Number of patent applications.
  - Number of licensing agreements.
  - Number of spin outs.
  - Income from business consultancy.

  *Why has performance declined on these measures and what action is being taken to improve performance?*

- **Element 4 [Increasing business investment in R&D and increased business engagement]**

  One of the measures for this target is business research and development expenditure as a percentage of GDP. The APR shows that performance on this indicator has declined between 1999 and 2005 from 1.23 to 1.08.

  The Delivery Agreement for the 2007 Comprehensive Spending Review PSA 4 [Promote world class science and innovation in the UK], states that “the 10-year Science and Innovation Framework set out the Government’s overall ambition to raise investment in R&D to 2.5% of GDP by 2014”. *Why was research and development as a percentage of GDP not included as an indicator for performance on the new PSA?*

- **Element 5 [A more responsive supply of science, technology, engineering and maths skills to the economy]**

  *Why has the indicator “to increase the number of science students receiving enterprise training” not been updated since the 2002 data?*

**DIUS Public Service Agreement 3 [Previously DfES PSA target 14]**

- **Element 1 [Participation]**

  The target for this element is to increase participation towards 50% by 2010. Given the 4% increase in performance over the six years reported, *how is the Department planning to accelerate its delivery to ensure the required 7% increase over the final four years to 2010?*

  The Delivery Agreement for the comparable target for the 2007 Comprehensive Spending Review period [2007 CSR PSA 2: indicator 6] is to “increase participation in higher education towards 50% of those aged 18 to 30 with a growth of at least a percentage point every two years to the academic year 2010–11.

  The new target will therefore be achieved if performance has increased to just 45.5% from 43% in 2005–06. *Why has the performance expectation for this target been reduced to below 50% for the next Spending Review period?*
— **Elements 2 and 3 [Fair access and non-completion]**

Reporting against both of these elements of the PSA show improved performance. However the Committee notes that neither of the measures has been retained for the new 2007 CSR PSA 2 [Improve the skills of the population on the way to ensuring a world-class skills base by 2020]. **Why were the fair access and non-completion measures not considered sufficiently important to warrant a performance measure under the new 2007 PSA?**

**Spending Review 2004 Efficiency Target**

The APR stated that you are “on course” to achieve the financial savings target by 2007–08 and that “a contribution of £787.7 million of efficiency gains has been recorded by the end of September 2007 in those areas for which DIUS is now responsible”.

(iv) **What is the Department’s financial efficiency savings target for the SR2004 period?**

(v) **Please provide a breakdown of the target to show how much the Research Councils, Further Education, and Skills sector will be contributing to the target and which elements of their expenditure are to be targeted.**

(vi) **Please confirm which element of the £787.4 million reported efficiency savings has been classified by the Office of Government Commerce as “final”, “interim” or “provisional,” preferably showing the figures broken down by the Research Councils, Further Education and Skills sector contributions.**

**Comprehensive Spending Review 2007 Efficiency Target**

For the 2007 Comprehensive Spending Review you have a target to achieve £1,543 million annual efficiency savings by 2010–11. The Committee welcomes the information on the new target in the Value for Money Delivery Agreement but would like clarification on the following areas.

With nearly half of the planned efficiency savings target still to be finalised when the Value for Money Delivery Agreement was published, please would the Department confirm:

(iv) **The final breakdown of the total planned efficiency target and work streams.**

(v) **A profile for each work stream showing the expected delivery programme for each financial year between 2008–09 and 2010–11.**

(vi) **Confirmation of the key risks to the efficiency programme and how these will be managed by the Corporate Board.**

---

**Memorandum 11**

Submission from the Department for Innovation, Universities and Skills

**Main Supply Estimate 2008–09**

DEPARTMENT FOR INNOVATION, UNIVERSITIES AND SKILLS—ESTIMATE MEMORANDUM

**Summary of Main Estimate**

1. Subject to Parliamentary approval of any necessary Main Estimate, the Department for Innovation, Universities and Skills resource budget will be £18,495,646,000.

<table>
<thead>
<tr>
<th>Request for Resource (RfR)</th>
<th>Main Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>RfR 1—DIUS</td>
<td>£14,693,465,000</td>
</tr>
<tr>
<td>RfR 2—Science</td>
<td>£3,802,181,000</td>
</tr>
<tr>
<td><strong>Total net resource requirement</strong></td>
<td><strong>£18,495,646,000</strong></td>
</tr>
<tr>
<td>Net cash requirement</td>
<td>£21,003,978,000</td>
</tr>
</tbody>
</table>

**Summary of Main Estimate Supply Sought Compared to Final 2007–08 Estimate Cover**

2. The main areas of change to the 2008-09 Estimate are as follows:
   — Increase in total net resource requirement of £547.0 million to £18,495.6 million.
   — Increase in the total appropriation in aid of £265.9 million to £8,482.1 million.
   — Increase in the net cash requirement of £1,567.8 million to £21,004.0 million.
   — Decrease in the administration cost limit of £5.9 million to £70.0 million.
Detailed Explanation of the Changes to the Provisions

3. The increase in the total net resource requirement of £547.0 million results mainly from:
   — An increase of £157.9 million in the Higher, Further education and Skills programmes.
   — An increase of £389.1 million in the Science Research Councils.

Appropriations in Aid:

4. The increased appropriations in aid of £265.9 million results mainly from:
   — The increase in receipts of £215.3 million from the Department for Children, Schools and Families for 16–19 programmes through the Learning and Skills Council.
   — The increase in receipts of £50.6 million for Higher, Further Education, Skills and Science programmes.

Departmental Expenditure Limits (DEL)

5. The Main Estimate will increase the DIUS resource DEL by £704.8 million to £16,378.5 million and decrease the capital DEL by £76.0 million to £1,989.9 million.

6. The tables below provide details of DEL resource and capital totals for the previous and current financial years. DEL totals set out in the tables below are drawn from the relevant Spring Supplementary. The forecast outturn figures for the 2007–08 are taken from the latest forecasts supplied to Treasury.

<table>
<thead>
<tr>
<th>EXPENDITURE AGAINST DEPARTMENTAL EXPENDITURE LIMITS 2007–08</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>Voted</td>
</tr>
<tr>
<td>Resource 2007–08</td>
<td>−4,415,296</td>
</tr>
<tr>
<td>Capital 2007–08</td>
<td>−79,756</td>
</tr>
</tbody>
</table>

DEPARTMENTAL EXPENDITURE LIMIT 2008–09

<table>
<thead>
<tr>
<th>Voted</th>
<th>Non-Voted</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource DEL</td>
<td>−4,033,349</td>
<td>20,411,860</td>
</tr>
<tr>
<td>of which:†</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration budgeted</td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Near-cash in RDEL</td>
<td>−5,235,620</td>
<td>20,256,126</td>
</tr>
<tr>
<td>Capital DEL:††</td>
<td>72,842</td>
<td>1,917,026</td>
</tr>
<tr>
<td>Less Depreciation:†††</td>
<td>−3,205</td>
<td>−141,753</td>
</tr>
<tr>
<td>Total DEL</td>
<td>−3,963,712</td>
<td>22,187,133</td>
</tr>
</tbody>
</table>

† The total of the “Administration Budget” and “Near-cash in Resource DEL” figures may well be greater than total resource DEL, due to the definitions overlapping.

†† Capital DEL indicates items treated as resource in Estimates and accounts but which are treated as Capital DEL in budgets.

††† Depreciation, which forms part of resource DEL, is excluded from total DEL since Capital DEL includes capital spending and to include depreciation of those assets would lead to double counting.

End Year Flexibility (EYF)

7. Within DIUS both programme and administrative budgets are delegated to Board members and the expectation is that they will normally manage within their allocations. Where this is not possible and subject to the approval of Ministers the use of EYF will be considered.

8. The following table sets out the current balance of EYF available to the department in 2008–09 which has not changed since the 2007–08 Spring Supplementary Memoranda.
END YEAR FLEXIBILITY

<table>
<thead>
<tr>
<th></th>
<th>Admin Costs</th>
<th>Other Resource</th>
<th>Capital</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current EYF position</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DIUS</td>
<td>—</td>
<td>459,637</td>
<td>90,332</td>
<td>549,969</td>
</tr>
<tr>
<td>Science Ringfence</td>
<td>—</td>
<td>192,727</td>
<td>85,288</td>
<td>278,015</td>
</tr>
<tr>
<td>Totals</td>
<td>—</td>
<td>652,364</td>
<td>175,620</td>
<td>827,984</td>
</tr>
</tbody>
</table>

ADMINISTRATIVE COST LIMITS (PREVIOUS YEARS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007–08</td>
<td>75,930</td>
</tr>
<tr>
<td>2008–09</td>
<td>70,265</td>
</tr>
</tbody>
</table>

PROVISIONS AND LIABILITIES

9. The Department continues to manage its administrative costs in an effective and efficient manner. The outturn figures for 2006–07 have been taken from the latest forecast outturn supplied to Treasury.

10. The Department has seven key provisions. The three relating to Student Loans represent about 98% of the total.

The student loan provisions relate to:

- the possible write-off of loans issued which in the event will be unrecoverable for various reasons;
- the interest subsidy as the student is only charged interest at the rate of inflation; and
- the debt sale subsidy which covers the contractually due subsidies to the purchaser of the debt.

11. Fuller details of these subsidies are given in the DCSF Departments Resource Accounts 2006–07 issued as HC 772 on 16 July 2007. Note 20 to the accounts refers.

NOTES TO THE ESTIMATE

Treasury have agreed to £4.0 million contingency fund borrowing in line C RfR1, subject to the passage of the Sale of Student Loans Bill 2008, which has passed third reading in the House of Commons and is currently in the House of Lords.

April 2008

Memorandum 12

Supplementary submission from the Department for Innovation, Universities and Skills

MAIN SUPPLY ESTIMATE 2008–09

DEPARTMENT FOR INNOVATION, UNIVERSITIES AND SKILLS—ESTIMATE MEMORANDUM

1. INTRODUCTION

The purpose this Memorandum is to provide the Select Committee with additional information regarding the content of the Department’s Main Estimate for 2008–09. Included is information on variations in the Estimate from the closing 2007–08 position, information on the departmental DSO’s and PSA’s and an overview of the Departmental EYF stock. An explanation of key terms used in the Memorandum is provided in Annex A.
2. **OVERVIEW OF MAIN ESTIMATE**

The published estimate shows planned spending over each Request for Resource (RfR) for voted provision and for Annually Managed Expenditure (AME)

(i) Subject to Parliamentary approval of the Main Estimate, the Department for Innovation, Universities and Skills resource DEL budget will be £18,495,646,000 for 2008–09. This splits out into the 2 RfR’s as shown in the table below.

<table>
<thead>
<tr>
<th>Request for Resource (RfR)</th>
<th>Main Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>RfR 1—DIUS</td>
<td>£14,693,465,000</td>
</tr>
<tr>
<td>RfR 2—Science</td>
<td>£3,802,181,000</td>
</tr>
<tr>
<td><strong>Total net resource requirement</strong></td>
<td><strong>£18,495,646,000</strong></td>
</tr>
<tr>
<td><strong>Net cash requirement</strong></td>
<td><strong>£21,003,978,000</strong></td>
</tr>
</tbody>
</table>

(ii) The Departmental Capital budget is £4,769,587,000 (Expenditure of £5,929,837,000 less anticipated capital income of £1,160,250,000). Capital expenditure relates only to RfR 1, there is no capital budget for RfR 2.

(iii) The DEL funding within the Main Estimate is based on the Department’s 2007 Comprehensive Spending Review Settlement. It should be noted that this Estimates does not include any draw down of End of Year Flexibility. Any changes to Departmental funding of this nature will be dealt with in the Winter and/or Spring Supplementary Estimates.

(iv) The Net Cash Requirement included within the Estimate is £21,003,978,000, which is in accordance with the approved DEL and AME budgets adjusted for non-cash items and forecast working capital movements.

3. **EXPLANATION OF CHANGES MADE SINCE THE ESTIMATE FOR 2007–08**

(i) As stated above the Main Estimate for 2008–09 is based on the settlement provided to DIUS within CSR 07. This settlement provided the department with 2.2% real increases on programme expenditure and a 5% real decrease in administrative expenditure. These overall changes are reflected in the changes to the key control totals as shown below. These changes will differ from the percentage movements set within the CSR 07 settlement as the final 2007–08 position included draw down of EYF in addition to the baseline figures.

- Increase in total net resource requirement of £966.8 million to £18,495.6 million.
- Increase in the net cash requirement of £1,567.8 million to £21,004.0 million.
- Decrease in the administration cost limit of £6.1 million to £70.0 million.

(ii) The increase in the total net resource requirement of £966.8 million breaks down into an increase of £567.6 million in the Higher, Further education and Skills programmes and an increase of £399.2 million in the Science Research Councils.

(iii) The key changes on HE spending were a £336 million increase in student support expenditure resulting from the roll out of the 2006–07 reforms to student support levels fully within 2008–09 and the introduction of variable fees. In 2007–08 there were two cohorts eligible for fees loans and higher maintenance grants, in 2008–09 there are three cohorts of students that will be eligible for the new packages reflected in the increased level of expenditure.

(iv) The Grant in Aid payment to HEFCE has increased by £196 million representing an inflationary increase to keep the teaching and learning unit of funding uprated in line with inflation and to increase the research gran in line with real terms GDP growth.

(v) In FE and Skills the grant to the LSC has increased by £222 million to cover increased expenditure on participation programmes, in particular 16–18 further education, apprenticeships and work-based learning and Train to Gain.

(vi) There has been a change to the FE and Skills Estimate format. Resources for further education improvement were previously included under the Quality Improvement Agency (QIA) in Line N have now been included in Line D. This reflects the creation of a new sector owned organisation incorporating QIA and the Centre for Excellence in Leadership. The new organisation will take a comprehensive approach to whole organisation improvement, based on the leading edge practice and building on the work of the QIA and CEL. This has had no overall net effect on the funding for this element of FE expenditure.

(vii) The key changes to the Science Research Councils reflect technical changes to the Estimate presentation and not overall funding changes. The £85 million HEIF and the £163 million of SRIF/RCIF programme grants have been moved into non-voted expenditure.
The increase in the Net Cash Requirement reflects the overall increase in resource expenditure and a correction of a classification error within previous Estimates. In previous estimates the classification of non-cash income was netted within the NCR calculation, thus understating the overall cash requirement of the department.

The Departmental Administration cost limit has fallen in line with the 5% real budgetary reductions within the CSR07 settlement. The total difference from 2007–08 also reflects that fact that an additional £4.09 million EYF was draw down within the Spring Supplementary.

The Departmental Appropriations in Aid has increased primarily as a result of an increase in receipts of £215.3 million from the Department for Children, Schools and Families for 16–19 programmes paid to the Learning and Skills Council.

4. DEPARTMENTAL EXPENDITURE LIMITS (DEL)

(i) The Main Estimate will increase the DIUS resource DEL by £704.8 million to £16,378.5 million and decrease the capital DEL by £76.0 million to £1,989.9 million.

(ii) The tables below provide details of DEL resource and capital totals for the previous and current financial years. DEL totals set out in the tables below are drawn from the relevant Spring Supplementary. The forecast outturn figures for the 2007–08 are taken from the latest forecasts supplied to Treasury.

<table>
<thead>
<tr>
<th>Year</th>
<th>Voted</th>
<th>Non-Voted</th>
<th>Total DEL</th>
<th>Forecast Outturn</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource</td>
<td>−4,415,296</td>
<td>20,089,015</td>
<td>15,673,719</td>
<td>15,538,776</td>
<td>134,943</td>
</tr>
<tr>
<td>Capital</td>
<td>−79,756</td>
<td>2,145,645</td>
<td>2,065,889</td>
<td>2,028,556</td>
<td>37,333</td>
</tr>
</tbody>
</table>

5. END OF YEAR FLEXIBILITY (EYF)

(i) The table below shows a summary position of the Department’s current EYF stock, which totals £652 million Resource and £176 million capital following the draw down in the Spring Supplementary.

(ii) The Department’s EYF stock will be recalculated once the 2006–07 provisional outturn figures are available and published in the Public Expenditure Outturn White Paper.

(iii) The following table sets out the current balance of EYF available to the department in 2008–09 which has not changed since the 2007–08 Spring Supplementary Memorandum.
END YEAR FLEXIBILITY

<table>
<thead>
<tr>
<th></th>
<th>Admin Costs</th>
<th>Other Resource</th>
<th>Capital</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current EYF position</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DIUS</td>
<td>—</td>
<td>459,637</td>
<td>90,332</td>
<td>549,969</td>
</tr>
<tr>
<td>Science Ringfence</td>
<td>—</td>
<td>192,727</td>
<td>85,288</td>
<td>278,015</td>
</tr>
<tr>
<td>Totals</td>
<td>—</td>
<td>652,364</td>
<td>175,620</td>
<td>827,984</td>
</tr>
</tbody>
</table>

6. Administration Cost Limits

(i) The Department continues to manage its administrative costs in an effective and efficient manner. The outturn figures for 2006–07 will be available for the PEOWP following the review of the full year end outturn. The outturn is expected to be within the limits set within the 2007–08 and Spring Supplementary Estimate.

<table>
<thead>
<tr>
<th>Year</th>
<th>Limit £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007–08</td>
<td>75,930</td>
</tr>
<tr>
<td>2008–09</td>
<td>70,265</td>
</tr>
</tbody>
</table>

7. Provisions and Liabilities

(i) The Department has seven provisions. The three key provisions relating to Student Loans represent about 98% of the total.

The student loan provision relates to:

— the possible write-off of loans issued which in the event will be unrecoverable for various reasons;
— the interest subsidy as the student is only charged interest at the rate of inflation; and
— the debt sale subsidy which covers the contractually due subsidies to the purchaser of the debt.

8. Public Service Agreements

(i) The Government Public Service Agreements (PSA’s) published in the October 2007 Comprehensive Spending Review (CSR07) set out the key priority outcomes the Government wants to achieve in the next spending period (2008–11). DIUS leads on two of these PSA’s:

(ii) PSA 2: Improve the skills of the population, on the way to ensuring a world class skills base by 2020.

(iii) PSA 4: Promote world class science and innovation in the UK.

9. Departmental Strategic Objectives

(i) Supporting the achievement of our PSA objectives, six Departmental Strategic Objectives (DSOs) set out in greater detail the actions DIUS will take over the CSR07 period:

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

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

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

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

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

(vii) DSO 6: Encourage better use of science in Government, foster public service innovation, and support other Government objectives which depend on DIUS expertise and remit.
10. NOTES TO THE ESTIMATE

Treasury have agreed to £4.0 million contingency fund borrowing in line C RfR1, subject to the passage of the Sale of Student Loans Bill 2008, which has passed third reading in the House of Commons and is currently in the House of Lords. The expenditure cannot form part of the departmental estimate until the legislation has been passed.

May 2008

Annex A

EXPLANATION OF KEY TERMS USED IN THE MEMORANDUM

Departmental Expenditure Limit (DEL)

This is spending within the Department’s direct control and which can therefore be planned over an extended period, such as the costs of its own administration and payments to third parties.

Annually Managed Expenditure (AME)

In DIUS, AME is primarily demand led expenditure on student loan payments. It is generally less predictable and controllable than expenditure in DEL. AME spending does not fall within the Departmental Expenditure Limits.

Request for Resources

DIUS has 2 RfR’s. The second covers the ring fenced Science Expenditure. Expenditure within this area cannot be reallocated across to other areas of expenditure. RfR 1 contains expenditure on all other departmental activities.

End of Year Flexibility (EYF)

A mechanism that enable the Department to plan the use of resources over Spending Review years and therefore carry forward unspent provision in the Departmental Expenditure Limit in one year to subsequent years.