

# **Autumn Performance Report**

## **December 2007**

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**Note on conventions used:**

1. Financial years are shown as 2007-08, Academic years as 2007/08.

# Foreword

**By John Denham**  
**Secretary of State for Innovation, Universities and Skills**

Britain's success in a rapidly changing world is dependent on our ability to develop the skills of our people to the fullest possible extent, carry out first-class research and scholarship, and apply both knowledge and skills to create an innovative and competitive economy.

The Department for Innovation, Universities and Skills (DIUS) was created to give skills, colleges, universities, science and innovation a new and direct voice in Cabinet for the first time. This gives us a huge opportunity to help transform the lives of millions of individuals, to boost the bottom line of thousands of businesses, and to regenerate hundreds of communities. DIUS is aiming significantly to improve the nation's skill levels by bringing together for the first time responsibility for all post-19 learning, from adult literacy and numeracy to science and innovation. We cannot compete with the rising economies of East Asia on cost, so we need to ensure that everyone's skills and talents are developed throughout their lives, resulting in a world-beating workforce with higher level skills that will enable them to make high-value products.

Our skills ambitions are coupled with our aim to build an innovative knowledge economy. We will strive to deliver the Government's vision to make Britain one of the best places in the world for research and innovation. This reflects our belief that as the global economy becomes ever more competitive science and innovation are vital to maintaining the UK's economic position and the quality of life of its citizens.

Bringing together for the first time the two key drivers of skills and innovation to boost the UK's economy is what makes DIUS such a radically new departure.

I am pleased to present my first Autumn Performance Report. The report sets out interim assessments towards the achievement of my Department's Spending Review 2004 Public Service Agreement targets together with progress against our efficiency target.

**JOHN DENHAM**

Secretary of State for Innovation, Universities and Skills

# Introduction

## Content of the Autumn Performance Report

This Autumn Performance Report (APR) sets out the Department for Innovation, Universities and Skills' (DIUS) progress on the delivery of its Public Service Agreement (PSA) targets and Efficiency targets from the 2004 Spending Review (SR04). It also reports progress against PSA targets outstanding from previous spending reviews. PSAs define the key improvements that the public can expect from Departments.

Following the Machinery of Government changes in June 2007, three new departments were set up by the new Prime Minister in place of the former Department for Education and Skills (DfES) and the former Department of Trade and Industry (DTI). These organisations are the:

- Department for Innovation, Universities and Skills (DIUS);
- Department for Children, Schools and Families (DCSF); and
- Department for Business, Enterprise and Regulatory Reform (BERR).

Part 1 of this 2007 Autumn Performance Report outlines progress towards the Spending Review 2004 Public Service Agreement (PSA) targets for which the DIUS is responsible.

Part 2 outlines progress against the DIUS element of the former DfES and DTI Efficiency target, and Part 3 progress towards targets from earlier Spending Reviews that are still outstanding and are the responsibility of DIUS.

## Planning for the future

Looking forward, the Comprehensive Spending Review 2007 (CSR07) established an innovative reform of the performance management framework across government. As part of this, DIUS is responsible for delivering six Departmental Strategic Objectives and is responsible for two of the Government's new PSAs. All these build on the existing SR04 PSAs.

The Department's Strategic Objectives and PSAs recognise that Britain can only succeed in a rapidly changing world if we develop the skills of our people to the fullest possible extent, carry out world class research and scholarship, and apply both knowledge and skills to create an innovative and competitive economy. Only an inclusive society that creates opportunities for all its people will have the strength and resource to be at the leading edge of the world economy or meet the global challenges of the 21st Century.

In delivering our Strategic Objectives and PSAs, DIUS will work with partners from the commercial, public and voluntary sectors.

*Strategic Objectives*

Our Strategic Objectives are to:

- accelerate the commercial exploitation of creativity and knowledge, through innovation and research, to create wealth, grow the economy, build successful businesses and improve quality of life;
- 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 global economy;
- build social and community cohesion through improved social justice, civic participation and economic opportunity by raising aspirations and broadening participation, progression and achievement in learning and skills;
- pursue global excellence in research and knowledge, promote the benefits of science in society, and deliver science, technology, engineering and mathematics skills in line with employer demand;
- strengthen the capacity, quality and reputation of the Further and Higher Education systems and institutions to support national economic and social needs;
- encourage better use of science in Government, foster public service innovation, and support other Government objectives which depend on the DIUS expertise and remit.

To enable DIUS to deliver these objectives, the Department will strive to add value across the whole delivery chain, be innovative in the way it works internally and with others and be mindful of the intrinsic value of the pursuit and application of knowledge as a worthwhile activity.

*Public Service Agreements*

These Strategic Objectives incorporate the two new cross Government PSAs set as part of the CSR07 on which DIUS will lead. These are to:

- improve the skills of the population, on the way to ensuring a world-class skills base by 2020;
- promote world-class science and innovation in the UK.

Further detail of both these PSAs is available at:

[http://www.hm-treasury.gov.uk/pbr\\_csr/psa/pbr\\_crs07\\_psagrowth.cfm](http://www.hm-treasury.gov.uk/pbr_csr/psa/pbr_crs07_psagrowth.cfm)

# Summary of performance against PSA targets

Of the three PSA targets from SR04, all are assessed as on course to be delivered.

SR04 target	Performance
<p>1. <b>Science and Innovation</b> (DTI 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.</p>	On course
<p>2. <b>Tackle the adult skills gap</b> (DfES PSA 13): Increase the number of adults with the skills required for employability and progression to higher levels of training through:</p> <ul style="list-style-type: none"> <li>● 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</li> <li>● reducing by at least 40% the number of adults in the workforce who lack NVQ2 or equivalent qualifications by 2010. Working towards this, one million adults in the workforce to achieve level 2 between 2003 and 2006.</li> </ul>	On course
<p>3. <b>Raise and widen participation in higher education</b> (DfES PSA 14)</p> <p>By 2010, increase participation in higher education towards 50% of those aged 18 to 30 and also make significant progress year-on-year towards fair access and bear down on rates of non-completion.</p>	On course

# Part one – performance against PSAs

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

**Assessment of progress: ON COURSE**

## Overall progress

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

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

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

### Current position

Progress against this element is judged against a basket of six indicators including aspects of scientific excellence, productivity and development of trained researchers. These indicators are derived from Evidence Ltd's international benchmarking study into the performance of the UK research base.<sup>2</sup> The latest data (2005) shows the UK on course to meet targets in five out of the six indicators by 2006.

<sup>1</sup> [www.hm-treasury.gov.uk/spending\\_review/spend\\_sr04/associated\\_documents/spending\\_sr04\\_science.cfm](http://www.hm-treasury.gov.uk/spending_review/spend_sr04/associated_documents/spending_sr04_science.cfm)

<sup>2</sup> [www.dti.gov.uk/science/science-funding/budget/uk\\_research\\_base/page29207.html](http://www.dti.gov.uk/science/science-funding/budget/uk_research_base/page29207.html)

Indicator <sup>3</sup>	2002	2003	2004	2005	2006 Target
Share of world citations	11.9%	11.9%	12.2%	11.9%	11.5%
Share of world citations in each of the 9 broad science disciplines	Top 3 in 7	Top 3 in 7	Top 3 in 7	Top 3 in 7 <sup>4</sup>	Top 3 in 7 out of 9
Researchers per 1000 workforce	5.8	5.9	5.9	5.8	6.3
Citations per £1 of publicly performed R&D	Lead G8	Lead G8	Lead G8	Lead G8	Lead G8
Citations relative to GDP	Lead G8	Lead G8	Lead G8	Lead G8	Lead G8
Citations per researcher	Lead G8	Lead G8	Lead G8	Lead G8	Lead G8

### **Other comments on performance**

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

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

#### **Current position**

##### *Universities*

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

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

<sup>3</sup> Sources Thomson ISI, OECD

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

*Public Sector Research Establishments (PSREs)*

Two annual monitoring exercises on PSRE sustainability covering 2005 and 2006 have been completed<sup>5</sup>, with notes on the outcomes of the exercise being published to coincide with the Annual Report on the Science and Innovation Investment Framework: 2004 to 2014. The overall conclusion of the first monitoring exercise was that there were some concerns about the sustainability of around a third of PSREs. The second monitoring exercise indicated improvements in several areas most notably in the area of PSRE's relationships with their strategic partner. Assessments will continue to help individual PSREs and their parent departments identify the issues they need to address in terms of the nature of business, governance and management, financial management, income profile, physical infrastructure and staff and overall sustainability to reach the long term goal of achieving sustainability.

**Other comments on performance**

Between 1999 and 2007 the Government has invested over £2 billion in university research infrastructure to update and renew university science facilities and buildings. Evidence that this investment is starting to take effect can be seen in the positive trajectories towards sustainability outlined in the Higher Education Funding Councils first report (mentioned above) and in a report by JM Consulting *Future needs for capital funding in higher education* to the Higher Education Funding Council for England of September 2006<sup>6</sup> The impact of recent policy, e.g. Research Councils to pay 80% of the full economic costs of the research they commission, will take some time to have a further impact on these trajectories.

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

**Current position**

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

*Higher Education Business Community Interaction (HEBCI) Survey Indicators<sup>7</sup>*

Indicator - HEIs	2001-02	2002-03	2003-04	2004-05	2005-06
Business representatives on governing bodies	36%	34%	34%	34%	34%
FTE staff employed in commercialisation offices	1,836	2,283	2,706	3,077	3,448
Number of patent applications	960	1,222	1,308	1,649	1,537

<sup>5</sup> [www.dti.gov.uk/files/file32024.doc](http://www.dti.gov.uk/files/file32024.doc)

<sup>6</sup> [www.hefce.ac.uk/pubs/rdreports/2006/rd17\\_06/](http://www.hefce.ac.uk/pubs/rdreports/2006/rd17_06/)

<sup>7</sup> [www.hefce.ac.uk/pubs/hefce/2006/06\\_25/](http://www.hefce.ac.uk/pubs/hefce/2006/06_25/)

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Number of patents granted	198	377	463	711	576
Number of licensing agreements	615	758	2,256	2,099	2,699
Income from IP licensing	£47m	£37m	£38m	£56m	£57m
Number of spin-outs	213	197	161	148	187
Income from business consultancy	£122m	£168m	£210m	£218m	£235m

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

<b>Indicator - PSREs</b>	<b>First annual survey 2003-04</b>	<b>Second annual survey 2004-5</b>	<b>Third annual survey 2005-6</b>
Business representatives on governing bodies	175	214	247
FTE staff employed in commercialisation offices	385	368	513
Number of patent applications	316	335	290
Number of patents granted	228	148	193
Number of licensing agreements	621	1,673	1,604
Income from IP licensing	£33m	£46m	£186m
Number of spin-outs	69	84	74
Income from business consultancy	£36m	£31m	£26m

**Other comments on performance**

Since 1999, Government has provided researchers and businesses with support to work together and drive innovation. This support aims to improve the record in the UK of successfully commercialising research. Over £486 million has been allocated from the Science budget for knowledge transfer and university-business and PSRE-business interaction until March 2007. Data from the latest HEBCI Survey and PSRE Knowledge Transfer Survey indicates that these initiatives have made a real and sustained impact.

Research Councils have prepared economic impact base lines in their delivery plans, setting out the practical steps they will take to measure a step change in economic impact. Case studies of economic impact are included in two RCUK publications<sup>8</sup>.

<sup>8</sup> Research Councils UK Action Plan to Increase the Economic Impact of Research Councils:  
<http://www.rcuk.ac.uk/aboutrcuk/publications/policy/eig.htm>

Research Council UK's Excellence with Impact:  
<http://www.rcuk.ac.uk/news/warry.htm>

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

##### **Current position**

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

*Business R&D as share of GDP<sup>9</sup>*

<b>Country</b>	<b>1988</b>	<b>1993</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Canada	0.77	0.9	1.08	1.08	1.16	1.27	1.09	1.03	0.98	1.03
France	1.33	1.48	1.35	1.38	1.36	1.41	1.43	1.36	1.36	N/A
Germany	2.02	1.65	1.57	1.7	1.75	1.75	1.75	1.73	1.75	N/A
Italy	0.7	0.6	0.52	0.51	0.53	0.55	0.54	0.55	0.55	0.56
Japan	1.9	1.87	2.1	2.1	2.12	2.26	2.32	2.36	2.37	N/A
UK	1.40	1.33	1.17	1.23	1.20	1.19	1.17	1.12	1.08	1.08
USA	1.92	1.78	1.95	1.98	2.04	1.99	1.87	1.81	1.79	N/A
OECD average	1.55	1.42	1.49	1.52	1.56	1.58	1.54	1.51	1.53	N/A

UK BERD figures for 2001 to 2004 have been significantly revised by the ONS in light of new information. BERD as a proportion of GDP was 1.08% in 2005, in line with the revised value of the previous year. The revised figures show that BERD10 in real terms fell in 2003 and 2004, resulting in a decline in the ratio in 2003 from 1.17% to 1.12% of GDP, and in 2004 from 1.12% to 1.08%.

In 2005, total R&D spending performed in UK businesses rose to £13.4 billion. This is a 3% increase - in real terms - on the £13.1 billion in 2004 (a 5% increase in cash terms). The increase in the real value in 2005 represents a welcome revival of the real value of R&D spending after two years of decline.

*Patent grants at the US Patent Office per million population<sup>11</sup>*

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

<sup>9</sup> Source: ONS for UK, OECD remainder.

<sup>10</sup> <http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=8206>

<sup>11</sup> Source: US Patent and Trademark Office and OECD's Patent Database and Main Science and Technology Indicators. The data is for the inventor's country of residence. .

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Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Change 95-05
USA	208.3	225.8	225.3	289.7	299.4	300.2	306.0	300.7	301.0	285.7	250.6	20.3%
Germany	80.9	83.6	85.5	111.1	114.2	124.8	136.9	137.1	138.9	130.7	109.6	35.5%
France	47.5	47.0	49.6	61.5	63.4	63.2	66.5	65.6	62.6	54.7	46.3	-2.4%
UK	43.0	42.6	46.4	59.7	61.4	62.6	67.3	64.9	61.2	58.0	52.4	21.7%
Italy	19.2	21.1	22.1	28.1	26.4	29.9	30.3	30.8	29.9	27.6	22.5	17.2%

*Innovation in the market*

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

The 2005 CIS, covering the period 2002-2004, has shown a significant improvement in headline innovation indicators. International comparisons for CIS 5 are now available on the Euro Stat New Cronos website<sup>12</sup>

Indicator	2001	2005
Percentage of establishments that had introduced a new product, service or process improvement in the three years preceding the survey:		
• product	18%	29%
• process	15%	19%
Average percentage of turnover in establishments that was accounted for by new or significantly improved products and services in the three years preceding the survey	26%	41%
Percentage of establishments that were "innovation active" in the three years preceding the survey	48%	62%
Employment of qualified scientists and engineers in business	6%	7.4%
Proportion of businesses that collaborate with HEIs	2.6%	5.2%

*International Comparisons*

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

<sup>12</sup> [http://epp.eurostat.ec.europa.eu/portal/page?\\_pageid=1090,1&\\_dad=portal&\\_schema=PORTAL](http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1090,1&_dad=portal&_schema=PORTAL)

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Figure 1

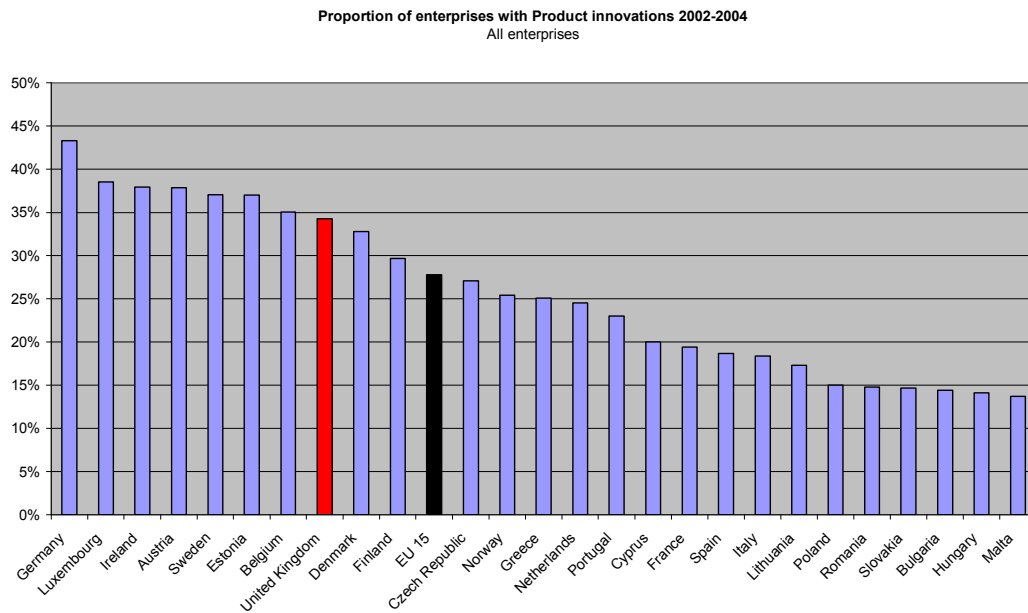
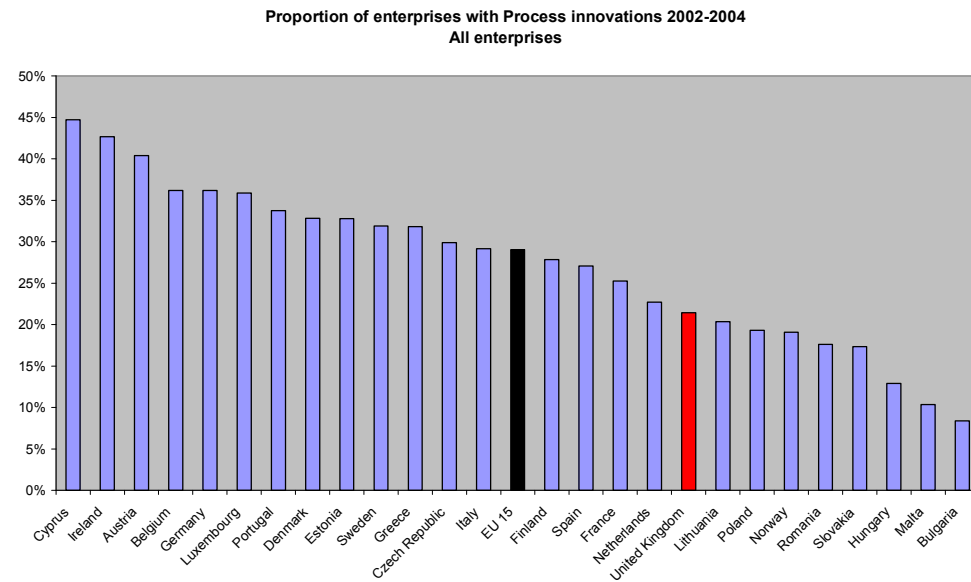


Figure 2



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

### **Other comments on performance**

On R&D, several studies (e.g. R&D Scoreboard,<sup>13</sup> OECD review of UK<sup>14</sup> and DTI economics paper no 11<sup>15</sup>) have shown that one of the most important factors influencing the long-term trend of a country's Business Enterprise Research and Development to GDP ratio is its industrial structure. This tends to change slowly over time and the direction of that change can be hard to predict. Short-term changes in the ratio (such as the 2004 drop for UK figures) can be due to unrelated factors such as the cyclical nature of some business sectors.

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

#### **Current position**

On the two indicators for this attribute the target is:

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

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

<b>Indicator<sup>16</sup></b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Number of science and engineering students receiving enterprise training	11,143 <sup>17</sup>	7,908	N/A	N/A
PhDs awarded per 1,000 population	0.24	0.24	0.25	0.26

### **Other comments on performance**

The Government is investing £100 million per year to implement the key recommendations of the Roberts review<sup>18</sup> on the supply of scientists and engineers with regard to improving significantly the pay and training offered to Research Council PhD students and postdoctoral researchers.

<sup>13</sup> [www.innovation.gov.uk/rd\\_scoreboard/index.asp](http://www.innovation.gov.uk/rd_scoreboard/index.asp)

<sup>14</sup> [www.oecd.org/publications/html](http://www.oecd.org/publications/html)

<sup>15</sup> [www.dti.gov.uk/files/file9656.pdf](http://www.dti.gov.uk/files/file9656.pdf)

<sup>16</sup> Sources: Science and Enterprise centres, HEBCI survey; OECD

<sup>17</sup> Includes one-off initiative to provide short computer based courses to all SET students in Scotland; if excluded from the return, the figure would be 3,032.

<sup>18</sup> [www.hm-treasury.gov.uk/documents/enterprise\\_and\\_productivity/research\\_and\\_enterprise/ent\\_res\\_roberts.cfm](http://www.hm-treasury.gov.uk/documents/enterprise_and_productivity/research_and_enterprise/ent_res_roberts.cfm)

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

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

**Assessment of progress: ON COURSE**

## **Overall progress**

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

## **Element 1: improving the basic skill levels of adults**

### **Current position**

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

### **Other comments on performance**

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

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

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

**Current position**

The interim target of an additional one million adults in the workforce to achieve level 2 between 2003 and 2006 has been achieved with 73.9% of the economically active workforce now qualified to at least level 2 – which represents approximately 17.5 million adults against the baseline of 16.34 million adults in 2002. This represents good progress towards the 2010 target against a baseline of 15.93 million adults in 2001. There is, however, a very challenging growth trajectory to 2010, requiring an increase in publicly funded first Level 2 achievements from 148,000 in 2005/06 up to almost 400,000 by 2009/10.

**Other comments on performance**

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

**PSA: Raise and widen participation in higher education** (DfES SR04 PSA14) By 2010, increase participation in higher education towards 50% of those aged 18 to 30 (element 1) and also make significant progress year-on-year towards fair access (element 2) and bear down on rates of non-completion (element 3).

**Assessment of progress: ON COURSE**

### **Overall progress**

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

### **Element 1: increased participation**

#### **Current position**

Against a baseline of 39% participation in 1999/00, the latest available information, for 2005/06, shows significantly increased participation at 43% of 18 to 30 year olds.

#### **Other comments on performance**

Data used to measure performance is compiled from students domiciled in England in full-time or part-time higher education in the UK. The time series was revised down in March 2006 with the baseline was reduced from 41% to 39%. The data system is robust and reliable and the majority of risks to data quality are addressed.

HE application, acceptance and participation figures continue to grow, which is hugely encouraging given the economic challenges faced by the country and the role that higher education plays in addressing them.

### **Element 2: progress towards fair access**

#### **Current position**

Progress has been made towards fair access across all three measures for this target. For the socio-economic class measure, the wider population categorised in the lower-socio economic groups is falling over time. Maintaining the proportion of entrants coming from these groups is therefore increasing the proportion of the groups that participate in higher education. Performance against baselines is:

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#### Baselines:

- (1) State sector: 84.1% in 1999/00
- (2) NS-SEC (lower socio-economic classes): 27.9% in 2002/03
- (3) LPN (low participation neighbourhoods): 11.7% in 1999/00

#### Latest outturn against trend:

- (1) State sector: 86.9% in 2005/06
- (2) NS-SEC (lower socio-economic classes): 29.1% in 2005/06
- (3) LPN (low participation neighbourhoods): 13.5% in 2005/06

### **Comments on performance**

Again, the latest data are very encouraging – the Performance Indicators are all at their highest ever levels since they were first collected. But they are still lower than we would like, so we remain committed to addressing relevant attainment, aspiration, application and admissions issues.

### **Element 3: bear down on rates of non-completion**

#### **Current position**

Non-completion rates have reduced since 2000 (down from 15.9% in 1999/2000 to latest figure of 14.2% in 2004/05) with an increased and more diverse student population.

The Department remains committed to bearing down on rates of non-completion whilst also widening participation, which is why £243 million of HEFCE's £349 million Widening Participation Allowance (WPA) for 2007/08 is targeted directly on improving retention rates.

#### **Comments on performance**

Compared internationally, the UK has one of the best records for retention of students and completion of degree qualifications. This was confirmed by a recent NAO study into retention in English higher education. On honours degree programmes, we are currently ranked 5th out of 22 OECD countries on 'HE survival rates' (behind Japan, Ireland, Korea and Greece).

The first three years of the National Student Survey have shown a high level of consistency of overall student satisfaction with course quality – around 80% from 2005 to 2007. The NSS survey is sent to all final year undergraduates and the 2007 response rate was 60%.

It has been a major achievement to reduce non-completion rates during the last few years, with an increasing and more diverse student population. The government's commitment to both widening participation and holding or reducing non-completion is demonstrated by the HEFCE Widening Participation Allowance which continues to provide the He sector with funding to tackle non-completion (for 2006/07 retention funding amounts to £240 million of the £345 million total WPA).

# Part two – performance against efficiency targets

## Target setting

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

- The total target for annual efficiency gains for DfES was £4.35bn and for the DTI was £380m by 2007/08;
- The DfES committed to a total reduction of 1,960 posts and the DTI to reduce posts by 1,010 posts in the core Department by 2007/08;
- The DfES committed to relocation of 800 posts and DTI to 710 by 2010.

Overall progress towards these targets is reported in the DCSF and BERR Autumn Performance Reports 2007. The two Departments own assessments show that they are on course for achieving the efficiency and headcount targets and ahead of schedule for their relocation targets.

Responsibility for the attainment of these targets is now shared with DIUS and it has an agreed indicative share of the targets to be delivered in the areas that are now part of the department: Science, Innovation, Further Education and Skills and Higher Education functions. The Permanent Secretaries of each of the Departments have jointly committed to the achievement of the legacy targets and the Departments will continue to work together to minimise any risks to delivery from the Machinery of Government changes which have created the new Departments. DIUS will continue to drive delivery in relevant efficiency initiatives in order to ensure the overall delivery of the legacy targets.

## The targets

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

- Contribute to the annual efficiency gains over the SR04 period;
- Relocate 223 posts from the Department and its partner organisations out of London and the South East by 2010.

Headcount targets set by DTI and DfES for the SR04 period will remain in their entirety with BERR and DCSF.

### **Assessment of progress**

<b>DIUS Efficiency Objectives</b>	<b>Latest Assessment</b>
To support the achievement of the annual indicative efficiency savings by 2007/08	On course
To be on course to relocate 223 posts from the Department and its partner organisations by 2010	On course

**Latest outturn against trend:** Progress is on course against targets:

- Annual Efficiency Savings: a contribution of £784.7 million of efficiency gains has been recorded by end September 2007 in those areas for which DIUS is now responsible.
- Relocations: No relocations were planned to be achieved by September 2007. The achievement of the 223 posts target is planned and on course for delivery by 2010.

**Baselines:** The baselines for performance measurement are set out in the DTI and DfES Efficiency Technical Notes.

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

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

**Data sufficiency:** Quarterly reports of efficiency savings are presented to the Permanent Secretary and externally to OGC and HM Treasury, following the standard classification guidelines and across four dimensions: measurement methodology, data maturity, service quality and data assurance, to enable reporting at the Government wide level on progress against Gershon Targets.

**Progress:** The Department is continuing to support the achievement of targets set by its predecessor Departments, delivering a number of key initiatives ranging across its services. Since the last Departmental Annual Report progress has been made in key areas, including:

- Increasing efficiency in the Research Councils, which is being driven by: reducing the proportion of expenditure on administration costs, re-

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prioritising programme expenditure, increasing the efficiency of Research Council Institutes and growing the level of co-funding of research and post graduate training;

- Improving procurement in Higher Education, through better analysis and management of spending patterns, co-ordinated procurement of equipment and better integration of regional and national procurement.

**Prospects over the next six months for delivery:** The Department will continue to pursue actions to ensure the delivery of the Spending Review 2004 efficiency target. For instance, maintaining the focus on achieving efficiencies in the Further Education and Skills sector through initiatives such as promoting improvements in procurement in the lifelong learning sector.

**Prospects by 2010:** It is planned that the relocations target will be met by 2010 as a result of the relocation of the Technology Strategy Board, Research Council staff and staff of Investors in People (UK).

# Part three – performance against previous PSA targets still outstanding

## 1. Spending Review 2002: DfES PSA Target 8

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

**Assessment of progress: on course**

**Comments:**

A goal was set in the Further Education Reform White Paper, "Further Education: Raising Skills, Improving Life Chances" to eliminate inadequate or unsatisfactory provision by 2008. Value for money in the further education sector has been significantly improved through the Department for Education and Skills efficiency programme, particularly as a result of rising success rates in further education. The commitment in the Further Education White Paper to develop a balanced scorecard for the performance of all providers in the sector (Chapter 5, paragraph 5.15) will provide a more robust and comprehensive basis for monitoring performance and value for money, and taking intervention action as necessary. Details of the content of the balanced scorecard – the Framework for Excellence (FfE) - were published in March and June 2007. The FfE is being piloted in 100 colleges and work based learning providers until March 08; launched for all colleges and work based learning providers in 2008/09; and launched for all other post-16 providers in 2009/10.

## 2. Spending Review 2002: DTI PSA Target 2

To improve the relative international performance of the UK's science and engineering base, the exploitation of the science base and the overall innovation performance of the UK economy.

**Comments:**

This target was carried forward in similar terms in the DTI's SR04 PSA2, progress on which is described above.

## Further information

**DIUS website** [www.dius.gov.uk](http://www.dius.gov.uk)

**Enquiry point** Email: [info@dius.gsi.gov.uk](mailto:info@dius.gsi.gov.uk) or check the DIUS website for further contact details at <http://www.dius.gov.uk/contact.html>

**DCSF website** [www.dcsf.gov.uk](http://www.dcsf.gov.uk)

**BERR website** [www.berr.gov.uk](http://www.berr.gov.uk)