

Machinery of Government: Departmental Organisation

29 June 2007

Summary

1. The Prime Minister has announced a series of Machinery of Government and other changes to sharpen the focus of Government on the new and very different challenges that Britain will face in the years ahead. This paper sets out these changes in detail.
2. This includes changes **to strengthen the Government's support for children, young people and families through future challenges:**
 - a new *Department for Children, Schools and Families*, for the first time bringing together all key aspects of policy affecting children and young people.
3. The paper also covers changes **to ensure that Britain is equipped to seize the new opportunities of the changing global economy:**
 - a new *Business Council for Britain*, comprising senior representatives of UK business, to advise Government on how it can best promote the long-term health of the UK economy;
 - a new *Department for Business, Enterprise and Regulatory Reform*, with a clear focus to promote productivity, enterprise, competition, trade and better regulation – vital for a strong and strengthening British business sector.
 - a new *Department for Innovation, Universities and Skills*, providing a strong integrated permanent voice across Government for effective investment in research, science, enterprise and skills, embedding these into the heart of the Government's competitiveness strategy.

Department for Children, Schools and Families

Introduction

4. Children and families are the bedrock of our society. The Government's aim is to ensure that every child gets the best possible start in life, receives an excellent education and the support and protection they – and their families – need, to allow them to fulfill their potential.

5. Over the last decade, the Government has made significant progress against this aim including:
 - rising standards in education, with:
 - almost 100% of 3 and 4 year olds now attending early education;
 - 95,000 more pupils in primary schools achieving expected standards in literacy than in 1997
 - an increase of 13 percentage points in the proportion of young people achieving 5 A*-C at GCSE by age 16;
 - higher levels of attainment and more people participating in education and training up to age 19;
 - increased numbers participating in modern apprenticeships from 75,000 in 1997 to 250,000 now;

 - declining rates of conception among young women under 18 in four out of five Local Authorities; a decline in smoking and drug use among young people; and an increase in youth volunteering;

 - the risk of a child living in poverty has declined: over 600,000 fewer children live in relative poverty than in 1998; and

- nearly 440,000 fewer children living in workless households, with 1.29 million childcare places helping parents to balance the demands of work and family life.
6. These improvements have been underpinned by important and far-reaching reforms to public services alongside increased investment. For example:
- the creation of Children's Trusts bringing together all those who provide services for children and families in each local area so that services are built around the needs of the child;
 - over 1,250 Sure Start Children's Centres offering services for 1.2 million under fives and their families, and more than 5,200 schools offering access to extended services;
 - sustained capital investment delivering over 1,100 new schools since 1997. In addition, investment in schools capital has resulted in 27,000 new or improved classrooms, 6,600 new or improved science laboratories and 2,450 schools with better sports facilities;
 - by the end of the Comprehensive Spending Review a further 1,000 schools are expected to benefit from investment through the *Building Schools for the Future* programme; and
 - total schools resource and capital funding has risen from under £2,500 per pupil in 1997-98, to £4,800 in 2005-06 and £5,500 in 2007-08. Per pupil funding will rise to over £6,600 by 2010-11.
7. But significant challenges remain. While school standards have risen, there is still too much variation in performance between schools and too many children and young people failing to reach expected levels, with those from disadvantaged backgrounds disproportionately underperforming. And there are still too many children raised in poverty, and too many young people disaffected and disengaged. The Government's ambition is for all young people to be in education or

training beyond 16 to be well prepared for further study or the world of work, and to be able to play a positive and active role in society.

8. Furthermore, in the years ahead, Britain will need to respond to new challenges that will impact on children and families: demographic and socio-economic change; technological developments; and increasing global competition.
9. These new challenges call for a renewed and refreshed focus from central Government. The new Department for Children, Schools and Families will, for the first time, bring together all key aspects of policy affecting children and young people and deliver a step change in providing the excellent education and the integrated support to all children and their families and communities to which the Government is committed.

Objectives and Role of the Department

High Level Objectives

10. The Department for Children, Schools and Families will lead work across all Departments to meet the Government's objectives for children and young people – that they are healthy and safe; that they secure the highest standards of achievement; that they enjoy their childhood; that they can make a positive contribution to society; and that they are raised, and can look forward to adult life, free from the effects of poverty.

Objectives

- Increase the health and well-being of children and young people
- Safeguard the young and vulnerable
- Close the gap in educational achievement between those from disadvantaged backgrounds and their peers
- Continue to raise standards
- Increase post-16 participation and attainment
- Increase the number of children and young people on the path to success

Specific Roles of the Department

11. The new Department will take on responsibility for **policy and funding for the education of children and young people up to age 19** from the Department for Education and Skills (DfES). This includes 17,000 primary schools and 3,300 secondary schools, as well as the Academies, Trust and Specialist Schools programmes, and the *Building Schools for the Future* programme.
12. The Department will also lead the strategy for reform of the 14-19 phases, working closely with the new Department for Innovation and Skills to ensure successful delivery of the reforms through schools, colleges and training providers.

13. Continuing to raise standards at all ages and making progress on narrowing the educational attainment gap so that background does not act as a cap on ambition and achievement, will continue to be one of the Government's highest priorities. This will be a key indicator of the Department's success in releasing the potential of the next generation.
14. The Department will lead a renewed focus on standards – meeting the Government's ambition for world class education with every child able to fulfil their potential and make the most of their talent.
15. The new Department will continue to develop excellent schools and children's services through record investment in infrastructure, workforce and capacity. In every school that means:
 - a renewed focus on standards and rigour in teaching methods particularly in literacy and by fundamentally reviewing the teaching of numeracy in primary schools;
 - a personalised approach at the heart of teaching and learning;
 - excellent teachers supported to develop their professionalism becoming expert tutors and subject specialists guided by head teachers with the freedoms that they need to lead their schools; and
 - strong expectations on behaviour and discipline, with no tolerance for verbal or physical abuse, and with all pupils developing the soft skills that build character and are critical for employment.
16. The National Council for Education Excellence – bringing together leaders in business, higher education and the voluntary sector, alongside school heads, teachers and parents – will advise the Secretary of State for Children, Schools and Families on what it would take to achieve world-class education performance.

17. Across the system the Department will continue to use greater diversity of schools to drive up standards for all children, with the creation of more Academies, Trust Schools and Specialist Schools. Through focussed, targeted identification and intervention it will continue to address failure and underperformance.
18. The Department will also take on responsibility for the **reforms to the 14-19 curriculum and qualifications and for their delivery, for increasing participation and attainment by young people by age 19**, for reducing the numbers not in education, employment and training, and for raising the education leaving age. To provide strong strategic leadership for the 14-19 phase overall planning responsibilities for that phase will transfer to the new Department as will all funding for 14-19 learners with the exception of that for apprenticeships. Subject to consultation on details and timing, to ensure there is no disruption to schools, colleges and training providers and the introduction of new diplomas, and subject to the passage of the necessary legislation, funding for school sixth forms, sixth form colleges and the contribution of FE colleges to the 14-19 phase will transfer to local authorities' ring fenced education budgets. The new Department will have responsibility for school sixth forms and sixth form colleges. However, their operational autonomy will not be affected in any way.
19. Sponsorship of the FE service as a whole, its post-19 funding, and sponsorship and funding of apprenticeships and work-based training providers, will sit with the new Department for Innovation, Universities and Skills, working closely with the Department for Children, Schools and Families to ensure strategic objectives and policy pre- and post-19 are coherent and consistent.
20. The Department will need to work very closely with the new Department for Innovation, Universities and Skills and with employers and business in the design and development of the curriculum in schools and colleges to ensure that qualifications are challenging and are providing young people with the range of skills and capabilities they will need to succeed

in the labour market.

21. The Department will also need to work closely with Department for Innovation, Universities and Skills and with universities and other higher education institutions to secure the shared ambition of increasing and widening participation of young people in higher education. To ensure the right flow of skills in science, technology, engineering and mathematics (STEM), the two Departments will continue to have close links and to bring together leading stakeholders in shaping strategy and delivery.
22. The Department will also provide, both within the curriculum and through extended services in schools, opportunities for children to develop wider aptitudes and interests such as sport and music, and to develop as citizens. Through the extended schools programme it will ensure that schools play their rightful place at the heart of every community.
23. Improvements in standards for every child will not be achieved simply through a focus on what goes on in the classroom. A truly personalised education will look at the **factors outside the classroom** that are acting as a barrier to learning. The new Department will be better able to support schools to engage with the wider services and support that will address early the problems that get in the way of a child's achievement. This personalised approach will also mean schools are in a position to identify early other issues that place the child at risk – social or emotional problems, engagement with drugs or criminality, harm or abuse – and engage with the other agencies that can provide specialist support.
24. A key factor in a child's success in school is the support they receive at home. The Department will work to enable families to play a bigger part in their child's learning, both by supporting their children with their work, and by engaging with choices about their child's education – what subjects they study, and which school or college they attend.

25. Good quality **early years provision** can provide a significant boost to a child's social and emotional development, as well as their academic attainment. The new Department will take over from the Department for Education and Skills, working with the Department for Work and Pensions, responsibility for early years provision and the Sure Start Children's Centre programme. It will deliver the commitments set out in the Government's 10 Year Childcare Strategy, including the creation of 3,500 Children's Centres and providing 15 hours a week of free early years education for all 3 and 4 year olds by 2010.
26. The new Department will take over from the Department for Education and Skills responsibility for **promoting the safety, protection and care of all young people, and for children's social services**. It will lead the cross-government strategy on safeguarding. It will take forward the measures set out in the White Paper on Children in Care, *Care Matters: Time for Change* which will transform the experience and life chances of some of the most vulnerable children.

Working Across Government

27. To strengthen the new Department's role in **leading on all issues relating to children and families across Government**, the Department for Children, Schools and Families will exercise leadership through strengthened cross-Government arrangements to manage and coordinate policy and clearly identified budgets on issues that affect children, young people and their families. It will promote and embed a preventative approach, focused on developing effective early identification and intervention.
28. The Department for Children, Schools and Families will lead development of a cross-government strategy on **family policy** covering both services that support families directly and those that deal with issues with issue of family dysfunction and breakdown. The aim of the strategy will be to ensure that policy across Government is consistent and works together in the best interests of the child. To strengthen the

role, leadership of Family Intervention Projects and other family policy alongside the wider work of the Respect Taskforce in the Home Office will move to the new Department. The Department will work closely with the Social Exclusion Taskforce in its work with families.

29. The Department will have a key role, alongside the Department of Work and Pensions and HM Treasury, in delivering the Government's strategy for ending **child poverty** by 2020. It will lead on ensuring that there is a strong focus on services and support that will help break inter-generational cycles of poverty as well as actions that help raise this generation of families out of poverty levels of income. Budgets and activities held elsewhere in Government that support these services – for example, those for improving the quality of housing for families and for homelessness held by Department for Communities and Local Government – will be identified and jointly managed through the programme arrangements for the child poverty target.
30. The new Department will be responsible, with the Department of Health, for promoting **the health of all children and young people**. To ensure children's health policy is coherent and that consistent messages about its priority are sent to the local services that are responsible for delivery, children's health budgets and activities in both the new Department and the Department of Health will be identified and jointly managed through the programme arrangements for delivering any future Public Service Agreement on the health and well-being of children. Programmes and funding that support young people's mental health and drug treatment issues will be a particular priority.
31. Given the urgency of the need to tackle **childhood obesity**, budgets and policies here will be subject to a "dual key", where decisions need to be signed off by both the Department of Health and the new Department. A similar arrangement will apply to budgets in Department for Children, Schools and Families and the Department of Culture, Media and Sport for the promotion of **youth sport**. These Departments will work with HM Treasury urgently to identify the relevant budgets.

32. The new Department will lead work across Government on implementing the forthcoming 10 Year Strategy for **Youth**. As with child poverty and child health, budgets and policies across Government which affect young people will be identified and managed through programme arrangements to manage the strategy and any associated Public Service Agreements agreed as part of the Comprehensive Spending Review. These will include budgets located in the Department of Health and the Home Office for tackling drugs, and in the Department for Communities and Local Government for youth homelessness.
33. Prevention of youth offending is to be given a new emphasis. To achieve this, the Department for Children, Schools and Families will work jointly with the Ministry of Justice and the Home Office. We shall put in place joint reporting and decision-making between Department for Children, Schools and Families and the Ministry of Justice in relation to policy and funding for youth offending and the Youth Justice Board. The Youth Justice Board remains accountable as a Non-Departmental Public Body to the Ministry of Justice. Appointments to the Board will be made jointly by the Secretaries of State for Justice and for Children, Schools and Families.
34. In addition, the Department for Children, Schools and Families will create a Youth Inclusion Unit focused on prevention of youth offending. It will look at prevention of youth offending policies (covering, for example, interventions in the early years and during primary education, and policy on families and parenting). It will also work with the Youth Justice Board and the Ministry of Justice in considering alternatives to custody. The Youth Justice Board will deliver parts of this agenda as well as continuing to purchase custodial places.

Wider Machinery and Working Arrangements

35. As set out above, the Department for Children, Schools and Families will need to work closely with a number of other Government Departments to drive forward different aspects of its wide agenda.
36. In addition, the new Department will take on responsibility from the Department for Education and Skills for the following Non-Departmental Public Bodies and other bodies:
- British Educational Communications and Technology (BECTA);
 - Children and Family Court Advisory Service (CAFCASS)
 - Children's Workforce and Development Council (CWDC)
 - National College for School Leadership (NCSL)
 - Office of the Children's Commissioner (OCC)
 - Office of Standards in Education (Ofsted)
 - Partnerships for Schools (PfS)
 - Qualifications and Curriculum Authority (QCA)
 - Schools Food Trust (SFT)
 - Training and Development Agency for Schools (TDA).
37. The Office of Standards in Education (Ofsted), the Qualifications and Curriculum Authority (QCA), and British Educational Communications and Technology (BECTA) all have responsibilities that extend to further education and adult training. The Department for Innovation, Universities and Skills will work with those three organisations on services for the FE sector.

Business Council for Britain

Introduction

38. The global economy is changing at an unprecedented rate presenting profound challenges to all national economies. The twin trends of globalisation and technological change are continually reshaping the environment in which businesses operate, generating ever more intense competition across increasingly global markets.
39. But these changes also bring new opportunities, with ever greater rewards for the most innovative and enterprising economies able to realise the full talent and potential of their people.
40. Ensuring that businesses in Britain can both rise to the challenges of globalisation and seize new opportunities is key to the future of us all. Business is at the forefront of the UK's response to globalisation, driving growth and creating prosperity and employment opportunity for all.
41. To ensure that Government policy fully supports business in the years ahead, it is essential that the views of British business inform the Government's approach and that businesses have the opportunity to give their strategic perspective on Government policies and operations.

Objectives and Role of the Council

42. The new Business Council for Britain will assist the Government in putting in place the right strategy to promote the long-term health of the UK economy and ensure that the Government focuses resources on the areas where they will make the greatest benefit to the business environment.
43. The Council will comprise senior business leaders from a range of sectors, able to provide clear, independent advice on the reform priorities for business competing in the global economy.

44. Specifically, the Business Council for Britain will:
- examine the progress that the Government is making to improve the business environment in areas critical to the future of the economy, such as competitiveness, skills, innovation, labour market flexibility and planning. Each relevant Department will submit a six-monthly report for scrutiny, and the Council will be able to call on Departments, and other public bodies, to explain their work;
 - advise the Government on its ongoing policies and priorities;
 - oversee the continued independence of those bodies tasked with the independent delivery of policy and suggesting where it might be appropriate to put further public activities at arms length;
 - conduct its own reviews on areas that it believes will determine the future economic well-being of the UK; and
 - where issues are especially important, the Council will have the power to establish Special Commissions to make recommendations for reform, either under the leadership of one of the members of the Council or an external adviser.
45. The Business Council for Britain will also provide a valuable insight into cross-cutting challenges and opportunities, highlighting where the links need to be made in order to drive a competitive UK economy.
46. The Council will meet twice a year, chaired by a senior business person. It will report to the Government, and to Parliament. Other Secretaries of State will attend meetings at the invitation of the Council.

47. The Council will have around fifteen business representatives and appointment to the Council will be for one year. Members of the existing International Business Advisory Council will also be invited to join meetings. So too will the Executive Chair of the Better Regulation Executive.
48. The Council will be supported by a dedicated secretariat which will support all its activities, including delivering research and analysis and working across Government to ensure the Council has high quality support and information. The Council's secretariat will be provided by the Department for Business, Enterprise and Regulatory Reform, and will ensure that the Council has the resource needed to make a real impact in shaping the policy agenda.

Department for Business, Enterprise and Regulatory Reform

Introduction

49. In the face of continuing globalisation, it is the success of businesses in Britain that will underpin wealth creation and opportunity for all. Alongside boosting its science and skills bases, Britain must therefore continue to develop a business environment that actively promotes business success. This will be vital to creating a more dynamic, flexible and competitive economy that makes the most of the opportunities in global markets and can respond to future challenges.
50. Over the last decade, the Government has made significant progress against these aims including:
- there are 600,000 more businesses in the UK now than in 1997;
 - the UK has halved the output per worker gap with France, closed the gap with Germany and is the only G7 country to have kept pace with the US's impressive productivity performance since the mid 1990s;
 - the UK's reformed competition regime is now ranked third in the world and the UK has one of the best regulatory environments for business – ranked 6th in the world for regulatory quality and ease of doing business; and
 - the UK is Europe's leading destination for inward investment.
51. But challenges remain. While progress has been made in narrowing the productivity gap with our major competitors, the UK still lags behind France and the United States. Business remains concerned about the impact of regulation on the UK's long-term competitiveness and, while some firms are thriving in the global economy, others are struggling to

make the transition to become global players. We need to do more to help firms access the skills, support, and training they need to grow and prosper.

52. And, in the years ahead, these challenges will intensify with increasing competition from emerging economies such as China and India. The importance of an open, flexible and enterprising business environment will continue to grow.

53. Meeting these challenges and ensuring we make the most of the opportunities from new markets will require a renewed focus from central Government. In particular, the business community needs a Department with a deeper understanding of its concerns in central Government, with the ability to promote the competitiveness agenda across critical policy areas. To achieve this, the new Department for Business, Enterprise and Regulatory Reform will deliver deeper and more effective engagement with business to ensure that Britain has the business environment it needs to compete in the global economy.

Objectives and Role of the Department

High Level Objectives

54. The new Department for Business, Enterprise and Regulatory Reform will lead work to create the conditions for business success through competitive and flexible markets that create value for businesses, consumers and employees. It will drive regulatory reform, and will work across Government and with the regions to raise levels of UK productivity.

55. The Department will be responsible for **promoting the creation and growth of business**, ensuring that Britain remains a dynamic place to start and run a successful business, with wider participation in entrepreneurship and a renewed focus on supporting enterprise across the UK regions, responding to the findings of the Sub-national review of Economic Development and Regeneration.

Objectives

- Promote the creation and growth of business and a strong enterprise economy
- Ensure that all Government Departments and agencies deliver better regulation for the private, public and third sectors
- Deliver free and fair markets with greater competition for businesses, consumers and employees
- Ensure the reliable supply and efficient use of clean, safe and competitively priced energy
- Ensure the Government acts as an effective and intelligent shareholder

56. The Department will also be responsible for identifying and tackling specific market failures that impede productivity and enterprise, such as in access to finance for small businesses, and in providing sector knowledge and expertise to deliver high priority Government policies such as the Olympics, the success of which will depend vitally on the input of business.

57. The Department will have Joint responsibility with the Department for International Development for trade policy. The Trade Policy Unit located within the Department will work in support of the Department, the Department for International Development, the Foreign and Commonwealth Office, HM Treasury and the Department for the Environment and Affairs to ensure a more strategic input on trade policy and strengthen the UK's voice in international fora in order to secure open markets and effective competition for the UK and developing countries.

58. The Department will also have joint responsibility with the Foreign and Commonwealth Office for trade promotion. It will work closely with the Foreign and Commonwealth Office, supported by UK Trade and Investment, to support UK companies doing business internationally and overseas enterprises seeking to locate in the UK.

59. The Department will also be responsible for ensuring that the UK benefits from the existence of free and fair markets, both domestically and internationally.
60. This will include responsibility for establishing the UK's **competitive market framework**, ensuring markets work to the benefit of business, investors, employees and consumers, and for law enforcement to deter fraud. The Department will be responsible for ensuring individuals in the workplace can contribute their full potential, and for enabling consumers to make markets work for them, and for promoting the benefits of market liberalisation in the EU and globally.
61. The promotion of **better regulation** across the business, public and third sectors will be a core objective of the new Department. The UK has the most radical better regulation agenda in the world. Delivering on this is key to business success and productivity growth, and also matters to consumers, the public sector and the third sector.
62. To support this, the Better Regulation Executive will move from the Cabinet Office to the new Department, continuing to have direct access to the Prime Minister. The Department will be responsible for scrutinising new policy proposals from all Government Departments, delivering risk-based regulation as set out in the Hampton Review and driving forward the better regulation agenda in Europe. In so doing it will work across Government and with regulators, local authorities, trades unions and consumer groups as well as business to minimise regulatory burdens whilst ensuring protections.
63. The Department will also assume responsibility for **energy policy** where its focus will be on delivering clean, safe and secure energy supplies, and for maintaining the UK's position amongst the top three most competitive energy markets in the EU and G7.
64. The Department will deliver the Energy White Paper and nuclear consultation document, creating an effective carbon market, investing in developing renewable and low carbon technology, increasing diversity of

supply; and discharging responsibilities and international obligations in respect of nuclear security and safety. It will work with others to promote energy efficiency and to ensure that the UK's Kyoto commitments and targets for eliminating fuel poverty are met.

65. The Department will also be responsible for energy liabilities, including decommissioning civil nuclear facilities and managing residual liabilities from the coal industry.
66. Through the **Shareholder Executive**, the Department will manage a wide range of Government assets, including interests in public corporations such as Royal Mail, British Nuclear Fuels and the Royal Mint, and provide a source of excellent corporate finance expertise within Government.
67. The current DTI non-science programme budget is settled for the period of the Comprehensive Spending Review, with the exception of UK Trade and Investment and the Regional Development Agencies.

Wider Machinery and Working Arrangements

68. The Department for Business, Enterprise and Regulatory Reform will undertake deep engagement with a wide range of businesses of all sizes, enabling it to ensure that across Government decisions are grounded on an understanding of their impacts on business.
69. The Department will, therefore, work very closely with the new Business Council for Britain, including providing a secretariat to the Council to ensure that the Council has the resources needed to make a real impact in shaping the policy agenda. This relationship will strengthen the Department's role as the lead department for the Public Service Agreement on productivity, ensuring that it can continue to work effectively across government.

70. The Department will work particularly closely with the new Department for Innovation, Universities and Skills to create the conditions for business success and productivity, and to ensure that enterprise support schemes actively complement those tailored to innovation. Both Departments will also work closely with the Department for Children, Schools and Families, to ensure that all aspects of business demand for skills and science are met and that enterprise support schemes actively complement those tailored to innovation.
71. The Department for Business, Enterprise and Regulatory Reform will work particularly closely with HM Treasury; with the Department for Environment Food and Rural Affairs on energy and environment; and with the Department of Work and Pensions on the creation of an increasingly high quality, flexible, well-functioning labour market. The Department will also lead on behalf of government, working closely with the Department for Communities and Local Government, on making sustainable improvements in the economic performance of all English regions. The Department will have a cross-Government remit for better regulation. It will review the performance of regulators jointly with the National Audit Office.
72. The Department will also work closely with the following bodies:

Executive Non-Departmental Public Bodies

- ACAS
- British Hallmarking Council
- Civil Nuclear Police Authority
- Coal Authority
- Consumer Council for Postal Services (Postwatch)
- Competition Commission
- Competition Service
- Gas and Electricity Consumer Council (Energy Watch)
- Hearing Aid Council
- National Consumer Council
- Nuclear Decommissioning Authority (NDA)

- Regional Development Agencies (RDAs)
- SITPRO Ltd (Simpler Trade Procedures Board)
- UK Atomic Energy Authority (UKAEA)

Advisory Non-Departmental Public Bodies

- Advisory Committee on Carbon Abatement Technologies Better Regulation Commission
- Ethnic Minority Business Forum
- Fuel Poverty Advisory Group
- Industrial Development Advisory Board
- Low Pay Commission
- Regional Industrial Development Boards
- Renewables Advisory Board
- Small Business Investment Task Force
- Union Modernisation Fund Supervisory Board
- UK Chemical Weapons Convention National Authority Advisory Committee

Tribunal Non-Departmental Public Bodies

- Central Arbitration Committee
- Competition Appeal Tribunal
- Insolvency Practitioners Tribunal
- Persons Hearing Consumer Credit Licensing Appeals
- Persons Hearing Estate Appeals

Public Corporations

- Royal Mail
- British Shipbuilders
- British Energy Group plc
- British Nuclear Fuels plc (BNFL)
- Nuclear Liabilities Fund
- Ofcom

Executive Agencies

- The Insolvency Service

Trading Fund

- Companies House

The new Department will continue to have close working relationships with non-Ministerial Government departments, in particular the Export Credit Guarantee Department, Office of Fair Trading, OfGem and Postcomm.

Department for Innovation, Universities and Skills

Introduction

73. In the years ahead, countries will increasingly derive their competitive edge from the speed with which they are able to innovate, building on a world-class research base, creating new products and markets and driving enterprise and efficiency. Seizing these new opportunities will also require a world-class skills base – both through the expansion of high-end graduate skills and by raising the skills of the wider adult workforce, including those currently unskilled.
74. Over the last decade, the Government has made significant progress against these objectives including:
- significant investment in science, with the Science Budget set to rise by an average of 2.7 per cent a year in real terms over the Comprehensive Spending review period 2008-9 to 2010-11;
 - our science base is ranked second only to the US in terms of citations and university-business relations are developing rapidly;
 - over 1 million more adults qualified to level 2 (equivalent to 5 A*-C GCSEs), and over 1.7 million adults helped with their basic skills; and
 - record numbers of students engaged in Higher Education from a wider range of backgrounds.
75. But in the years ahead these challenges will intensify while the opportunities will grow. The UK needs to continue to improve its translation of research excellence into applied innovation, breaking down barriers between universities, colleges and business and fostering

greater and more sustained engagement between universities, colleges and employers in training, skill development and innovation.

76. At the same time, it must continue to develop its skills base. Today, more than a third of adults do not hold the equivalent of a basic school-leaving certificate. Almost 17 million have difficulty with numeracy and 5 million are not functionally literate. And while we have made enormous progress expanding higher education we still lag behind many of our key comparator nations. Lord Leitch's recent review highlighted the need for the UK to aim for a world-class skills profile by 2020 to compete in the global economy. Achieving this will represent the biggest transformation in the skills of our economy for more than century.
77. Rising to these challenges will require renewed focus from Government. The new Department for Innovation, Universities and Skills will bring together these twin challenges – providing a strong integrated permanent voice across Government for effective investment in research, science and skills at all levels, embedding these into the heart of the Government's competitiveness strategy. And the Department will ensure that research, higher education and further education serve their wider purposes, supporting social mobility and inclusion for the disadvantaged, and cultural growth.

Objectives and Role of the Department

High Level Objectives

78. The new Department for Innovation, Universities and Skills will lead work to deliver the Government's long-term vision to make Britain one of the best places in the world for science, research and innovation. It will also lead work to ensure that the UK has the skilled workforce it needs to compete in the global economy.

Objectives

- Sustain and develop a world-class research base
- Maximise the exploitation of the research base to support innovation across all sectors of the economy
- Raise and widen participation in Higher Education
- Raise participation and attainment by young people and adults in post-16 education and learning
- Tackle the skills gap among adults, in particular equipping people with basic literacy and numeracy
- Increase the supply of people in science, technology, engineering and mathematics (STEM)

Specific Roles of the Department

79. The new Department will take on responsibility for the development, funding and performance management of the **science and research** base across the UK, ensuring that the UK retains a world-class research base responsive to the needs of the economy, with sustainable and financially strong universities and public laboratories and a strong supply of scientists, engineers and technologists. The science budget will remain ring-fenced and the dual support system for research funding will be retained. A new Office of the Chief Scientific Adviser will be created within the Department.
80. In addition to the funding that flows through the Higher Education Funding Council for England to universities in England to support their research facilities, the Department will fund the 7 Research Councils, which allocate public funds to support specified research projects and teams.

81. The Department will also be responsible for ensuring increased business **innovation** and increased awareness across UK society of research and its innovative applications. Its aim is for the UK to be seen as a global leader in innovation and a magnet for technology-intensive companies, where new technology is applied rapidly and effectively to create wealth.
82. As part of its role in promoting innovation, the Department will work with the newly independent Technology Strategy Board promoting investment in, and use of, technology in business across the UK, delivering targeted technology support for society challenges through innovation platforms, promoting strong networks between business, the research base and other sources of knowledge, integrating national, regional and EU innovation and technology policy.
83. The new Department will also take leadership of the British National Space Centre, strengthening the links already established between universities and industry in the development and exploitation of space programmes. The Department will also be responsible for the Intellectual Property Office responsible for promoting creativity and innovation. And, as part of the wider innovation system, the Department will also sponsor the related work of the National Measurement System (including the National Weights and Measures Laboratory).
84. The Department will lead on improving the management and use of science across Government, working closely with HM Treasury, the Cabinet Office and other Departments to improve further the effectiveness of Government Departments in this area. It will be responsible for the Government's *Foresight* programme. It will also lead on EU and international science and innovation policy, including making the most of the EU Framework Programme for Research and Technology for UK higher education and businesses.
85. The Department will be responsible for the development, funding and performance management of **higher education** in England. There are some 130 universities and specialist higher education colleges that make

up the higher education sector, catering for 1.8 million students. They are funded through the Higher Education Funding Council for England. Financial support for students, in the form of grants and loans for course fees and living costs, is allocated through the Student Loans Company. The Department will take on all aspects of national responsibility for higher education, working with the new Department for Children, Schools and Families to secure progression by young people into higher education, continuing to secure widening participation.

86. It will also lead the development, funding and performance management of **further education** in England. There are some 385 further education colleges and 1,000 publicly funded training providers in England, catering for some 5.5 million students per year. They are currently funded through the Learning and Skills Council. In carrying out these functions, the Department for Innovation Universities and Skills will work in partnership with the Department for Children, Schools and Families to secure effective delivery of the 14-19 reforms.
87. The Department will take the lead responsibility for the further education service, including general further education colleges and training providers. This will include determining the overall goals for the service and developing the strategy for meeting those goals. It will maintain oversight of the pattern and range of institutions, their performance and viability, covering their work with both young people and adults. It will lead work on employer engagement and the development of the apprenticeships programme in conjunction with business and the Sector Skills Councils, to ensure that both young people and adults have the skills, competencies and attributes they need to succeed in a modern economy. It will sponsor the Learning and Skills Council.
88. The Department for Children, Schools and Families will lead the Government's overall strategy for the 14-19 phase with the Department for Innovation, Universities and Skills ensuring, through its sponsorship of general FE colleges and training providers that they play their full, active part in delivering the reform programme successfully. To provide

strong strategic leadership for the 14-19 phase overall planning responsibilities for that phase will transfer to the new Department as will all funding for 14-19 learners with the exception of that for apprenticeships. Subject to consultation on details and timing, to ensure there is no disruption to schools, colleges and training providers and the introduction of new diplomas, and the need to pass the necessary legislation, funding for school sixth forms, sixth form colleges and the contribution of FE colleges to the 14-19 phase will transfer to local authorities' ring fenced education budgets. The new Department will retain responsibility for school sixth forms and sixth form colleges. However, their operational autonomy will not be affected in any way.

89. Sponsorship of the FE service as a whole, its post-19 funding, and sponsorship and funding of Apprenticeships and work-based training providers, will sit with the new Department for Innovation, Universities and Skills, working closely with the Department for Children, Schools and Families to ensure strategic objectives and policy pre- and post-19 are coherent and consistent.
90. The Department will be responsible for taking forward the Government's **wider skills agenda** – implementing the Leitch Review of Skills published in December 2006. The central components of that are to ensure that employers have a strong voice in shaping the design and delivery of training for adults, particularly through the new Commission for Employment and Skills and the 25 Sector Skills Councils; developing the successful Train to Gain programme as a new way of delivering training in the workplace; and providing better support for adults to engage in education and training. Vocational qualifications will be reformed to ensuring they reflect employers' needs, and for those excluded from the labour market there will be better integration of employment services with training.
91. Through these various activities, the Department will also have lead responsibility for securing the right flow of **STEM skills** (in science, technology, engineering and mathematics) to meet economic and wider

needs.

92. The DTI's ring-fenced science programme budget and the DfES programme budget were settled for the Comprehensive Spending Review period in Budget 2007. The innovation budget has also been settled and will be announced shortly.

Wider Machinery and Working Arrangements

93. The Department for Innovation, Universities and Skills will play a key role in promoting the interests of innovative businesses and the skills needs of businesses within Government. In this role it will work very closely with the new Business Advisory Council, as well as with the new Departments for Business, Enterprise and Regulatory Reform and Children, Families and Schools, as well as other key Departments – including DCLG and DCMS to ensure that the wider personal, community and cultural benefits of education and science are supported.
94. For much of its business, the Department will operate through a number of arms length bodies. The following list of Non Departmental Public Bodies, and other bodies falling under the new DIUS as a consequence of these Machinery of Government changes is:

Non-Departmental Public Bodies

- Research Councils (x7)
- Design Council
- Higher Education Funding Council for England (HEFCE)
- Learning and Skills Council
- UK Commission for Employment and Skills (replacing the Sector Skills Development Agency and National Employers Panel)
- Student Loans Company
- Construction Skills
- Engineering Construction Industry Training Board (ECITB)
- Office for Fair Access

- Quality Improvement Agency
- Technology Strategy Board
- Investors in People UK
- Ufi learndirect
- NESTA – the National Endowment for Science, Technology and the Arts

Executive Agencies

- National Weights and Measurements Laboratory

Trading Funds

- UK Intellectual Property Office

Tribunal NDPB

- Copyright Tribunal

Advisory Bodies

- Council for Science and Technology
- Strategic Advisory Board for IP (being established)

Government Owned Contractor Operated Laboratory

- National Physical Laboratory

Further Changes and Considerations

Olympic Games

95. The Government is committed to successful delivery of the 2012 Olympic Games. To strengthen further the existing arrangements within Government, the Government Olympic Executive will remain within the Department for Culture, Media and Sport and will report to a dedicated Minister of State for the Olympics, who will be based in the Cabinet Office and will attend Cabinet.

Prime Minister's Delivery Unit

96. The role of the Prime Minister's Delivery Unit (PMDU) is to promote a relentless focus on effective delivery of the Government's key priorities. The PMDU will now report jointly to the Prime Minister and to the Chancellor and will be based in the Treasury, working - as now - closely with Number Ten, Cabinet Office and HM Treasury officials, and other departments, on the critical priorities and actions needed to strengthen delivery across Government, and on the reform of key public services.

Better Regulation Commission

97. The Government believes that policy-making would benefit considerably from a fuller and more rounded consideration of public risk. The Better Regulation Commission, building on its report "Risk, Responsibility and Regulation", has been asked to devise a structure and approach that ensures that this ambition is embedded in real policy action, even when facing pressures to react to events. It has been asked to report back by the end of July.

Parliamentary Issues

98. Legislation currently before Parliament will continue to be taken forward, and any changes in Ministers and Departmental roles in taking forward legislation will take place in accordance with well-established procedures.
99. The Government after consultation in Usual Channels will bring forward a proposal for the House to consider regarding consequential change in the structure for Departmental Select Committees.

Managing Change

100. The changes explained in this document represent a substantial move to strengthen capability and focus. The new Departments take effect immediately. Clearly, there will be a number of management changes which will need to be phased in over time, particularly in relation to the new Department for Innovation, Universities and Skills. Senior management within Departments will be explaining the process fully to staff, and changes will be effected in consultation with the Trades Unions.

Comprehensive Spending Review and Departmental Budgets

101. All of the main Departments involved in these Machinery of Government changes have already received their spending settlements for the Comprehensive Spending Review 2007 (CSR07) years. These will not be re-opened. The budgets for the newly created Departments for the CSR07 period will be consistent with these agreed settlements.
102. Newly created Departments will also be required to meet the cross-Government value for money benchmarks for the CSR07 period announced in the 2006 Pre-Budget Report.

103. Any costs relating to the process of Machinery of Government changes set out in this paper will also be met from within these agreed budgets of the relevant Departments, and opportunities will be taken for finding further efficiencies as part of this process, including through the use of shared central services across the new Departments.

Cabinet Office

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