

The Department for Innovation, Universities and Skills (DIUS) was created by the Prime Minister in June 2007 to drive forward delivery of the Government's long-term vision to make Britain one of the best places in the world for science, research and innovation, and to deliver the ambition of a world-class skills base. The 2007 Comprehensive Spending Review (2007 CSR) provides DIUS with a total budget of £18.7 billion in 2008-09, £19.7 billion in 2009-10 and £20.8 billion in 2010-11, equivalent to 2.2 per cent annual average real growth. This includes:

- increasing investment in the UK's public science base, which will rise by an annual average rate of 2.5 per cent in real terms over the CSR07 period, meeting the commitment in the ten-year framework; and
- spending on Higher Education and Skills<sup>1</sup> rising by 2.0 per cent in real terms over the CSR07 period.

This additional investment will be accompanied by value for money reforms generating annual net cash-releasing savings of £1,543 million by 2010-11. Together these provide for the delivery of:

- £5.3 billion a year by 2010-11 to increase adult skills and apprenticeships and make progress against the Leitch ambitions for world-class skills;
- total public funding for business innovation led by the Technology Strategy Board of over £1 billion over the CSR07 period; including co-funding of at least £120 million committed by the Research Councils, and co-funding of £180 million committed by the Regional Development Agencies;
- more than £1 billion in additional funding for Higher Education over the CSR07 period to increase participation, maintain the per student funding level and provide more generous student support for 250,000 students;
- £682 million for the Medical Research Council (MRC) contribution to the £1.7 billion fund to implement the recommendations of the Cooksey Review of health research; and
- implementation of the Sainsbury Review to further improve the UK science and innovation system.

**Achievements so far** **D4.1** Over the last decade the Government has made real progress in delivering against its objectives of an excellent science base and world-class skills levels. The UK remains second only to the US in global scientific excellence despite increased global competition and there are continuing positive trends in knowledge transfer activities. The UK skills base also compares well with other OECD countries in terms of higher-level skills.<sup>2</sup> The number of home and overseas students has increased by over 400,000 in the last ten years while completion rates have been maintained at a high level by international standards. At the lower skill levels, over 1.7 million adults have improved their basic skills since 2001. Since 1997 the proportion of adults qualified to at least level 2 (five or more GCSEs Grade A\* to C) has increased by over 9 percentage points to 73.9 per cent.

<sup>1</sup> Includes spending on science Higher Education.

<sup>2</sup> Equates to university degree level and above.

**Responding to challenges** **D4.2** The global economy is changing at an unprecedented rate and in all countries businesses are under pressure to move up the value chain. While globalisation brings new opportunities both for employers and individuals, it also brings the challenge of succeeding against highly skilled, lower wage competitors. The Treasury commissioned two independent reviews to inform the Government's response to these challenges: the Sainsbury Review of Science and Innovation; and the Leitch Review of the UK's long-term skills needs. **Implementing the conclusions of these reviews are a key priority for DIUS going forward and delivery will be driven by the Departmental Strategic Objectives 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 improving 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; and**
- **encourage better use of science in Government, foster public service innovation, and support other Government objectives which depend on the DIUS expertise and remit.**

**D4.3** DIUS will also lead delivery of the cross-governmental Public Service Agreements (PSAs) to promote world-class science and innovation in the UK; and improve the skills of the population, on the way to ensuring a world-class skills base by 2020.

## RESOURCES AND REFORM

**D4.4** To ensure the UK maintains its position as one of the best locations in the world for science, research and innovation, and has the skilled workforce it needs to compete in the global economy, the total DIUS 2007 CSR settlement provides 2.2 per cent annual average real growth in expenditure over the CSR07 period, from £18 billion in 2007-08 to £20.8 billion in 2010-11. This will ensure that:

- **total public investment in the science base will rise by 2.5 per cent from £5.4 billion to £6.3 billion by 2010-11** meeting the commitment in the ten-year framework to increase investment in the public science base at least in line with the trend growth rate of the economy; and
- **total spending on Higher Education (HE) and Adult Skills<sup>3</sup> will rise by 2.0 per cent from £14.2 billion in 2007-08 to £16.4 billion by 2010-11.**

<sup>3</sup> This includes DIUS funding for research and knowledge transfer in English Universities as in Table D8.

**D4.5** This additional investment will be accompanied by value for money reforms generating annual net cash-releasing savings of £1,543 million by 2010-11. The programme consists of a number of initiatives including:

- a continuation of the Research Council's value for money programme which will reduce the costs of Research Council institutes, raise the level of co-funding, and support the reprioritisation of research programmes, generating annual net cash releasing savings of £243 million by 2010-11;
- the reprioritisation of funding for innovation within the ring-fenced Technology Programme generating annual net cash releasing savings of £9 million by 2010-11 to be channelled towards the activities of the Technology Strategy Board; and
- by 2010-11 reprioritising about £100 million a year of HE funding to increase and widen participation, by focusing public funding mainly on students participating in the system for the first time.

## WORLD-CLASS INNOVATION, UNIVERSITIES AND SKILLS

### Science and innovation

**D4.6** Over the CSR07 period the Government will continue to meet the commitment to increase investment in the public science base by an annual average rate of 2.5 per cent in real terms. The CSR07 settlement will allow the Government to continue to deliver against its ambitions of sustaining and improving the UK's excellent science base, and facilitate the translation of research into business innovation and economic growth. Further detail can be found in Chapter 4; key points include:

- **funding for the Medical Research Council budget of £682 million** by 2010-11 to support excellence in medical research and help deliver a range of new priorities, including increased support for translational research and clinical trials to implement the recommendations of the Cooksey Review. This will form part of the single health research fund to be managed by the new Office for the Strategic Coordination of Health Research (OSCHR);
- **Research Councils ensuring that their activities support a broad range of interdisciplinary research challenges**, including a major contribution to a £1 billion programme on "Living with Environmental Change", and increased investment in key areas of national importance such as energy research and stem cells; and
- **a boost to funding for knowledge transfer programmes**, including the Higher Education Innovation Fund (HEIF) which will receive £150 million a year by 2010-11 to strengthen links between academia and business and help take research to the market. HEIF will also be more clearly focused on business facing universities.

### Technology Strategy Board

**D4.7** The business-led Technology Strategy Board (TSB) has a key role in supporting business R&D and innovation by identifying investment priorities in areas of technology which have the potential to drive future economic growth. Building on the emerging recommendations of the Sainsbury Review, Budget 2007 set out an enhanced remit for the TSB, with greater independence from Government to deliver a national, business-focused innovation strategy across all areas of the economy. To support this vision, the TSB became an

executive Non-Departmental Public Body (NDPB) of DIUS on 1 July 2007, and the TSB budget will rise from £197 million in 2007-08 to £267 million by 2010-11. **Together with co-funding of at least £120 million over the CSR period committed by the Research Councils, and co-funding of £180 million committed by the Regional Development Agencies, total public support for business innovation in support of the Technology Strategy will amount to over £1 billion over the CSR period.**

**The Sainsbury Review** **D4.8** The Sainsbury Review reported in October 2007 and made recommendations to further improve the science and innovation system in the UK. Taking these recommendations forward will be a priority for DIUS over the CSR07 period. Further details on the conclusions of the Sainsbury Review can be found in Chapter 4.

**Skills** **D4.9** **The DIUS 2007 CSR settlement will allow total funding for adult skills and apprenticeships to rise to around £5.3 billion a year by 2010-11, delivering 3.7 million adult qualifications over the CSR07 period.** In July 2007 the Government published *World Class Skills: Implementing the Leitch Review of Skills in England*, which set out how it is taking forward the Leitch Review's recommendations with the additional resources made available in the CSR. The document set out the progress the Government provisionally expected to be able to make in improving skill levels in England. These trajectories form the basis for the new skills PSA.

**D4.10** Underpinning the new, greater ambitions for improving the skills of the workforce, the Government will deliver a programme of reform to improve quality, enhance responsiveness to individual and employer demand and to focus the skills system on training that has clear economic value. The proportion of public funding for adult skills that is demand led will be increased and **expenditure on the employer demand-led Train to Gain service is expected to rise from £460 million in 2007-08 to over £900 million in 2010-11.** More detail on the Government's plans for implementing the Leitch Review can be found in Chapter 4.

**Higher Education** **D4.11** The additional resources for education announced in the 2007 CSR will enable continued progress towards the Government's ambitions to increase participation in higher education, including exploring new ways of delivering higher-level skills in the workplace and helping to deliver the higher level skills business needs to innovate and compete. The Government will also maintain per student spending levels in real terms over the CSR07 period. This, together with the introduction of variable tuition fees, and continued capital investment, will enable higher education institutions to become more independent and better resourced. Alongside this, the Government will increase the generosity of student maintenance grants, provide more choice around the repayment of loans and greater certainty at an earlier age about what financial support potential students can expect. This will help raise participation in higher education, particularly amongst students from poorer backgrounds, opening up the benefits of higher education to a wider number of people.

**Table D8: Innovation, Universities and Skills baseline and additions**

	£ million			
	Baseline	Additions		
	2007-08	2008-09	2009-10	2010-11
Resource DEL	16,039	849	1,610	2,654
<i>of which near-cash</i>	<i>14,471</i>	<i>545</i>	<i>1,135</i>	<i>2,067</i>
<i>of which administration</i>	<i>72</i>	<i>-2</i>	<i>-3</i>	<i>-5</i>
Capital DEL	2,057	-67	148	203
<b>Total DEL<sup>1</sup></b>	<b>17,986</b>	<b>747</b>	<b>1,706</b>	<b>2,792</b>

  

	£ million			
	Estimate	Projections		
	2007-08	2008-09	2009-10	2010-11
Total UK science spending <sup>2</sup>	5,397	5,608	5,903	6,287
<i>of which:</i>				
<i>DIUS science budget</i>	<i>3,383</i>	<i>3,525</i>	<i>3,746</i>	<i>3,971</i>
<i>DIUS funding for research and knowledge transfer in English Universities</i>	<i>1,655</i>	<i>1,710</i>	<i>1,775</i>	<i>1,926</i>
<b>UK science spending as a proportion of GDP (per cent)</b>	<b>0.38</b>	<b>0.38</b>	<b>0.38</b>	<b>0.39</b>

<sup>1</sup> Full resource budgeting basis, net of depreciation.  
<sup>2</sup> Actual outturns are subject to spending decisions by the devolved administrations. Excludes non-cash items.