

# A Brief Guide to...

## *'Meeting the aspirations of the British people':* The 2007 Pre-Budget Report and Comprehensive Spending Review

**Cm 7227, published by HM Treasury on 9 October 2007.<sup>1</sup>**

### **Introduction**

1. This paper is structured in four sections:
  - Section 1 explains the background and purpose and mechanisms of the Pre-Budget Report and Comprehensive Spending Review (PBR/CSR)
  - Section 2 examines the details of the 2007 settlement and its implications for the FE system.
  - Section 3 reviews the Service Transformation Agreement, released alongside the PBR/CSR, which lays out the Government's approach to making public services more efficient and accessible for those who use them
  - Section 4 reviews the major policy trends.

### **Section 1      The PBR/CSR – background and purpose**

2. Since Labour came to power in 1997, the Chancellor of the Exchequer has delivered a Pre-Budget Report to the House of Commons.
3. This report *'provides a progress report on what has been achieved so far, gives an update of the state of the economy and public finances, and sets out the direction of Government policy in the run up to the spring Budget.'*<sup>2</sup>
4. Comprehensive Spending Reviews were also introduced by Labour, the first being published in 1998. Further CSRs were published in 2000, 2002 and 2004. The CSR is a fundamental review of the budget for every part of government: It sets out a fixed budget for each department and sector of government for the following three fiscal years. The 2007 CSR thus covers FY 2008-09, FY 2009-10 and FY 2010-11.
5. The CSR also sets out the Government's **Public Service Agreements (PSAs)** that indicate the key priorities for each department to deliver over the assigned budget period.

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<sup>1</sup> The report can be accessed here: [http://www.hm-treasury.gov.uk/pbr\\_csr/report/pbr\\_csr07\\_repindex.cfm](http://www.hm-treasury.gov.uk/pbr_csr/report/pbr_csr07_repindex.cfm)

<sup>2</sup> [http://www.hm-treasury.gov.uk/pre\\_budget\\_report/prebud\\_index.cfm](http://www.hm-treasury.gov.uk/pre_budget_report/prebud_index.cfm)

6. Thus, the CSR is useful not just as a fiscal document, but also as a road map to the Government's policy direction over the next three years.
7. The number of PSAs has varied over time. The 2007 CSR contains 30, a significant reduction from the 2004 CSR, which featured 110 (2004 PSAs, paragraph 1.27, page 7)<sup>3</sup>. This reduction is partly due to a trend in government to reduce the number of centrally set targets in order to increase the flexibility at the local level to respond to specific needs.
8. As part of the CSR, each department also publishes its **Departmental Strategic Objectives (DSOs)**. These are the priorities each department sets for itself in delivering its PSA responsibilities and other aspects of its remit. In December 2007, DIUS published a list of indicators it would use to measure progress on these DSOs – these are also examined here.
9. Also in December 2007, DIUS published the Value For Money Agreement<sup>4</sup>. This document lays how DIUS will meet a commitment under the PBR/CSR to realise mandated efficiency and value-for-money savings, amounting to more than £1.5 billion.
10. In October 2007, the Government released the **Service Transformation Agreement (STA)**. This policy paper lays out the Government's intention to reform the public services, in order to make them more responsive to citizens' needs, and easier for them to use. The STA also set out the Government's concrete objectives towards this goal, and has created inter-departmental panels at Whitehall to oversee the agreement's implementation. Through the STA, the Government hopes to reduce the amount of time and energy required to use public services, create a framework from which further improvements in user-friendliness and efficiency can be undertaken, and increase citizen and taxpayer engagement with the public sector.

## Section 2      The 2007 PBR/CSR – a detailed analysis

11. This section examines:

- the financial settlements, DSOs and PSAs for the Department for Innovation, Universities and Skills (DIUS) (in part 1) and the Department for Children, Schools and Families (DCSF) (in part 2) - the departments most closely associated with the FE system
- DIUS's Value for Money Agreement, which details its commitments to improving efficiency and reducing waste in its spending.
- the PBR-CSR settlement for the Department for Communities and Local Government (CLG) (in part 3), and provisions for local government itself – inclusion of CLG recognises that local government is increasingly important to the FE sector

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<sup>3</sup> The 2004 CSR PSAs are available at: [http://www.hm-treasury.gov.uk/media/1/9/sr04\\_psa\\_ch1.pdf](http://www.hm-treasury.gov.uk/media/1/9/sr04_psa_ch1.pdf)

<sup>4</sup> The Value for Money Agreement can be found at: <http://www.dius.gov.uk/publications/07-12-10-CSR07-VFM-delivery-agreement-v0%207.doc>

- PSAs across government (in part 4) whose achievements could be assisted by the FE sector.

## **Part 1 The Department for Innovation, Universities and Skills (DIUS)**

### **The PSAs**

12. As indicated earlier, PSAs are the key drivers of public service priorities. Ministers and their departments are held to account for their achievement and therefore they form the basis for performance management systems and become central to the funding, inspection and strategic improvement effort right through the system and down to the front-line.
13. DIUS is the '*lead department*' for the delivery of two of the Government's 30 PSAs. These are:

#### **PSA No 2: '*Improve the skills of the population on the way to ensuring a world-class skills base by 2020*'**

14. This includes including improving:
  - *Proportion of people of working age achieving functional literacy and numeracy skills*
  - *Proportion of working age adults qualified to at least full Level 2*
  - *Proportion of working age adults qualified to at least full Level 3 (PBR-CSR, page 187-88)*
15. Progress on this PSA will be measured by six indicators. These are:
  - *The proportion of people of working age achieving functional literacy and numeracy skills*
    - *National Targets: 597,000 people of working age to achieve a first Level 1 or above literacy qualification*
    - *390,000 to receive a first entry Level 3 numeracy qualification*
  - *The proportion of working age adults qualified to at least a full Level 2:*
    - *National Target: 79 percent of working age adults to at least full Level 2 (according to the Leitch Review, only 69 percent of working age adults had Level 2 qualifications in 2005) (Leitch Review, paragraph 35, page 14)*
  - *The proportion of working age adults qualified to at least a full level 3,:*
    - *National Target: 56 percent of working age adults qualified to at least full level 3 (up from 48 percent in 2005) (World Class Skills, paragraph 1.2, page 16)*

- *The proportion of apprentices who complete the full apprenticeship framework:*
  - *National Target: 130,000 to complete the full apprenticeship framework in 2010-11*
- *The proportion of working age adults qualified to Level 4 and above:*
  - *National Target: 36 percent of working age adults qualified to Level 4 and above by 2014, with an interim milestone of 34 percent by 2011 (up from 29 percent in 2005) (World Class Skills , paragraph 1.3., page 16)*
- *Higher Education participation rate:*
  - *National Target: Increase participation in Higher Education towards 50 percent of those aged 18 to 30, with growth of at least a percentage point every two years to the academic year 2010-11 (PBR-CSR, page 5- 6)*

**PSA No. 4: ‘Promote world-class science and innovation in the UK’**

16. This includes increasing:

- *UK percentage share of citations in the leading scientific journals*
- *Income generated by UK Higher Education Institutions and Public Sector*
- *Research Establishments through research consultancy and licensing of Intellectual Property*
- *Percentage of UK business with 10 or more employees ‘innovation active’*
- *Number of UK Ph.D. completers in STEM subjects at UK Higher Education Institutions*
- *Number of young people taking A-levels in Mathematics, Physics, Chemistry and Biological sciences*
- *UK R&D intensity in the 6 most R&D intensive industries relative to other G7 economies*  
(PBR-CSR, page 188)

17. The commentary in the CSR on this PSA indicates that government sees it as being primarily the responsibility of the HE sector. However, the FE sector has a clear contribution to make through its work with business, through provision of Mathematics, Physics, Chemistry and Biological sciences to young people and promoting science and technology awareness with its learners.

18. The PSA notes that the Government already committed in 2006 to increasing the number of students obtaining GCSEs and A-levels in STEM subjects (PSA 4. paragraph 32.5, p. 11)<sup>5</sup>. DCSF’s programme to increase the number of students

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<sup>5</sup> The full PSA 4 document can be found at: [http://www.hm-treasury.gov.uk/media/F/D/pbr\\_csr07\\_psa4.pdf](http://www.hm-treasury.gov.uk/media/F/D/pbr_csr07_psa4.pdf). Shorter versions are included in the main body of the PBR/CSR.

taking such courses (STEMNET) will also be employed to achieve the agreement (PSA 4, paragraph 32.6, p. 11)

19. The delivery of this PSA will also involve many organisations that partner with the FE sector, including RDAs, the regional Science and Industry Councils under the RDAs, and of course universities (PSA 4 paragraph 3.5, p. 8)
20. In addition, many FE colleges do carry out research and development for the businesses they work with and this should be recognised as a contribution towards this PSA. It will be important therefore that FE providers are aware of the priority being given to science, research and innovation in order that they are prepared to make their contribution.

#### **Shifts from CSR 2004**

21. The 2004 PSAs for the Department for Education and Skills (DfES) that related to further education and skills included:
  - *Increase the proportion of 19-year-olds who achieve at least Level 2 by 3 percentage points between 2004 and 2006, and by a further 2 points between 2006 and 2008*
  - *Increase the number of 19-year-olds who achieve Level 3*
  - *Reduce the proportion of young people not in education, employment or training by 2 points by 2010*
  - *Improve the basic skills of 2.25 million adults between the launch of Skills for Life in 2001 and 2010, and reduce by at least 40 percent the number of adults who lack NVQ 2 or equivalent qualifications by 2010.*  
(CSR04, box 7.1, page 87)
22. The CSR 2007 reflects the goals outlined in the Leitch Report and its implementation plan. The Leitch implementation paper requires that more than 90 percent of adults have at least a Level 2 qualification by 2020 (paragraph 2, page 9)<sup>6</sup>, so the CSR 2007 is an important staging point towards that target.
23. The focus of the PSAs has shifted from 19-year-olds to ‘working age adults’. The Leitch Review noted that creating an economy of highly skilled workers by 2020 would require reaching out to the majority of the 2020 workforce that has already completed secondary education (paragraph 41 of the Implementation Paper, page 14).
24. However, CSR 2007 demonstrates strong continuity with CSR 2004. The Government, then as now, had a strong focus on Level 2 and to a lesser extent Level 3 skills. This reflects the view that level 2 is the threshold for employability and above that level, the benefits to individuals and to their employers are greater, and therefore they should be expected to make a financial contribution.

#### **DIUS: The DSOs**

25. DIUS also set out its six DSOs in the spending review. These objectives are to:

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<sup>6</sup> The Leitch Implementation Paper: <http://www.dius.gov.uk/publications/worldclassskills.pdf>

- *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, 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 science in society and deliver science, mathematics, engineering and technology skills in line with employer demand.*
- *Strengthen the capacity, quality and reputation of the FE and HE sectors systems and institutions to support national economic and social needs.*
- *Encourage better use of science in government public-service innovation and support other Government objectives which depend on the DIUS expertise and remit. (PBR-CSR, page 212, paragraph D4.2)*

26. The DSOs illustrate the Government's continuing commitment to education and skills as an engine for economic growth. In addition, they now articulate the importance of social and community cohesion and social justice – an explicit emphasis which will be welcome by the FE sector. They also indicate that innovation has increased importance in government thinking.

27. Also notable is DIUS's reference to the institutional infrastructure. There have been fears that the transition to a market-led system in FE will lead to provider closures or a serious loss of capacity within the system. By pledging to '*strengthen the capacity, quality and reputation*' of the sector, the Government seems to be signalling, at the very least, that it is aware of this potential concern.

## **PSA and DSO indicators**

28. In December 2007, DIUS published a further paper that detailed how it would measure progress under its PSAs and DSOs, listing specific indicators that would be employed to gauge whether the department was meeting its goals<sup>7</sup>.

29. The DIUS document, organised in the form of a table, lists each DSO in numerical order, and includes a column titled '*related to DIUS PSA*', which indicates which PSA the DSO is intended to complement. Each of the departmental objectives is measured against some or all of the same indicators used to measure progress for the PSAs; thus, the indicators for PSA 2 (the skills agenda) are also measurements for DSO 2, which relates to improving skills.

30. In addition to the PSA indicators, DIUS has developed its own metrics specific to each objective, to provide a more specialised and exact measure of progress.

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<sup>7</sup> See: [http://www.dius.gov.uk/docs/about/Denham\\_DSO\\_KPis\\_Log\\_6Dec07v6.doc](http://www.dius.gov.uk/docs/about/Denham_DSO_KPis_Log_6Dec07v6.doc)

31. For clarity, I have grouped the DSOs by the PSA to which they are associated, rather than in numerical order.

### **The Skills Agenda**

32. DIUS is assigned responsibility for improving skills levels in PSA 2 (see paragraph 14). DIUS addresses its skills responsibilities in DSOs 2, 3 and 5.

33. DSO 2 commits DIUS to *'Improve the skills of the population throughout their working lives to create a workforce capable of sustaining economic competitiveness, and enable individuals to thrive in the knowledge economy'*. This objective will be measured using the same indicators used to mark performance on PSA 2 itself (see paragraph 15), and DIUS adds one more specifically for the DSO:

- To increase the *'proportion of low-skilled into employment'* and see a rise in their wages (a joint indicator on this will be developed with the Department for Work and Pensions).

34. DSO 3 is to *'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'*. The indicators for PSA 2 (see paragraph 15) also serve as the indicators for DSO 3, save that the last indicator relating to the higher education participation rate is slightly modified, as below:

- To lessen the *'gap between the initial participation in full time HE rates for young people aged 18, 19 and 20 from the top three and bottom four socio-economic classes'*.

35. The special DSO indicator for PSA 2, to increase the percentage of low-skilled workers in employment, is also used as a measure for PSA 3.

36. DSO 5 is the third skills agenda objective. It commits DIUS to *'strengthen the capacity, quality and reputation of the Further and Higher Education systems and institutions to support national economic and social needs'*. DIUS developed separate indicators for FE and HE in this objective.

37. For FE, the goal is to create a *'balanced scorecard for FE'* through the LSC's Framework for Excellence, including:

- 'Employer and learner satisfaction'*
- 'Employer engagement with FE'*
- 'Student success rates and employment outcomes; and'*
- 'Value for money'*

### **The Innovation Agenda**

38. DIUS is assigned the innovation portfolio under PSA 4. It deals with these science and innovation responsibilities in DSOs 1, 4 and 6. As with the objectives under the skills agenda, the innovation DSOs (except for 6) incorporate relevant measurement indicators from the PSA.
39. DSO 1 calls for DIUS 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'*. The indicators are:

From the PSA

- *'Business and intellectual income guaranteed by UK HE institutions and public-sector research establishments'*.
  - *The percentage of UK businesses with 10+ employees that are 'innovation active'*.
  - *'Business R&D: Average UK R&D density in 6 most R&D-intensive industries relative to other G5 economies'*
- (PBR-CSR, p. 188)

Indicators developed by DIUS specifically for the DSO

- *'Regional breakdown of the percentage of UK businesses that are "innovation active"'*.
- *'Key knowledge transfer outputs from public research base'*, measured by five variables (patents applied for; patents granted; licensing agreements; income from licensing; spin outs). DIUS deems that it is fulfilling its responsibilities if a majority of these indices are increasing.
- *'Basket of measures of take-up of intellectual property (UK registered patents, registered community designs, trademarks)'*, measured per capita to the UK's total population; if two of these three measures are increasing, DIUS considers progress to be made.

40. DSO 4 is to *'Pursue global excellence in research and knowledge, promote the benefits of science and society, and deliver science, technology, engineering and mathematics skills in line with employer demand'*.

Indicators derived from the PSA include:

- *'UK percentage share of citations in the leading scientific journals'*
  - *Number of UK Ph.D. completers in STEM subjects at UK Higher Education Institutions'*
  - *Number of young people taking A-levels in Mathematics, Physics, Chemistry and Biological sciences'*
- (PBR-CBR 188)

The DSO-specific indicators are:

- *'Survey of public attitudes to science, in which progress will be measured by an increase in the percentage of people 'who think science makes a positive contribution to society'*.
- *'Numbers of STEM graduates (as identified by data from the Higher Education Statistics Agency)'*

41. DSO 6 calls for DIUS to *'encourage the better use of science in Government, foster public service innovation, and support other Government objectives which depend on DIUS expertise and remit'*. DIUS states that achieving this objective will assist the Government on a range of other PSA targets not specifically within DIUS's remit, including public service transformation, climate change, migration, community cohesion and counterterrorism. There are no PSA indicators that specifically apply to DSO 6, but DIUS has its own indicators for it:

- *'That policy-making is underpinned by robust scientific evidence and long-term thinking'*
- *'International comparisons of growth in, and benefit from, international collaboration in science'*
- *'Use of Foresight-generated evidence by Government and others'*

42. The Government Science Office *'will develop their baskets of indicators and/or scorecards'* for this DSO, *'together with a decision rule for reporting on their KPI [key performance indicator]'*

### **DIUS: The funding settlement and spending plans**

43. At this stage the details of the funding settlement are still broad brush and do not indicate the detailed distribution of funding. Key points are set out below:

- DIUS will receive an annual average budget increase of 2.2 percent in real terms over the period covered by the CSR.
- Thus, DIUS's budget will increase from £18.7 billion in 2008-09 to £20.8 billion in 2010-11.
- There will be a 2.5 percent average increase in *'public science base'* funding over the CSR period, from £5.4 billion to £6.3 billion.
- There will also be a 2.0 percent average increase for *'higher education and skills'*, from £14.2 billion in 2007-08 to £16.4 billion by 2010-11.
- The Higher Education Innovation Fund will receive £150 million a year by 2010-11 to *'strengthen links between academia and business and help take research to the market'*. (paragraph D.4.6, page 214)
- By 2010-11, DIUS intends to spend £5.3 billion a year *'to increase adult skills and partnerships'*. (Box, page 212). Over the CSR period, DIUS intends that 3.7 million adults will obtain qualifications (paragraph D4.9, page 215)
- Funding for the Train to Gain service will rise from £460 million in 2007-08 to more than £900 million in 2010-11.
- More than £1 billion will go to the Technology Strategy Board (TSB)<sup>8</sup> over the CSR period. This will include at least £120 million committed by the Research Councils, and £180 million in co-funding from the Regional Development Agencies. The TSB's own budget will grow from £197 million in 2007-08 to £267 million in 2010-11.
- More than £1 billion will be spent on higher education, including a commitment to *'provide more generous student support for 250,000 students'* (Box, page 212)

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<sup>8</sup> The Technology Strategy Board is a non-departmental public body, established in 2007, designed to *'stimulate innovation in those areas which offer the greatest scope for boosting UK growth and productivity'*. Its board is composed of business leaders, chaired by Graham Spittle. See: <http://www.berr.gov.uk/innovation/technologystategyboard/page40217.html>

- The Medical Research Council will supply £682 million to the £1.7 billion fund that will carry out the recommendations of the Cooksey Review into health research<sup>9</sup>.
- In light of the Government's acceptance of the recommendations of the Sainsbury Review<sup>10</sup> of innovation policy, *'taking these recommendations forward will be a priority for DIUS over the CSR07 period'*. (paragraph D4.8, page 215)

### Value for Money Agreement

44. The PBR/CSR also requires all departments to produce *'value-for-money savings'*. In DIUS's case, the PBR/CSR specifies that *'this additional investment will be accompanied by value for money reforms generating annual net cash-releasing savings of £1,543 million by 2010-11'* (PBR/CSR, paragraph D4.5, p. 214). This calculation is based on a comparison between *'what spend would have been in 2010-11 based on simply continuing planned spend in 2007-08, with planned spend in 2010-11 after value for money savings'* (Value for Money, paragraph 1.2.2).
45. To achieve these savings, DIUS plans to rely on three key methods:
- More co-funding of activities with partner organisations;
  - Changing the allocation of funding to better reflect the department's priorities; and
  - Changes to procurement methods

### Co-funding

46. The Value for Money report commits DIUS to *'increasing the co-funding of activities'* (Value for Money, p. 4). This will be done with two main partners.
47. Firstly, DIUS wants to increase employer take-up of Train to Gain services: *'This in turn will lever in greater investment by employers in training for a given level of public investment'* (Value for Money, paragraph 1.2.4, p. 4). DIUS expects to make £170 million in efficiency savings by 2010-11 (Value for Money, paragraph 2.26, p.9).
48. The second source of co-funding DIUS foresees is from the Research Councils, which will funnel contributions from the private sector into research projects. This means *'either that individual research projects can improve the quality and*

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<sup>9</sup> The Cooksey Review examined the public funding of health research in the UK. It recommended the establishment of an office to co-ordinate health research, expanding the National Institute for Health Research and advised the NHS to more actively pursue cost-effective ideas and technologies. The full report is available at: [http://www.hm-treasury.gov.uk/independent\\_reviews/cooksey\\_review/cookseyreview\\_index.cfm](http://www.hm-treasury.gov.uk/independent_reviews/cooksey_review/cookseyreview_index.cfm)

<sup>10</sup> The Sainsbury Review into innovation funding and policy was completed shortly before the PBR/CSR. It called for increasing provision in science and technology teaching, more funding for universities with pro-business research policies, and more partnerships between academia and business. It is available at: [http://www.hm-treasury.gov.uk/independent\\_reviews/sainsbury\\_review/sainsbury\\_index.cfm](http://www.hm-treasury.gov.uk/independent_reviews/sainsbury_review/sainsbury_index.cfm)

*benefits from their work from increased funding or that public money is freed up to support additional research projects*. (Ibid., paragraph 1.2.5, p. 5). DIUS expects to save £243 million by this method by 2010-11.

#### Re-prioritising of funding

49. The second plank of DIUS's value-for-money campaign is to re-allocate funding so as to make the most progress on the fulfilment of the PSA objectives and the DSOs. There are two major areas where funds will be re-allocated
50. First, DIUS will shift almost £100 million in HE funding away from students *'who are studying for a qualification that is equivalent to, or lower than, a qualification they have already achieved'* (Value for Money, paragraph 1.2.5, p. 5). This move was first announced in September 2007,<sup>11</sup> and has been the subject of considerable controversy since. The Opposition mounted a debate on the subject in January 2008<sup>12</sup>.
51. The second re-allocation involves the re-prioritising of more than £100 million from the Science Research Investment Fund (SRIF), on the grounds that much of the equipment repair that the Fund was established to supply has been completed.

#### Procurement reform

52. The final set of measures DIUS will take to make best use of its budget involves saving money through improved procurement procedures. *'Along with sharing key corporate services between delivery bodies, improving co-operation in procurement will enable costs to be reduced and funding deployed elsewhere'* (Value for Money, paragraph 1.2.6, p.5)
53. In further education, DIUS intends to make £40 million of procurement savings by 2010-11, out of £1 billion in spending. Colleges will form groups to *'secure better deals from suppliers'* and the *'expertise in procurement at individual colleges'* will be improved, so that these colleges may strike better bargains (Ibid.)
54. In higher education, DIUS predicts up to £150 million in savings by 2010-11 through greater procurement efficiency and more use of shared services. These savings will also involve creating group bargaining mechanisms between HE institutions, and also *'through sharing more of their [universities'] common functions, such as financial processing'* (Value for Money, paragraph 1.2.6, p. 5))

#### Delivery Strategy

55. To make sure DIUS employees and civil servants correctly and fully implement the new value-for-money reforms, *'the Department is putting in place robust structures to oversee and ensure that Value for Money gains are being achieved'*. (Value for Money, paragraph 2.1.1, p. 6)

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<sup>11</sup> See: <http://education.guardian.co.uk/higher/news/story/0,,2164723,00.html>

<sup>12</sup> See: <http://politics.guardian.co.uk/publicservices/story/0,,2236966,00.html>

56. The highest monitoring authority, with overall responsibility for the value-for-money policies, will be the DIUS Management Board. DIUS may also establish a delivery unit to, among other duties, ensure the implementation of the value-for-money policies. DIUS will also engage with external auditors and experts, as well as HM Treasury, to monitor and facilitate progress.
57. *'The general approach is for delivery bodies to take the lead in detailed planning and implementation, working with Departmental oversight bodies'* (Value for Money paragraph 2.1.4, p. 6).

## **Part 2 The Department for Children, Schools and Families (DCSF)**

58. The PBR-CSR names DCSF as the lead department for the fulfilment of five Public Service Agreements. These are:
- **PSA No. 10: '*Raise the educational attainment of all children and young people*'**, emphasising:
    - *Attainment at early years foundation stage*
    - *Proportion achieving Level 4 in both English and Mathematics at Key Stage 2*
    - *Proportion achieving both Level 5 in both English and Mathematics at Key Stage 3*
    - *Proportion achieving five A\*-C GCSEs (or equivalent) at Key Stage 4 including English and Mathematics*
    - *Proportion of young people achieving Level 2 at age 19*
    - *Proportion of young people achieving Level 3 at age 19*
  - **PSA No. 11: '*Narrow the gap in educational achievement between children from low income and disadvantaged backgrounds and their peers*'**, focusing on:
    - *Gap in attainment at early years foundation stage*
    - *Achievement gap between pupils eligible for Free School Meals and their peers at Key Stages 2 and 4*
    - *Proportion of pupils progressing by 2 Levels in English and Mathematics at each of Key Stages 2, 3 and 4*
    - *Proportion of children in care at Key Stage 2 achieving Level 4 in English and Level 4 in Mathematics at Key Stage 2*
    - *Proportion of children in care achieving five A\*-C GCSEs (or equivalent) at Key Stage 4*
    - *Proportion of young people from low-income backgrounds progressing to higher education*
  - **PSA No. 12: '*Improve the health and well-being of children and young people*'**, emphasising:
    - *Breastfeeding at six to eight weeks*
    - *Take up of school lunches*
    - *Childhood obesity*

- *Child emotional health and well-being*
- *Services for disabled children*
- **PSA No. 13: ‘*Improve children and young people’s safety*’, centring on:**
  - *Children and young people who have experienced bullying*
  - *Initial assessments for children’s social care carried out within 7 days or referral*
  - *Hospital admissions caused by unintentional and deliberate injuries to children and young people*
  - *Preventable child deaths as recorded through child death review panel processes*
- **PSA No. 14: ‘*Increase the number of children and young people on the path to success*’, dealing with:**
  - *16 and 17 year olds not in education, employment or training*
  - *Young people participating in positive activities*
  - *Young people frequently using drugs, alcohol or volatile substances*
  - *Under-18 conception rate*
  - *First-time entrants to the Criminal Justice System aged 10-17*  
(PBR-CSR, page 190-1)

#### **Shifts from CSR 2004**

59. In 2004, DfES was assigned PSAs that related to the current remit of DCSF. These were:

- *By 2008, to increase the stock of Ofsted-registered childcare by lower income working families by 50 percent and introduce, by April 2005, a successful light-touch childcare approval scheme [this was a joint target with the Department for Work and Pensions]*
- *Halt the year-on-year rise in obesity in under-11s by 2010 [a joint target with the Department of Health and the Department for Culture, Media and Sport]*
- *By 2008 in all secondary schools at least 50 percent of 14-year-olds to achieve Level 5 in English, maths and science at Key Stage 3 and at least 30 percent of 16-year-olds to achieve equivalent of five A\*-C GCSEs*
- *Improve levels of school attendance so that, by 2008, school absence is reduced by 8 percent compared to 2003*  
(CSR04, box 7.1, page 87)

60. Perhaps the most noticeable change between the 2004 PSAs and the current version is the increased emphasis on achievement at the secondary level. This includes a specific commitment to reducing the number of 16 and 17-year-old students not in education, employment and training.

61. The 2007 PSA No. 10 makes specific references to increasing the number of students with Level 2 and Level 3 qualifications, a definite by-product of the Government’s commitment to meeting the Leitch Review targets.

62. There is also an increased emphasis on social justice, including the 2007 PSA No. 11's commitment to improve educational attainment among disadvantaged youth and PSA No. 14's concerns with youth crime and employment.

### **DCSF: The DSOs**

63. DCSF also published its DSOs in the CSR, which are:

- *Secure the well-being and health of children and young people*
- *Safeguard the young and vulnerable*
- *Achieve world-class standards in education*
- *Close the gap in educational achievement for children from disadvantaged backgrounds*
- *Ensure young people are participating and achieving their potential to 18 and beyond*
- *Keep children and young people on the path to success*  
(PBR-CSR, paragraph D1.2, page 201)

64. The DSOs notably include keeping young people '*participating and achieving their potential to 18*'. This aligns with Prime Minister Gordon Brown's recent announcement that education and training of some sort will be compulsory up to age 18.<sup>13</sup>

### **DCSF: The funding settlement and spending plans**

65. At this stage the details of the funding settlement are still broad brush and do not indicate the detailed distribution of funding. Key points are set out below:

- Education funding in England will increase by 2.8 percent a year on average over the CSR07 period. This figure includes the increase provided in the DIUS settlement (box, page 200). DCSF's budget will increase by £2.8 billion in 2008-09, £5.4 billion in 2009-10 and £9.4 billion in 2010-11.
- Education spending in the UK as a whole will grow by £14.3 billion over the CSR07 period, from £77.7 billion in 2007-08 to £92.0 billion in 2010-11.
- This will bring education spending, as a percentage of GDP, to 5.6 percent (up from 4.7 percent in 1996-97, the last full year of the Major Government).
- DCSF will receive £250 million over the next three fiscal years '*to help ensure that all children at school are ready to learn and able to benefit from truly personalised services and support*' (box, page 200).
- DCSF will also receive £200 million in capital investment for the Primary Capital Programme (which goes towards refurbishing primary schools) and another £550 million for school construction and repair. Capital investment will rise to £8.2 billion annually by 2010-11. This is part of a £21.9 billion capital programme for

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<sup>13</sup> See the Prime Minister's Oct. 30 speech on education at: <http://www.number-10.gov.uk/output/Page13675.asp>

school construction, refurbishment and repair that DCSF announced in conjunction with the PBR-CSR<sup>14</sup>

- Per-pupil funding in maintained schools will grow from £5,500 per student in 2007-08 to £6,600 in 2010-11 (in real terms, a 10 percent increase)
- DCSF will fund personalised tutoring in English for 300,000 students, and similar one-to-one tuition in maths for another 300,000 students, by 2010-11. This is part of a larger £400 million allocation for '*personalised learning*' (paragraphs D1.9, page 202). The CSR is unclear whether this figure of £400 million includes the £250 million previously mentioned above.
- DCSF will direct £340 million in investment towards disabled children and their families (paragraph D1.8, p.202).
- The Government will provide £60 million in investment for youth facilities over the next three years, plus monies taken from dormant bank accounts.

### **Part 3      The Department for Communities and Local Government (CLG)**

#### **The PSAs**

66. The Department for Communities and Local Government has responsibility for two of the 30 PSAs. The most relevant to the FE sector, is PSA No. 21: '***Build more cohesive, empowered and active communities***'. It's achievement will involve increasing the following:

- *percentage of people who believe people from different backgrounds get on well together in their local area*
- *percentage of people who have meaningful interactions with people from different backgrounds*
- *percentage of people who feel they can influence decisions in their locality*
- *percentage of people who feel that they belong to their neighbourhood*
- *Thriving third sector*
- *percentage of people who participate in culture or sport*

67. The FE sector has a substantial potential contribution to make to this goal.

#### **PSAs for Local Government in 2004**

68. At the time of the 2004 Comprehensive Spending Review, local government was part of the portfolio of the Office of the Deputy Prime Minister.

69. This department's PSAs for local government included:

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<sup>14</sup> See DCSF press release on school capital programmes at :  
[http://www.dfes.gov.uk/pns/DisplayPN.cgi?pn\\_id=2007\\_0185](http://www.dfes.gov.uk/pns/DisplayPN.cgi?pn_id=2007_0185)

- *Reduce social exclusion and tackle deprivation by narrowing the gap in outcomes between deprived areas and the national average in health, crime, education, worklessness, housing and liveability*
- *Help make public spaces cleaner, safer and greener, and improve quality of the built environment, in deprived areas and across the country*
- *Improve the effectiveness and efficiency of local government*  
(2004 CSR, box 10.2, page 110)

### **CLG: The DSOs**

70. Like all other departments, CLG announced a set of DSOs in the spending review. Of these, the following are most likely to touch on the FE sector:

- Support local government that empowers individuals and communities and delivers high quality services effectively
- Build prosperous communities by improving the economic performance of cities, sub-regions and local areas, promoting regeneration and tackling deprivation
- Develop communities that are cohesive, active and resilient to extremism
- Provide a more efficient, effective and transparent planning system that supports and facilitates sustainable development, including the Government's objectives in relation to housing growth, infrastructure delivery, economic development and climate change

### **CLG: The funding settlement and spending plans**

71. CLG will obtain an average annual increase of 2.9 percent over the next three fiscal years. Its budget will grow from £10.3 billion in FY 2007-08 to £12.1 billion in 2010-11.

72. CLG will receive £2 billion for neighbourhood and local renewal programmes, *'with a new strategic approach of strengthening the emphasis on economic development and promoting strong communities'* (box, page 217).

73. The CSR also awarded CLG £50 million in funding for community cohesion, *'where community relations face challenges from new patterns of diversity'* (box, page 217).

74. CLG will disburse £1.7 billion in *'targeted funding for infrastructure'* as part of various initiatives, including Growth Areas, New Growth Points, eco-towns and the Thames Gateway. £300 million of this will go towards the Community Infrastructure Fund.

### **Local Government**

75. The PBR-CSR also covers funding and policy for local government itself (as apart from CLG, the Whitehall department that oversees local government). The PBR-CSR also lays out the various funding restrictions and expectations attached to these monies, and also what restrictions and conditions have been removed.

76. The PBR-CSR also details reforms to Government performance targets and rules for the local area agreements (LAAs).
77. CSR07 sets a 1 percent annual average growth rate for local government funding.
78. The spending review describes major changes in the performance-monitoring framework for local government and its partners. These reforms include:
- *'A single, balanced and coherent set of priority outcomes for local government working alone or in partnership'* (paragraph D6.9, page 223)
  - A new, slimmed-down set of national performance indicators for local government to report on, numbering 198<sup>15</sup>.
  - *'Any and all targets reflecting national priorities – to a maximum of 35 – will be negotiated through Local Area Agreements. CLG and other national departments will not determine what those priorities are, and 'there will be no target-setting mechanism for outcomes local government is delivering alone or in partnership' ( D6.9, page 223)*
  - A third round of *'reward grants'* will be carried out, with a model for its allocation set by January 2008 (paragraph D6.10, page 224).
79. The section on Local Area Agreements is worth a brief word here. Local Area Agreements, as described above, are a set of up to 35 targets chosen by Local Strategic Partnerships (LSP) as tasks best accomplished through collaboration between councils, other public agencies and non-governmental actors. All of these stakeholders are represented in the LSP – that is, they all take part in setting these particular policy priorities and carrying out the resulting agreement. These LSPs and the resulting LAAs provide a powerful mechanism for FE to influence local government and contribute to the betterment of their localities.<sup>16</sup>
80. Central government funds will be increasingly routed Revenue Support Grants or area-based grants, which are not ring-fenced. *'Only where a programme is particularly novel, or expenditure has little or no discretionary element at the local level, would any ring-fence be appropriate'* (paragraph D6.8, page 223). More than £5 billion will be released from ring-fenced budgets by 2010-11.

## Part 4 Other PSAs of note for FE

81. FE's role in supporting education and training for learners aged 16 and over means that it has a pivotal role to make to many areas of government policy beyond those specifically assigned to DIUS and DCSF. The new PSAs are intended to be more cross-cutting than those in previous reviews, and recognise the value of public services operating in collaboration to achieve valuable outcomes. This paper has already highlighted the particular relevance of CLG and its remit, but there are several other PSAs where FE can make a contribution, which are listed below:

<sup>15</sup> See appendix 1 of CEL's report on *FE, communities and local government - exploiting the potential*, for a brief guide to the new local government performance framework. <http://www.centreforexcellence.org.uk/UsersDoc/FECLGreport.pdf>

<sup>16</sup> See the Local Government White Paper: <http://www.communities.gov.uk/localgovernment/currentagenda/strongprosperous/>

- a. PSA No. 1: *'To raise the productivity of the UK economy'* [including]
- *Labour productivity (output per hours worked)*
  - *International comparisons of labour productivity (per worker, per hours worked)*
  - Lead department: the Department for Business, Enterprise and Regulatory Reform (BERR, formerly the DTI)  
(PBR-CSR p.187)
- b. PSA No. 8: *'Maximise employment opportunity for all'* [including]:
- *Narrow the gap between the employment rates of the following groups and the overall rate: disabled people; lone parents; ethnic minorities; people aged 50 or over; those with no qualifications; and those living in the most deprived Local Authority wards*
  - *[Reducing the] number of people on working age out-of-work benefits*
  - *[Reducing the] Amount of time people spend on out-of-work benefits*
  - Lead department: The Department for Work and Pensions (DWP)  
(Given the strong focus in the Leitch Review on using skills training as a springboard to higher levels of employment and better jobs, this PSA will be of particular importance for FE.)  
(PBR-CSR p.189)
- c. PSA No. 15: *'Address the disadvantages that individuals experience because of their gender, race, disability, age, sexual orientation, religion or belief'*, including:
- *Gender gap in hourly pay*
  - *Level of choice, control and flexibility to enable independent living*
  - *Participation in public life by women, ethnic minorities, disabled people and young people*
  - *Discrimination in employment*
  - Lead department: The Government Equalities Office  
(PBR-CSR page 191)
- d. PSA No. 16: *'Increase the proportion of socially excluded adults in settled accommodation and employment, education or training'*, [including]:
- *[Placing] care-leavers at 19 in education, training and employment*
  - *[Placing] offenders under probation supervision in employment*
  - *[Placing] adults in contact with secondary mental health services in employment*
  - *[Placing] adults with learning disabilities in employment*
  - Lead department: The Cabinet Office  
(PBR-CSR page 192)
- e. PSA No. 17: *'Tackle poverty and promote greater independence and well-being in later life'*, [including]:

- [Addressing the ] *employment rate age 50-69; percentage difference between this and overall employment rate*
- *Pensioner poverty*
- *Over 65s supported to live independently*
- Lead department: DWP  
(PBR-CSR , page 192)

- f. PSA No. 22: *'Deliver a successful Olympic Games and Paralympic Games with a sustainable legacy and get more children and young people taking part in high-quality PE and sport'*
- The Olympics have already produced £5 million in apprenticeships funding<sup>17</sup>, and will no doubt spur more spending on training and skills.
  - Lead department: The Department for Culture, Media and Sport (DCMS)  
(PBR-CSR page 194)
- g. PSA No. 27: *'Lead the global effort to avoid dangerous climate change'*
- Lead department: The Department for Environment and Rural Affairs (DEFRA)  
(PBR-CSR p.195)

82. It is important that colleges and providers in the FE sector are aware of these PSAs as they will drive funding and priorities and the sector should be alert to opportunities to assist in their delivery. The capacity and preparedness of FE to support the achievement of government priorities will be important to the sector's standing and reputation. However, we recognise that the mechanisms to enable FE to contribute are not always easy to identify.

### **Section 3 The Service Transformation Agreement<sup>18</sup>**

Alongside the PSR-CBR, the Treasury also released the Service Transformation Agreement (STA) in October 2007. This document sets out the Government's objectives and plans to make the public services more user-friendly and less time-consuming for citizens.

83. The stated aim of the Agreement is *'to change public services so they more often meet the needs of people and businesses, rather than the needs of government, and by doing so reduce the frustration and stress of accessing them'* (STA, paragraph 1.1, p. 3) In this way, Government hopes to empower citizens and customers.

84. It is important to note that, while increasing citizen satisfaction with the public services is of great importance to the Government, citizen response will not be the sole measure by which the public services will be judged. *'Whilst government will monitor the customer experience through journey mapping and customer*

<sup>17</sup> See: <http://www.fenews.co.uk/newsview.asp?n=2632>

<sup>18</sup> Available at : [http://www.hm-treasury.gov.uk./media/B/9/pbr\\_csr07\\_service.pdf](http://www.hm-treasury.gov.uk./media/B/9/pbr_csr07_service.pdf)

*tracking mechanisms at the front line ... it will complement these with more objective data in the form of two key progress measures (STA, paragraph 2.8, p.5)*

85. These progress measures, the key benchmarks for progress under the STA, will be:

- Reducing avoidable contact
- Building better online services

### **Reducing avoidable contact**

86. In the STA, the Government declares that it wants to reduce, as much as possible, the amount of *'avoidable'* contact between citizens and the public services – that it, to make the public services as efficient as possible so as reduce the amount of time needed by the user to perform a particular task:

*'The key aim of service transformation is to reduce the number of unnecessary contacts that people need to have with government'* (STA, paragraph 1.6, p. 3)

87. The document takes the position that Government is too free with citizens' time – *'Citizens' time is not free, yet often the way public services are delivered assumes this to be so'* (paragraph 1.1, p. 3)

88. During the CSR07 period, *'The Government will make practical reductions in the number of contacts; introduce the core services on which further change can be built; make the policy changes which will underpin further improvement; and engage with citizens, businesses and front line staff, involving them, listening to them and learning from them, to improve public service'* (STA, paragraph 1.7, p. 4)

89. In this way, Government hopes to make services better for customers, staff and the taxpayer (paragraph 1.8, p. 4) It *'will also inform how the public sector fundamentally re-designs those services to be more streamlined and accessible in the future'* (paragraph 2.12, p. 5)

90. The Government recognises that this process must occur across all departments, and that it will go on for longer than *'a single Spending Review period'* (paragraph 1.7, p. 4).

### **Building better online services**

91. As part of its commitment to reducing the number of contacts needed to access public services, the Government is also committing to creating a more efficient and joined-up Internet presence. Currently, e-services and information are spread over many departmental websites, which *'ignored the fact that citizens' needs are individual and often fall across a number of organisations'*. (STA, paragraph 2.13, p. 7)

92. Public sector agencies will, under the STA, increasingly be concentrated on two websites, Directgov (for citizens) and Businesslink.gov (for citizens).

### **Six areas of strategic action**

93. The STA also identifies ‘*six areas of strategic action*’, where government can work to meet these targets:

- *Learning from citizens and business: Obtaining a ‘real, evidence-based understanding of the behaviours of the people they are trying to reach, including by directly engaging with their end users’.*
- *Grouping services in ways that are meaningful to the customer: Creating ‘integrated packages of services’ that can be more quickly and easily accessed, and are more appropriate for busy citizens whose problems might involve multiple departments.*
- *Rationalising services for efficiency and service improvement: Taming a ‘proliferation of websites, help-lines and front offices which make little sense to those they are intended to reach’ by introducing a more clearly defined, easily used infrastructure.*
- *Making better use of the customer information the public sector already holds: Use data Government already holds to ‘establish the identity of the customer it is dealing with simply and with certainty’, and facilitate data-sharing between departments for that purpose.*
- *Linking local and central government: Joining up the public sector’s activities throughout central and local government, which will be ‘dependent on close collaborative working between departments and local government bodies’. A council at Whitehall will oversee the STA’s implementation in local government (see below)*
- *Engaging front line staff: Making use of ‘the energy, input and customer insight of front line staff’. A Permanent Secretaries’ Employee Engagement Working Group will conduct work in this area at Whitehall (paragraph 3.37, p. 17)*

### **Implementing the STA**

94. Overall responsibility for carrying out the STA will fall on the Minister for the Cabinet Office (currently Ed Miliband MP) and the Chief Secretary of the Treasury (currently Andy Burnham MP). The Cabinet Secretary (currently Sir Gus O’Donnell) will chair the Cabinet Committee on Public Engagement and Delivery of Services.

95. A senior Delivery Council, ‘*including all lead and supporting departments together with other public service delivery organisations*’, will monitor the fulfilment of the STA, manage implementation programmes and plans and review on progress (paragraph 2.3, p. 5). A complementary Local Government Delivery

Council will connect local authorities with central Government policy in this area (paragraph 2.4, p. 5)

96. Each departmental minister will be responsible for STA objectives within their own department.
97. For certain types of services, a lead department will be appointed to guide implementation for that area. '*Citizen focused services*', for example, will be the remit of the Department for Work and Pensions, while '*face to face services*' will be CLG's responsibility.
98. Sir David Varney has been appointed adviser to the Prime Minister on public services transformation.
99. We can anticipate that the language and priorities in the STA will gradually filter into the language and priorities of government departments and through to expectations of delivery partners.

## Section 4 Policy Trends

100. The PBR-CSR reflects several major policy trends and ideas that are becoming signatures of the Brown Government, many of which originated during the previous administration of Tony Blair.
101. The increase in **education and skills funding** reflects Gordon Brown's long-established commitment to **improving skills and educational achievement** among the British people, as a means of encouraging economic growth and furthering social justice and mobility.
102. The focus on skills is also a response to the **Leitch Review of Skills**<sup>19</sup>, commissioned by Brown when he was chancellor, which called for massive improvement in the skills levels of the British workforce. The Government's commitment to implement the review<sup>20</sup> can be seen in PSA No. 2, and the major increases in higher education and skills funding.
103. PSA No. 4 demonstrates another priority of the Brown Government, **innovation**. The Government has recently accepted the recommendation of The Sainsbury Review<sup>21</sup>, which called for £1 billion in innovation investment, which the PBR-CSR delivered.
104. The PBR-CSR also reflects the Government's commitment to the **devolution and decentralisation of power**, increasing the capacity of local government and the front-line of delivery to respond flexibly to their customers.

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<sup>19</sup> See: [http://www.hm-treasury.gov.uk/independent\\_reviews/leitch\\_review/review\\_leitch\\_index.cfm](http://www.hm-treasury.gov.uk/independent_reviews/leitch_review/review_leitch_index.cfm)

<sup>20</sup> The Leitch Implementation Paper can be found at: <http://www.dius.gov.uk/worldclassskills.pdf>

<sup>21</sup> See footnote 4.

105. The liberation of £5 billion from ring-fencing in the local government budgets, the drastic reductions in the number of centrally set targets and the emphasis on allowing local partners to set local targets all stem from initiatives announced in the Local Government White Paper<sup>22</sup> last year.
106. This commitment to decentralisation and autonomy also extends to a desire to empower individuals and consumers. The adoption of a more demand-led customer-responsive approach to public service design and management aims to empower citizens and customers. It also echoes the demand-led approach advocated in the Leitch Review and its implementation.
107. The **Service Transformation Agreement** reflects an ongoing commitment to **public service reform**. The Office for Public Service Reform was set up in 2001 to help construct a more customer-oriented public service, which would be more flexible and offer more choice to the consumer. Known as the Prime Minister's principles for public service reform (standards, devolution and delegation, flexibility and expanding choice) these continue to resonate in the continuing reform process, although the OPSR itself has since been folded into the Cabinet Office.
108. On a related note, there is also a commitment to better coordination of the public services in the delivery of Government priorities – the '*joined-up government*' that is often spoken of. This can be seen in the DIUS DSOs; For example, DIUS and the Department for Work and Pensions will jointly pursue the Government's skills agenda, and develop a shared indicator measuring the increase in employment and wages among low-income persons (see paragraph 33). In DSO 6, the department specifically states that it intends to help other departments deliver their PSA targets through the improved use of science in Government (see paragraph 41).
109. The current proposals also continue the efficiency theme driven by the Gershon Review<sup>23</sup> in 2004 which proposed several measures to make the public services more efficient and accessible, including reducing internal bureaucracy so that front-line staff could offer better service. The PBR continues this efficiency theme in the savings required of government departments<sup>24</sup>.
110. However, there is perhaps an increase in the emphasis in several of the PSAs on improving social inclusion, overcoming disadvantage and promoting social justice. Although this represents a traditional set of Labour values, it appears that these are receiving higher priority under the current premiership.

## Ben Margulies

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<sup>22</sup> See: <http://www.communities.gov.uk/documents/localgovernment/pdf/152456>

<sup>23</sup> [http://www.hm-treasury.gov.uk/media/C/A/efficiency\\_review120704.pdf](http://www.hm-treasury.gov.uk/media/C/A/efficiency_review120704.pdf)

<sup>24</sup> The PBR/CSR reduces administration as a proportion of spend from 3.1% in 2007-08 to 2.3 by 2010-11 . (PBR/CSR, Chart 3.2, p.45)

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