

The Government's aim is to achieve excellence in standards of education and levels of skills, and to give everyone the opportunity to develop their learning and realise their potential. The 2004 Spending Review delivers significant additional resources in support of this aim. In particular:

- total spending on education in England will be £12 billion higher in 2007-08 than in 2004-05, an average growth rate of 4.4 per cent per year in real terms over this period;
- education spending will rise to 5.6 per cent of GDP by 2007-08 from 5.4 per cent in 2004-05;
- capital investment in education will rise from £0.8 billion a year in 1997-98, £5 billion in 2004-05, to £7 billion a year in 2007-08; and
- efficiency gains worth at least 2.5 per cent of the Department for Education and Skills' (DfES) 2004-05 baseline will be made each year over the Spending Review period, releasing additional resources for the front line.

This investment will support reforms in the following key areas:

- deliver the *Five Year Strategy for Children and Learners*<sup>1</sup>
- establish 2,500 Children's Centres by 2008, going beyond the Government's commitment to a children's centre in each of the 20 per cent most disadvantaged wards in England and on the way towards achieving the goal of a Children's Centre in every community;
- increase average per pupil funding to at least £5,500 by 2007-08; more than double the 1997 figure;
- designate universal specialist schools, alongside up to 200 academies, by 2010. All secondary school buildings will be transformed to twenty-first century standards in the next 10 to 15 years and more schools across the country will be able to offer extended services;
- maintain the levels of real terms student funding per head and continue to advance progress towards the Government target to increase participation in higher education towards 50 per cent of 18 to 30 year olds by 2010;
- deliver the New Deal for skills to help those with no or low qualifications into work and then to help improve their prospects by acquiring skills; and
- deliver challenging new PSA targets to increase the proportion of 19 year olds achieving at least level 2 and reduce the proportion of young people not in education, employment or training.

## INVESTING IN EXCELLENCE AND OPPORTUNITY FOR ALL

**7.1** The Government's aim is to achieve excellence in standards of education and levels of skills, and to give everyone the opportunity to develop their learning and realise their potential. This is fundamental to achieving the Government's wider aims of building a productive, competitive economy and an inclusive society.

**Achievements so far**

**7.2** Sustained increases in funding for education since 1997 have resulted in a measurable improvement in standards. Over the past seven years, the proportion of 11 year olds achieving expected levels in reading and maths has risen by 12 percentage points and 11 percentage points respectively, and almost 53 per cent of 16 year olds achieved five or more

<sup>1</sup> Department for Education and Skills: *Five Year Strategy for Children and Learners*, DfES, 2004.

A\* to C grade GCSEs in 2003, compared to 45 per cent in 1997. The Government is on track to help 750,000 adults gain basic skills by the end of the year.

**Challenges ahead 7.3** The additional resources allocated to education over the next three years will build on these improvements and tackle key future challenges. International comparisons show that the gap in attainment between children from higher and lower socio-economic groups in the UK is wider than that in almost every other OECD country. The UK has one of the lowest staying on rates in education after the age of 16, and has a particularly large number of adults with no or low skills. These weaknesses are a constraint on UK productivity and carry large social costs. The Government's long term ambitions are therefore to:

- improve opportunity for every child through extended schools, early education, childcare and better integrated support for parents and children;
- deliver higher standards in schools, and narrow the attainment gap between the best and the worst;
- bring all school buildings up to twenty-first century standards in the next 10 to 15 years;
- ensure all young people want to stay in education or training until they are at least 18 or 19;
- enable each individual to acquire the skills he or she needs to be employable and support employers to develop the skilled workforce needed for the success of their businesses; and
- support the expansion of higher education to meet the UK's rising skill needs while reducing the social class gap between those that do and do not participate in higher education.

**7.4** This Spending Review also provides resources to support the Department for Education and Skills' (DfES) wider role in meeting the needs of children, ensuring their social, emotional and physical wellbeing and keeping them from harm, in particular through bringing together schools with other services for children.

## REALISING REFORM

### **Sure Start, childcare and early years**

**7.5** The *Five Year Strategy for Children and Learners* set out the Government's vision that every parent, wherever they live, should have access to the affordable childcare and early years services that their child needs. Childcare plays a key part in reaching a number of Government objectives, including supporting child development, removing barriers to parental employment and alleviating child poverty. The Government has therefore provided additional funds to support the creation of new childcare places and to extend financial support for childcare costs to more working parents. New childcare places for over 1.8 million children have been created since 1997, putting the Government on course to meet its target of new places for over two million children by 2006. **Building on this success, the 2004 Spending Review confirms additional resources for childcare and services for disadvantaged children of £769 million by 2007-08 compared with 2004-05. This will deliver 2,500 Children's Centres by 2008, going beyond the Government's commitment to a Children's Centre in each of the 20 per cent most disadvantaged wards in England. The Government will also deliver a pilot offering a free part-time early education place for 12,000 two year olds in disadvantaged areas.**

**Children 7.6** The Government is starting to implement the vision set out in the Children's Green Paper *Every child matters*<sup>3</sup> to protect each child and help them to realise their potential. In particular, this Spending Review provides resources to support:

- the introduction of a Children's Commissioner for England, as an independent champion of children's interests;
- support for parents at key transition stages in their child's school career;
- tackling the shortage of key children's workers, such as child protection social workers and foster carers; and
- the introduction of measures to help all professionals share information in a way that benefits children.

**7.7** This will be against the background of more integrated provision of children's services at the local level by 2008 through the creation of new Children's Trusts. The Children's Fund will be extended to 2008 to facilitate this transition. **Significant increases in funding for Children's Social Services will provide local authorities with the resources to implement their vital contribution to the Children's Green Paper vision.**

#### **Box 7.1: New Public Service Agreement (PSA) targets**

The Department for Education and Skills' new PSA includes targets to:

- **by 2008, increase the stock of Ofsted-registered childcare by 10 per cent; increase the take up of formal childcare by lower income working families by 50 per cent; and introduce, by April 2005, a successful light-touch childcare approval scheme. (Sure Start Unit target, joint with the Department for Work and Pensions);**
- **halt the year-on-year rise in obesity in under 11s by 2010. (Joint target with the Department of Health and the Department for Culture, Media and Sport);**
- **by 2008 in all secondary schools at least 50 per cent of 14 year olds to achieve level 5 in English, maths and science at Key Stage 3 and at least 30 per cent of 16 year olds to achieve the equivalent of five A\* to C GCSEs;**
- **improve levels of school attendance so that by 2008, school absence is reduced by 8 per cent compared to 2003;**
- **increase the proportion of 19 year olds who achieve at least level 2 by 3 percentage points between 2004 and 2006, and a further 2 percentage points between 2006 and 2008, and increase the proportion of young people who achieve level 3;**
- **reduce the proportion of young people not in education, employment or training by 2 percentage points by 2010; and**
- **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 per cent the number of adults in the workforce who lack NVQ 2 or equivalent qualifications by 2010.**

**Schools 7.8** Schools are central to the Government's aim of enabling all children and young people to experience learning and acquire skills that will facilitate future learning, employment, citizenship, social cohesion and wider well-being. The Government wants every school to play a leading role at the heart of their community, able to offer services appropriate to the particular needs of that community. This Spending Review confirms increases in funding for schools to deliver these objectives, **with average per pupil funding rising to at least £5,500 by 2007-08 – more than double the 1997 figure.**

<sup>3</sup>Children's Green Paper: *Every child matters*, 2003.

**7.9** The primary and secondary strategies have begun the process of reform, promoting excellence and narrowing the attainment gap between schools and between pupils within individual schools. In the next stage of schools reform, outlined in the *Five Year Strategy for Children and Learners*, personalisation and devolved decision-making will be central to the realisation of these objectives.

**7.10** Investment in extended and full-service schools, workforce reform and ICT will support personalised learning and ensure every pupil is able to fulfil his or her potential. Meeting its commitment to devolving decision-making, the Government is determined to ensure that the performance framework for schools reflects their individual circumstances with light touch regimes for the best and more intensive support for weaker schools. Schools that are succeeding will be offered greater autonomy and flexibility and simpler but more focused inspection as part of the new Relationship with Schools. To streamline funding, most grants will be paid as part of a single schools improvement grant. Every school will be able to become a specialist school and 200 academies will be open or in the pipeline by 2010. Specialist schools will have new flexibilities, with the Local Education Authority (LEA) taking a more strategic role and within a framework of collaboration with other schools. Funding for the existing excellence in cities and leadership incentive grants will continue within a new single improvement grant to ensure excellence in urban and deprived areas. New partnerships between schools and within communities will be at the forefront of leadership gains and schooling tailored to the particular needs of each individual.

**7.11** **All secondary schools will be transformed to twenty-first century standards in the next 10 to 15 years.** In addition, extended and full service schools will be expanded across the country, bringing together education, health, children's social services and childcare. Such schools will lie at the heart of the UK's communities, opening up the potential of schools to play an even greater role in the lives of pupils, parents and the wider community. The concept of enterprise education within schools will be further developed, building on experience from the present pilots.

**Box 7.2: The Five Year Strategy for Children and Learners**

The *Five Year Strategy for Children and Learners* published on 8th July sets out the Government's reform strategy for education and children's services in more detail.

The central purpose of schools reform is to raise the quality of the learning experience for every pupil. Building on the achievements of the last seven years, for secondary schools this means new freedoms, accelerated reform in teaching and learning, greater personalisation and extended choice and flexibility in the curriculum.

There will be a new offer to every pupil and parent, so that they have a real opportunity to attend an excellent specialist school, with new flexibility to meet the particular needs of each child. There will be:

- a smooth transition from primary to secondary school;
- excellent teaching in every school based on real knowledge of individual pupils, and with more use of ICT helping all pupils to achieve their potential;
- schools free of disruption with better behaviour and better management of excluded pupils and improved attendance;
- LEAs to develop new strategic roles and to champion the interests of pupils and parents;
- schools at the heart of communities, with 240 full service extended schools by 2006 and with many schools offering extended opportunities, including new sports, clubs and other activities outside the core day. Many more primary schools will offer childcare, with 1,000 schools offering an 8am to 6pm wraparound childcare service by 2008;
- guaranteed three-year budgets for every school from 2006-07;
- universal specialist schools, with opportunities for freedoms and flexibilities on school organisation and use of school assets and facilities;
- more places in popular schools, up to 200 academies by 2010 and all secondary schools improved to 21st century standards over the next 10 to 15 years;
- a 'new relationship with schools' to cut bureaucracy;
- further development of collaborative partnership working between schools across a locality, including through new 'foundation partnerships'; and
- an improved offer for all 14 to 19 year olds, providing a wide choice of high quality academic, vocational and work-based provision in each local area.

**Age 14 to 19 education** **7.12** Too few young people in the UK remain in learning after the end of compulsory schooling: the UK currently ranks 27th out of 30 OECD countries for participation in education at age 17. The Government's ambition is for every young person to want to stay in education or training until they are at least 18 or 19. This Spending Review confirms the steps the Government is taking in support of this ambition:

- reforming the financial support system for this age group to support choice and progress, with the right to support conditional on a responsibility to engage in learning;
- reforming the curriculum to improve vocational pathways and more flexible programmes of learning for all young people. To inform the Government's thinking, the Working Group on 14 to 19 Reform, led by Mike Tomlinson, will present its final recommendations in the autumn;

- expanding the quality and quantity of training through the expansion of the Apprenticeship programme; and
- reforming the advice, guidance and support structures better to fit need.

### Tackling low adult skills

**7.13** Compared to other OECD countries the UK has high numbers of people with no or low skills. The investment announced in this Spending Review will allow the DfES to make progress towards its targets to reduce the number of people within the workforce without a full level 2 qualification and to increase the percentage of 19-year olds in England joining the workforce with a full level 2 qualification. In keeping with this commitment to tackle low skills this Spending Review also sustains the ambition of the target to improve the basic skills of 2.25 million adults. It is only through such a long-term commitment that the Department can achieve social progress and help to deliver sustainable development in the UK.

**7.14** The Government is also committed to addressing regional skills disparities, which cannot be achieved unless DfES makes a strong contribution. This settlement allows DfES to do this through new Regional Skill Partnerships, which will be established in every region this year. It builds on the Budget 2004 commitment to strengthen Regional Skills Partnerships through greater devolution. Chapter 23 sets out new arrangements to strengthen the role of Regional Development Agencies (RDAs) in developing joint plans for adult skills budgets with the Regional Directors of the Learning and Skills Council (LSC) through the Regional Skills Partnerships, in accordance with the statement of principles for future working between RDAs and the LSC drawn up in discussion between DfES, DTI, RDAs and LSC.

**7.15** The Government agrees that there needs to be a much closer link between the LSC and the RDAs. It will support any region that develops their own mutually acceptable arrangements, in line with the concordat principles, to enable the supply of skills, training and workforce development for adults to be better matched to the needs of the region within the framework of national targets and priorities set for the LSC and RDAs. **The Government will favourably consider proposals for further integration of planning and funding of adult skills and workforce development at the regional level, including, in those regions where the RDA and LSC desire it, a "dual key" approach to the management of adult skills budgets operated by the RDA Chief Executive and the Regional LSC Director."**

### Towards a New Deal for Skills

**7.16** This Spending Review enables the delivery of the New Deal for skills, which sets out the Government's ambitions to help the low and unskilled gain qualifications that allow them to move into work and, through enhancing their skills, improve their longer-term prospects. Specifically it includes improvements to skills and work related information, advice and guidance services, the locations of skills counsellors in jobcentres and the development of a 'skills passport' to provide individuals with a simple, portable way of recording skills and training entitlements.

### Higher Education

**7.17** The additional resources for education announced in this Spending Review will enable continued progress towards the Government's target to increase participation in higher education towards 50 per cent of 18 to 30 year olds by 2010. **The Government will maintain per student spending levels in real terms over the 2004 Spending Review period.**

**7.18** Through the introduction of variable tuition fees the Government is enabling higher education institutions to become more independent and better resourced. Alongside this, increasing student support will help raise participation in higher education, particularly amongst students from poorer backgrounds.

**Box 7.3: Efficiency****Agreed target**

DfES will realise total annual efficiency gains of at least £4.3 billion by 2007-08. At least half of the total will be recyclable, enabling it to be reinvested in front-line activities: for example, schools with access to a better procurement deal will save money to invest in other areas.

**Implementation plan**

As part of this programme of savings the DfES plans, by 2007-08, to:

- reduce the total number of its civil service posts by 1,960, with 1,460 in the core department and 500 in the Office for Standards in Education (OFSTED), and be on course to relocate around 800 posts from DfES and its partner organisations out of London and the South East by 2010;
- enable front-line professionals in schools, colleges and higher education institutions to use their time more productively to generate around 30 per cent of the total efficiency gains, enabling institutions to achieve more with their resources. Benefits will be generated through workforce reform, investment in ICT and reducing administrative burdens;
- improve procurement of goods, services and new school buildings, using a new Procurement Centre of Excellence to be established by April 2005 to strengthen procurement practice across the education and children's services sectors – this will deliver around 35 per cent of the total efficiency gains;
- streamline the delivery system for each sector through improvements in policy, funding and regulation, such as the lighter touch process for OFSTED inspection, streamlined data collection and reduced reporting and monitoring requirements introduced in the New Relationship with schools;
- free up resources from the cost of the department, its non-departmental public bodies and OFSTED by reducing overlaps, simplifying systems, better procurement, and rationalisation of back office functions through simplified standard processes and common systems – reducing the total administration costs of these organisations by at least 15 per cent; and
- pursue additional efficiency gains, including improvements in school-level financial management through the increased use of financial benchmarking information and dissemination of best practice.

**SPENDING PLANS**

**7.19** The new spending plans provide for spending on education in England to grow by an average of 4.4 per cent a year in real terms over the three Spending Review years to 2007-08. The Department for Education and Skills Departmental Expenditure Limit (DEL) spending will grow by an average of 5.6 per cent a year in real terms over the three Spending Review years to 2007-08. Capital investment in education will rise from £5 billion in 2004-05 to £7 billion by 2007-08.

**7.20** Total spending on education in the UK will be £13.6 billion higher in 2007-08 than in 2004-05: by 2007-08, UK education spending is forecast to rise to 5.6 per cent of GDP, compared to 5.4 per cent in 2004-05.

**Table 7.1: Key figures**

	£ million			
	2004-05	2005-06	2006-07	2007-08
<b>Department for Education and Skills</b>				
Resource Budget	23,860	26,708	28,108	29,708
<i>Of which Administration Budget</i>	267	276	269	262
Capital Budget	3,801	4,445	4,845	5,545
Total Departmental Expenditure Limit <sup>1</sup>	27,613	31,105	32,906	35,206
<i>Local Authority Formula Spending Share:</i>				
Education	26,402	27,963	29,863	31,663
Children's Social Services <sup>2</sup>	3,737	4,016	4,316	4,516
<b>Total education (England)<sup>4</sup></b>	<b>52,023</b>	<b>56,529</b>	<b>60,122</b>	<b>64,000</b>

<sup>1</sup> Full resource budgeting basis, net of depreciation.

<sup>2</sup> 2005-06 still indicative at this stage.

<sup>3</sup> This reflects the final Spending Review outcome for DfES.

<sup>4</sup> England education measured consistent with international definitions from the UN classifications of functions of government (COFOG). Actual outturns are subject to spending decisions by local authorities.

**Table 7.2: UK education spending plans<sup>1</sup>**

	£ million			
	2004-05	2005-06	2006-07	2007-08
<b>Total UK education and training</b>	<b>64,857</b>	<b>69,857</b>	<b>74,122</b>	<b>78,763</b>
Total UK education	63,195	68,134	72,292	76,796
<b>UK education as a proportion of GDP (per cent)</b>	<b>5.4</b>	<b>5.5</b>	<b>5.5</b>	<b>5.6</b>

<sup>1</sup> UK education and UK education and training measured consistent with international definitions from the UN classifications of functions of government (COFOG). Actual outturns are subject to spending decisions by local authorities and devolved administrations. These figures reflect HM Treasury's latest indicative assumptions on the expenditure of local authorities and devolved administrations.

**Table 7.3: Investment in Education and Children's Services**

	£ million			
	2004-05	2005-06	2006-07	2007-08
<b>Total investment</b>	<b>5,024</b>	<b>5,771</b>	<b>6,214</b>	<b>6,955</b>
<i>Of which:</i>				
Central government own investment	3,801	4,445	4,845	5,545
Investment grants	1,223	1,326	1,369	1,410