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## SECTION II

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This Government is committed to improving opportunity for all through education. As a result of the 2002 Spending Review:

- annual spending on education and skills in England will rise by £12.8 billion between 2002-03 and 2005-06;
- in real terms, spending on education and skills in England will rise by an average of 6 per cent a year in the three years to 2005-06;
- UK education spending will rise to 5.6 per cent of GDP by 2005-06 from 4.6 per cent in 2000-01, fulfilling the Government's manifesto commitment to increase the share of national income devoted to education during this parliament;
- capital investment in education will rise from approximately £680 million a year in 1996-97, £3.7 billion in 2002-03, to £7 billion a year by 2005-06, of which £1.2 billion is through the Private Finance Initiative.

This investment will support reform in the following key areas:

- transformation of secondary education, through a new comprehensive system with a focus on improving standards and narrowing the attainment gap;
- devolution of freedom and responsibility to the front line to deliver reform, with a large rise in direct payments to schools through the School Standards Grant. From next year, total payments will rise by £10,000 to at least £50,000 for a typical primary school and by £50,000 to at least £165,000 for a typical secondary school;
- £175 million per year for an additional new grant to support leadership in at least 1,400 secondary schools in challenging areas, worth £125,000 to individual schools;
- to increase staying-on rates after age 16, national roll-out of Educational Maintenance Allowances from September 2004, paid at up to £1,500 a year;
- a drive to expand Modern Apprenticeships and work-relevant qualifications;
- 1 per cent real terms growth in funding every year to 2005-06, for further education colleges prepared to commit to performance targets;
- New targets to improve the basic skill levels of 1.5 million adults by 2007 and significantly reduce the number of adults in the UK workforce lacking NVQ level 2 or equivalent qualifications by 2010; and
- A major package for science and research, worth an extra £1¼ billion by 2005-06 together with new DTI resources.

## OBJECTIVES AND PRIORITIES

**6.1** Education is a top priority for the Government. Raising attainment and skills is fundamental to building a successful, competitive economy and a fair, prosperous and inclusive society, in which everyone can realise their full potential.

**6.2** Over the past five years, the Government has made considerable progress in raising standards and extending opportunities. The number of 11 year olds reaching the expected level in English and maths has improved by 10 and 12 percentage points respectively since 1998, and the gap in attainment between rich and poor areas of the country has narrowed. Fifty per cent of 16 year-olds are now getting five or more GCSEs at grades A\* to C compared

to 46.3 per cent in 1997. Record numbers of students are entering and graduating from higher education institutions, and over 125,000 adults with basic skills deficits have improved their literacy and numeracy skills since last year. The foundations have also been laid for future improvements: there are more teachers than at any time since 1982 and fewer failing schools. Since 1997 more than 20,000 schools have benefited from building improvements and all schools have received money for repairs.

**6.3** The investment in this Spending Review will support the next phase of reform. The Government will promote excellence at every level in the education system, and take ambitious steps to narrow the achievement gap which lies behind the UK's high rates of child poverty and social exclusion.

**6.4** Reform will be guided by the devolution of power to service providers to encourage flexibility and creativity, particularly in meeting consumer demands and responding to local circumstances. Reforms to the funding of schools, plus a radical look at funding and arrangements for skills training, will delegate freedoms to the front-line. New support for leadership in schools will empower good head teachers and support improvements where there are management weaknesses. These changes will be backed up by clear long-term goals and proper accountability arrangements. The Spending Review is accompanied by tough new targets for the number of schools where 11 and 14 year olds do not reach the standard expected for their age, for education and training after the age of 16, for improvements in the skills of the adult workforce, and for individual further education colleges and other providers.

## REALISING REFORM

### Ensuring the best possible start in life

**6.5** The Government's vision for children is one in which every parent can access affordable, good quality provision. This Spending Review provides resources **to create at least 250,000 childcare places including those provided directly within children's centres to advance the Government's lone parent employment and child poverty objectives**, through targeted assistance to providers in areas of market failure.

**6.6** There will also be support for the creation and operation of children's centres in disadvantaged areas. Building, where possible, on existing Sure Start facilities, and other provision, by March 2006, an additional 300,000 children will have access to health, education and other services.

**6.7** In addition to joining up existing services, it is also the intention to simplify funding arrangements, streamline targets and support local and national government to focus on delivering this vision, by giving local authorities an enhanced role in supporting delivery, and by bringing the responsibility for childcare, early years education and Sure Start together in a single inter-departmental unit.

**6.8** All four year olds are now guaranteed a free early years education place and **by September 2004 there will be a free place for all three year olds whose parents want one**. 66 per cent of three year olds already have access to a free place.

### Schools funding reform and floor targets

**6.9** In schools, the Government's priority is to deepen improvements in primary schools, and to transform secondary education. Further substantial investment will be made available in a way that devolves flexibility and responsibility to the front line, supporting heads and giving them freedom to manage.

**6.10** The opportunity for all children to be able to reach their potential is vital to their lifetime employability and to the country's productive potential. To signal the central importance of overcoming the barrier formed by poverty and other aspects of deprivation, the government has set **new school-level floor targets for 11 and 14 year olds**, backed by a catch-up target for those leaving primary school without adequate skills.

**6.11** There is strong evidence that the quality of leadership and middle management in schools is vital for school performance. To back good leadership and help schools in challenging circumstances, the **Government is spending £175 million a year from 2003-04 on a new leadership incentive grant for at least 1,400 secondary schools** in Excellence in Cities areas, Education Action Zones and excellence clusters and other areas which face similar challenges. Where there are weaknesses in leadership or management, the annual £125,000 grant will be conditional on the adoption of a package of leadership reform measures by the school; where leadership is strong the money will be free for heads to spend on the school's priorities.

**6.12** In a further move to empower leadership and deliver reform, **the School Standards Grant – money paid direct to heads – is being considerably expanded, with extra funding from 2003-04 of £325 million revenue capital rising to £375 million thereafter. This means that in 2003-04 a typical primary school will gain a £10,000 increase over the present year, to at least £50,000. A typical secondary school will receive at least £165,000, an increase of £50,000.** Heads will be increasingly responsible for deciding how best to manage the balance of teachers, school assistants and teaching inputs such as Curriculum Online so as to maximise the effectiveness of their school, avoid excessive staff workloads and ensure that all pupils gain from enriched education, tailored to their individual needs and aptitudes. As both the school standards grant and the new support for leadership are being announced on the basis of three-year forward budgets, heads can now plan change and improvement against a firm income base.

**6.13** There will be a considerable increase in Education Standard Spending – an average annual real terms rise of 3.4 per cent from 2002-03 to 2005-06. In addition, specific new funding will support better quality and wider options for pupils in science, maths and enterprise – taking forward the key recommendations of the Roberts and Davies reviews. Further details are set out in Chapter 2.

**6.14** The Government agrees with the central conclusion of the Davies Review that building a deeper and wider entrepreneurial culture must start in schools and colleges. The Spending Review allocates additional resources rising to £60 million a year by 2005-06, to give every child the chance to spend, on average, five days over their school career engaging in quality enterprise activities. The Government will publish its full response to the Davies Review in the autumn.

**6.15** There will also be a significant further boost to modernise school buildings and Information and Communication Technology (ICT) facilities. Spending on school buildings in 2005-06 will be over six times higher than the level recorded in 1996-97. New public-private partnerships will help ensure that broadband and ICT facilities are developed on a more strategic basis.

**Children at risk 6.16** Schools lie at the heart of services for children in every area. The cross-cutting review of children at risk (see Chapter 28) underlined the need for mainstream services to work in a more integrated way, and to focus on identifying problems early, and acting more quickly to support children before difficulties become entrenched. The extra investment in education in

this Spending Review will therefore support the development of extended schools, particularly in disadvantaged areas, providing services such as health and social care, family learning and childcare. It will also enable extension of programmes to address behavioural problems as early as possible, with multi-disciplinary Behaviour and Education Support Teams bringing specialist educational and health service support to clusters of schools; and for learning mentors and learning support.

**A major drive on participation after age 16**

**6.17** In the past, too few young people have aspired to continue in learning after the formal school-leaving age, either because of a lack of financial support or because the curriculum has not met their needs. A quarter of young people drop out of education or training after the age of 16, one of the highest rates in the OECD. This Spending Review supports a major drive on post-16 participation. Following successful pilots – in which participation rose by on average 6 percentage points – **Education Maintenance Allowances will be rolled out nationally from September 2004, providing up to £1500 per year**, depending on household income. The Government will expand vocational opportunities and develop pathways into skilled work, setting a new PSA target that **by 2004 28 per cent of young people will start a Modern Apprenticeship** – with a wider vocational target to be announced in the Pre-Budget Report that includes learning programmes in further education preparing young people for skilled employment or higher education.

**Reforming further education**

**6.18** Effective delivery requires devolution of responsibility matched by accountability. This Spending Review announces **a 1 per cent real terms increase in core funding for further education colleges in return for improved performance monitored by tough new targets, including on engagement with local employers**. The Government will also take a radical look at structures, funding and accountabilities for the provision of skills training, with piloting of regional budget pooling.

**6.19** HM Treasury has given all government departments three-year budgets with 100 per cent end-year flexibility, and these freedoms should be fully devolved to the front line to support strategic planning and flexibility to meet consumer needs. The presumption is in favour of devolution unless there are strong reasons to the contrary. From 2003, a step-change in the funding system for post-16 learning will be made, with three year budgets and 100 per cent end-year flexibility cascaded direct to local Learning and Skills Councils (LLSCs). The Government expects the benefits of these new arrangements to be passed on to colleges, allowing them to plan provision on the basis of local strategic priorities and employer needs, rather than just on the basis of short-term affordability.

**6.20** More fundamentally, as the Performance and Innovation Unit (PIU) report *In Demand* has highlighted, existing funding for adult learning could be developed to provide greater incentives for employers and individuals to engage in training, and there is scope for better coordination at the regional and local level. Consulting widely, in particular with employers, the Government will therefore undertake a fundamental review of the funding for adult learning, to look at better incentives, and how to encourage institutions to be more responsive to employer needs. The review will also consider how current funding arrangements could be reformed to enable Regional Development Agencies (RDAs) to play a full and effective role in developing and implementing regional skills strategies. The review will be completed in time for any new arrangements to be introduced from April 2004. In the immediate future, in order that the regional dimension to skills is strengthened, **from April 2003, pilots will operate in one or two regions whereby budgets for adult learning are pooled between LLSCs and RDAs and co-ordinated in partnership**.

**Higher education 6.21** This Spending Review will further the goal of boosting the UK's international competitiveness in research, while continuing progress towards the target of 50 per cent of young people entering higher education. With real terms increases in total funding per student and targeted pay incentives, institutions will be resourced to improve teaching and tackle pressing problems in recruiting and retaining key staff. Together with increases in the DTI Science Budget, there will also be a significant spending boost for science, with major investment in laboratories and equipment and new resources for leading-edge research (see Chapter 25).

**Adult skills 6.22** Seven million adults have poor basic skills, which hamper their ability to take an active part in everyday life and reduces their opportunities for learning and employment. By 2004, the Government will have helped 750,000 of these adults to achieve a basic standard of literacy and numeracy. This Spending Review allows the Government to stretch this target further, **to help a total of 1.5 million adults with basic skills between 2001 and 2007.**

**6.23** Raising the wider skills of the workforce is critical to a more productive economy. The Government has therefore set itself the ambitious target to reduce by at least 40 per cent the number of adults in the UK workforce lacking NVQ level 2 or equivalent qualifications by 2010.

**Box 6. New PSA targets include:**

- **By 2004, 85 per cent of 11 year olds achieve level 4 or above and 35 per cent achieve level 5 or above, with this level of performance sustained to 2006;**
- **By 2007 90 per cent of pupils to reach level 4 in English and maths;**
- **By 2007, significantly reduce the number of secondary schools in which fewer than 60 per cent of pupils achieve level 5 by age 14;**
- **By 2004, at least 28 per cent of young people to start a Modern Apprenticeship by age 22, with a wider vocational target to be set in the 2002 Pre-Budget Report;**
- **Improve the basic skills of 1.5 million adults between the launch of Skills for Life in 2001 and 2007, with a milestone of 750,000 by 2004; and**
- **Reduce by at least 40 percent the number of adults in the UK workforce who lack NVQ level 2 or equivalent qualifications by 2010, with 1 million adults in the workforce to achieve level 2 between 2003 and 2006.**

## SPENDING PLANS

**6.23** The new spending plans provide for spending on education and skills in England to rise by an average of 6 per cent a year in real terms between 2002-03 and 2005-06. English local authority spending will grow by an average of 3.4 per cent a year in real terms before transfers. Capital investment in education and training in England will rise from £680 million in 1996-97 to £7 billion a year by 2005-06 – of this £1.2 billion will be through the Private Finance Initiative.

**6.24** By 2005-06, UK education spending is forecast to rise to 5.6 per cent of GDP compared to 4.6% in 2000-01.

**Table 6.1: Key figures**

	£ million			
	2002-03	2003-04	2004-05	2005-06
<b>Department for Education and Skills</b>				
Resource budget	20,890	22,338	23,964	26,805
Capital budget	2,303	3,302	3,836	4,379
<b>Total Departmental Expenditure Limit<sup>1</sup></b>	<b>23,167</b>	<b>25,595</b>	<b>27,754</b>	<b>31,137</b>
Local Authority Education SSA <sup>2</sup>	22,503	23,928	25,285	26,828
<b>Total education (England)<sup>3</sup></b>	<b>44,961</b>	<b>49,313</b>	<b>52,717</b>	<b>57,777</b>
Near-cash spending in DfES DEL <sup>4</sup>	23,183	25,599	27,755	31,137

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

<sup>2</sup> Standing spending assessment: subject to spending decisions by local authorities.

<sup>3</sup> DfES DEL, SSA and Educational Maintenance Allowances in AME, excluding administration costs and non-education and skills programmes.

<sup>4</sup> Consistent with previous control basis.

**Table 6.2: UK education spending**

	£ million			
	2002-03	2003-04	2004-05	2005-06
<b>Total UK education spending<sup>1</sup></b>	<b>53,720</b>	<b>58,571</b>	<b>62,871</b>	<b>68,430</b>
Cash spending (estimated) on UK education	53,730	58,620	62,921	68,482
<b>UK education as a proportion of GDP(per cent)<sup>2</sup></b>	<b>5.1</b>	<b>5.3</b>	<b>5.4</b>	<b>5.6</b>

<sup>1</sup> UK figures are subject to the decisions of the devolved administrations.

<sup>2</sup> To ensure consistency with national accounts, the proportion of GDP is calculated using near-cash numbers.

**Table 6.3: Education investment**

	£ million			
	2002-03	2003-04	2004-05	2005-06
<b>Total education investment</b>	<b>3,013</b>	<b>4,061</b>	<b>5,023</b>	<b>5,753</b>
<i>Of which:</i>				
Central government own investment	2,303	3,302	3,836	4,379
Investment grants	710	759	1,187	1,374