

A central objective of the 2002 Spending Review is to build a fairer, more inclusive society that increases opportunity for all. From a secure start in life, as many citizens as possible must be equipped with the right education, training and skills to enable them to make the most of the opportunities of the new global economy. This Review takes forward reforms to ensure that barriers to work are removed, and measures taken to address inequalities. The Government is investing in this Spending Review:

- to **improve the standard of education at all levels**. Spending on education and skills in England will rise by a real annual average growth rate of six per cent in the three years of the Review period;
- to **narrow the educational attainment gap**. The Government is setting new school-level Public Service Agreements (PSA) floor targets for 11 and 14 year olds. There will be a new focus on tackling deprivation through reform of local authority funding systems and a new leadership grant for secondary schools in poorer areas;
- to increase **opportunities for adults**, extending the existing PSA target to improving the basic skills of 1.5 million adults between 2001 and 2007;
- to create **at least an additional 250,000 childcare places by 2006**, and to develop a childcare market in which every parent can access affordable, good quality childcare, through targeted assistance to a wide range of providers, financial help for lower and middle income parents, and more effective delivery of services including through the creation of children's centres;
- to broaden access to services which **help parents to improve their parenting skills**. An allocation of £25 million from the new fund being created to modernise the voluntary sector will fund services delivered in partnership with the voluntary sector to offer early help to parents experiencing difficulties; and
- to tackle worklessness through the **national rollout of Jobcentre Plus by 2006**.

**3.1** The global economy offers new opportunities to those individuals who can access education, training and skills. Britain will only be able to compete globally if the nation ensures that these opportunities are available to all citizens, enabling everyone to realise their potential. This includes maximising the educational opportunities afforded to all by schools and colleges, pathways to skilled work and widening access to higher education. It means developing childcare provision, integrated with early years education, family support and health services, which better meet the needs of children and their parents, and remove barriers to work which confront lower and middle income parents. It entails continuing to implement a long-term employment strategy, which delivers a modern, dynamic and flexible labour market, with more people in work than ever before. The 2002 Spending Review will result in further progress in all these areas, and demonstrate the Government's commitment to building a fairer, more inclusive society.

## OPPORTUNITY AND SECURITY THROUGH EDUCATION

**3.2** Education is crucial to building a prosperous and inclusive society. The Government aims to **raise standards** and **narrow the educational attainment gap** to break the cycle of poverty and disadvantage, and to enable everyone to contribute to the country's prosperity. Children in poorer areas in general have lower attainment than those from better off areas. The gap grows as the child grows older. Overall, for pupils with high attainment in primary school, the difference between the median outcomes of pupils in the poorer and better off areas was as much as 12 GCSE points in 2000 (equivalent to two B grades).

**3.3** This Spending Review reinforces this Government's commitment to education and skills by **increasing spending in England by an average of six per cent above inflation per year** in the three years to 2005-06. The new plans provide for UK education spending to rise to 5.6 per cent of GDP by 2005-06, fulfilling the Government's manifesto commitment to increase the share of national income devoted to education over this Parliament. Building on the successful reforms of the last few years, new measures will help ensure that everyone has **access to educational opportunities** to enable them to fulfil their potential and transform their life prospects.

### Box 2.1: Key PSA targets

#### Education and skills

- By 2006, significantly reduce the number of primary schools in which fewer than 65 per cent of pupils achieve level 4 or above in English and maths by age 11.
- By 2007, significantly reduce the number of secondary schools in which fewer than 60 per cent of pupils achieve level 5 in English, maths, ICT and science by age 14.
- 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.

#### A secure start in life

- In fully operational programmes, achieve by 2005-06: an increase in the proportion of children aged 0 to five with normal levels of personal, social and emotional development for their age; a six percentage point reduction in the proportion of mothers who continue to smoke during pregnancy; an increase in the proportion of children having normal levels of communication, language and literacy at the end of the foundation stage and an increase in the proportion of young children with satisfactory speech and language development at age two years; and a 12 per cent reduction in the proportion of young children living in households where no one is working.

#### Employment

- Demonstrate progress by Spring 2006 on increasing the employment rate and reducing the unemployment rate over the economic cycle.
- Reduce the number of children in low-income households by at least a quarter by 2004, as a contribution towards the broader target of halving child poverty by 2010, and eradicating it by 2020.

#### Fairness for all

- By 2006, working with all departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government's objectives on equality and social inclusion.
- In the three years to 2006, taking account of the economic cycle, increase the employment rate and significantly reduce the difference between the overall employment rate and the employment rate of ethnic minorities.
- By 2006, working with all departments, bring about measurable improvements in race equality across a range of performance indicators, as part of the Government's objectives on equality and social exclusion.

### Investing in schools

**3.4** In schools the Government's priority is to **deepen improvements in primary schools**, and to **transform secondary education**. To help deliver schools reforms, the Government is substantially increasing the School Standards Grant, with an extra £325 million in 2003-04 rising to £375 million thereafter.

**3.5** The Spending Review aims to turn around every failing school. Tough new targets are being set for the number of schools where 11 and 14 year olds do not reach the standard expected for their age. In addition to the SSG increase, 1,400 secondary schools in the most challenging areas will receive a further annual payment of £125,000 from the new leadership incentive grant. This will support good leadership in raising achievement levels. And it will enable schools to replace weak leadership, attract the best teachers and improve school facilities.

**3.6** Funding for schools via local education authorities will rise by an annual real terms average of 3.4 per cent from 2002-03 to 2005-06 and there will be a significant further boost to modernise school buildings and ICT facilities, with spending on school buildings in 2005-06 over six times higher than the level recorded in 1996-97.

**3.7** The Government will expand its **City Academy programme** to offer further help to schools facing severe difficulties, particularly in parts of London. The Excellence in Cities programme will be extended which will mean more learning mentors and Learning Support Units to help pupils at risk of falling behind.

**3.8** There will be **support for schools to develop as 'extended schools'** to provide services such as health and social care, family learning and childcare; and a new programme to address behavioural problems as early as possible based on new multi-disciplinary Behaviour Education Support Teams bringing specialist educational and medical support to clusters of schools needing help, and learning mentor and learning support unit provision to individual schools not covered by existing programmes.

### Investing in further education and adult skills

#### Increasing post-16 participation

**3.9** The rate of participation of young people in learning after 16, is too low. Following this Review the Government will pursue a major drive to increase participation in learning after 16 and ensure that, for the first time, *all* young people will know that they have a real opportunity to develop the skills crucial to both their and to Britain's future.

**3.10** A lack of financial support is one of the biggest barriers to staying in education after 16 faced by many young people. Following successful pilots the Government is introducing **Education Maintenance Allowances** (EMAs) nationally from September 2004. EMAs will provide support of up to £1,500 per year depending on household income. For many young people from low-income families they will make staying in education after 16 a realistic choice for the first time. The Government will also increase core funding for further education by one per cent a year in real terms in return for tough new performance targets.

**3.11** Opportunities have also been denied to young people by the lack of a real, credible, alternative to either a traditional academic route after 16 or low-paid, low-skilled work. The Government will therefore expand **vocational pathways into skilled work**, giving more young people the opportunity to train to world-class standards and to gain the skills to allow them to develop a career rather than just get a job. To drive progress in this area a new target is being set to ensure that by 2004 at least 28 per cent of young people start a modern apprenticeship by age 22. A wider vocational target for 2010 will be announced in the 2002 Pre-Budget Report.

**Opening up opportunities for adults** **3.12** Seven million adults have their opportunities for learning and employment reduced because they lack basic literacy and numeracy skills. Tackling this remains a key priority for the Government. Building on 'Skills for Life', the successful strategy established in 2001, the Government has extended the existing PSA target to improve the basic skills of 1.5 million adults between 2001 and 2007.

**3.13** The Government will also act to help those adults who have been let down by the education system in the past, not only by improving basic skills, but also by working to ensure progression beyond this for as many of our workforce as possible. It has therefore set an ambitious new 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.

**3.14** To support this ambition the Government will also take a radical look at structures, funding and accountabilities for the provision of skills and training from April 2003 Learning and Skills Councils will be given 3 year budgets and 100 per cent end year flexibility. And pilots will operate in one or two regions whereby budgets for adult learning are pooled between local LSCs and RDAs and co-ordinated in partnership.

### Investing in Higher Education

**Widening access to higher education** **3.15** Despite a significant expansion of higher education over the past two decades, too few young people from disadvantaged backgrounds are severely under-represented in higher education. Nearly 80 per cent of the children of higher professional families go into higher education, while the corresponding figure for children of unskilled manual workers is just 14 per cent. This denies many young people the enhanced career opportunities and earning potential that graduates stand to gain. This Spending Review will allow continued efforts to widen and diversify participation in pursuit of the Government's ambition to increase participation in higher education towards 50 per cent of those aged 18 to 30.

**3.16** The Government will ensure that more young people have the right qualifications and skills to enter higher education. Children from low-income backgrounds are especially likely to fail to get five good GCSE passes or continue in education after 16. In schools the Government's priority is to improve the performance of all children and make further progress in narrowing the attainment gap. The introduction of EMAs nationally from September 2004 will encourage more young people to stay in education after age 16 and in turn ensure rising applications to higher education institutions. The 2002 Spending Review will also substantially increase funding to universities. £1¼ billion more for science will be available by 2005-06, together with real terms increases in total funding for teaching, and targeted pay incentives. Universities will have enhanced funds to reach out to students from poorer backgrounds and ensure that they have the support they need to thrive in higher education.

## A SECURE START IN LIFE

**Childcare vision** **3.17** The Government's vision for childcare is one in which every parent can access affordable, good quality childcare. This will mean:

- **developing a thriving supply of childcare**, through targeted assistance to a wide range of providers, many of whom could be based within primary and secondary schools. The Government will also support the creation of the childcare places needed to meet its 2010 objectives of 70 per cent of lone parents in employment, and halving child poverty;

- **providing financial help to lower and middle income parents for whom the cost of childcare is a barrier to work.** The childcare tax credit component of the Working Families' Tax Credit (WFTC) and Disabled Person's Tax Credit (DPTC) provides working parents with generous support towards the costs of approved childcare. This assistance will continue – in an improved, more flexible form – as part of the Working Tax Credit from April 2003, and the Government is committed to keeping the level of support under review; and
- **transforming the way services are delivered to ensure over time the Government better meets the needs of children and their parents, particularly for the most vulnerable, reflecting the early lessons of Sure Start.** The Government's longer-term aim is to establish a children's centre in every one of the 20 per cent most disadvantaged wards. These centres will bring together good quality childcare with early years education, family support and health services. These centres will also act as service hubs within the community for parents and providers of childcare services for children of all ages.

**Childcare Review 3.18** The recent inter-departmental Childcare Review emphasised the importance of childcare to our objectives of extending employment opportunities and tackling child poverty. Childcare also plays a role in meeting other key objectives, including boosting productivity and closing the gender pay gap.

**3.19** The review also highlighted significant benefits to children (particularly young children and those from disadvantaged backgrounds) when good quality childcare is delivered alongside early years education, family support and health services. It also highlighted the need to transform the way in which policy is made and services are delivered to reflect an integrated approach. In response, the Government has decided to bring together the responsibility for childcare, early years and Sure Start within a single inter-departmental unit. The findings of the Childcare Review will be published as a report in the autumn.

**3.20** In support of the Government's vision and incorporating the findings of the Childcare Review, **the new budget for the Integrated Unit will rise to £1.5 billion by 2005-06 and within this, funding for childcare will more than double in real terms between 2002-03 and 2005-06.** This will:

- ensure the **creation of at least 250,000 childcare places by 2006, including childcare provided directly in children's centres.** New funding will be directed towards sustaining provision in the most disadvantaged areas, and will support the growth of full day care and out of school clubs, and provide grants for new childminders.
- **support the creation and operation of children's centres in disadvantaged areas,** building, where possible, on Sure Start facilities and other existing provision. By March 2006 an additional 300,000 children will have access to health, education and other services.

**3.21** This will complement the greater role that schools will be able to play, following the Education Bill, as bases for wider community and family services, including childcare for older children.

**3.22** As well as joining up existing services and merging the relevant units within central government, the Government also intends to simplify funding arrangements, streamline targets and enhance local authorities' role in supporting delivery.

**Sure Start 3.23** Sure Start, which will also become the responsibility of the new unit, works with parents-to-be, parents and children to promote the physical, intellectual and social development of babies and young children – particularly those who are disadvantaged – so that they can flourish at home and when they get to school. Local programmes, supported by the community and voluntary, statutory and private organisations, provide integrated health care, well-being services and early years education to all those families with young children living in Sure Start areas. Over the coming three years, more than 500 programmes will be reshaping existing services and filling gaps in provision to improve outcomes for young children and their parents in disadvantaged areas. Together, these programmes will reach 400,000 young children including around one third of all children under four living in poverty. To secure these benefits for future children the Government has also committed to support Sure Start in the longer term.

**3.24** In order to ensure effective provision in other areas, the Government is funding 50 programmes in rural areas and small pockets of deprivation. Working closely with existing services, these ‘rural and pockets programmes’ will provide integrated services for a further 7,500 children. To extend the benefits of Sure Start across much wider areas, the Unit will also be piloting district programmes, which will integrate best practice in the care of under fours and their parents into mainstream services.

## SUPPORTING PARENTS AND FAMILIES

**3.25** Good parenting and strong family relationships are key factors in providing children with the best possible start in life, helping to balance some of the risks they face as they grow up and achieve their full potential. Being a parent is an important but difficult job – the circumstances in which parents bring up their children can make all the difference.

**3.26** In the 2001 Pre-Budget Report document *Tackling Child Poverty*, the Government recognised that more needs to be done to support parents, so that parents can in turn provide better support for their children. In this Spending Review the Government is providing resources to fund additional support for parents and families, particularly to prevent problems from developing into crises.

**3.27** The cross-cutting reviews of under fives and young people in the 1998 and 2000 Spending Reviews set in train a number of cross-governmental preventive services for children and young people such as Sure Start and the Children’s Fund. The Children at Risk review builds on this work and highlights the need to improve support for parents and families (see Chapter 28). In particular:

- the provision of family support needs to be better coordinated at a local level;
- co-locating services can improve access to key services and provide more effective support for parents;
- the voluntary and community sector is well placed to reach families that need support; and
- parents need more and better access to sources of information.

**3.28** The Government is determined to broaden further access to services which help parents to improve their parenting skills. It is important to intervene early before problems become serious. **The Government will therefore make funding available to sponsor services designed and delivered in partnership with the voluntary and community sectors over three years**, which will offer early help to parents experiencing difficulties within the family.

**National Framework for Parenting Support** **3.29** In the 1998 and 2000 Spending Reviews, the Government introduced a range of programmes that aim to provide support for parents at a national level. In the 2002 Spending Review the Government will build on this work by developing a National Framework to map and improve the support that is available for parents and families at local level. The framework will outline a range of parenting support options that might be needed at different stages in a child's life, with an emphasis on preventing problems from developing into crises.

### Targeted support for vulnerable parents and families

**3.30** The Government has already introduced a number of specific programmes that aim to provide support for parents at the same time as their children, working with the voluntary and statutory sectors, and the local community. Examples include Sure Start, the Children's Fund, and parenting orders. The cross-cutting reviews on Children at Risk and Tackling Health Inequalities (see Chapters 28 and 29) made a number of recommendations for improving the outcomes of children and their families. In this Spending Review, the Government is providing further support for those parents with particular needs.

**Children looked after by local authorities** **3.31** The Government has begun a review of placement choice and fostering with a focus on helping local councils to commission and deliver effective placements and services for looked-after children in their care, with a special emphasis on fostering services. The review will concentrate on the issues that are putting pressure on fostering services and will look at the role and status of foster carers; support, training and rewards; the role of family and friends care; and the need for therapeutic provision.

**Support for family relationships** **3.32** Supporting marriage and stable relationships is also an important part of the Government's commitment to support families. The Lord Chancellor's Department provides support for several national relationship support organisations, such as Relate and One plus One, to help couples trying to save their marriages or other relationships (see Chapter 11). Where relationships do break down, the Children and Family Courts Advisory and Support Service (CAFCASS) helps families deal with the consequences of breakdown with the least possible damage, especially to children, and the Government has allocated additional funding to strengthen its activities.

## OPPORTUNITY THROUGH EMPLOYMENT

**3.33** The Government has set itself a long-term employment objective that by the end of the decade there will be more people in work than ever before.

**3.34** The Government has established and maintained a stable macroeconomic environment, rather than the damaging cycle of boom and bust, which led to people becoming detached from the labour market. But macroeconomic stability alone is not enough to ensure employment opportunity for all – the modern definition of full employment. That is why the Government is pursuing a clear and targeted set of microeconomic reforms to improve the functioning of the labour market – tackling structural unemployment, improving work incentives and addressing the specific problems faced by particular groups and areas.

**3.35** Since 1997 the Government has developed a threefold strategy:

- Welfare to Work policies to prevent the unemployed and inactive becoming detached from the labour market, and to help them move into employment;

- a specific focus on those areas that suffer from particularly high levels of employment disadvantage, with associated PSA floor targets, to ensure that those living in these areas and communities share in the overall employment gains that the country at large has experienced and prospered from; and
- reforms to sharpen work incentives and support families with children, including the introduction of the new Working Tax Credit and Child Tax Credit.

**3.36** This strategy is delivering a modern, dynamic and flexible labour market, with employment at a record high, unemployment at levels not seen since the 1970s, and long term youth unemployment all but eradicated.

**3.37** But the Government fully recognises that significant challenges remain. There are still 1.5 million people unemployed (on the International Labour Organisation definition) and over 4 million on inactive benefits. Of those on inactive benefits, 2.9 million have been in receipt of them for more than two years.

**3.38** That is why the Government has set out to tackle worklessness, not just among the unemployed but also among the inactive. The centrepiece of this strategy is bringing together the Employment Service and Benefits Agency into one unified, work-focused organisation: Jobcentre Plus. **The 2002 Spending Review confirms funding for a national network of fully integrated offices delivering an additional two million work-focused interviews a year.** Offices will be equipped with modern technology providing high-quality information and job vacancies as well as a team of personal advisers to provide people looking for work with advice and support.

**3.39** In addition, the Spending Review provides funding for a number of additional employment initiatives, including:

- extending the Employment Zone approach to lone parents and New Deal returners, and testing new approaches with multiple providers in the same area;
- a demonstration project to test ways of helping people to retain work and advance up the job ladder;
- additional support for those areas and groups, such as the sick and disabled, that face the most serious barriers to work or are most detached from the labour market; and
- enhanced outreach for ethnic minorities.

## FAIRNESS FOR ALL

**Gender 3.40** The Government is committed to building a fairer, more inclusive society in which everyone can contribute to, and benefit from, rising prosperity. This Review includes resources to support a number of measures that will be of particular benefit to women.

**3.41** In addition, the Department for Trade and Industry (DTI) has a new PSA target to bring about measurable improvements in gender equality across a range of indicators by 2006, as part of the Government's objectives on equality and social exclusion. The Department for Work and Pensions (DWP) has also been set a new PSA target to reduce the gap between the overall employment rate and that of disadvantaged groups by 2006.

**Ethnicity 3.42** There are long-standing ethnic inequalities in educational attainment, employment opportunities and life chances generally. The Government is determined to tackle these. This Review:

- sets a revised race equality PSA to ensure that by 2006, the Home Office work with all departments to bring about measurable improvements in race equality;
- includes a PSA target (shared between the DWP and the Department of Trade and Industry) to raise the employment rate of ethnic minorities and reduce the difference between their employment rate and that for the population as a whole;
- provides additional resources targeting the effects of deprivation on educational attainment through reformed Local Authority funding systems (and increased direct payments to schools) to help meet new school-level floor targets, which will benefit ethnic minority pupils;
- **provides £14 million over three years to extend outreach work** to help jobless ethnic minorities access the range of support that is available to help them move into work; and
- provides additional resources for the Advisory, Conciliation and Arbitration Service (ACAS), which will enable it to promote equalities in UK workplaces. ACAS recently took over responsibility for Equality Direct and for the Race Relations Employment Advisory Service, which aims to address a range of equality issues in the workplace.

**3.43** The Performance and Innovation Unit study on improving the labour market opportunities of ethnic minorities will report in the autumn. The report will make recommendations in a number of policy areas reflecting both the diverse nature of the issues involved and the differing labour market experiences and needs of different ethnic groups.

**Disability 3.44** The Government is determined to increase the opportunities for people with disabilities, including those with longstanding health problems, to lead independent and fulfilling lives. This Review:

- includes a **new PSA target for the DWP, reflecting the Government's commitment to improve disability rights** and remove barriers to the participation of disabled people in society, as well as to improve the employment rate of disabled people;
- provides additional resources for the Disability Rights Commission to oversee and enforce the rights of disabled people;
- provides increased funding for employment support, to help those sick and disabled people who are able to work to realise their full potential; and
- from 2003-04 to 2005-06, delivers an average six per cent increase in funding per year after inflation for social services, benefiting the many disabled adults and children that receive support from social services.

