

Dear Colleagues,

27 October 2010

I wanted to write to you today to set out the outcome of the comprehensive spending review and what it means for education and children's services spending over the next four years.

In relation to schools, the budget will rise by £3.6 billion in cash terms by 2014-15. This equates to 0.1% real terms growth in each year of the spending review. We have protected the existing baseline. This means that money allocated for:

- One-to-one tuition
- Every Child programmes
- Extended schools
- School Lunch Grant
- School Standards Grant
- School Development Grant
- Specialist schools grant
- Ethnic Minority Achievement Grant
- National Strategies' budgets that were allocated to schools
- Dedicated Schools Grant
- Academies running costs

will still go to schools but the ringfences will be removed so that head teachers have complete freedom over how this money is spent, consistent with our determination that teachers and head teachers should be free from centrally dictated bureaucracy. We will be able to protect average per pupil funding in cash terms, fund the growth in pupil numbers and provide a pupil premium in each year of the settlement, rising to £2.5 billion by 2014-15. The premium will enable you to provide additional targeted support to the most disadvantaged children and young people.

Whilst we recognise that this will be less than schools have been used to, with the greater freedoms and flexibilities which we are providing to schools it will ensure that we can meet the demographic pressures we face and continue to raise standards. It does however mean that schools will need to make savings of around £1 billion in

back office and procurement to reinvest into teaching and learning. Overall though in the context of the challenging situation which we are in, I believe this is a good settlement for schools.

In relation to early years, we have shown that we recognise the crucial importance that a good early years education plays in children's development. We are maintaining the 15 hours a week of free childcare for all 3 and 4 year olds and extending this entitlement to disadvantaged 2 year olds. We will also be protecting overall cash funding for Sure Start, including our investment in Sure Start health visitors.

Local Authority colleagues will have also seen Eric Pickles' letter dated 20th October 2010 which sets out what the Spending Review means for local government more generally. That letter confirms the introduction of a new, unringfenced Early Intervention Grant to local authorities. This signals our clear commitment to support local authorities and their partners to "horizon shift" by protecting investment in early intervention now which prevents significant cost - to communities and to government - in the future. The grant will amount to around £2bn by the end of the spending period and will include funding for Sure Start and other preventative services for children, young people and families. Further details about the Early Intervention Grant will follow in due course.

Our decision to protect frontline services and to provide help for the most vulnerable and disadvantaged in our society means that we have had to make some difficult choices.

I know that many of you have been disappointed that we have already had to make reductions in our capital spending. In these difficult times there is less money available for capital spending and this means that the Department's overall capital budget will be reduced by 60% over the spending review period amounting to some £15.8 billion in total. We will ensure that all future capital spending is focussed on ensuring that there are enough school places to meet demographic pressures and to address urgent maintenance needs. We have also secured enough funding for all those BSF schools which we confirmed would go ahead in July. The independent review of capital expenditure, which we have commissioned, will ensure our capital expenditure targets those areas of greatest need and provides best value for money.

We are also taking action to streamline our grants to ensure they provide good value for money and target support to those who need it most. We will be:

- Ending the Educational Maintenance Allowance and replacing it with targeted support to those young people who face genuine financial barriers to participation;
- Securing unit-cost reductions in 16-19 learning as we move towards full participation in education by 2015

To help prioritise front line spending I have committed to making a 33% real terms reduction in my Department's administration spending. We will achieve this through closing NDPBs, reducing staff headcount, cutting all non-essential expenditure and reducing the costs of the DfE estate.

I know that you will be anxious to know what these changes mean for your local areas and school. We are working with colleagues in the Department for Communities and Local Government to ensure that we provide the detailed allocations for schools, early years and local government for 2011-12 in December.

Also in the next few months I will be setting out in more detail our vision for the reform of the schools system and services to children. This will include more detail about how we will be investing the money we have secured through this settlement, and working with you to ensure cost-effectiveness of that spend, with a focus on intervening early and targeting disadvantage. To this end we will be publishing a Schools White Paper and a Special Educational Needs and Disability Green Paper.

I know that we will continue to face challenges over the coming years but I am committed to working with you to ensure we continue to improve outcomes for all children and support the most vulnerable and disadvantaged in our society to achieve their potential.

DfE press notice

<http://www.education.gov.uk/inthenews/pressnotices/a0065470/2010/012>

A handwritten signature in black ink that reads "Michael Gove". The signature is written in a cursive style with a large initial 'M' and a long, sweeping underline.

MICHAEL GOVE