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DS Ed,

As you know the Coalition Government is committed to greater transparency. As such I am writing to provide a detailed explanation of spending decisions I have taken since becoming Secretary of State.

First, I can confirm that I am able to protect frontline spending on schools, children's centres and 16-19 provision this year. I know that you have expressed concern that it would not be possible to make a start on reducing our record levels of deficit this year while protecting frontline services. I know you had specific concerns that making in-year savings would inevitably lead to job losses in schools. I am glad to be able to allay these concerns.

I can also confirm that, despite reports in parts of the media, the educational maintenance allowance will be paid in full this year and schools will receive all the money allocated to them for one-to-one tuition and the Every Child literacy and numeracy programmes. We are also able to proceed with the increase in the early years entitlement for three and four year olds to fifteen hours, and we'll be making sure that this reaches vulnerable groups who will benefit most. We will also fund the provision of more than 20,000 places for the most disadvantaged two year olds. We will be looking at how, as resources allow, this could be extended further.

While decisions for future years will be taken with cabinet colleagues as part of this autumn's Comprehensive Spending Review I can confirm that a substantial additional sum of money from outside the education budget will be made available for a Pupil Premium. This will mean extra money for schools which take children from disadvantaged families to pay for smaller class sizes, extra one-to-one tuition, and better qualified teachers.

In order to protect and enhance these crucial frontline budgets I have had to take tough decisions elsewhere. As you know my Department will make a

contribution of £670 million to the £6.2 billion savings announced by the Chancellor and Chief Secretary on 24th May as a first step in tackling the unprecedented deficit we face.

As set out in the Chancellor and Chief Secretary's statement, local government will be asked to make savings of £1.165 billion through efficiency savings and decisions at a local level on how best to protect frontline services for local people. This is equivalent to efficiency savings and waste reduction of 3.6 per cent, to be delivered through local decision making. To give local government maximum flexibility to deliver these savings in year, the Government is this year protecting the £29 billion local government receives through formula grant from the Department for Communities and Local Government, the most flexible form of funding to local authorities. Government as a whole is also removing ringfences to increase flexibility for local authorities to make the right savings decisions for their local areas.

The Department for Education has a significant number of revenue grants to local authorities. We make over £38.3 billion of ringfenced grants, £31 billion of which comprises the Dedicated Schools Grant, with a further £4.8 billion of other ringfenced grants that go directly to schools. £1.7 billion is ringfenced funding for Sure Start. Money that goes to individual schools and core frontline funding for Sure Start is protected.

We also have £1.3 billion that goes to local authorities in area based grant (ABG). This is a form of funding where the Department makes specific allocations to local authorities, but where local authorities have flexibility about how they spend it, for example where spending is discretionary, or where they can deliver statutory services more efficiently and cheaply, they have freedom to deploy resources according to local decisions.

As part of the announced £1.165 billion cut in local government spending, the Department will this year reduce its area based grant to local authorities by **£311 million**. This will help give effect to the overall £1.165 billion reduction, while protecting the most flexible funding to local government through formula grant, and protecting core frontline provision funded through ringfenced grants. This means that local authorities should be able to achieve the necessary savings through efficiencies across their budgets rather than cuts to frontline services.

Further information on the £1.165 billion reduction in local government funding, including our £311 million contribution from area based grant, will be set out shortly by the Secretary of State for Communities and Local Government.

As well as the £311 million set out above, the Department will make savings of **£359 million** from efficiencies, cutting waste, and stopping or scaling back lower priority spending. A full list of how the £359 million savings will be made is set out in the attached Annex.

This concludes the Department's £670 million contribution to the £6.2 billion deficit reduction in 2010-11. However, I am also committed to reviewing all the

Department's spending in order to ensure we are not making unaffordable promises for the future, and that spending is focussed on priorities that best support the Coalition Government's two primary educational objectives – raising standards for all and narrowing the gap between rich and poor.

Having examined my options in depth, I have therefore decided that we will not be able to proceed with the additional free school meal pilots or the extension of free school meals to some primary school children this year – though we will proceed with existing pilots so as to assess better the case for increasing eligibility in the future.

I am sympathetic to the arguments for extending eligibility – though surprised that a decision to do so was taken before any evidence on the impact on attainment could be collected from pilots. I am even more surprised that the sum of £85 million allocated by the previous government to extend free school meals this year, followed by costs of £190 million in 2011-12 and £215 million in 2012-13 falls far short of the true cost of £125 million this year, which my Department estimates will increase in cost to £310 million in 2011-12 and £350 million in 2012-13. I believe this raises wider questions about the veracity of the various promises and assertions made in regard to this Department's spending by Ministers in the last Government. As it stands I am not prepared to risk cuts to frontline budgets to support unfunded promises made under the previous administration.

My priority for this year has to be to invest any savings available within my Department's budget, after our contribution to deficit reduction, in measures that most directly affect attainment for the poorest pupils – my most urgent priority. These will include investment in programmes designed to recruit and retain high-performing graduates and career-changers into teaching in our most challenging schools. Decisions about the future of the free school meals extension will be returned to, with the Chief Secretary and Secretary of State for Work and Pensions, at the Spending Review.

Moving forward I am keen to benefit from work you commissioned at the Department, when Secretary of State, on potential efficiencies in the sector. In the spirit of transparency I would be grateful if you would be prepared to discuss publishing confidential advice given to your ministerial team on the best way to achieve savings, specifically the Handover Report on spending in schools. I am sure that, in the national interest, you will want to do everything possible to help us reduce the deficit in the most sensitive and careful way.

With my good wishes



Michael Gove MP

Annex – breakdown of £359 million savings

Savings	Saving (£m)
Savings from Arms Length Bodies	
TDA - an 11% reduction in TDA's non-Initial Teacher Training budgets this year. This includes a reduction to the agency's marketing and communications spending.	30
National College - a 10% of the current years budget will be made at the National College by making reductions and achieving better value for money across a range of leadership programmes operated by the College	16
School Food Trust - communications	1
CWDC - 10% of the current year's budget will be saved by scaling back on marketing and communications and simplifying the range of workforce programmes.	15
QCDA - savings resulting from ongoing work on the future of its functions	8
Abolition of Becta	10
Communications	
Over 20% reduction in in the Department's central communications budget from moving to better digital communications and reducing communications activities like DirectGov Kids.	5
Reductions in 14-19 and Youth Taskforce communications budgets	6
Reductions in central children and families communication budget	4
14-19	
Ending Activity Agreement and Entry to Learning pilots now lessons have been learned	2.7
Savings from unallocated funding previously earmarked for enterprise education	7
14-19 efficiencies and stopping lower priority projects	4.1
Savings from lower than anticipated take up of the diploma	9
Scaling back support for delivery of Diplomas	13.2
	9
Stop funding the development of the Diploma and related qualifications	
Reducing centrally provided workforce development activity including ending a number of field forces	14
Ending the role of the 14-19 Regional Advisers from September	0.9
Making efficiencies, reducing waste and making savings to lower priority programmes	
Curriculum: Not proceeding with Rose curriculum review implementation, scaling back initiatives on PSHE, Citizenship and RE and savings from communications	7
Savings from lower transitional costs of machinery of government (LSC functions transfer to YPLA)	2

Scaling back plans to roll out the framework for excellence and remove double counting in budgets	1.2
Cancelling last round of grants to Youth Sector Development Fund	8
Saving unallocated money previously earmarked for youth sector support	3
Not proceeding with new cadre of High Performing Specialist Schools	7
Savings from central procurement, IT and research budgets	7
Savings from unallocated money left in the One to One tuition budget once all frontline money has been allocated	47
Savings from unallocated, non frontline money previously earmarked for Playing for Success	1.5
Savings from unallocated, non frontline money previously earmarked for Gifted and Talented	1
Savings and efficiencies from Every Child a Reader, from more efficient administration and from lower take-up than expected of Every Child a Writer	5
Releasing savings from City Challenge reflecting better than anticipated progress in reducing underperformance	8
Scaling back some targeted school improvements, with savings coming from non frontline budgets	2
Underspends from lower take-up on Free Childcare for Training and Learning for Work	10
Funding for joint birth registration - delivering the programme more efficiently	4
Small savings to non frontline spending on Families Information Service and other Families budgets through small efficiencies and savings from communications budgets	4.5
Safeguarding - various small savings from delivering child internet safety more efficiently and from underspends on home safety equipment schem	8
Ending early years buddying and 0-7 partnerships pilots, as good practice becomes mainstream	5
Scaling back some non-capital support for Play, with savings made by targeting of support from the national delivery partner	5
Savings from Learner support for young people (not EMA) through efficiencies in their administration and some lower take-up	5
Efficiencies from improved EMA administration including moving administration online	10
Saving unallocated money within the post-16 participation budget	20
Capital savings	
Saving from Extended Schools capital reflecting the fact that 98% of schools offer extended services.	25
Savings from Specialist Schools capital by no longer offering a capital grant on redesignation of Specialist School Status while maintaining a £7m budget for capital grants on initial designation.	8
Total	359.1