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# 2022 annual report on education spending in England

@TheIFS



# Aims and Overview



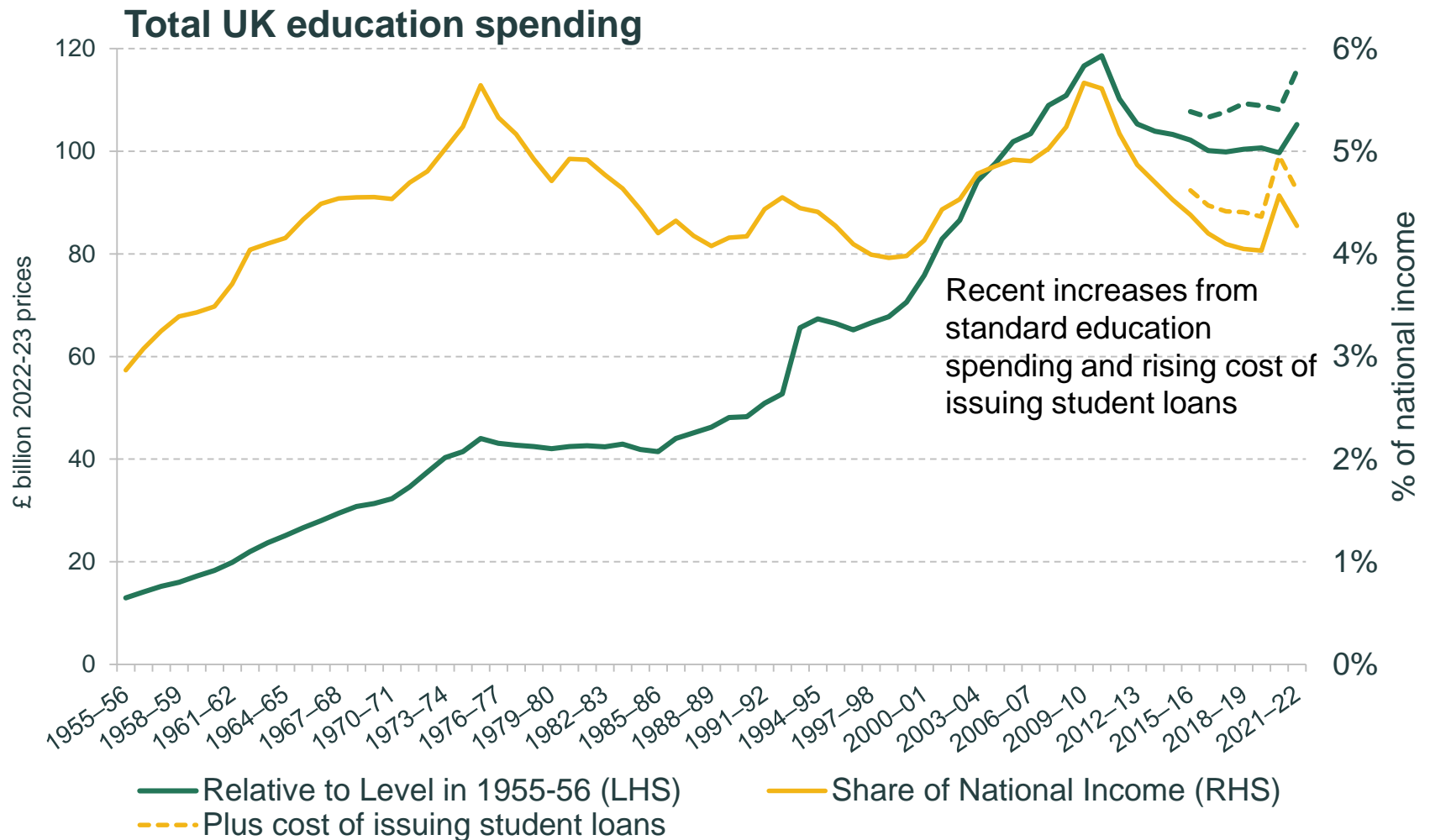
- Aim to provide a clear picture of the levels and changes to spending per student at different phases of education over time
- Dedicated website with all our analysis and latest figures:  
<https://ifs.org.uk/education-spending>

## Key overall conclusions:

- Large cuts to education spending gradually being reversed
- Early years providers facing significant cost rises
- School spending at 2010 levels by 2024
- Partial reversal of cuts to further education
- Significant reforms to HE funding, but declining resources

# 2% fall in education spending since 2010

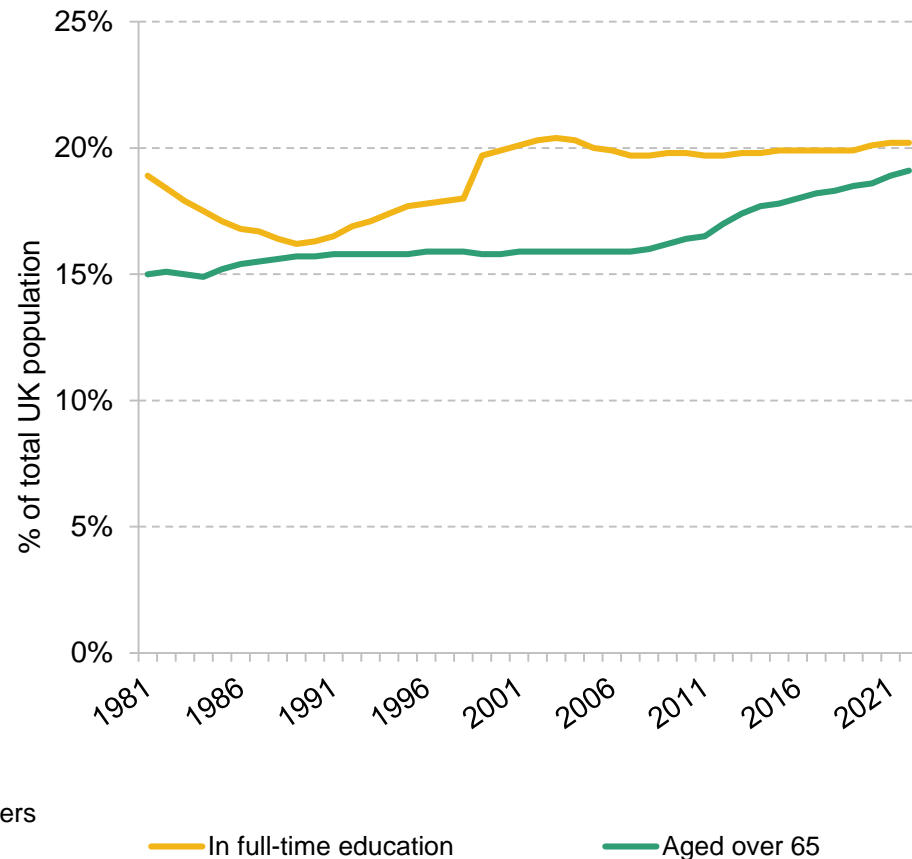
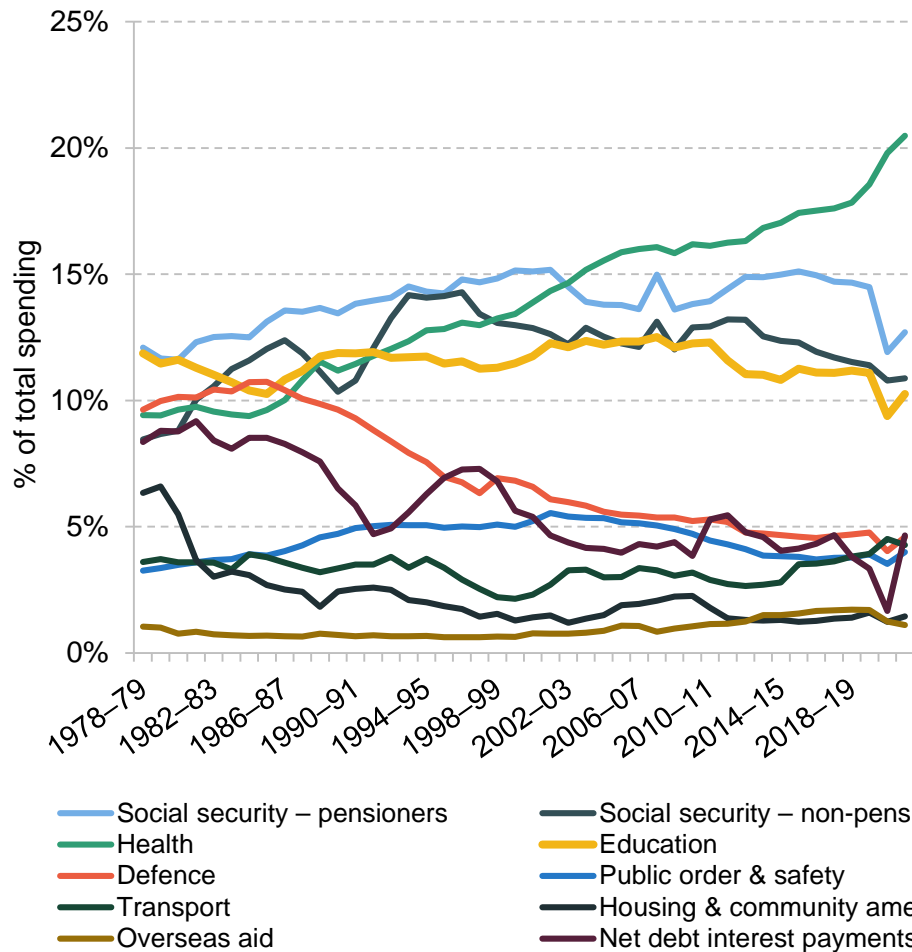
Similar share of national income as in early 2000s



Sources and notes: Annual Report 2022, Figure 2.1.

# Falling share of total spending, but share of population in education remains at high

## Health & pension spending share rises as share of population over 65 rises

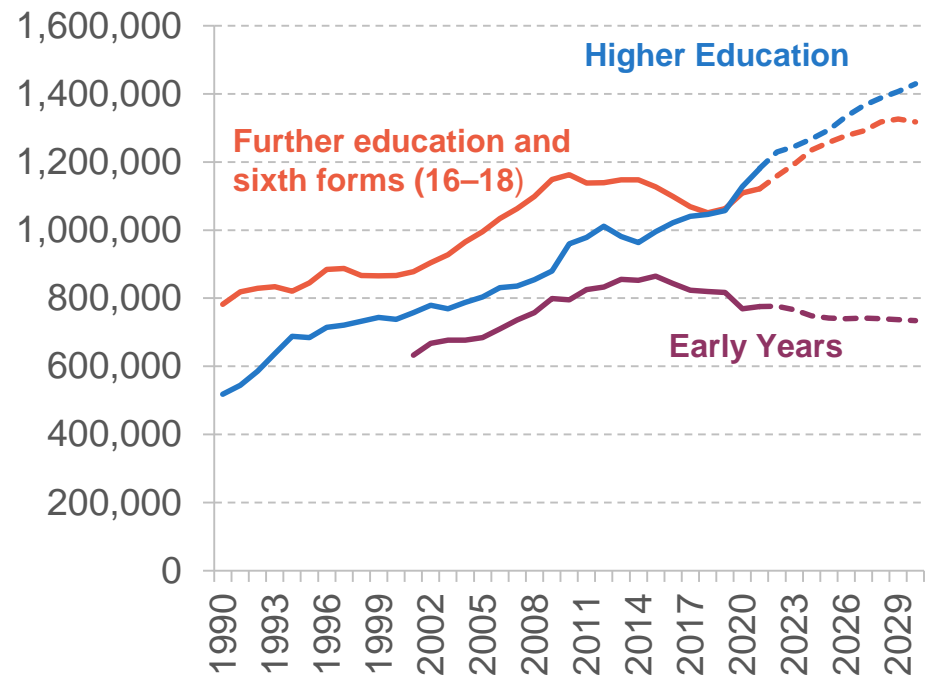
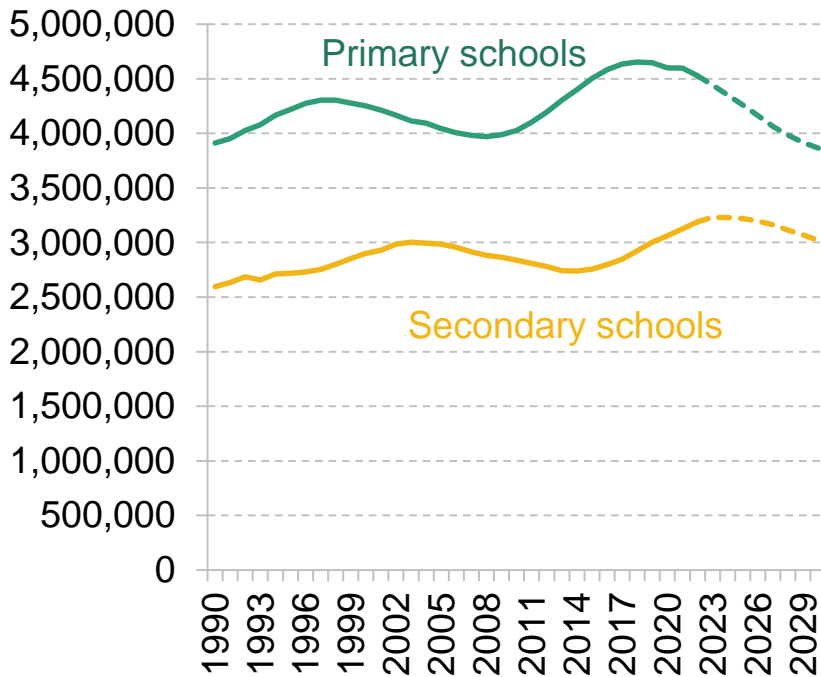


Sources and notes: Annual Report 2022, Figures 2.2-2.3

# Mini baby boom goes into reverse for early years & schools, only just hitting FE & HE



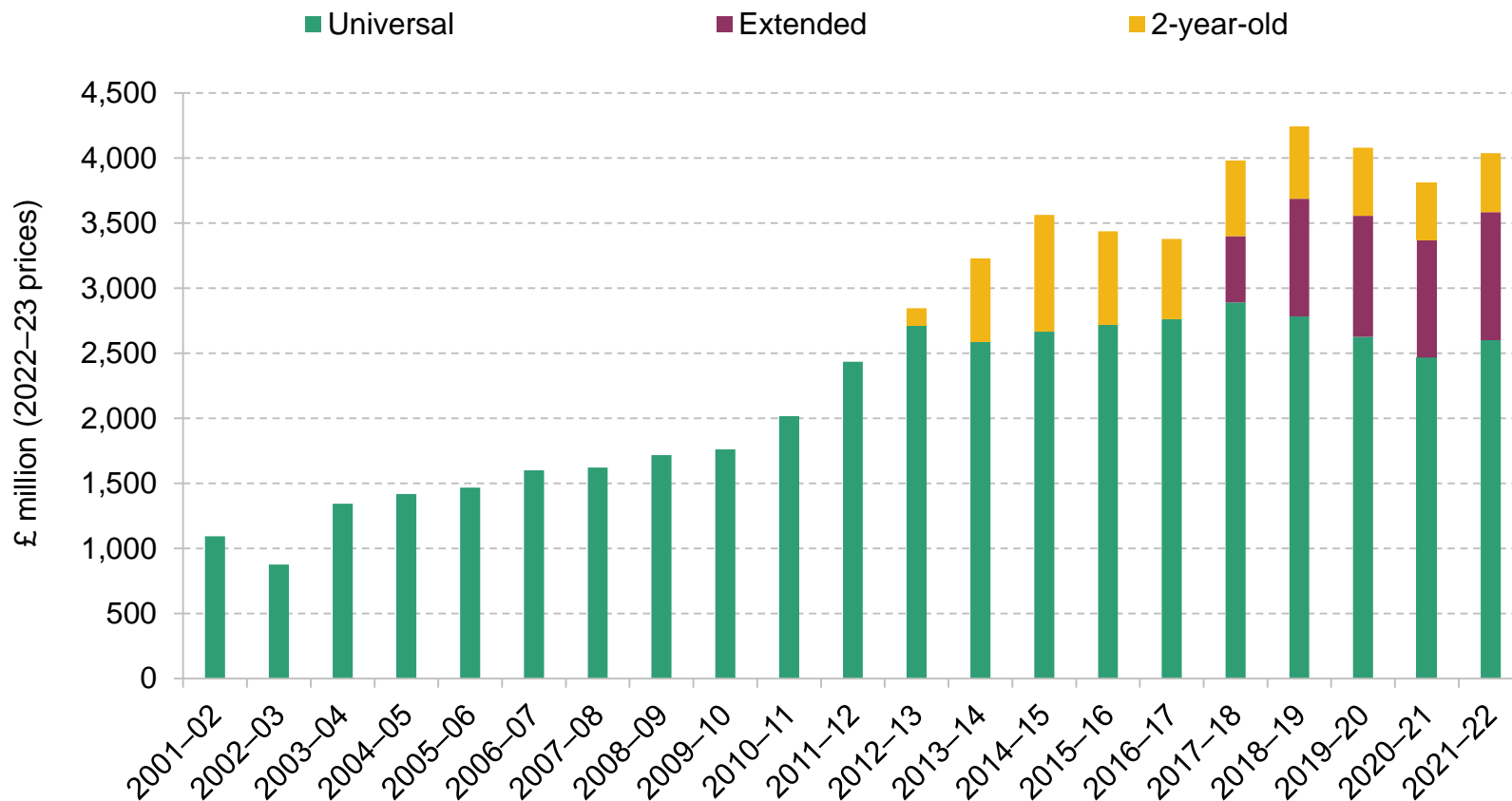
2021-30: Early years pupils to **fall** by 5%, school numbers to **fall** by 11% FE & 6th form student numbers to **rise** by 18%, HE students **rise** by 21%



# Large rise in spending on free entitlement driven by extra hours and extension



Spending per hour up by 28% in real-terms since 2009-10

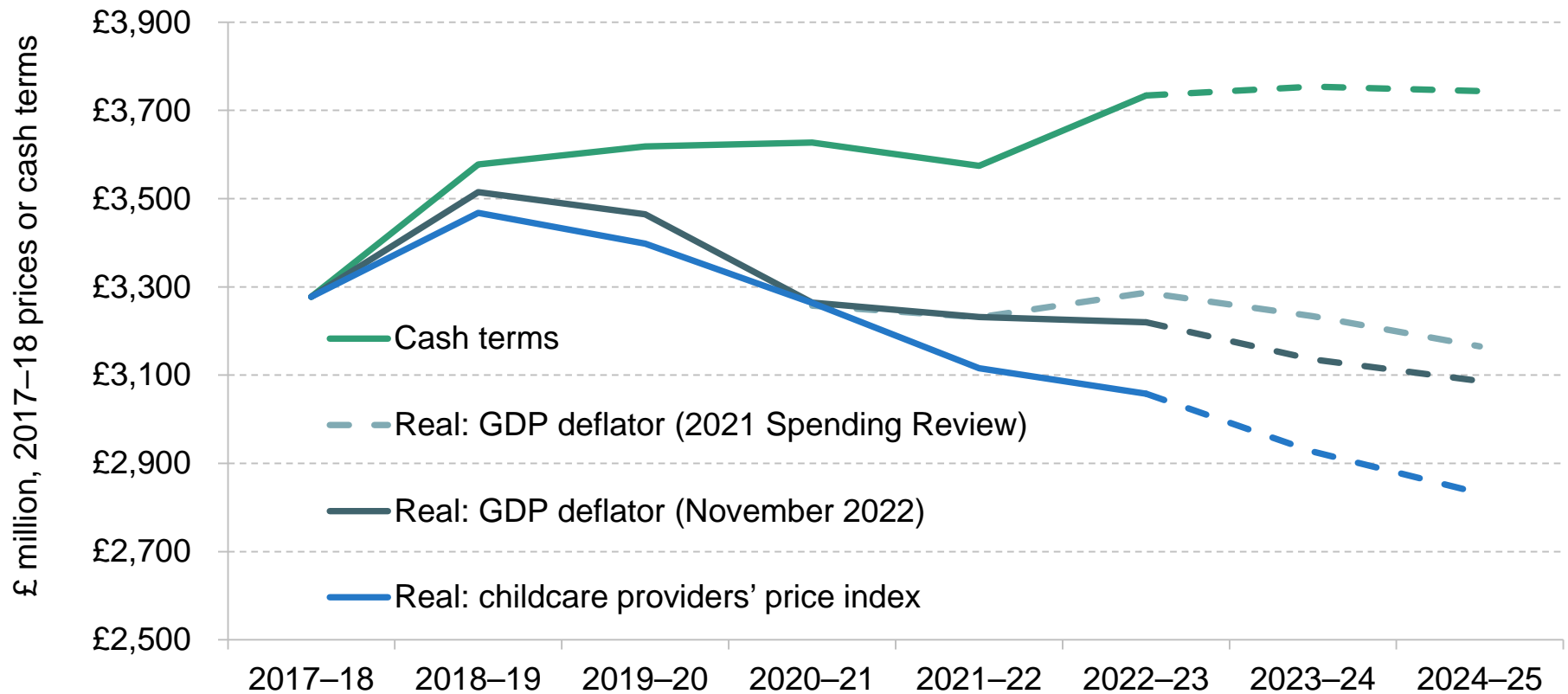


Sources and notes: Annual Report 2022, Figure 4.1

# Rapid rises in cost for early year providers is eroding value of funding increases

Total spending to fall by 9% in real-terms between 2021 & 2024  
Spending per hour funding to fall by 3%

**Total free entitlement funding adjusted for different measures of inflation**

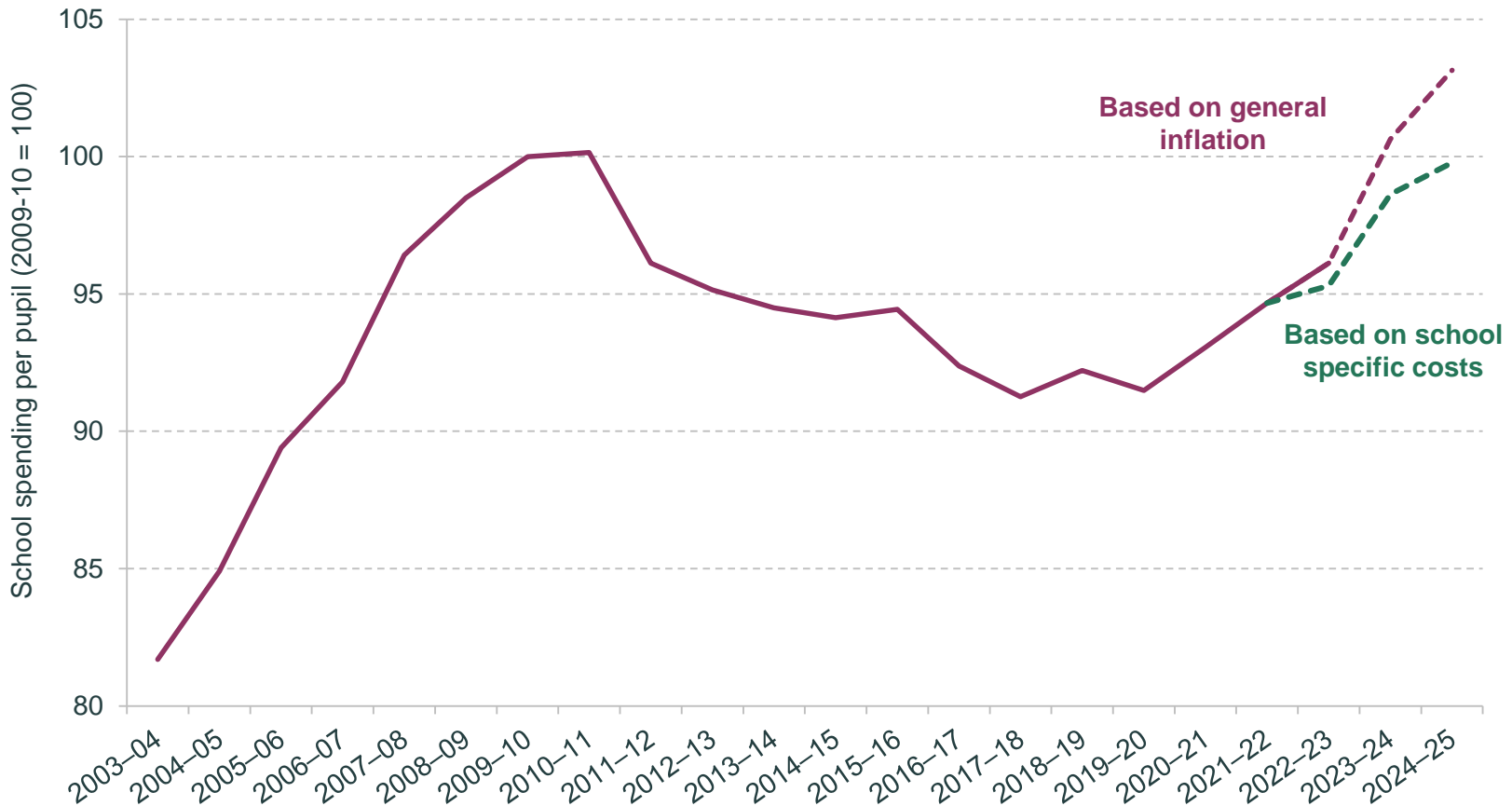


Sources and notes: Annual Report 2022, Figure 4.3.

# With extra £2.3bn, school spending per pupil to return to at least 2024 levels

## No growth over 14 years still a significant squeeze

School spending per pupil in England (2009–10 = 100)



Sources and notes: Annual Report 2022, Figure 5.2.

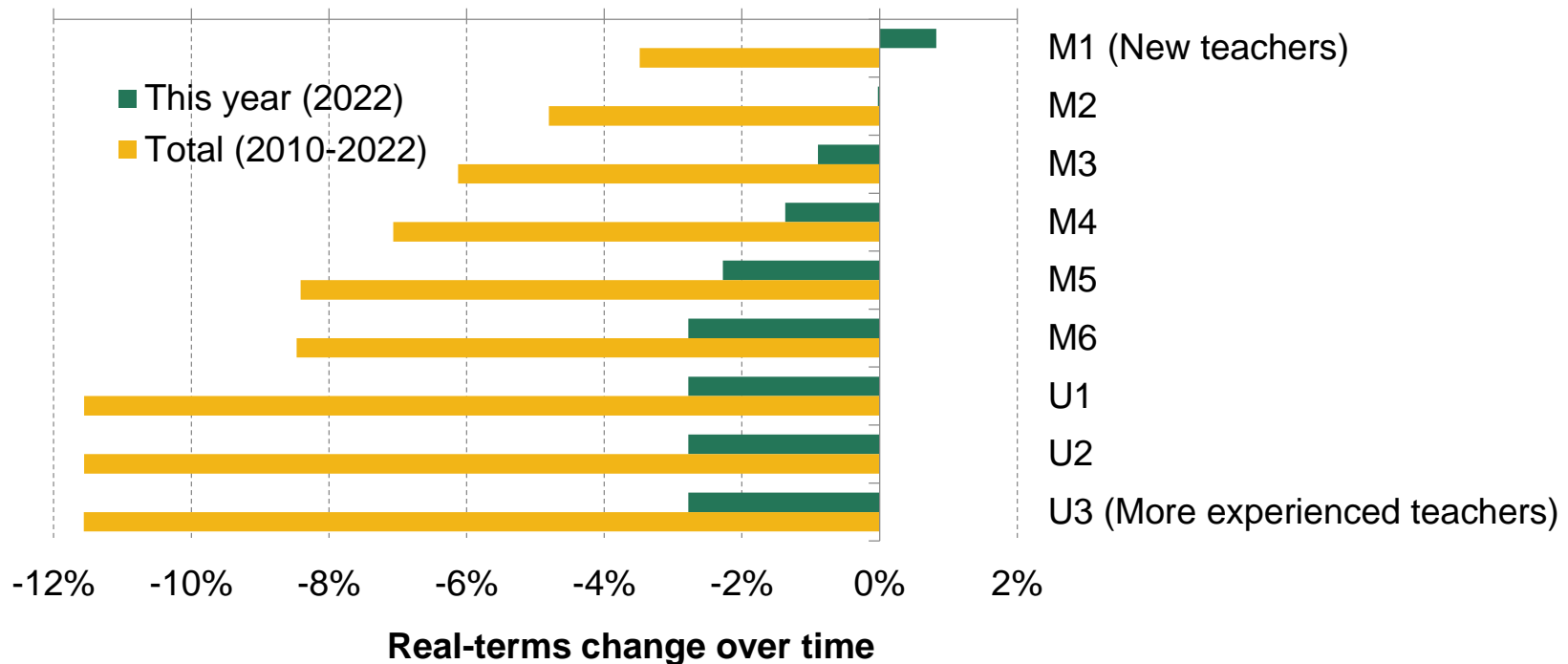


# Most teachers will see real-terms pay cuts in 2022 and 12% total fall since 2010



Harder to address longstanding recruitment and retention problems

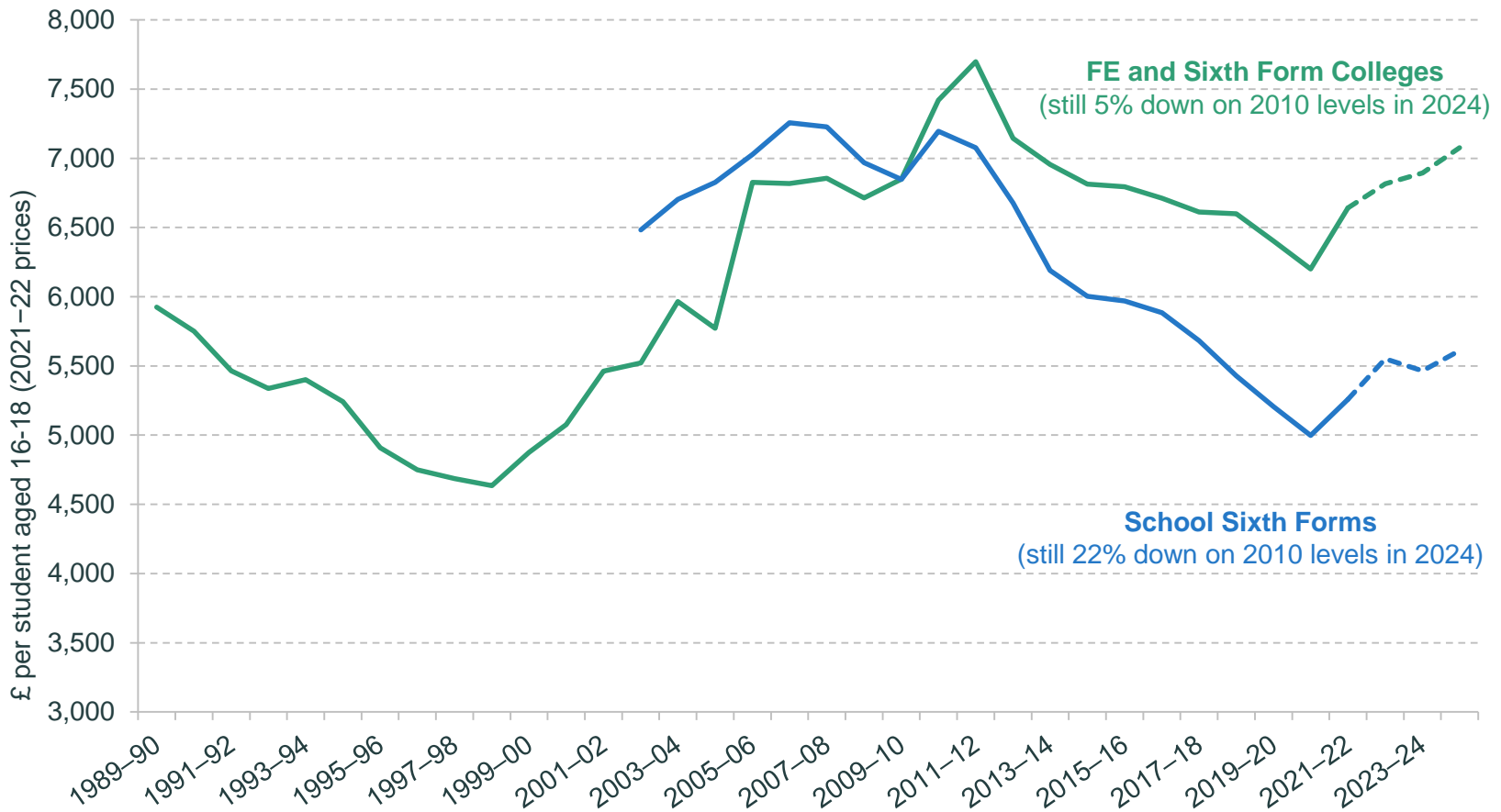
**Real-terms changes over time in teacher salary points: actual and government proposals, CPIH inflation**



Sources and notes: Sibieta (2022), <https://ifs.org.uk/publications/school-spending-and-costs-coming-crunch>

# Cuts to further education and sixth form colleges only partially reversed

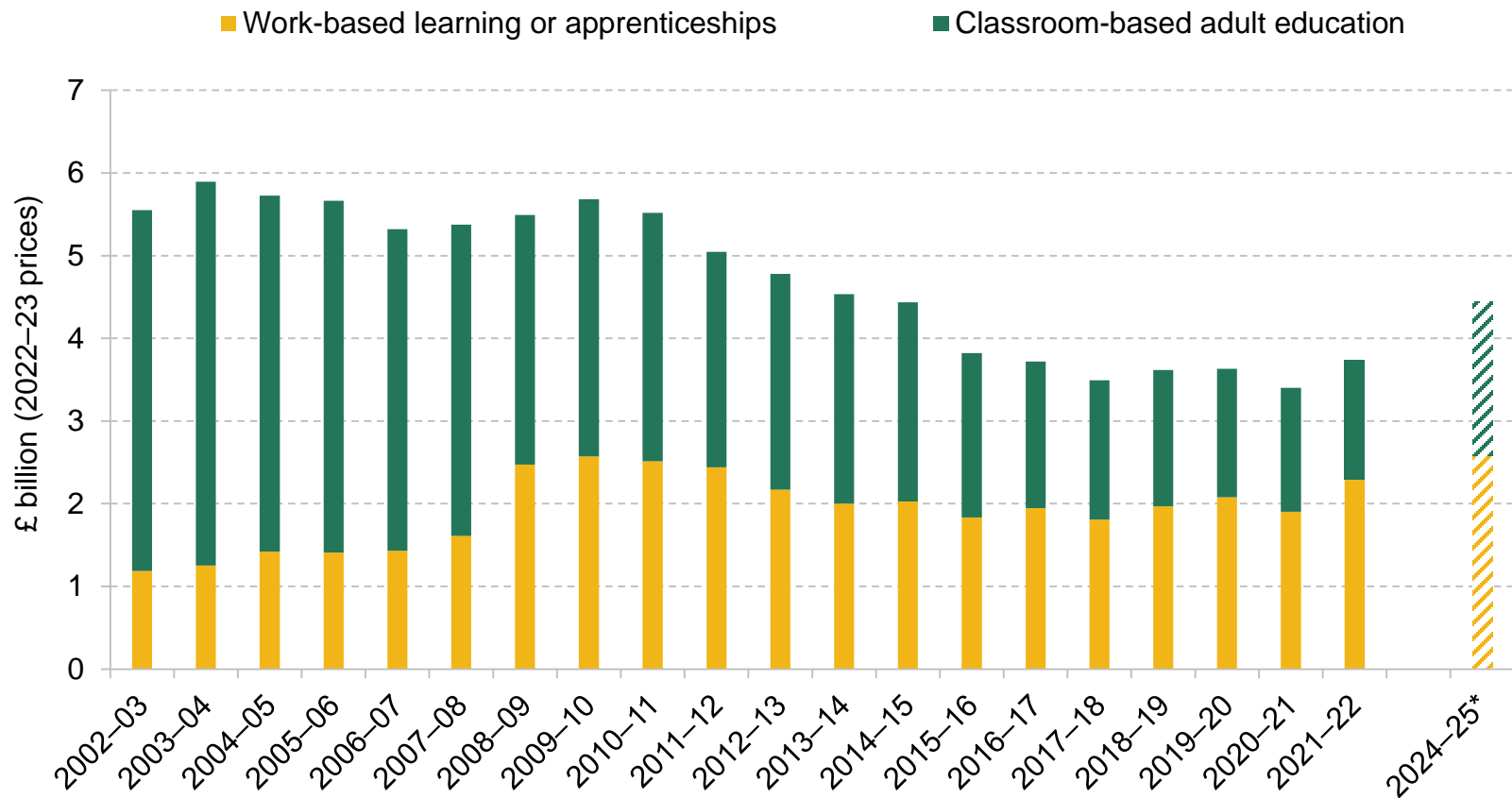
Major challenges: no extra funding to address rising costs, increase in student numbers, pay offer to college staff only 2.5%



Sources and notes: Annual Report 2022, Figure 6.2

# Despite 22% rise up to 2024, total spending on adult skills over 20% below 2009 level

Spending on apprenticeships has remained around £2bn, but numbers down 27% since 2016, with more doing higher-level apprenticeships



Sources and notes: Annual Report 2022, Figure 6.3

## ■ Significant reforms to student loan system

- Large drop in repayment threshold: £25,000 for new students from 2023 and frozen up to 2026 (previous policy: £32,900 in 2026)
- Repayment period extended from 30 to 40 years
- Interest rate cut from RPI+3% to RPI only

## ■ Cash-terms freezes in tuition fees

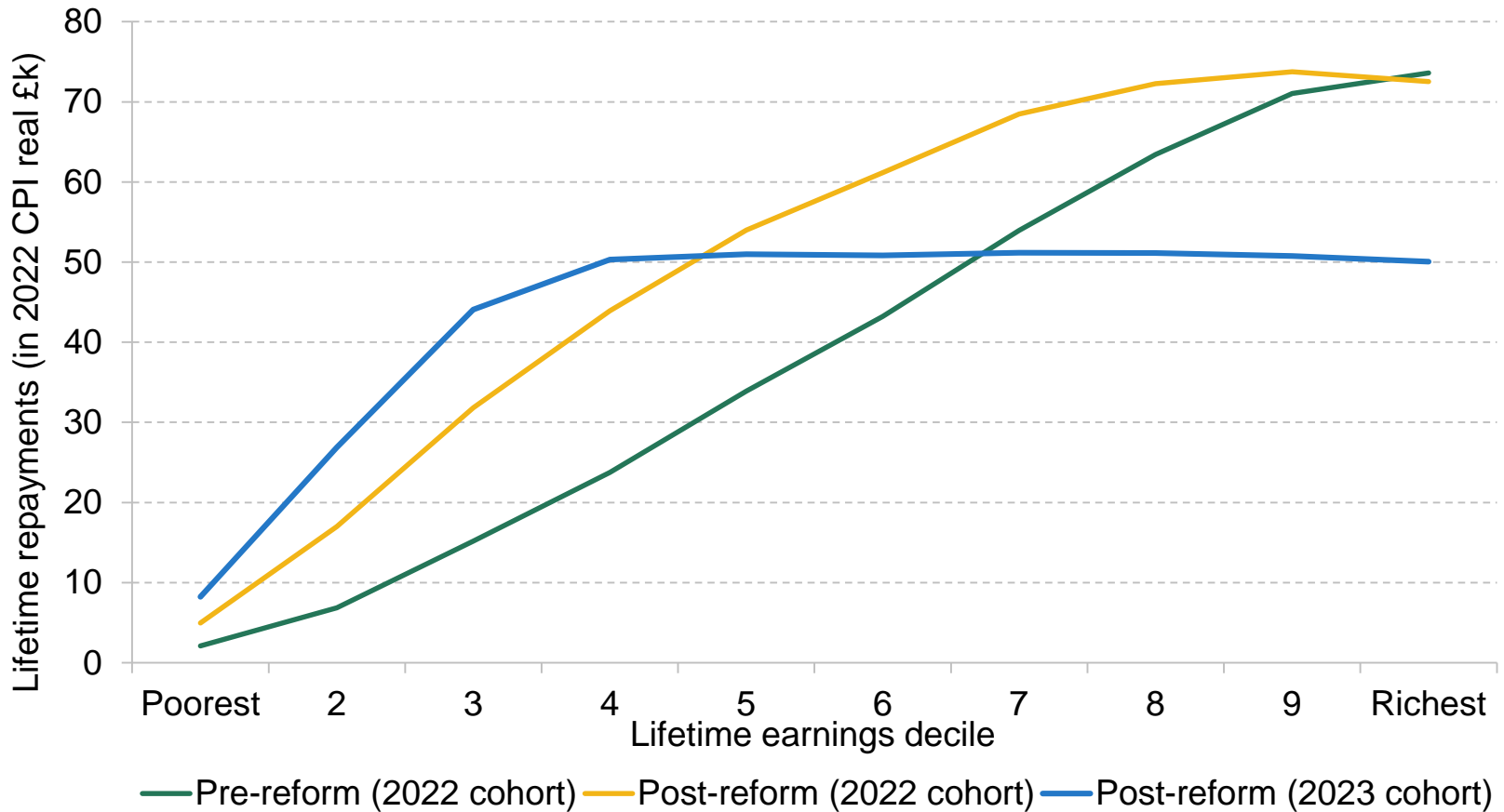
- Cap on fees set at £9,000 in 2012, increased to £9,250 in 2017
- Inflation has been eroding the real-terms value of fees
- 18% drop in real-value of fee cap between 2012 and 2022

## ■ Expected rises in student numbers

- Rise of 13% or 150,000 between 2021 and 2026
- Total increase of 21% or nearly 250,000 by 2030

# Planned reforms to student repayments likely to save about £2.5-£3bn per cohort

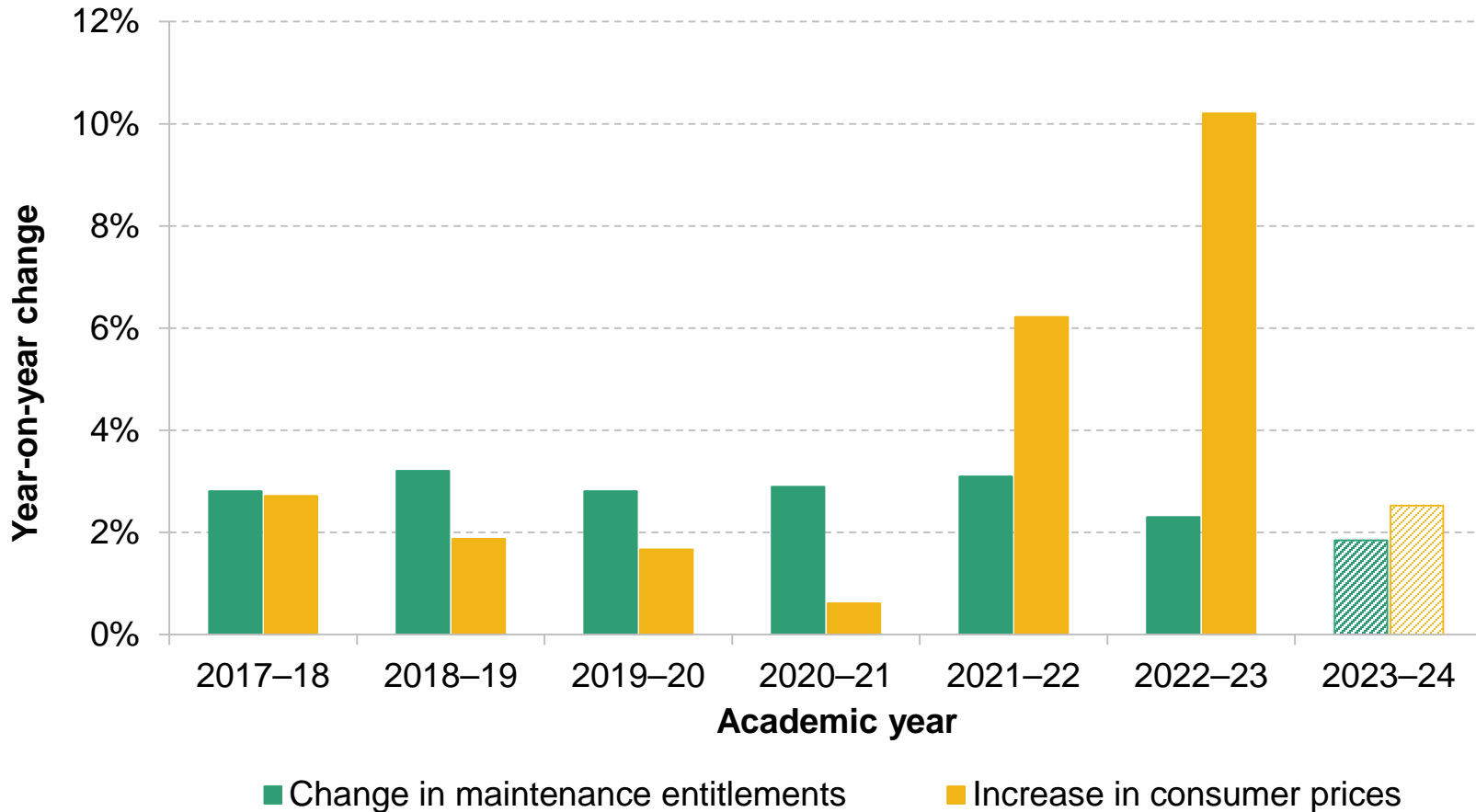
Reduced repayments for high earning graduates, but higher repayments for lower-middling earners



Sources and notes: Annual Report 2022, Figure 7.2

# Increases in student maintenance loans falling significantly behind overall inflation

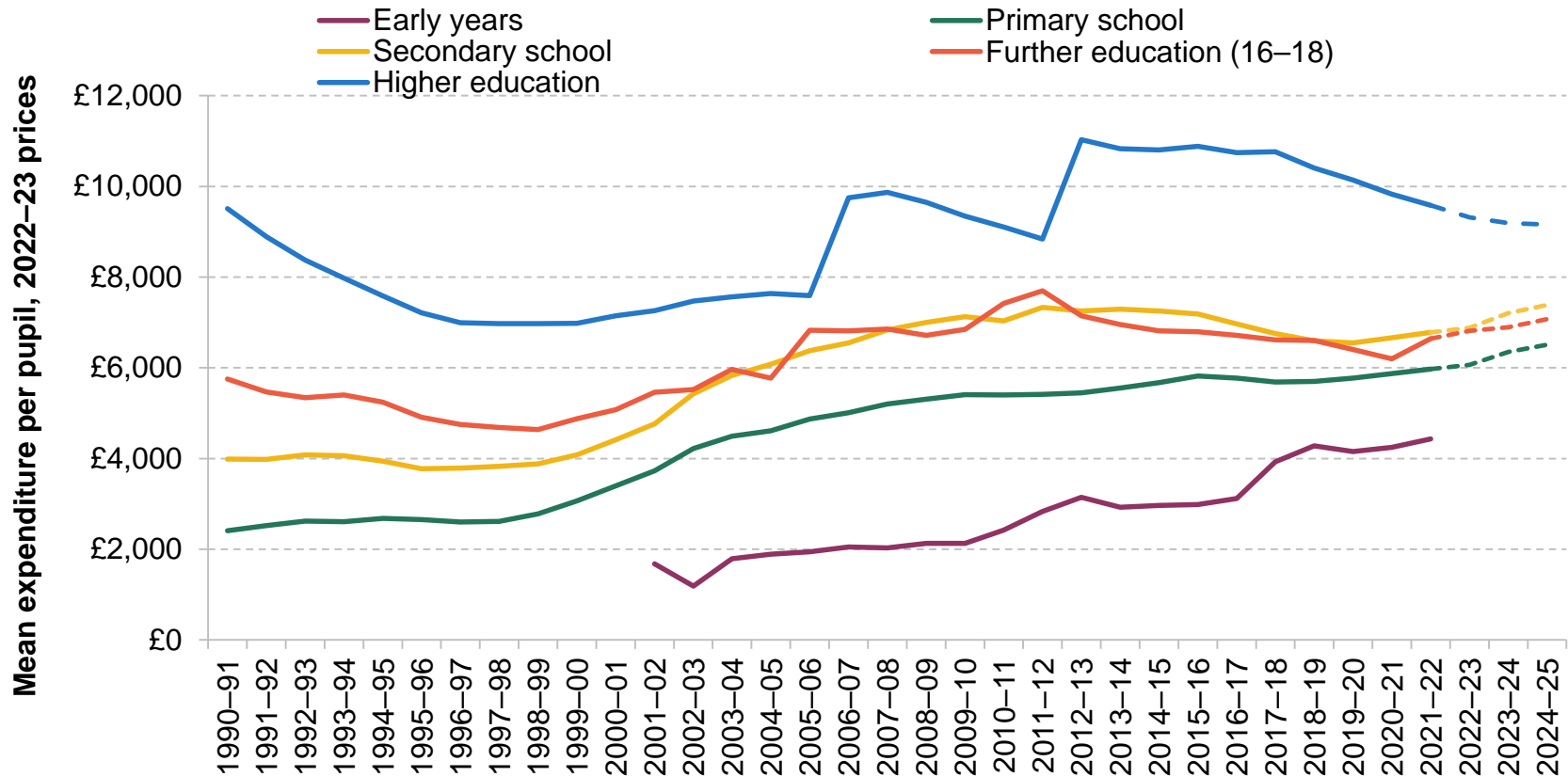
10% fall in value of maintenance support since 2020–21, equivalent to £1,000 less per a year for the poorest students



Sources and notes: Annual Report 2022, Figure 7.4

# Spending per pupil has shifted towards younger age groups over time

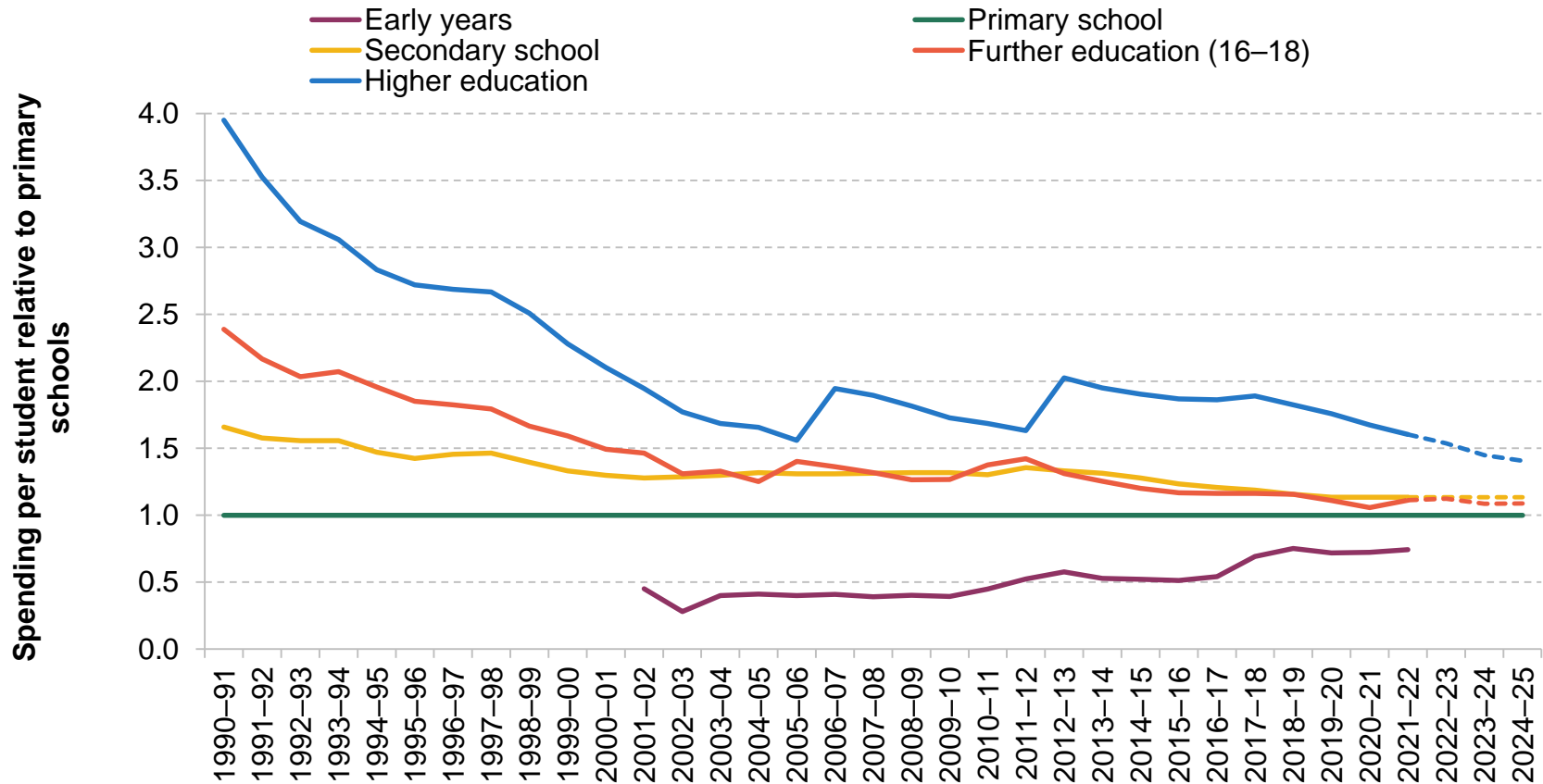
Continued decline in HE spending per student back to 1990 levels driven by cash-terms freezes in fees



Sources and notes: Annual Report 2022, Figure 8.2

# Much smaller differences in spending per student by age over time

## Faster rises in early years and primary schools over time



Sources and notes: Annual Report 2022, Figure 8.2



# Summary of changes and challenges



- **Significant cost rises for early years providers are eroding value of spending on the free entitlement**
  - Falling numbers of young children may allow fixed spending amounts to go further, but low child numbers could create demand problems for providers
- **School spending at 2010 levels by 2024**
  - But with lower levels of teacher pay
  - Financial challenges for schools from falling pupil numbers
- **Further education colleges and sixth forms face biggest problems**
  - Only partial reversal of cuts, no extra funding for rising costs and rising student numbers
- **Significant reforms to HE funding, but declining resources**
  - Reforms will increase contributions from lower-middle earnings graduates
  - But level of resources has been declining and more students are expected

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