

Shaping education funding for the challenges to come

Wednesday 21st January
10:30 - 12:00



Aims and Overview



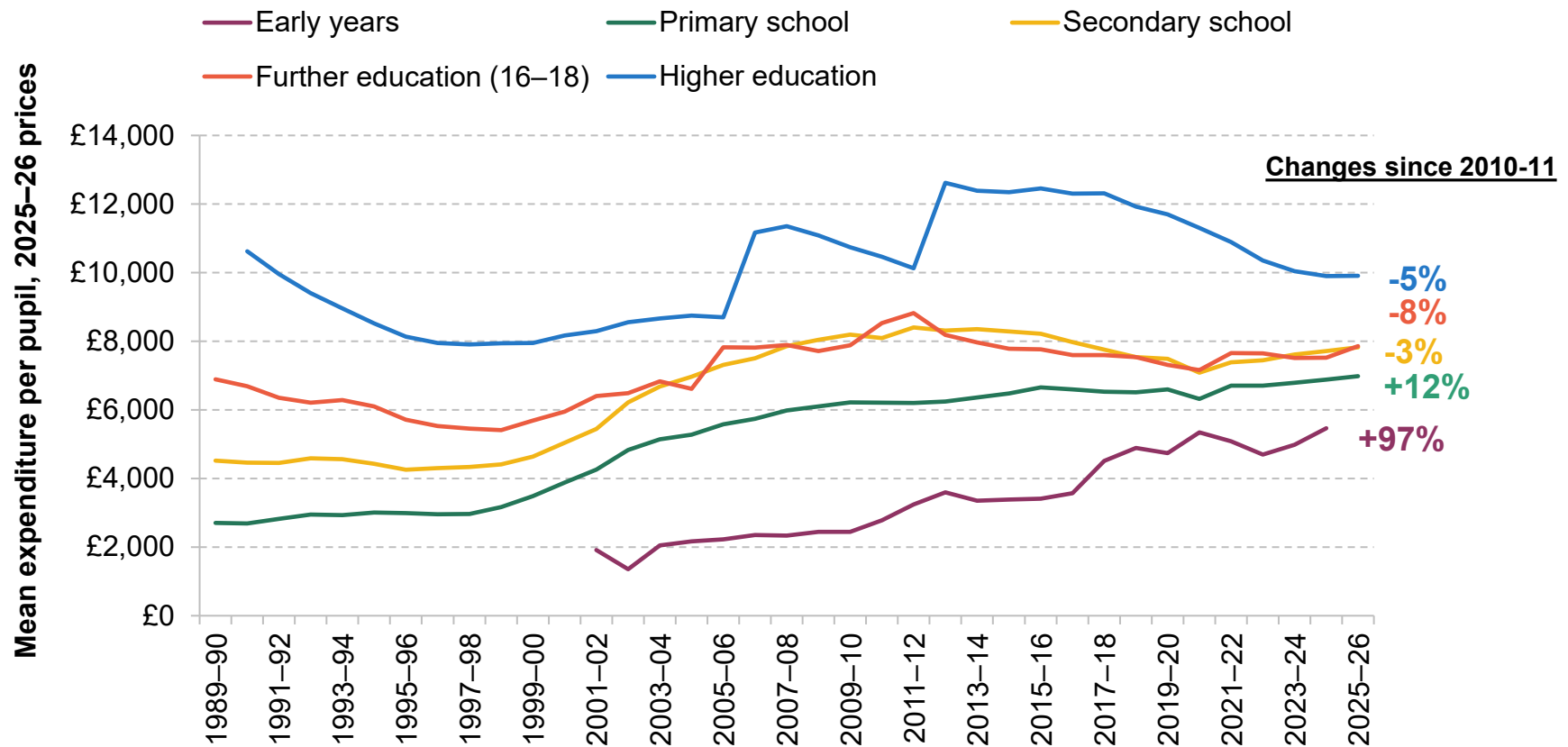
- Aim to provide a clear picture of the levels and changes to spending per student at different phases of education in England over time
- Dedicated website with all our analysis and latest figures:
<https://ifs.org.uk/education-spending>

Key findings:

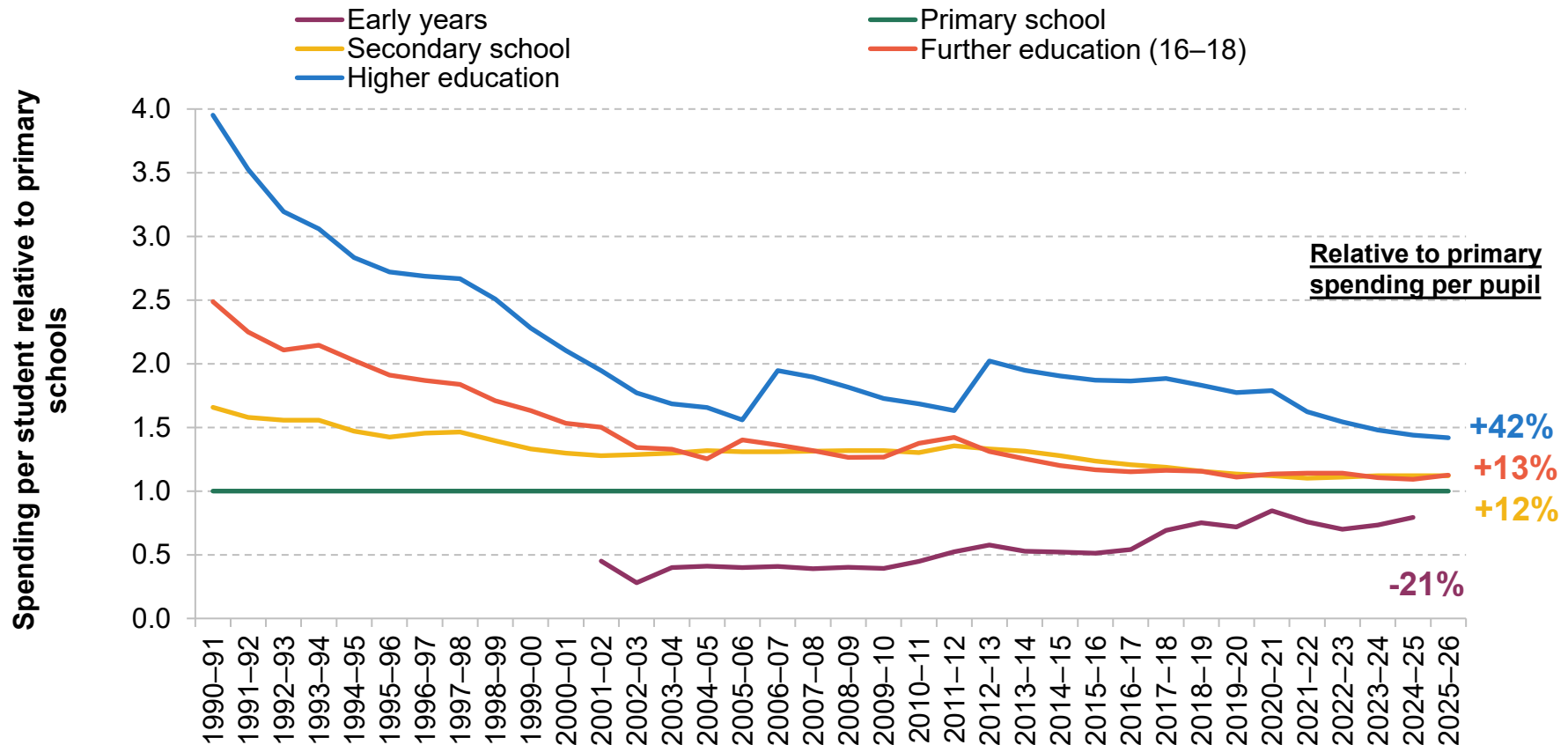
- Big increases in early years funding are a significant extension of state
- Increases in school funding increasingly taken up by SEND spending
- Partial reversal of cuts to further education and sixth forms
- A bit more stability in HE funding, but graduates paying more

Falls in spending per student across most IFS stages of education since 2010

Early years is main exception, with further planned rises up to 2028
Decline in HE spend per student arrested by inflation-linked fee rises



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





Schools

- **Large increases in total school funding over time**
 - Mostly accounted for by pupil numbers, high-needs & pensions/NICs
 - Improved methods to remove (rising levels of) early years funding and enable comparisons with core schools budget

Spending per pupil getting back to 2010 levels

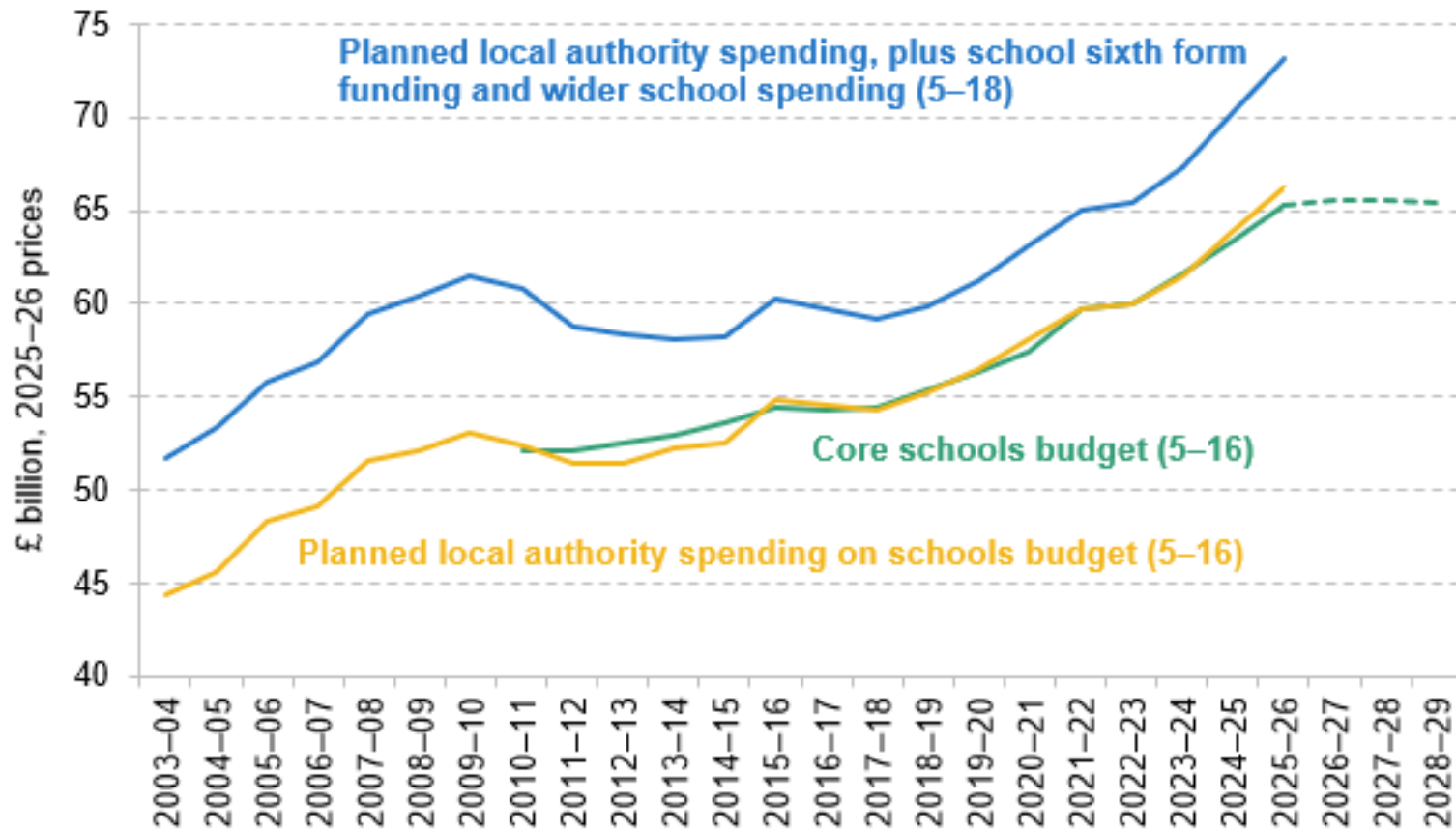
Rising spending on SEND is the most important pressure on the school funding system

Very tight picture on mainstream school budgets and costs

Total funding up £9bn or 16% since 2019

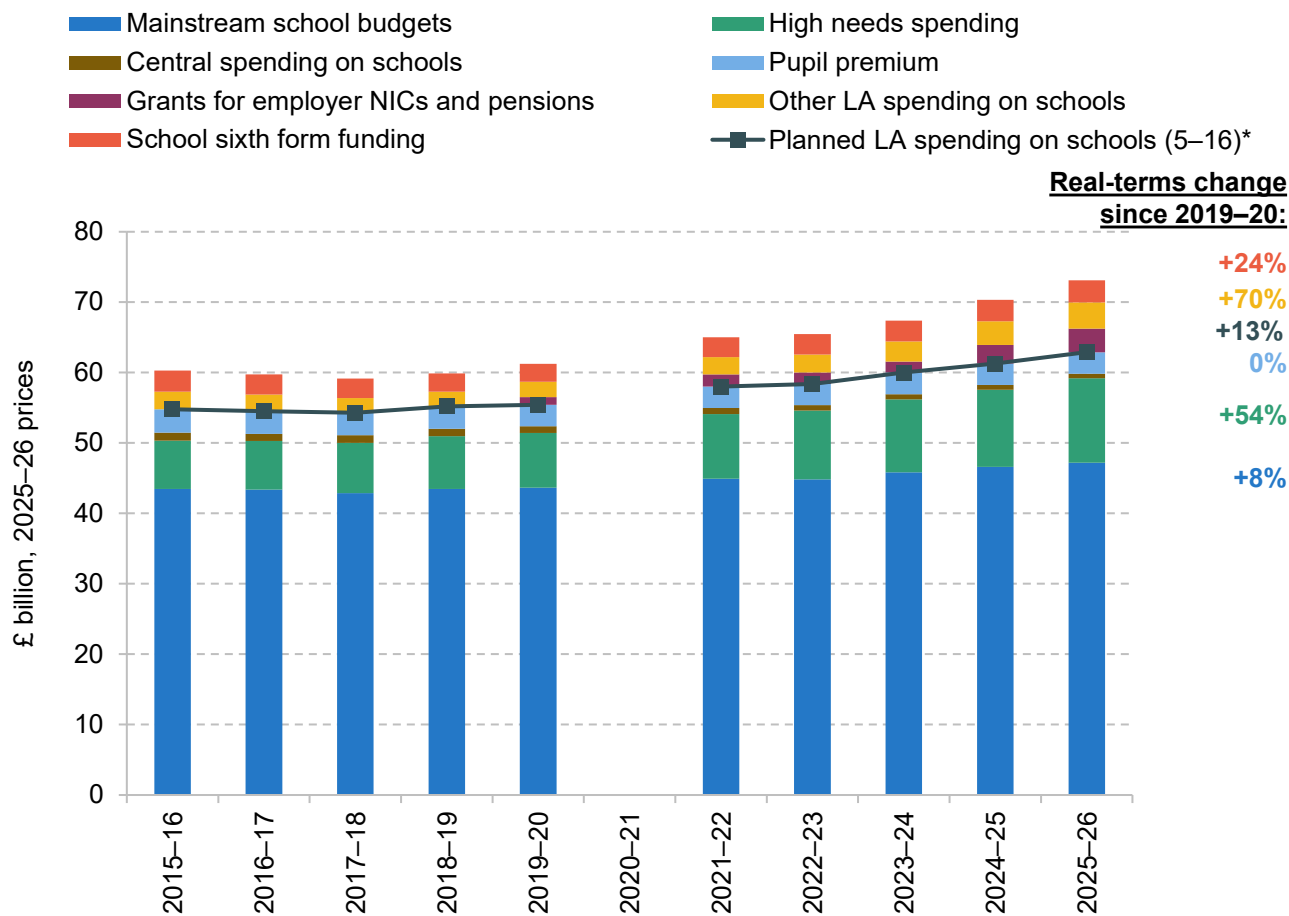
£12bn or 19% rise on wider measure of school spending

School budget due to be frozen in real-terms over 2025 SR



Smaller rise in mainstream school budgets

£3.3bn to compensate for employer NICs & pension contributions
 Rapid rises in high-needs spending accounts for 60% of growth
 in total funding

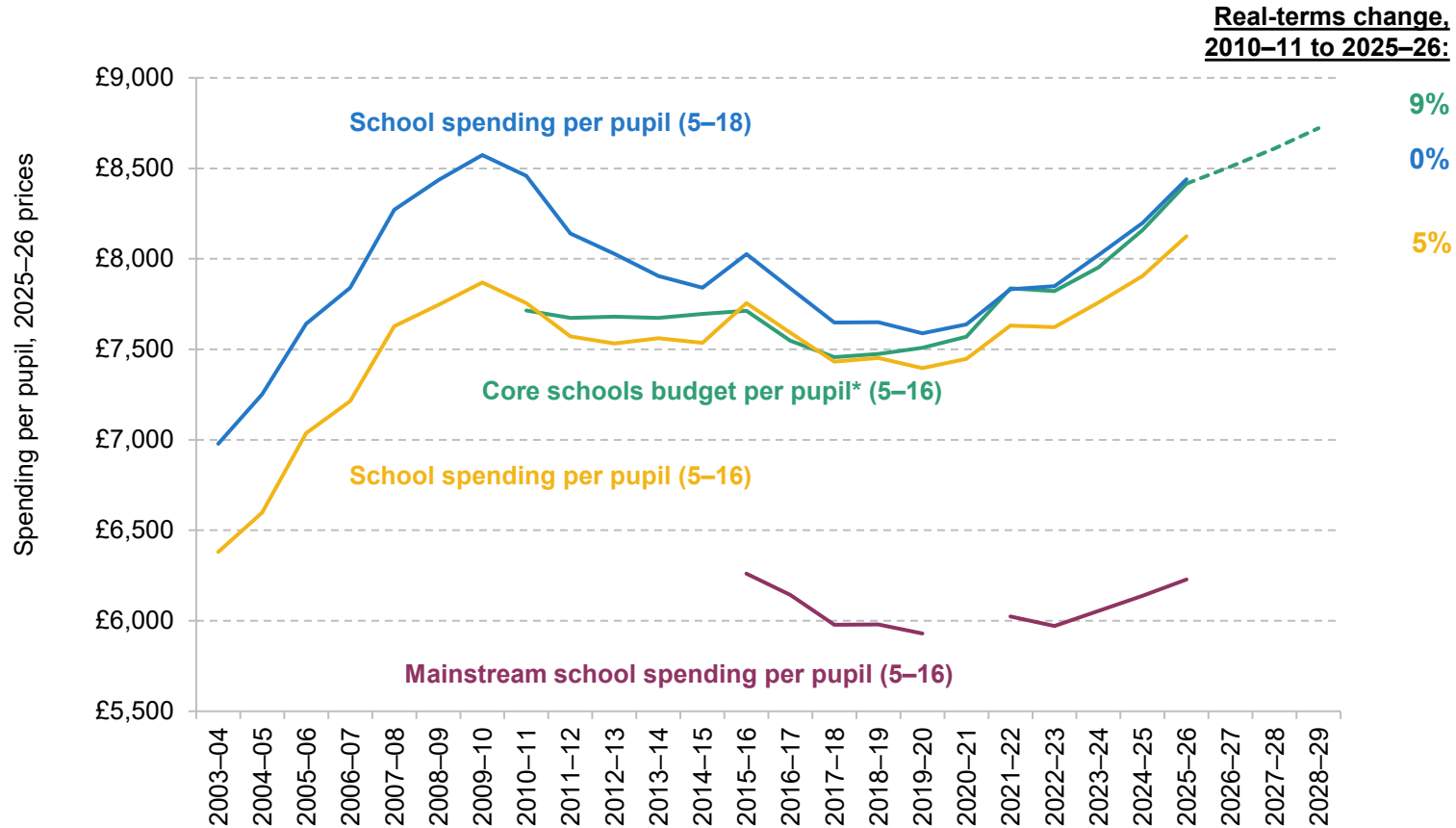


Spending per pupil back to 2010 levels

5% higher after excluding pensions and NICs funding

Back to same level with sixth form funding and wider LA spending

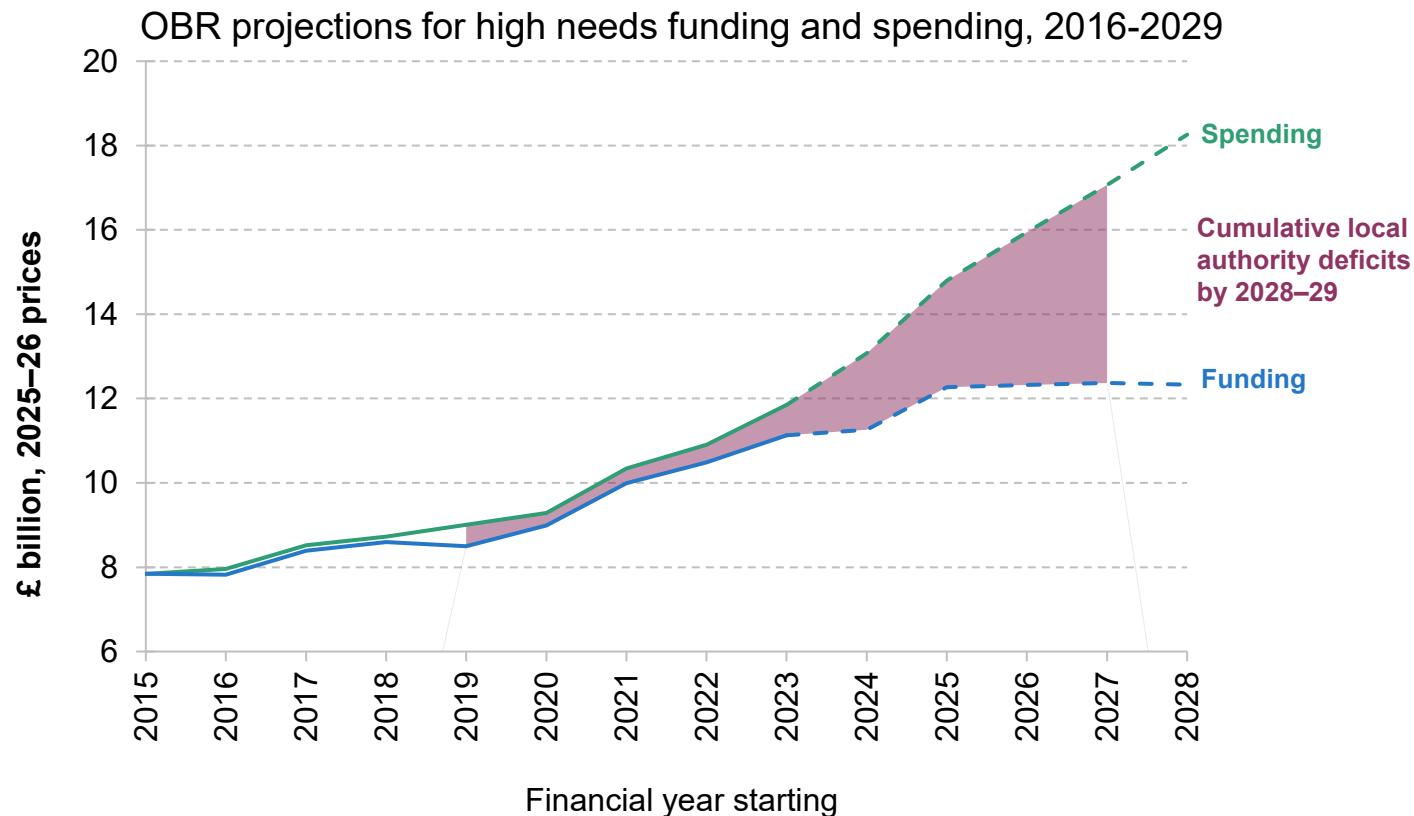
Mainstream school budgets per pupil unchanged on 2015



£6bn funding gap for SEND in 2028

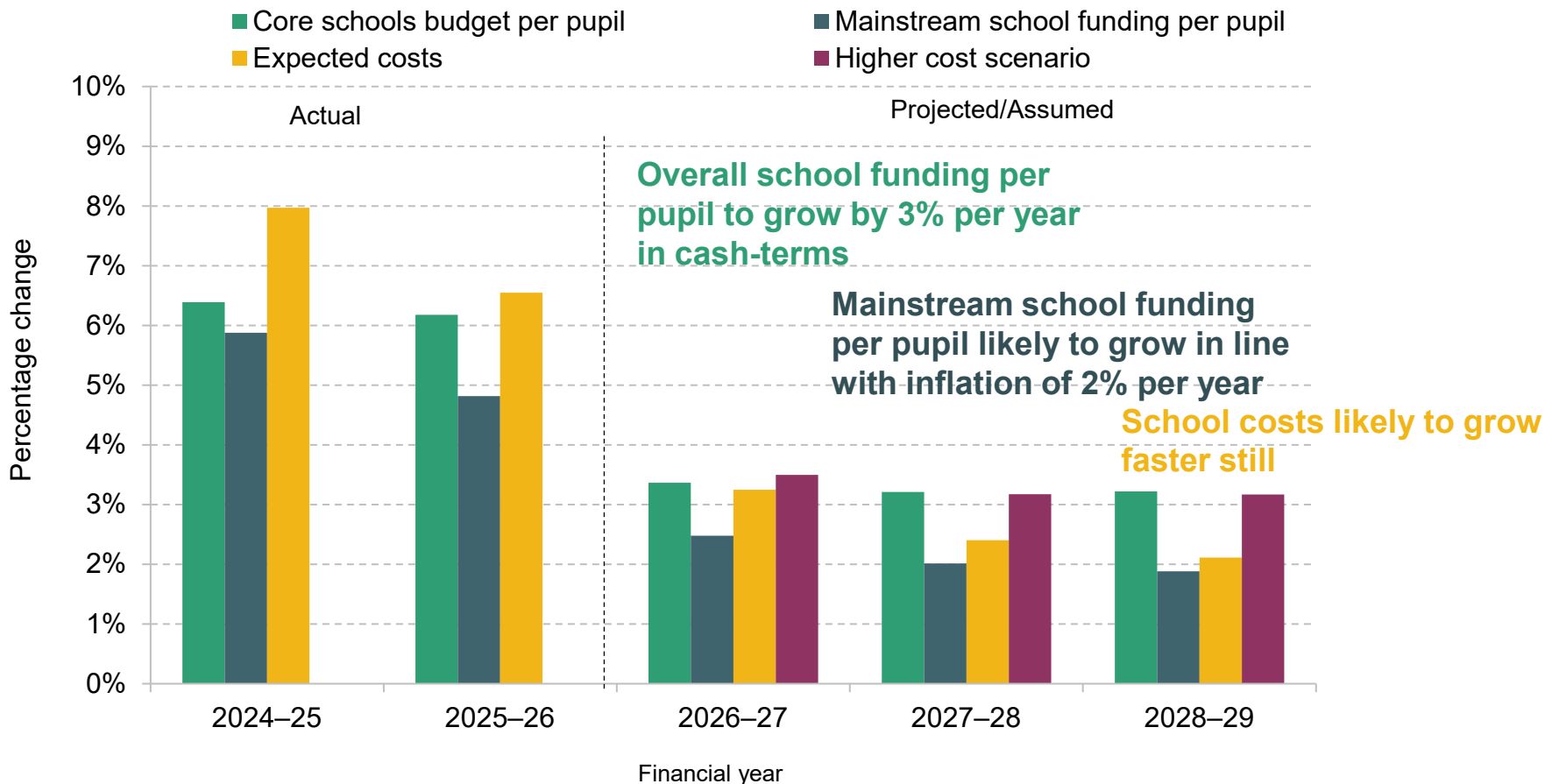
3 main options for government to fill this gap

1. Slow growth in SEND spending
2. Increase the schools budget - £6bn is 9% of schools budget
3. Squeeze mainstream school budgets - £6bn is 11% of mainstream school budgets



Mainstream school funding per pupil projected to grow by less than costs

Estimated and projected cash-terms growth in school costs and funding over time



Schools Summary



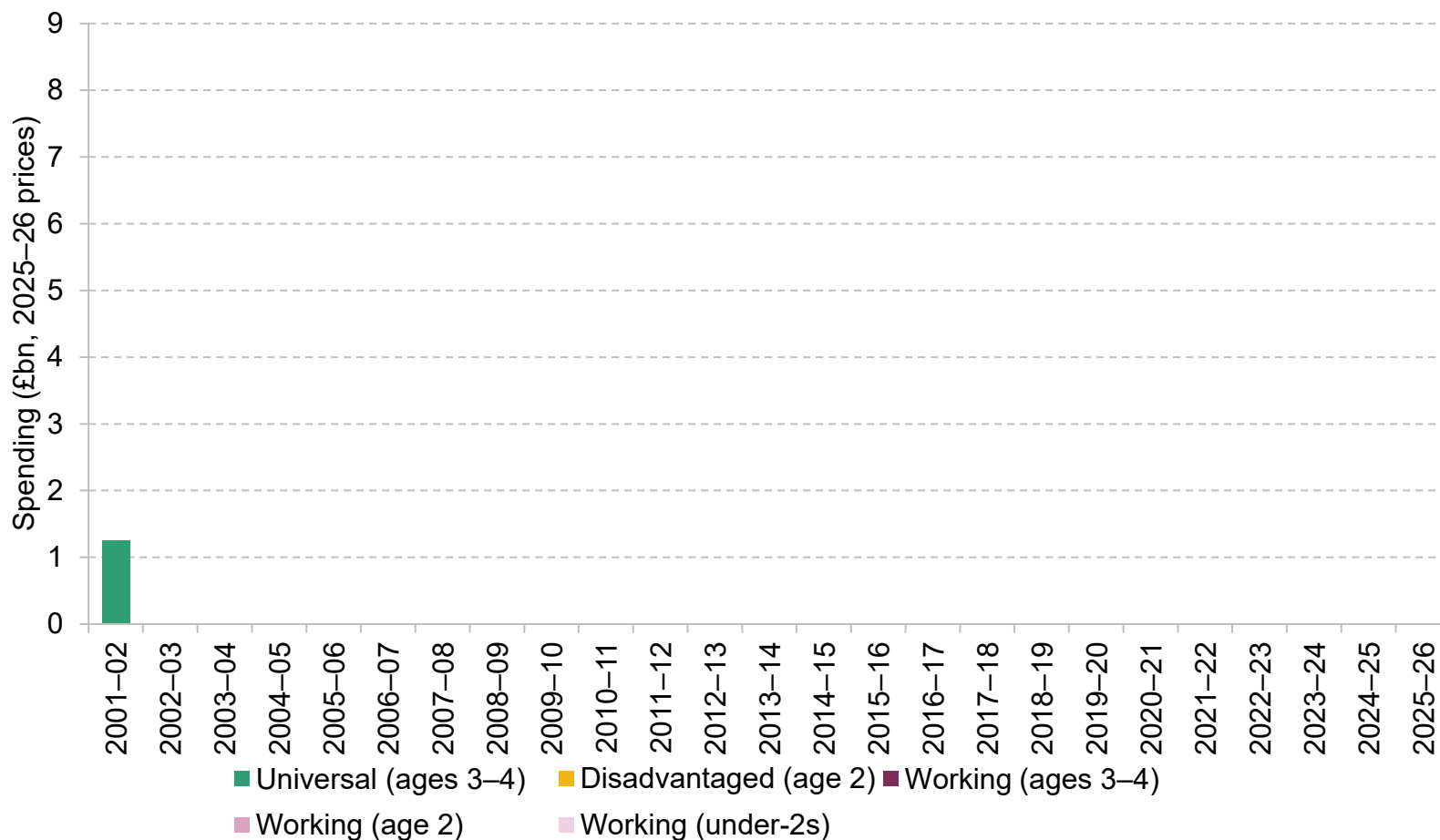
- **Over half of the increases in school funding since 2019 accounted for by rapid rises in SEND spending**
- **Government faces a projected £6bn SEND funding gap for 2028**
 - Could be filled by slowing growth in SEND spending, topping up the education budget or squeezing mainstream school budgets
- **SEND reforms to be set out in upcoming white paper**
 - The effects will be the main determinant of system wide pressures
- **Further squeezes on mainstream school budgets would likely leave school budgets lagging behind costs**



Early years spending

Rescaling the early years system

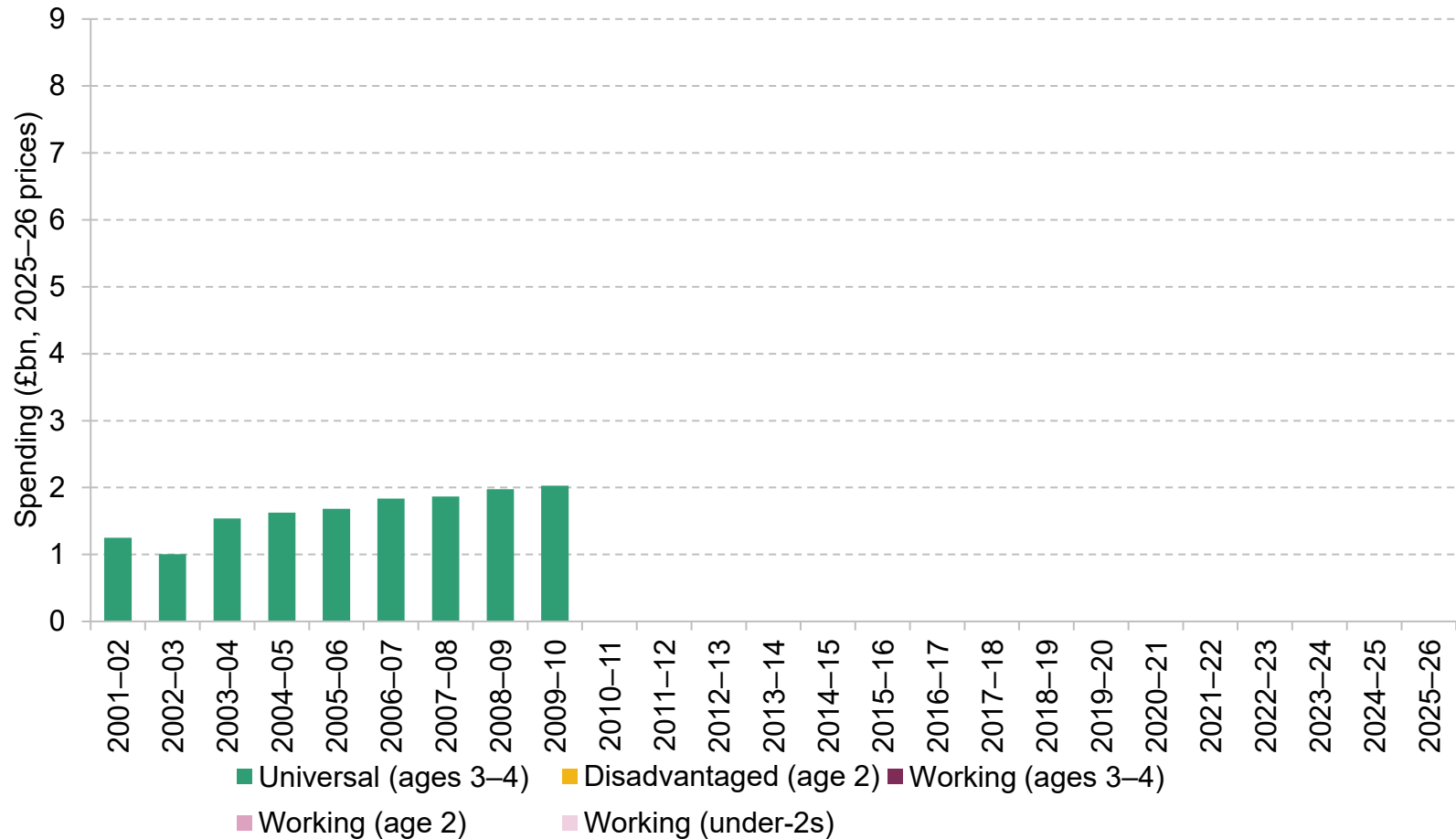
Total spending on the 'free entitlement' to a funded childcare place (£bn, 2025-26 prices)



Source: Figure 2.1, [Farquharson et al. \(2026\)](#).

Rescaling the early years system

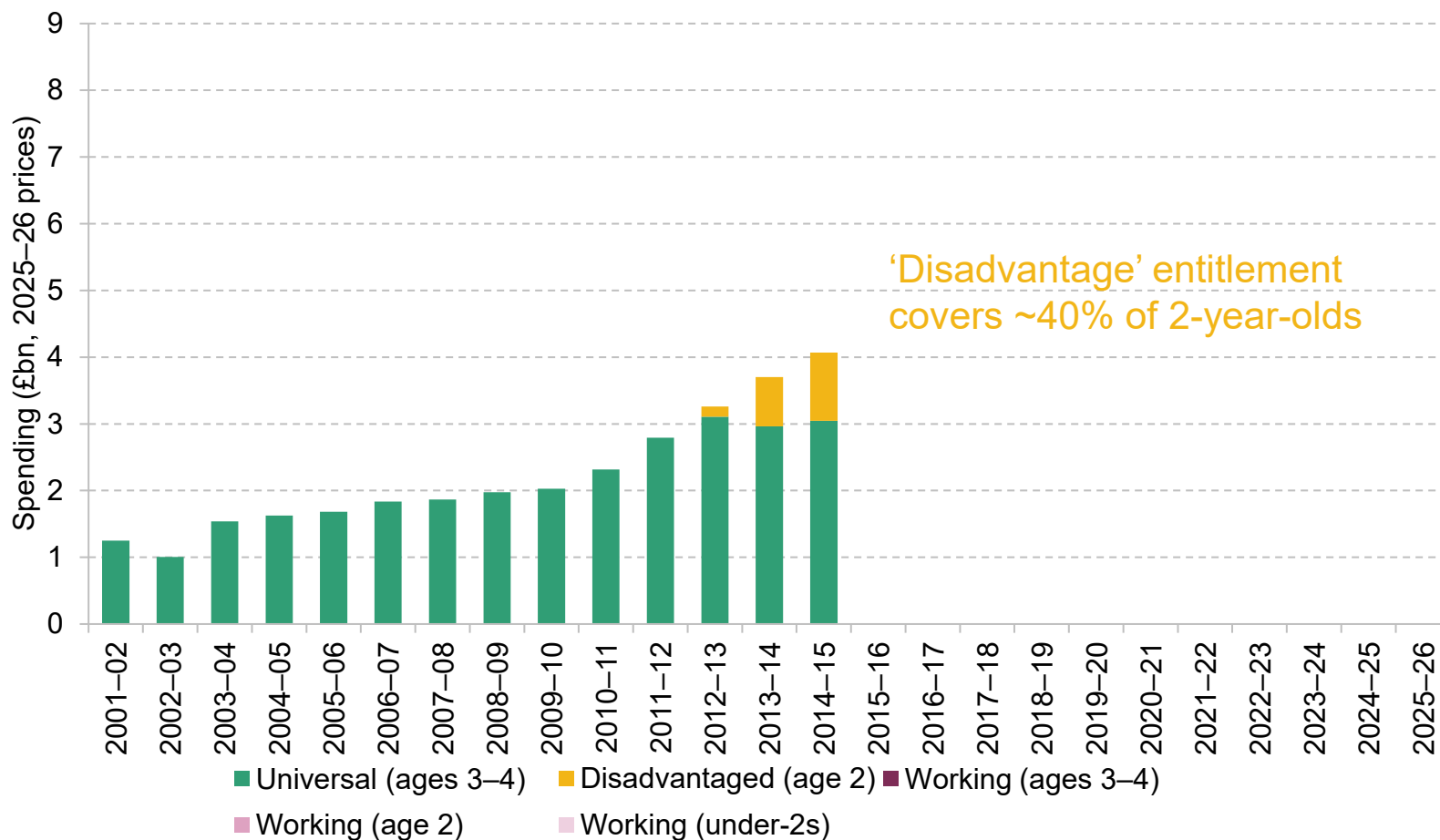
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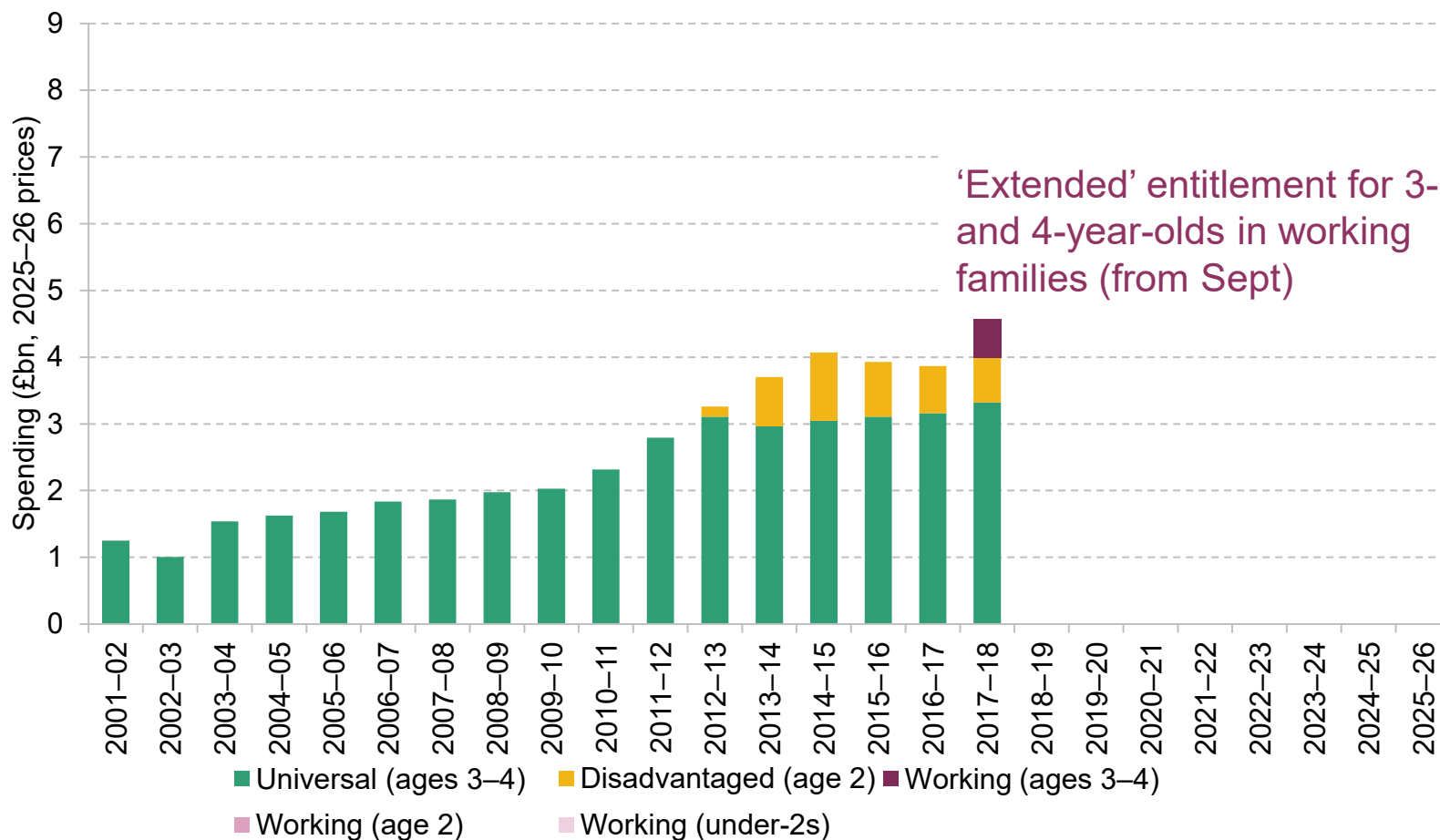
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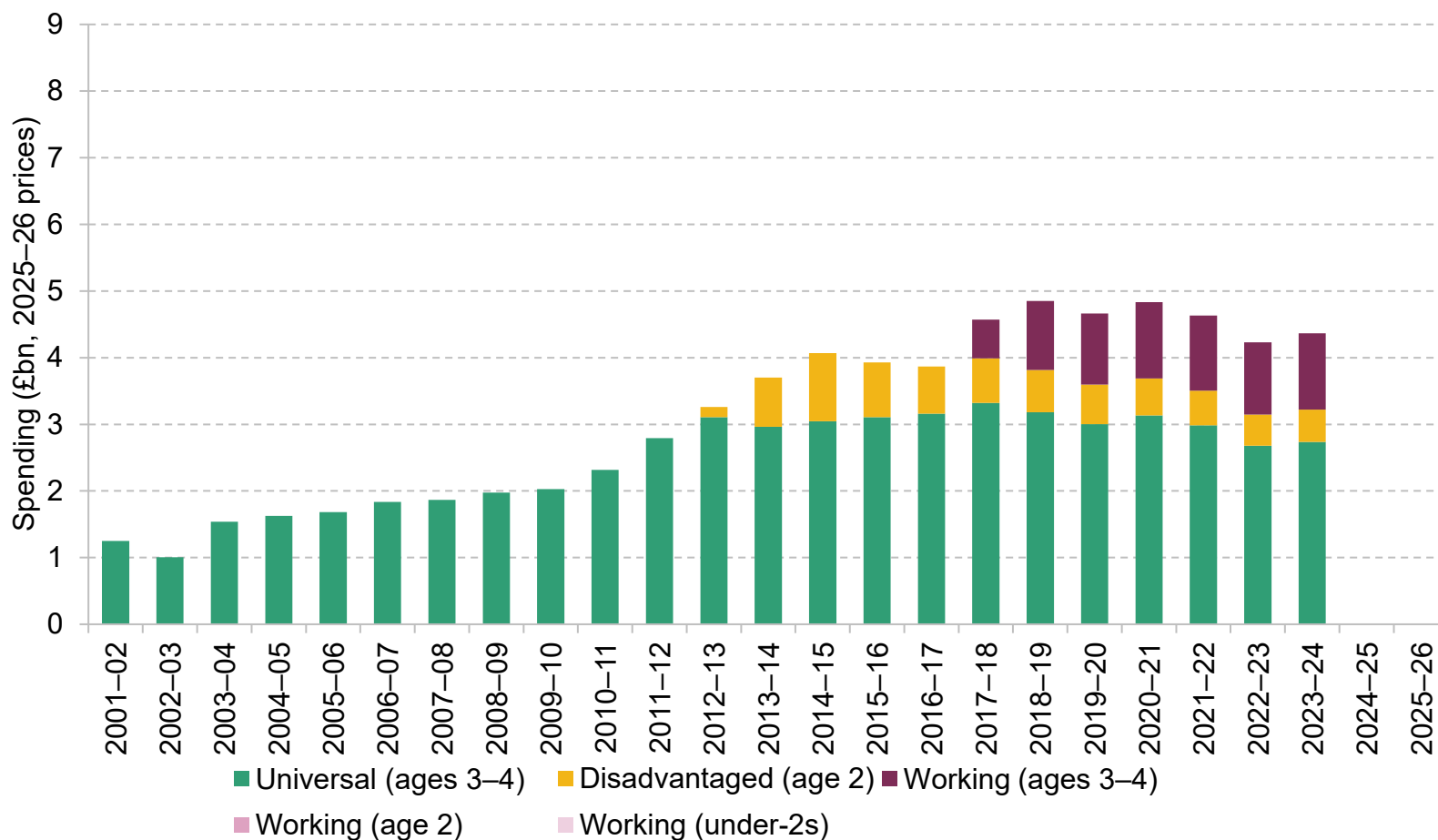
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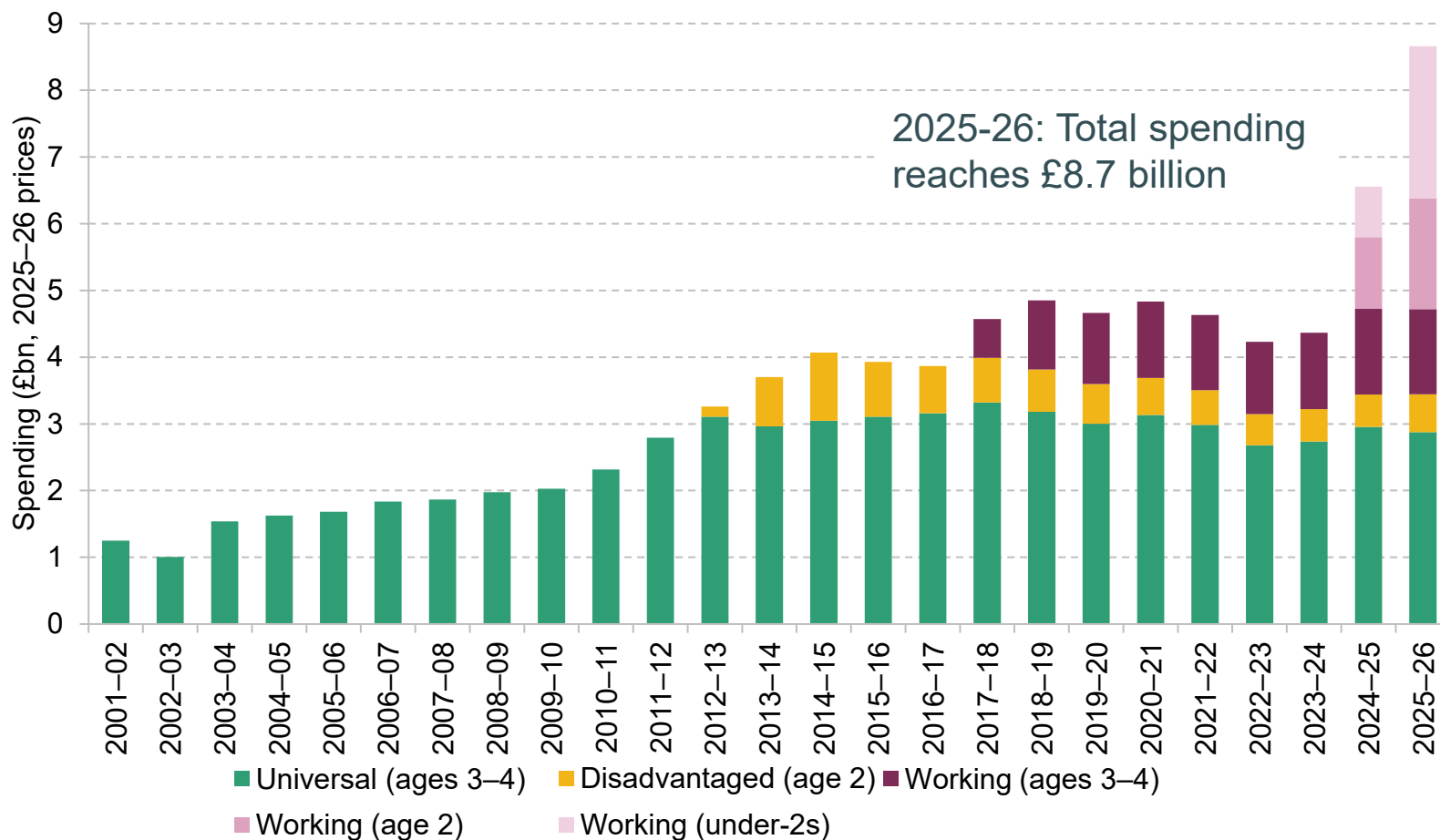
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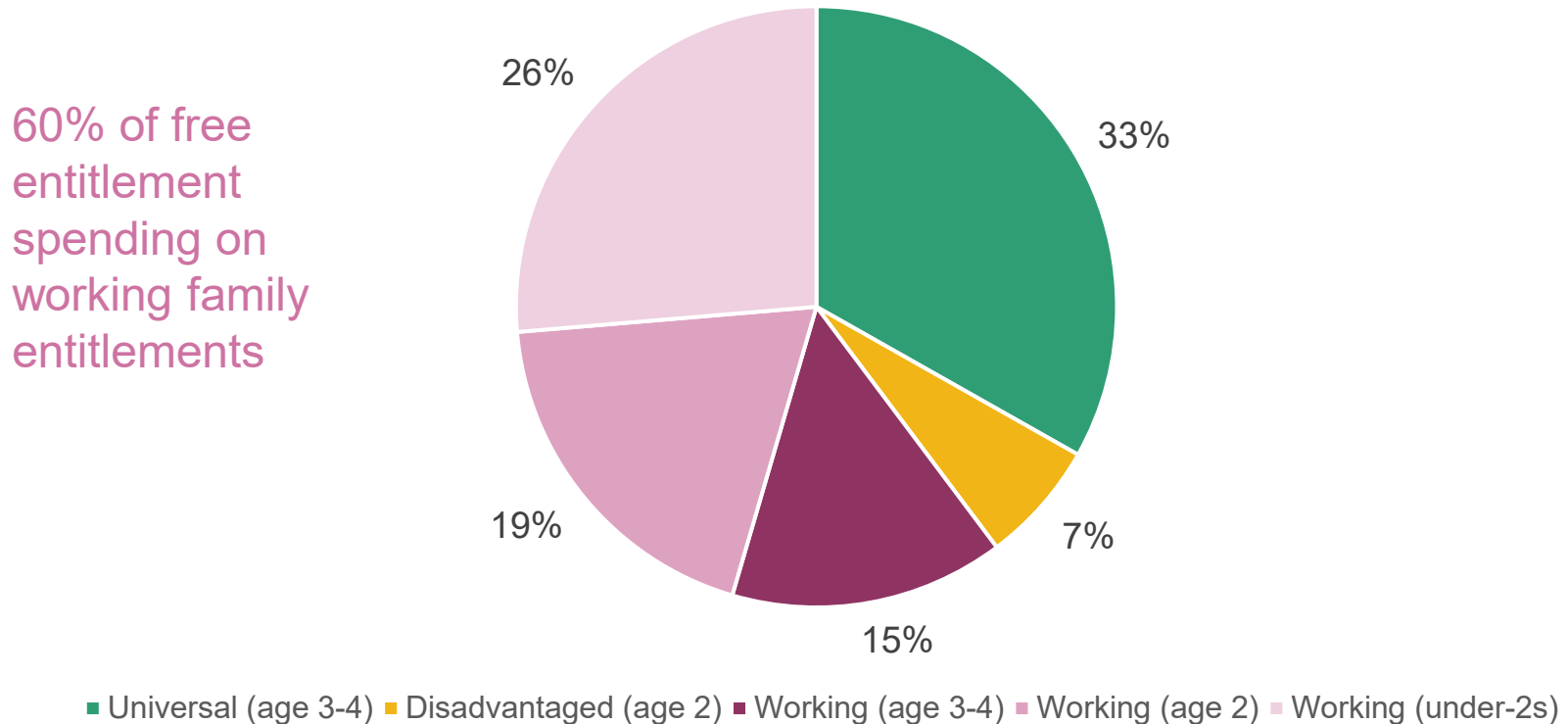
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Early years “education” in England?

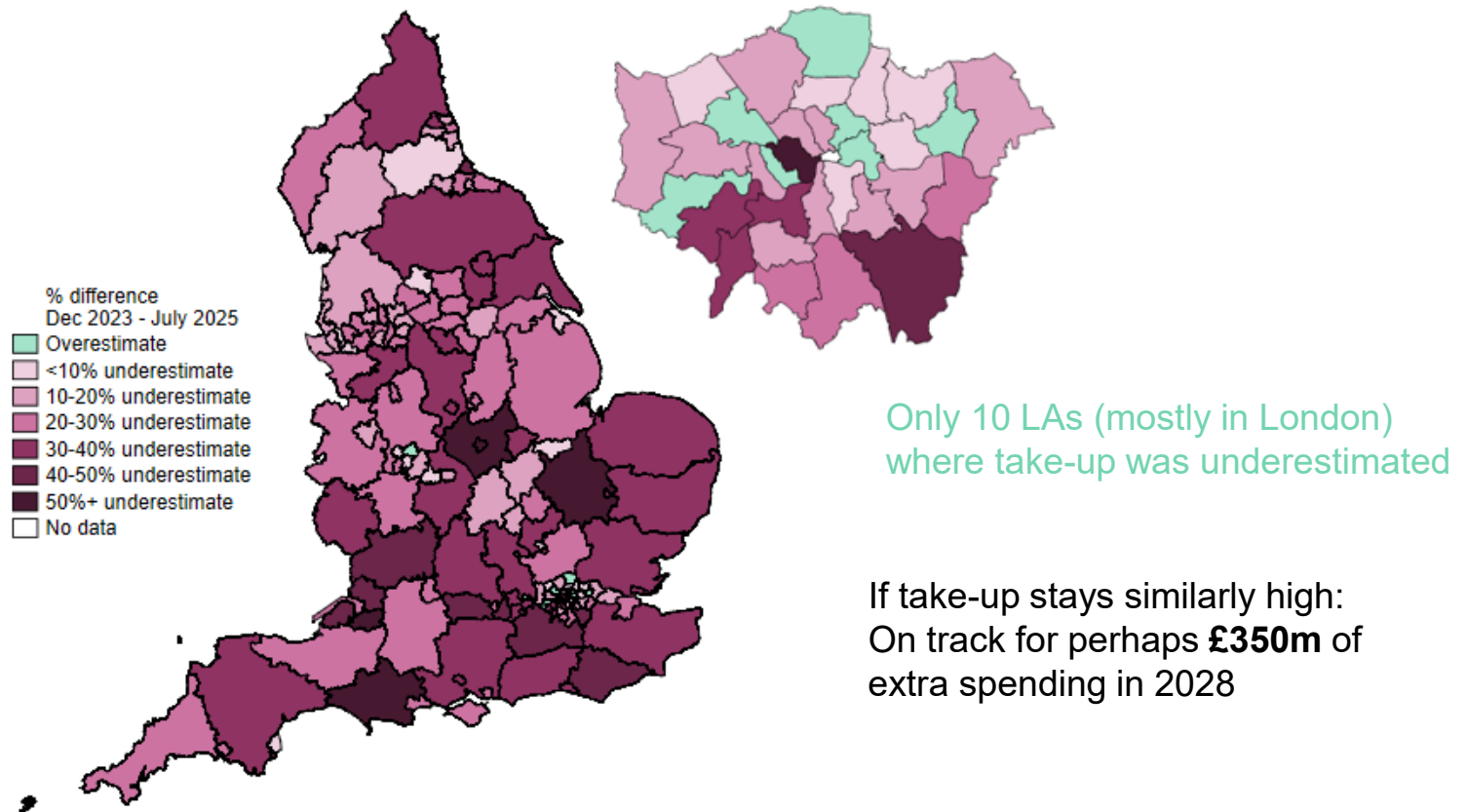
Share of free entitlement spending targeted at different groups, 2025-26



Source: See data for Figure 2.1, [Farquharson et al. \(2026\)](#).

New under-3 entitlements: Take-up higher than expected...

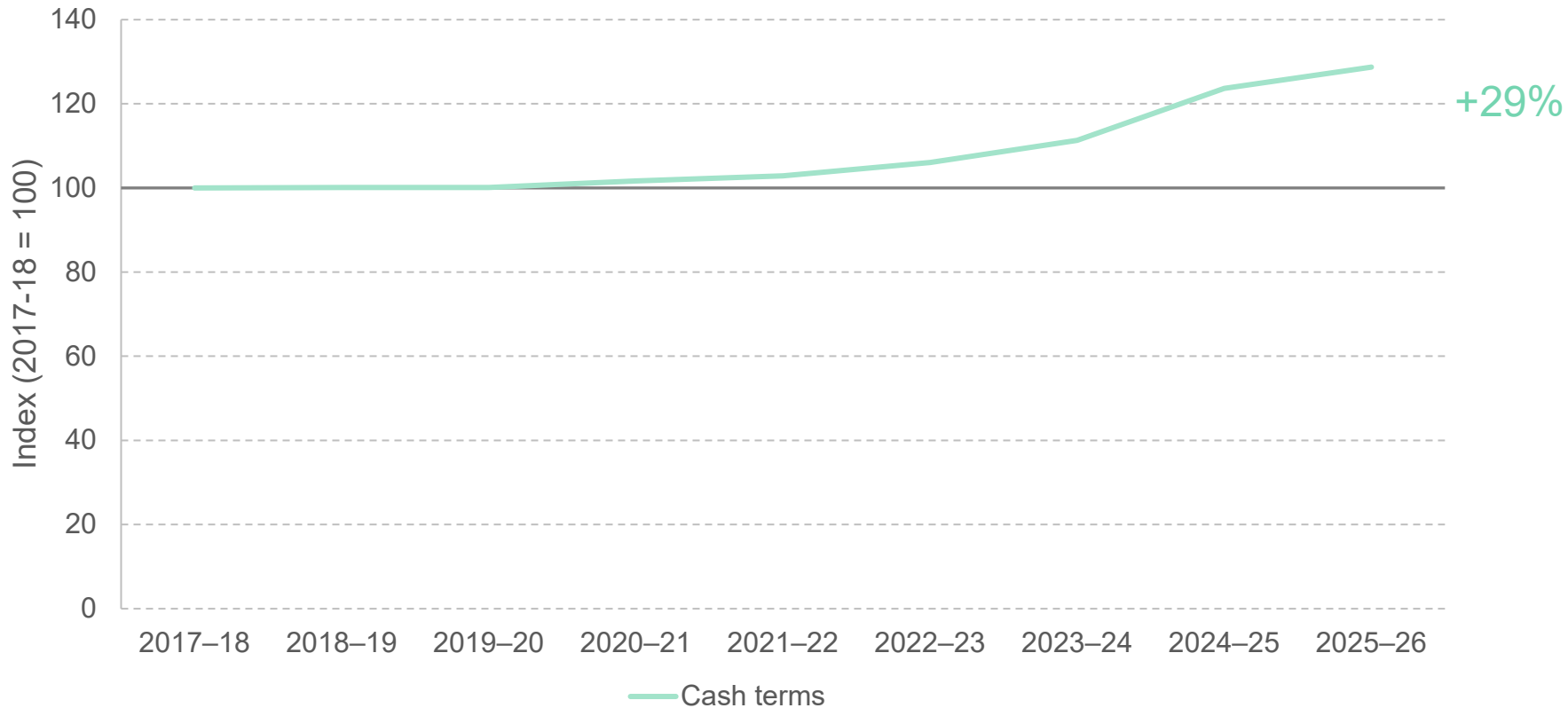
Percentage change in predicted take-up of the new entitlements in 2024-25, from first publication (December 2023) to July 2025



Source: Figure 2.3, [Farquharson et al. \(2026\)](#).

Costs are rising too

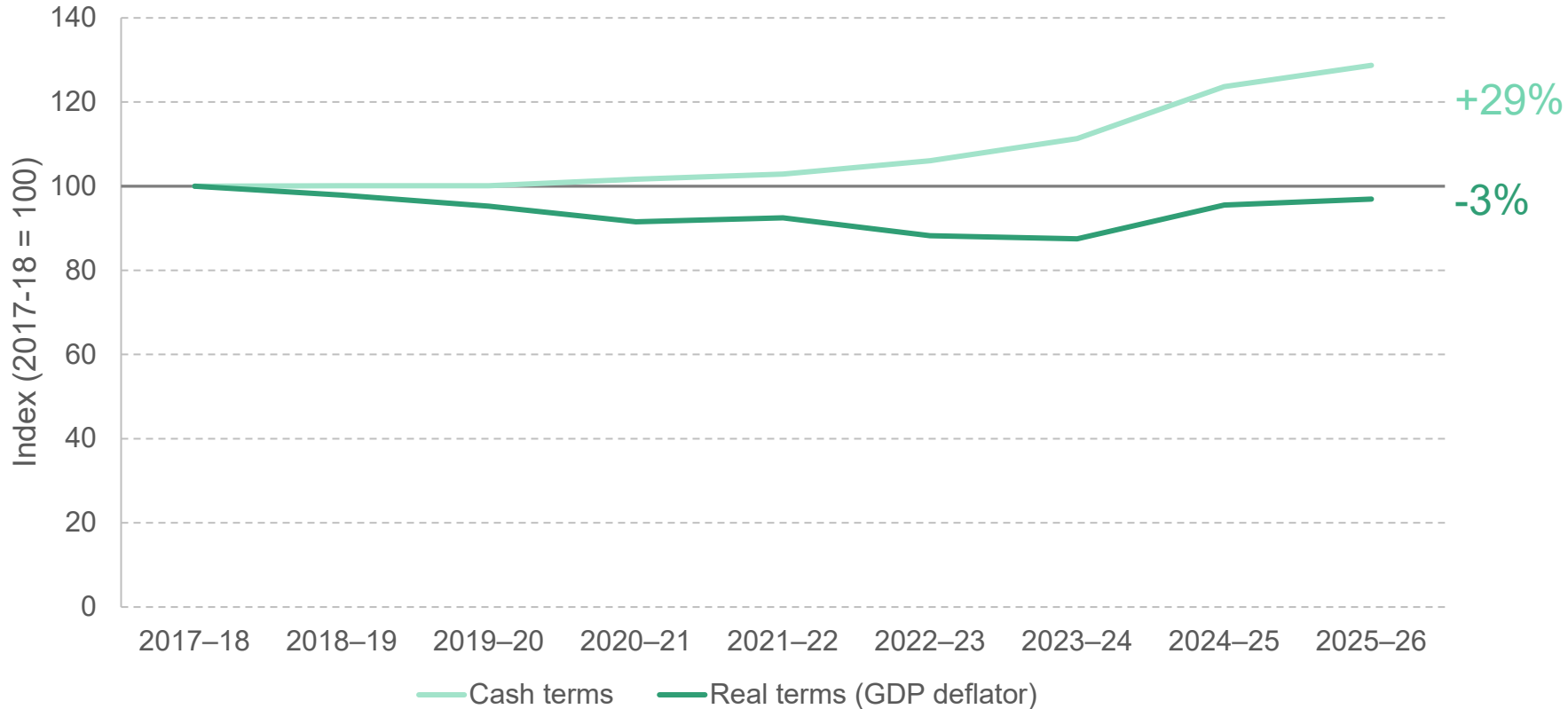
Core funding per hour for 3- and 4-year-olds (relative to 2017-18 peak)



Source: Adapted from Figure 2.8, [Farquharson et al. \(2026\)](#) and the Dedicated Schools Grant (various years).

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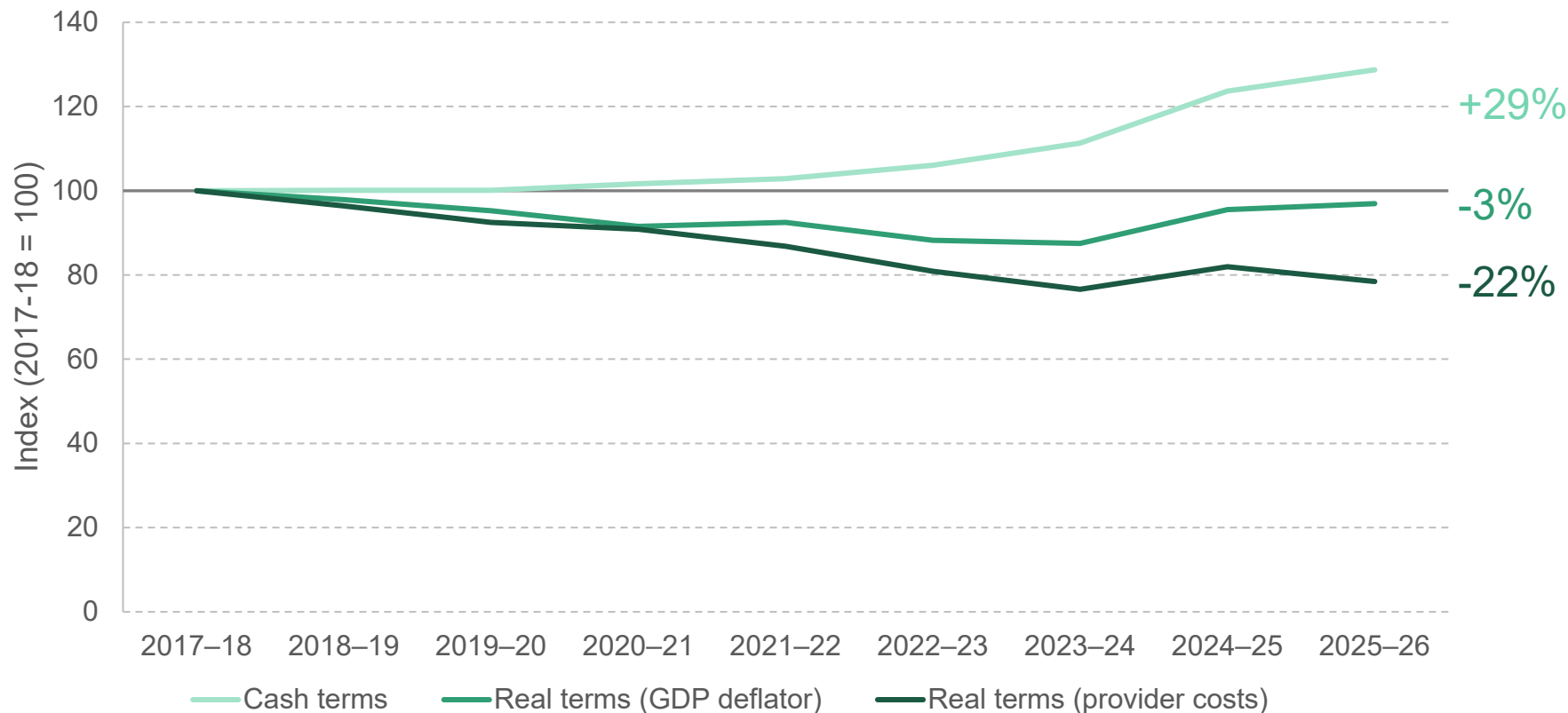
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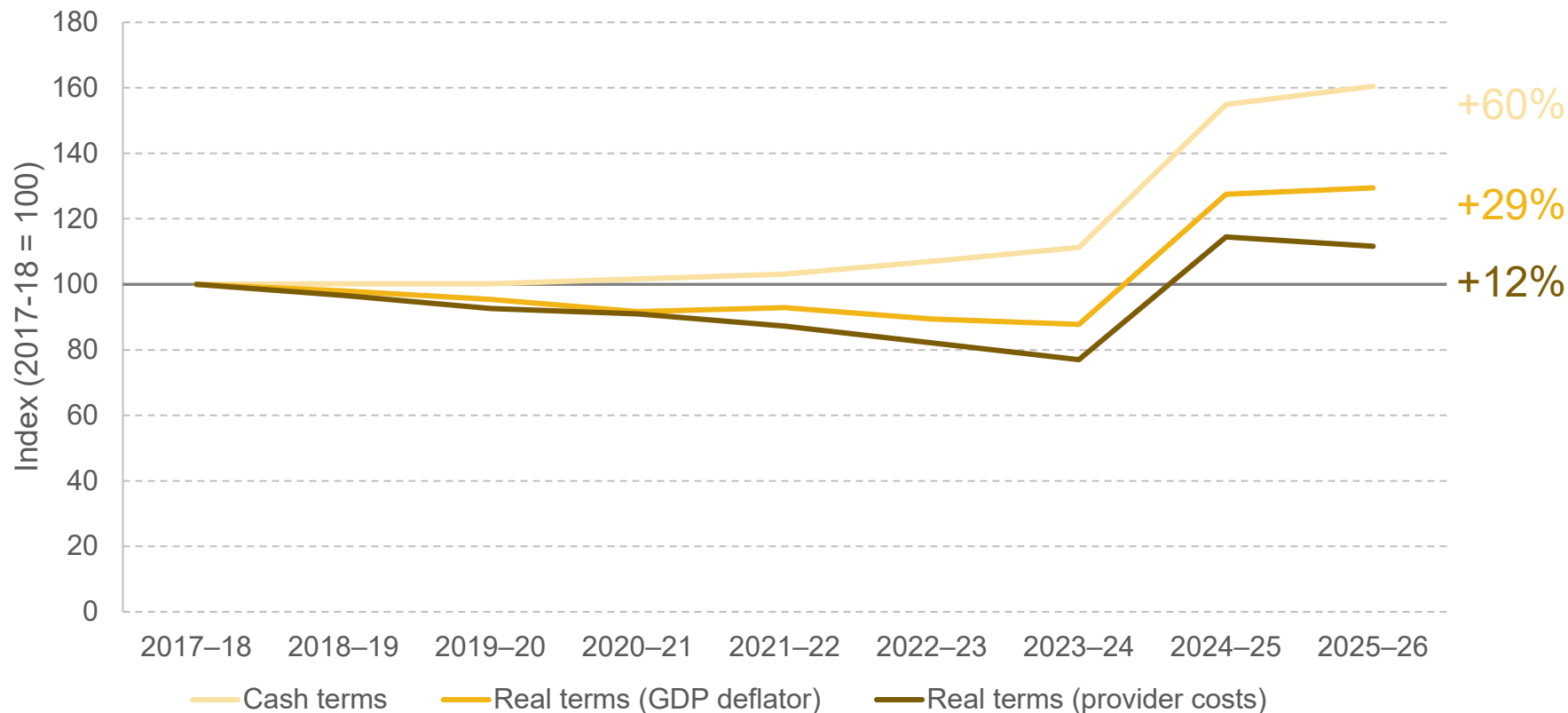
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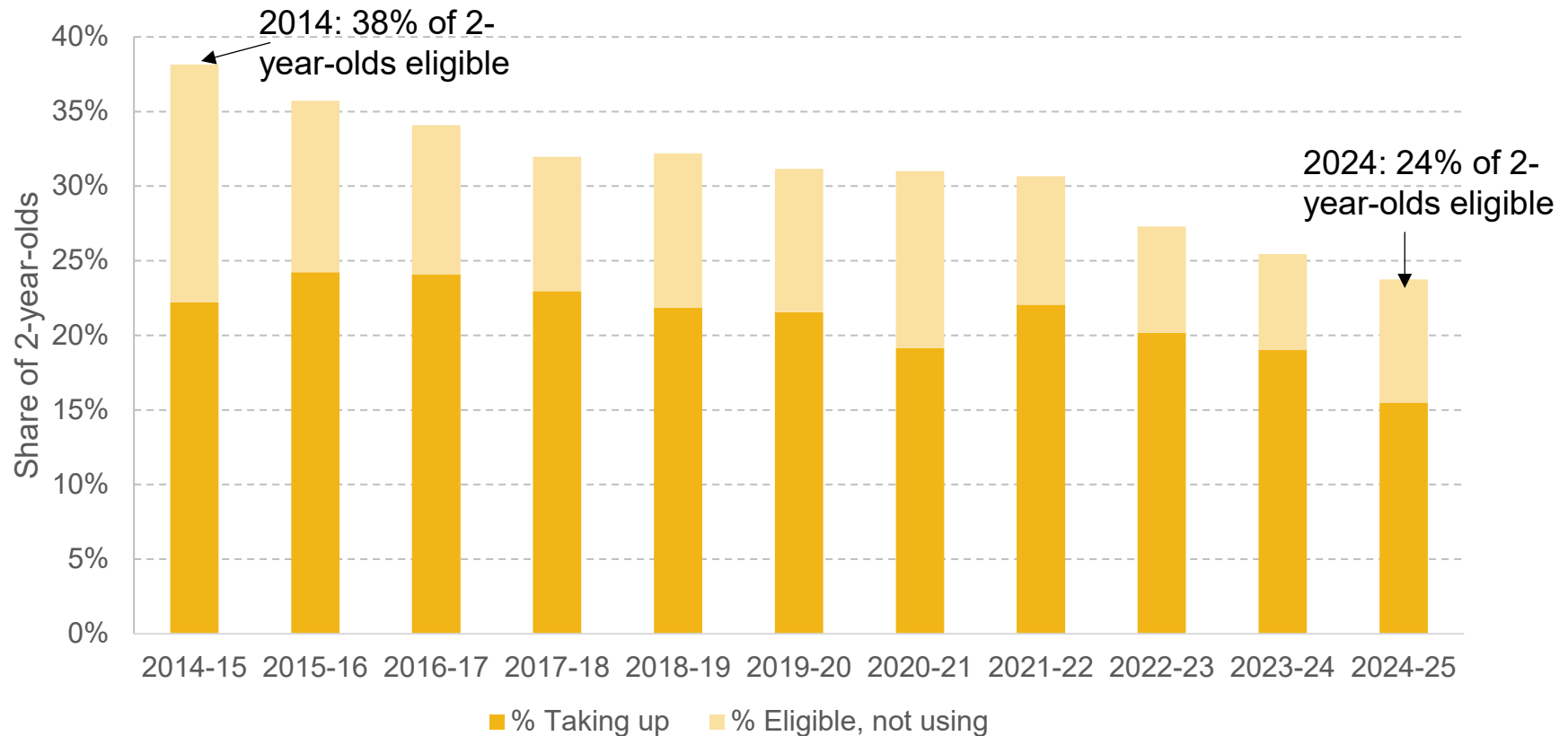
Core funding per hour for 2-year-olds (relative to 2017-18 peak)



Source: Adapted from Figure 2.8, [Farquharson et al. \(2026\)](#) and the Dedicated Schools Grant (various years).

Disadvantaged offer: Ever tighter eligibility criteria

Share of 2-year-olds eligible for and using disadvantaged offer



Source: Figure 2.7, [Farquharson et al. \(2026\)](#).

Reshaping the early years system

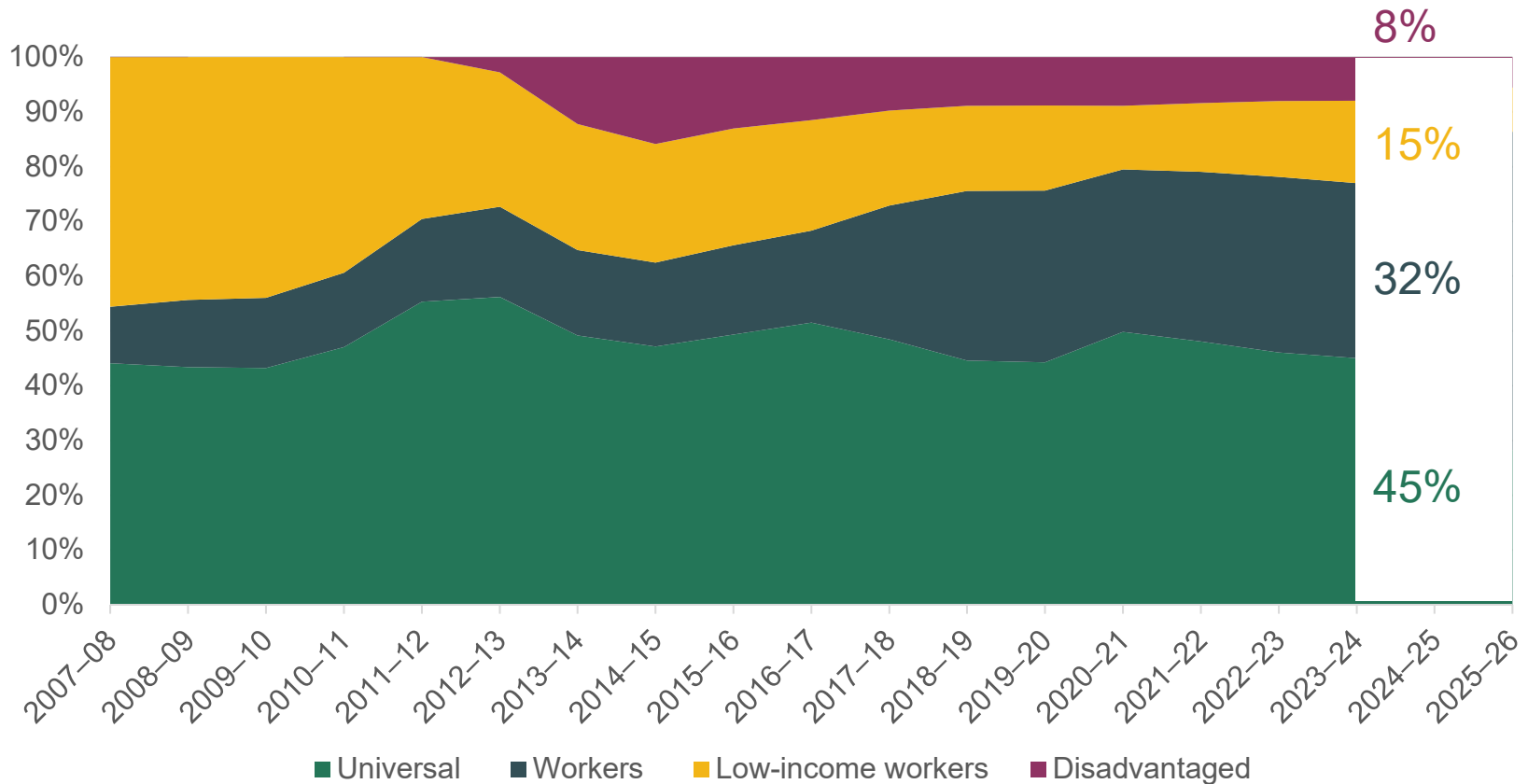
Share of childcare subsidies targeted at different groups



Note: Includes spending on all free entitlement programmes, as well as spending on childcare subsidies through the benefits system and through tax-free childcare and childcare vouchers. Source: Figure 2.11, [Farquharson et al. \(2026\)](#).

Reshaping the early years system

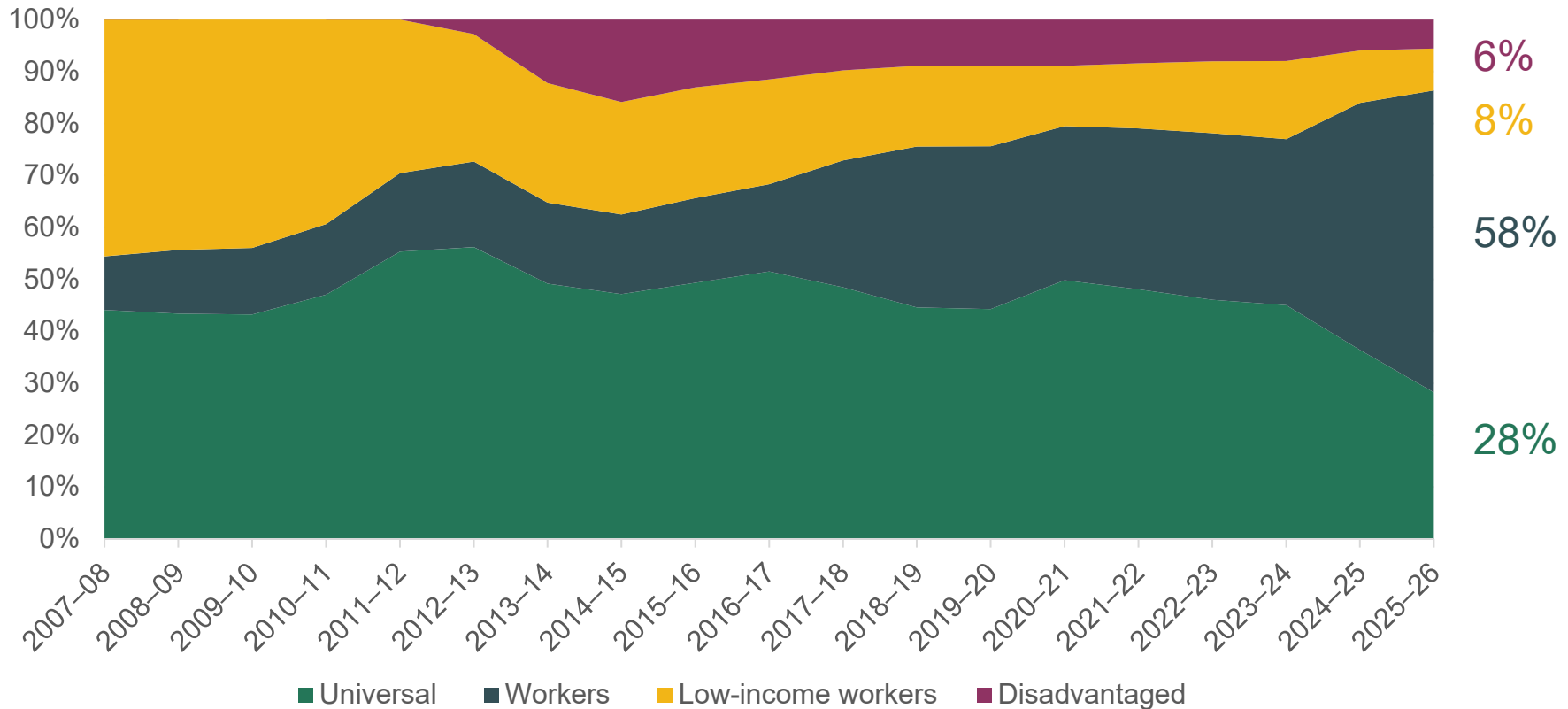
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Summary

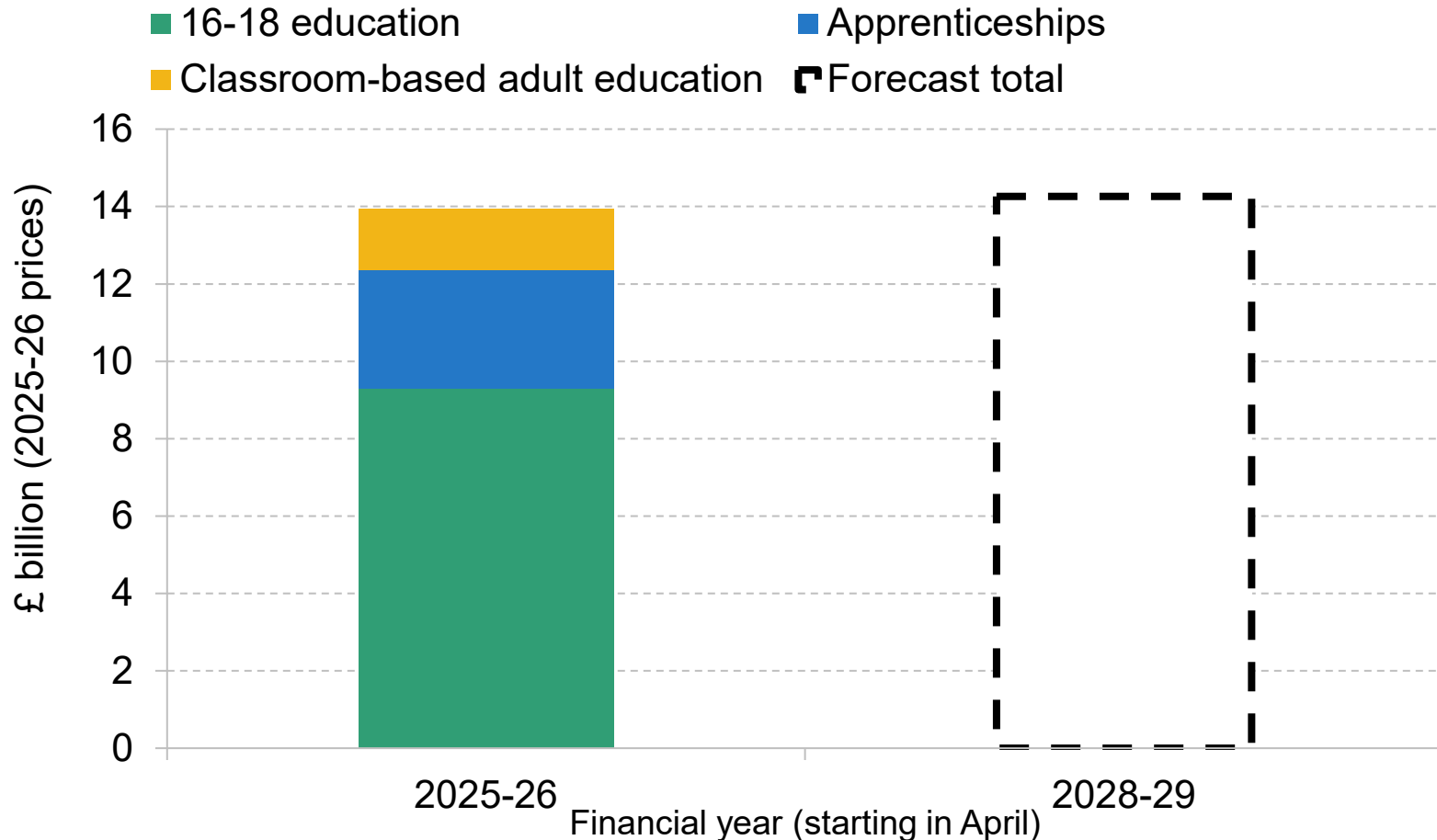
- New funded childcare entitlements are the latest step in the **expansion of the state's role** in subsidising the early years
 - £8.7 billion this year – eight times the level in early 2000s
- Recent reforms to childcare are **reshaping support**: towards working families, away from disadvantaged children
- Popularity of new childcare entitlements is driving up spending more quickly than expected
 - On track for **perhaps £350m extra spending in 2028**
- Provider **costs are rising much more quickly** than economy-wide inflation
- Review of the early years system is a welcome chance to look at the system in the round



Further Education and Skills

£14bn FE and skills budget in 2025-26, additional £300 million by 2028-29

Total spending on further education and skills (£bn)

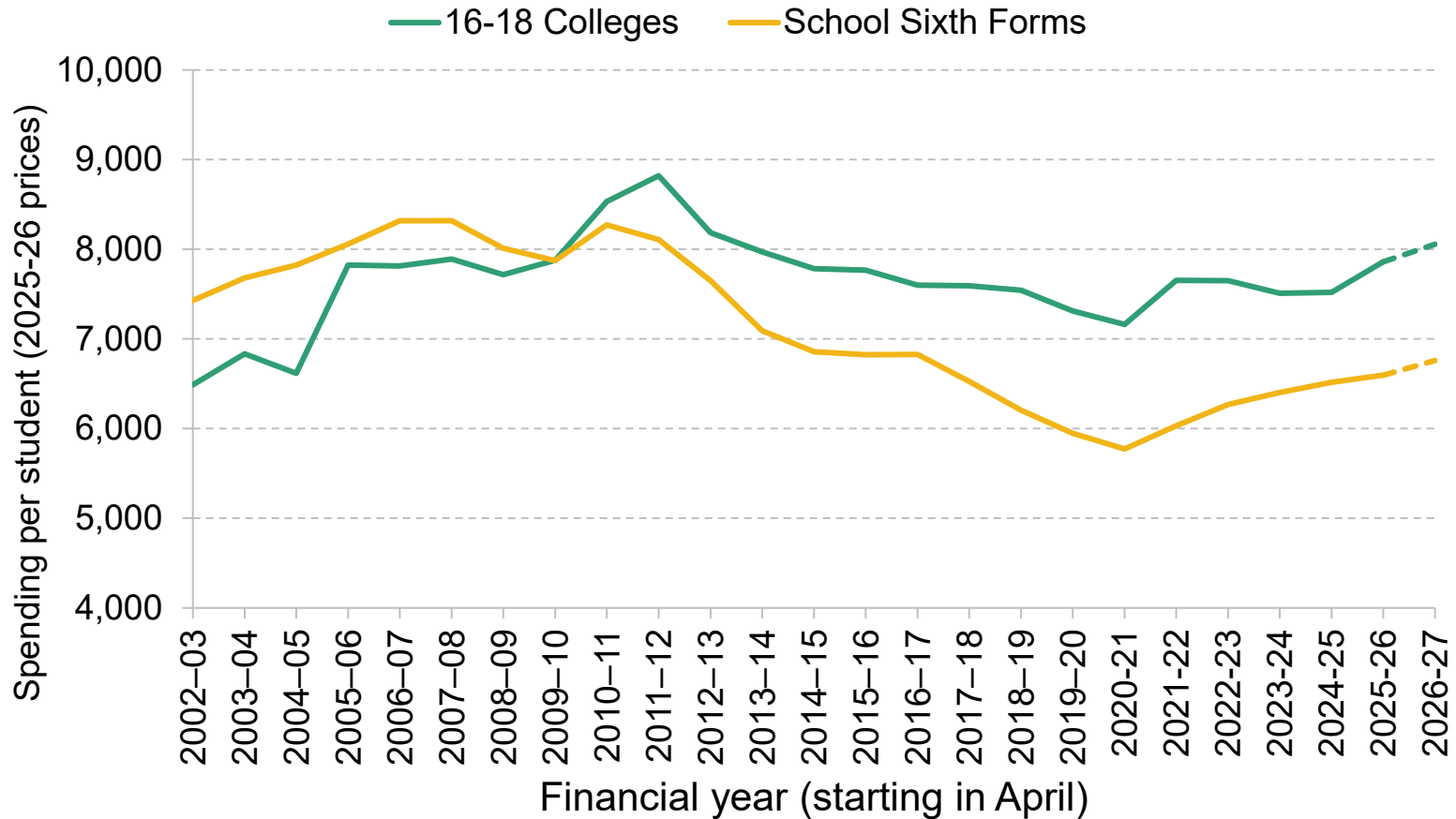


16-18 education spending

- **1.7 million 16-18 year olds currently in education and training**
- **Large real-terms decline in funding per pupil since 2010, which has been partially reversed by recent funding increases**
 - £450m increase in 16-19 budget between 2025-26 and 2026-27 (from SR settlement) → 2.5% increase in spending per pupil

By 2026-27: college spending 6% lower and sixth-form spending 18% lower than 2010-11

Spending per student in colleges and school sixth forms (£)



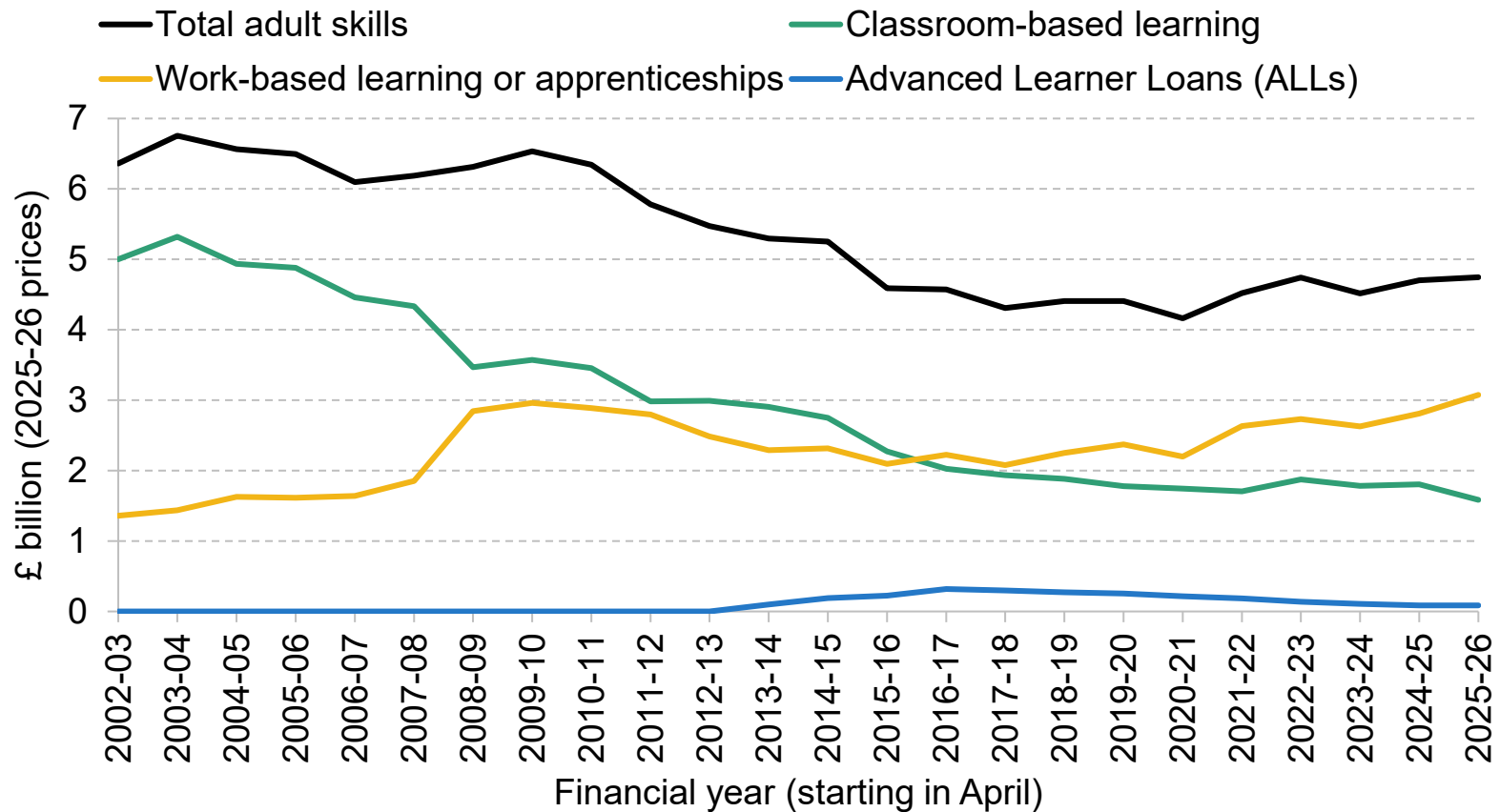
Source: Annual Report 2025-26, Figure 4.2

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- **Rising 16-18 population putting pressure on per-pupil resources**
 - Between 2018 to 2025: ↑ 300,000 (16%)
 - By 2028: ↑ 70,000 (3%)
- **Maintaining funding at 2026–27 levels → £150m extra by 2028–29**

By 2025-26: total public spending on adult skills 25% lower than 2010-11

Total spending on adult education and skills (£bn)



Source: Annual Report 2025-26, Figure 4.3

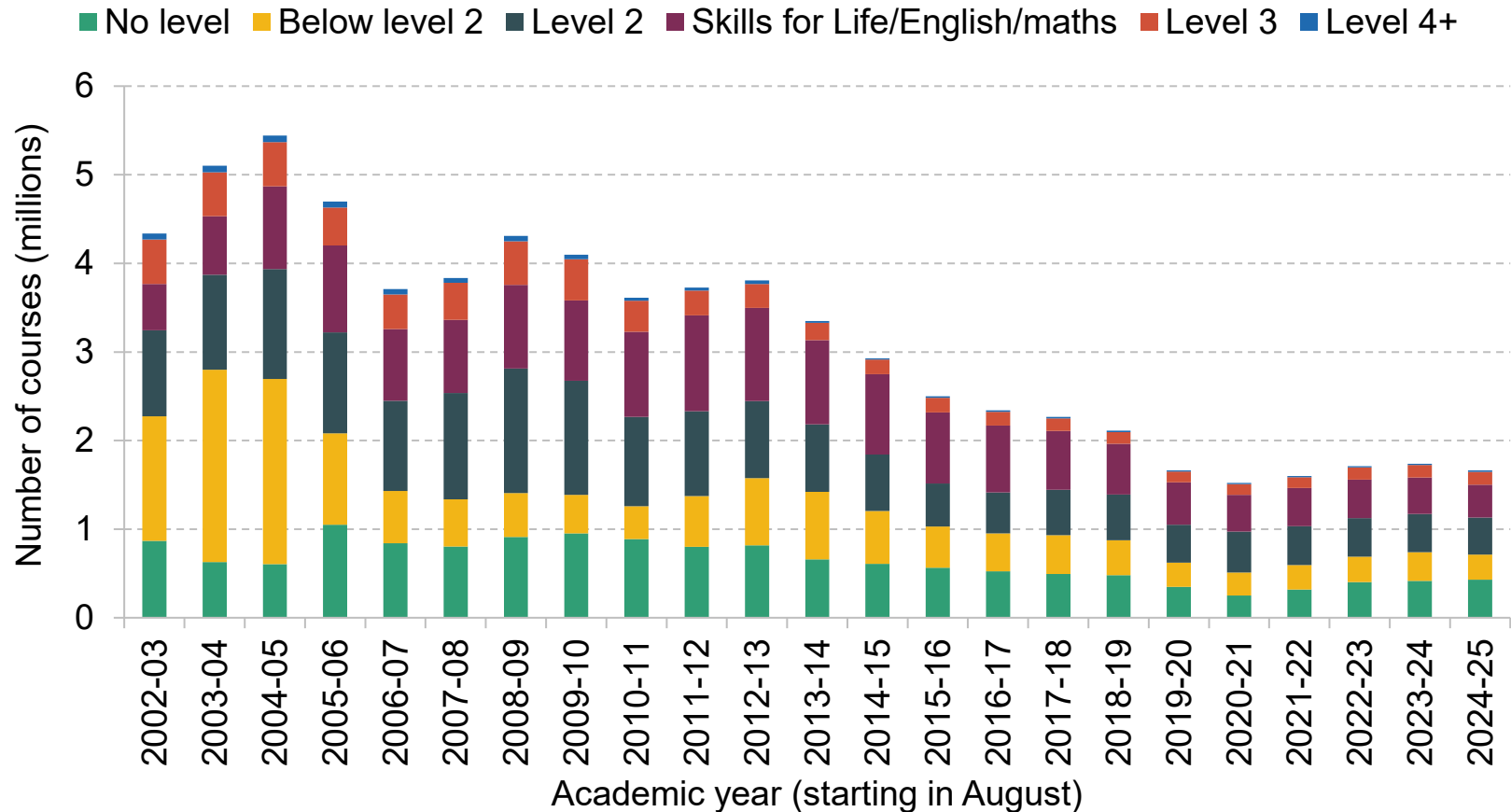
Adult education and skills spending



- **Classroom-based spending cut by 54% since 2010-11**
- **Two factors behind the decline in classroom-based funding**
 - Long-term decline in participation
 - Amount providers receive for teaching a course frozen in cash-terms between 2013-14 and 2023-24

70% decline in total number of courses between 2004-05 and 2024-25

Number of classroom-based further education courses by adults (19+) in England



Source: Annual Report 2025-26, Figure 4.4

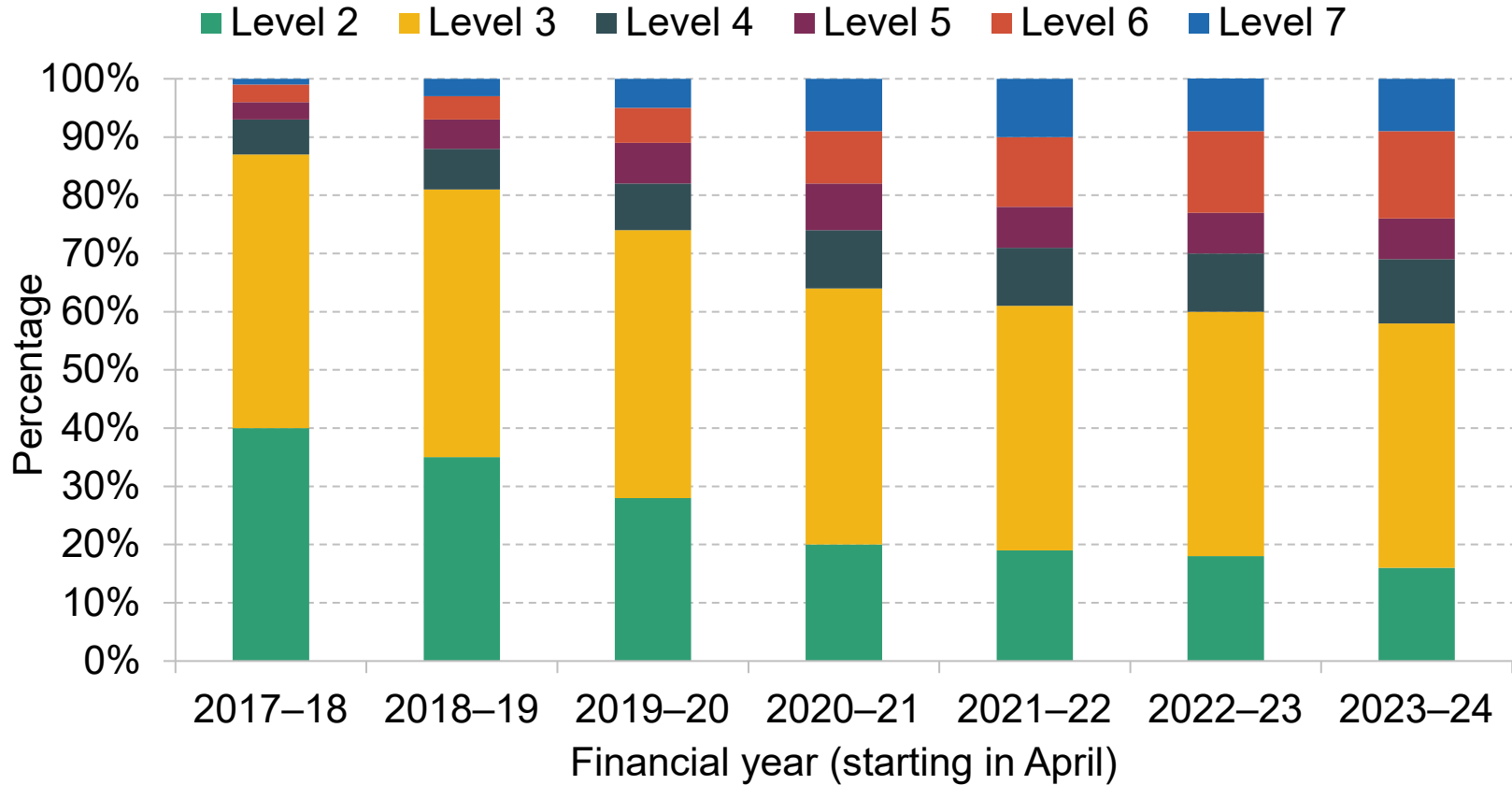
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- **Apprenticeship spending at highest level – questions about how its spent**
- **Apprenticeship budget increasingly directed to higher levels**
 - Share spent on higher apprenticeships trebled since 2017
 - Restriction of Level 7 apprenticeships + funding for ‘apprenticeship units’

Spending on higher-level apprenticeships trebled since 2017-18

Share of apprenticeship budget spent in England on each level



Source: Annual Report 2025-26, Figure 4.7

Challenges ahead

- FE seen the largest cuts to spending since 2010 with recent funding partially reversing previous cuts
- College finances have improved since 2017, but 1 in 4 FE colleges remain in deficit
- The number of 16-18 year olds is set to rise further and there are other big cost pressures (i.e. workforce retention issues)
- The policy churn in this sector shows no sign of abating
 - Skills White Paper: Apprenticeship levy; LLE; qualification reform
 - Skills moved from DfE to DWP



Higher education

Higher education spending

- £22bn upfront public spending on English undergraduates each year:

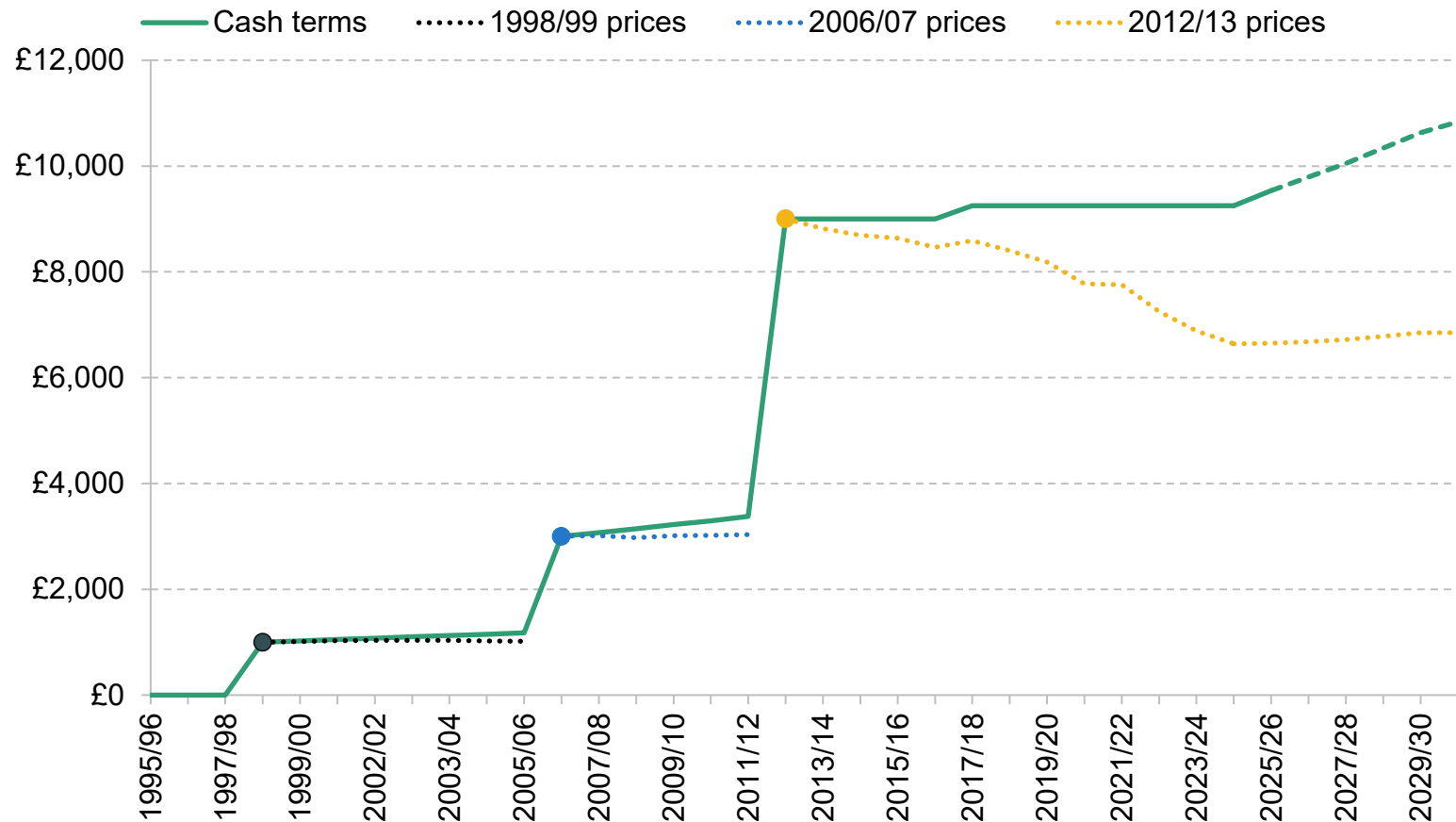
- £11bn loans for tuition fees
- £9.6bn loans for living costs
- £1.3bn grants to universities

Most spending
is in the form
of loans

- Recent announcements:
 - Cap on tuition fees will rise with inflation each year
 - Maintenance grants for students on eligible courses (from 2028)
 - Change to student loan terms for existing borrowers
 - New levy on international student fees (from 2028)

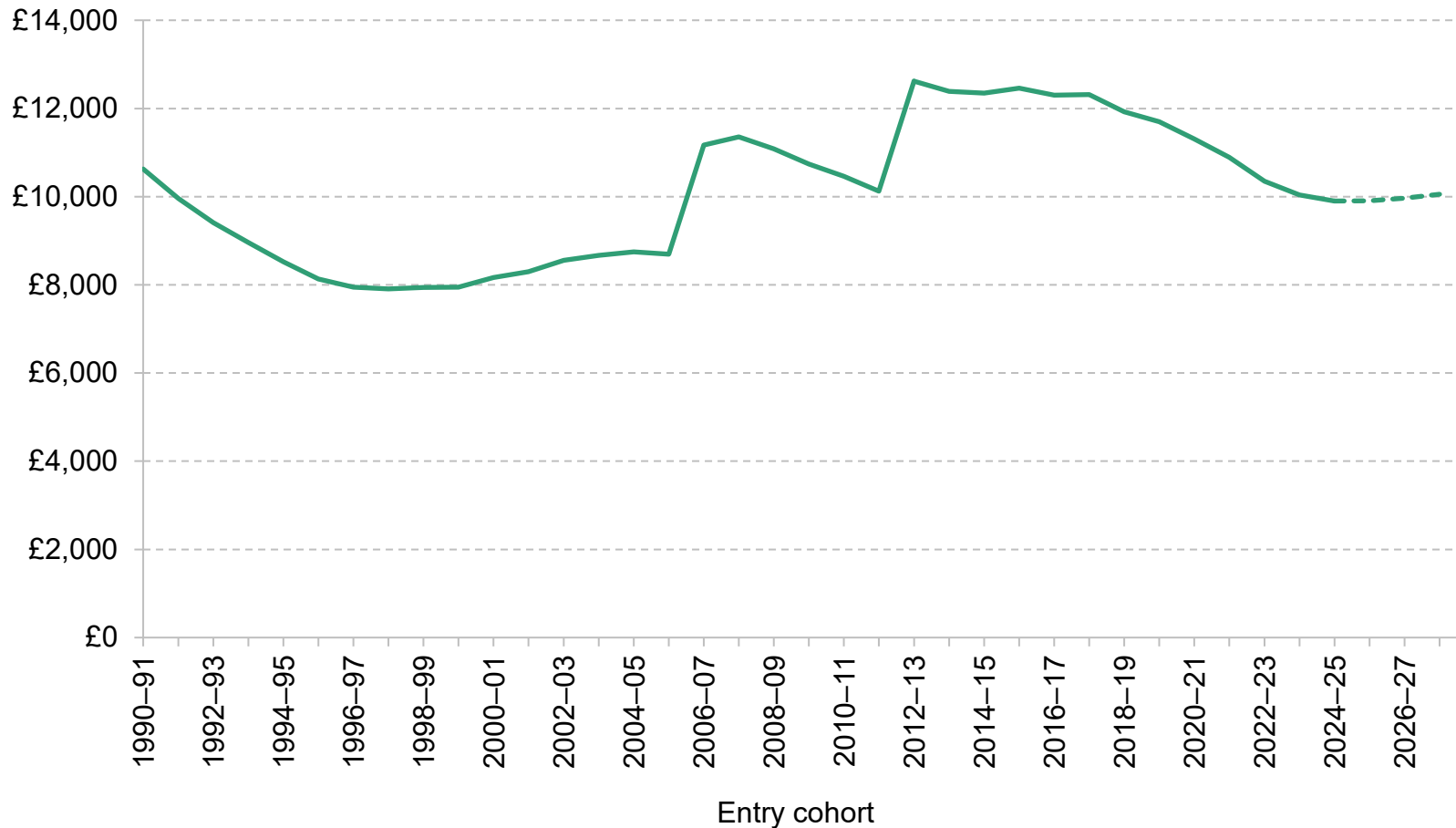
1) Tuition fee cap will rise each year

Tuition fee cap for full-time undergraduate courses, per year



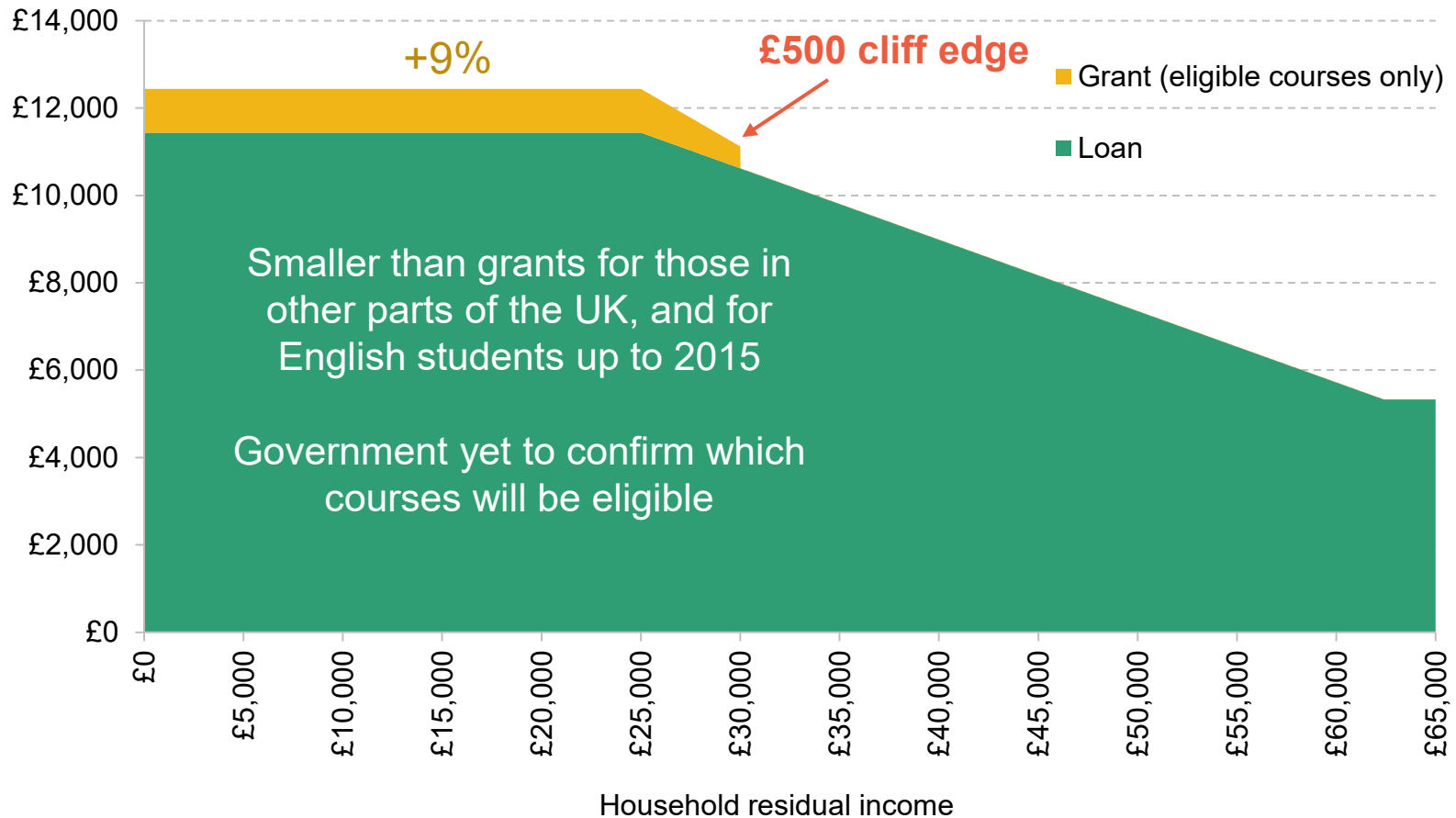
End to long-running decline in per student resources

Upfront resources for teaching, per student per year, 2025-26 prices



2) New maintenance grants will be small – and only for some courses

Maintenance entitlements for students on eligible courses in 2028–29



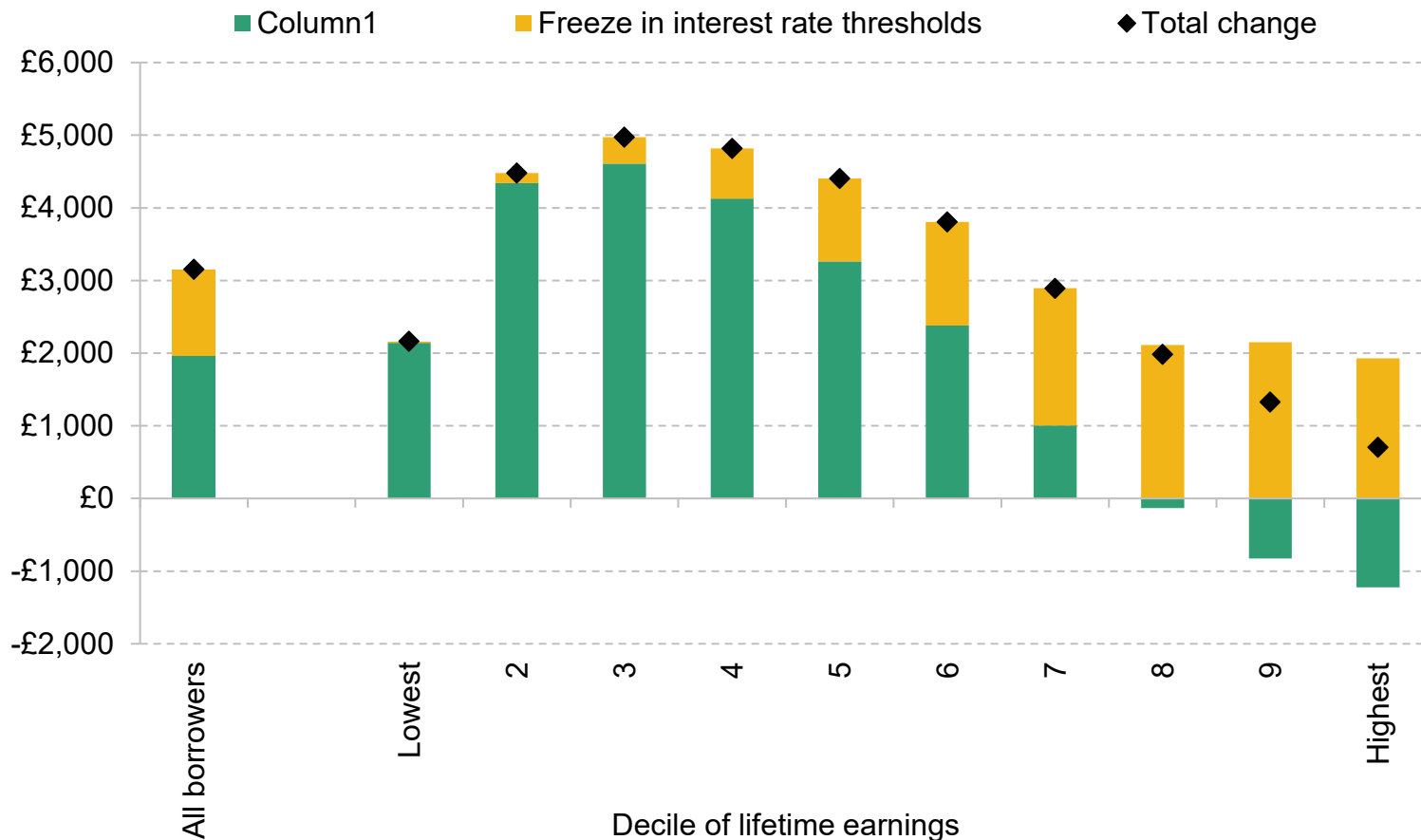
3) Changes in student loan terms for existing borrowers

- Affect those who started courses 2012-2022 ('Plan 2' loans)
- Loan repaid at 9% from income above a repayment threshold
- Interest is added at RPI to RPI + 3%, depending on income
- Any outstanding balance is written off after 30 years

- Repayment threshold frozen for 3 years from 2026
 - Many graduates will repay £260 more in 2029 (and future years)
- Interest rate thresholds also frozen for 3 years
 - Many will see more interest added to their loans each year

Graduates can expect to repay £3,000 more on average over their lifetimes

Change in lifetime loan repayments of 2022 starters, 2025-26 prices



Taxpayer will bear almost none of the long-run cost of HE for the 2022 cohort

Cost of financing higher education for 2022 starters (CPI real)

Loan terms	Average expected loan repayments	Taxpayer cost (loan write-offs + grants)	Share of total cost borne by taxpayers
When they applied to university	£40,400	£7.2bn	30%

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Without latest freezes	£52,600	£2.1bn	9%

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Current policy	£55,800	£0.7bn	3%