

2018 Annual Report on Education Spending in England, *funded by the Nuffield Foundation*

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Early Years

Over the past 20 years, the early years has attracted substantially more policy attention

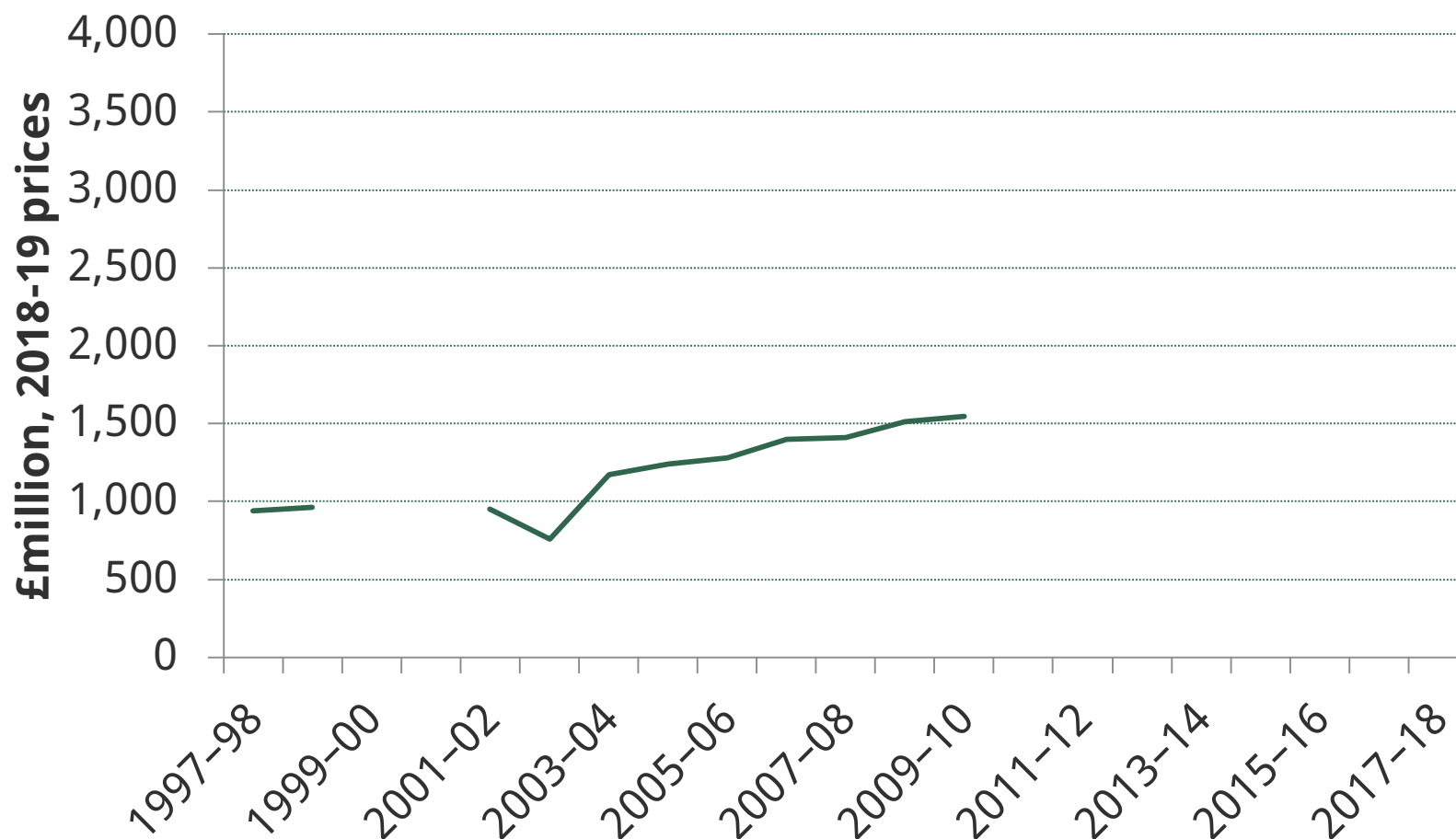
Driven by two goals: supporting working parents and promoting child development

There are several policies targeting this age range:

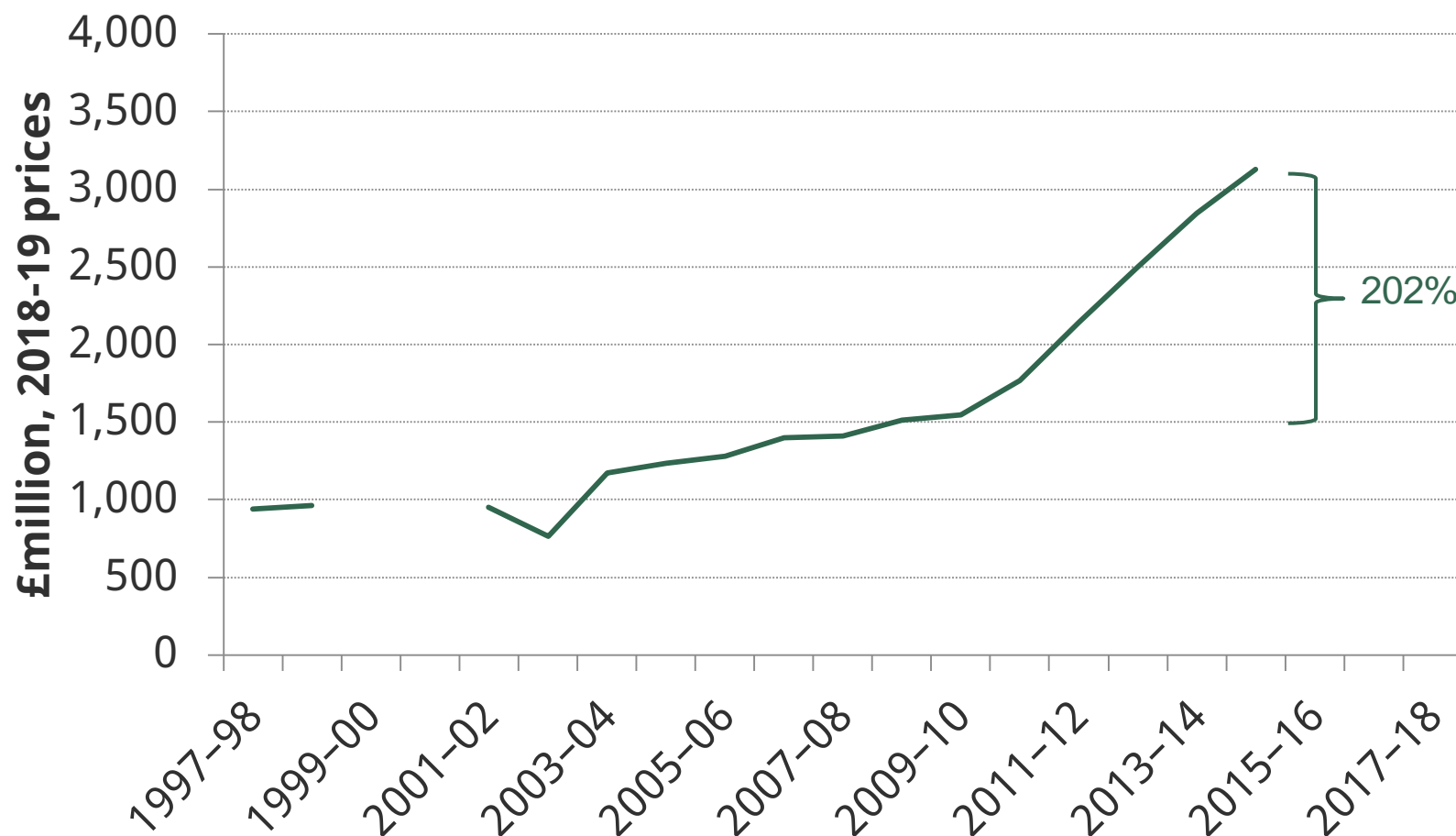
- ‘Demand-side’ childcare subsidies, like tax-free childcare
- Direct services, for example through Sure Start children’s centres
- Free entitlement to a childcare/early education place for all 3- and 4- and some 2-year-olds

Spending on the free entitlement stood at £3.5 billion in 2017 – a big rise from nearly nothing in the early 1990s

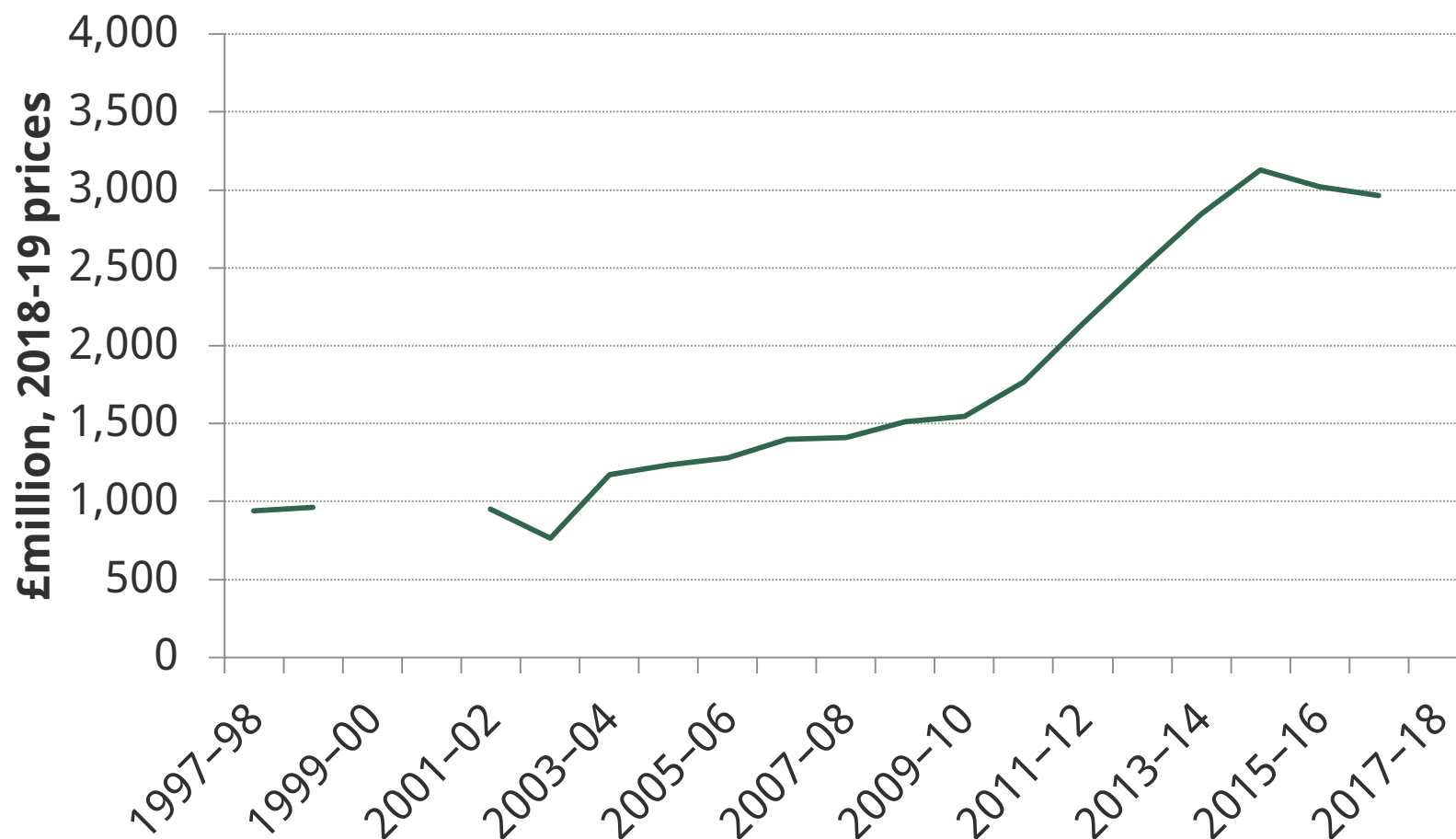
Total free entitlement spending



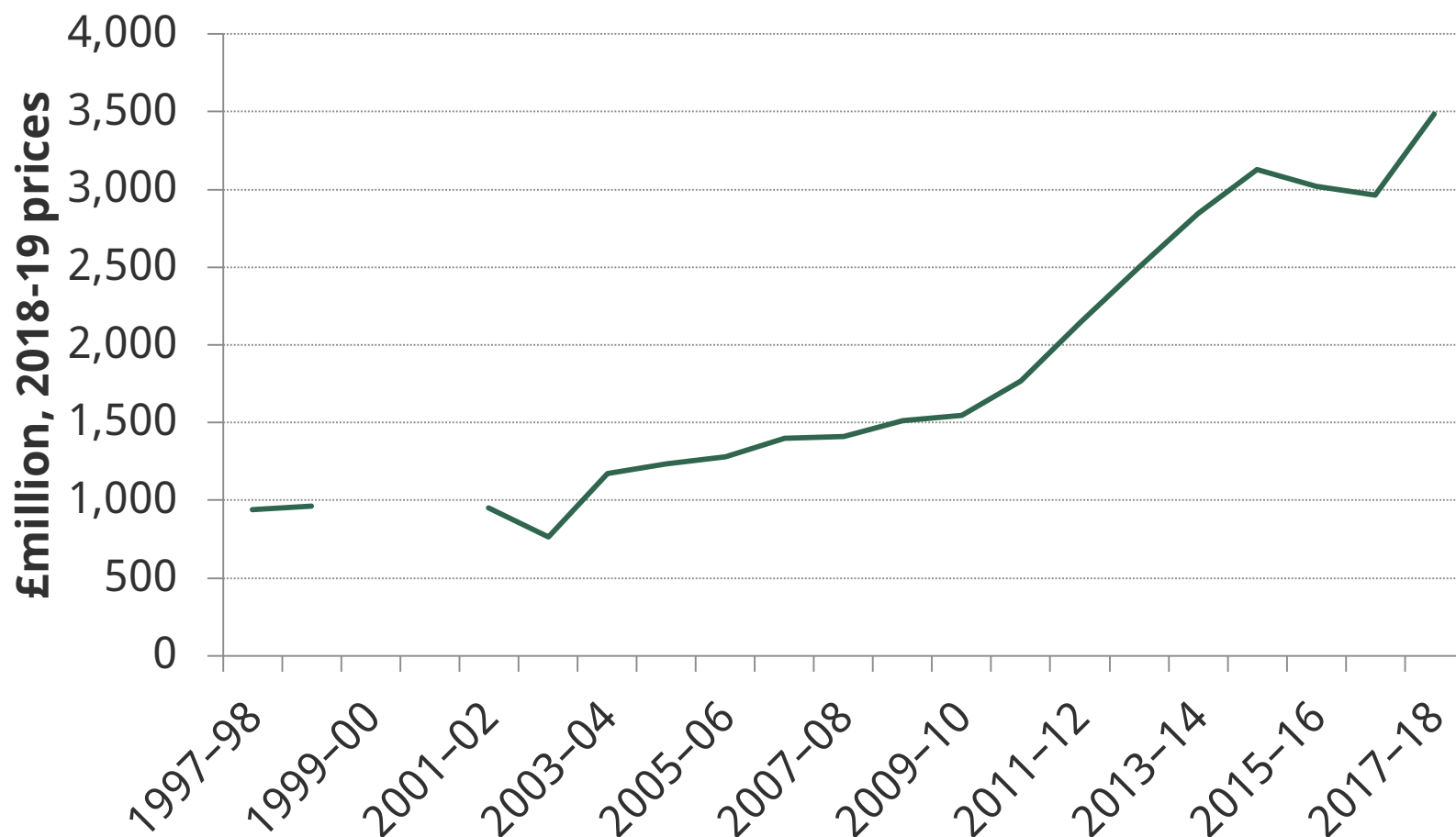
Total free entitlement spending



Total free entitlement spending



Total free entitlement spending



Where are these changes coming from?

The free entitlement has been extended repeatedly to cover...

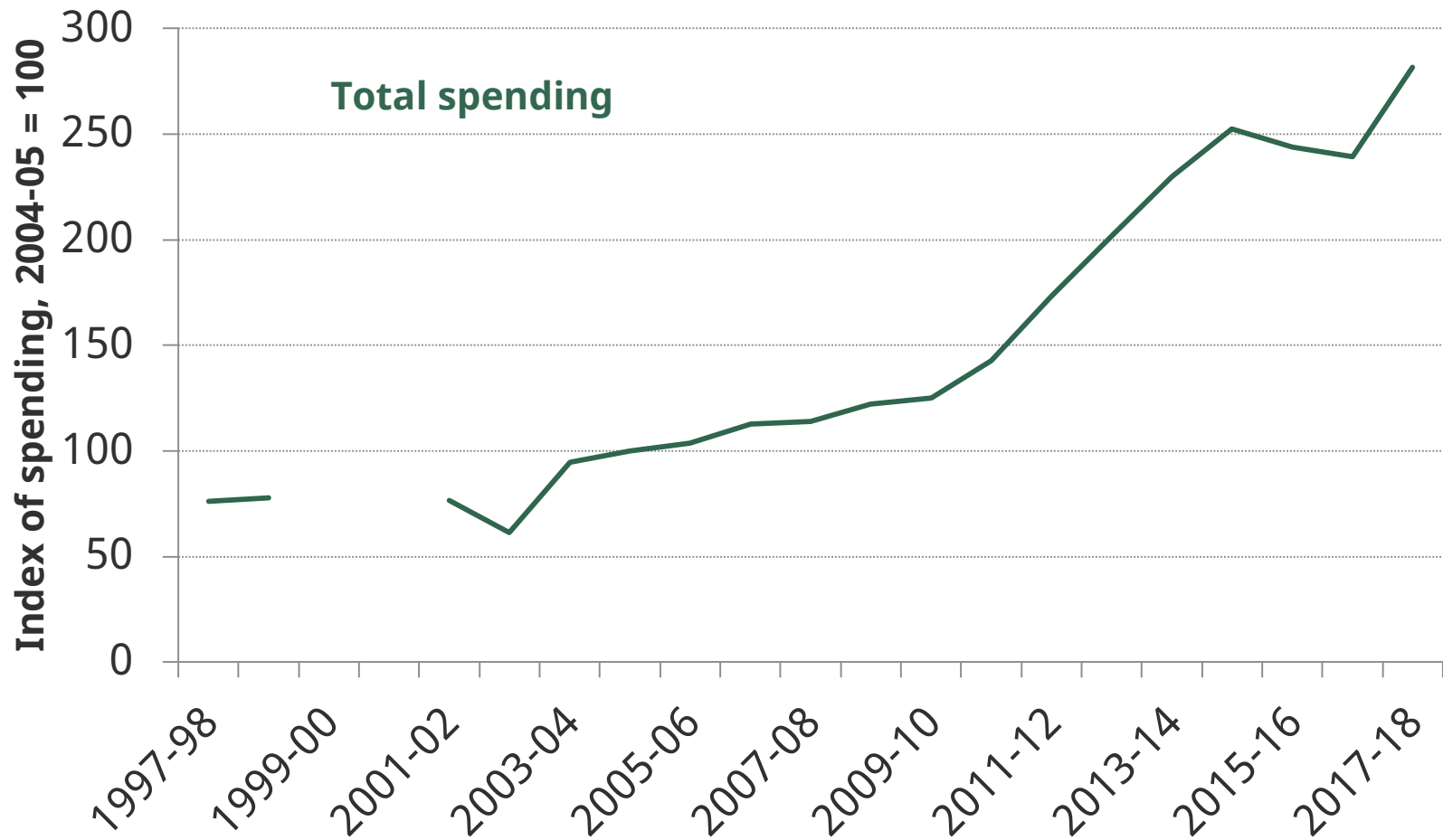
More children

- The 15% most disadvantaged 2-year-olds were included in 2009
- Since 2014, this covers the 40% most disadvantaged 2-year-olds

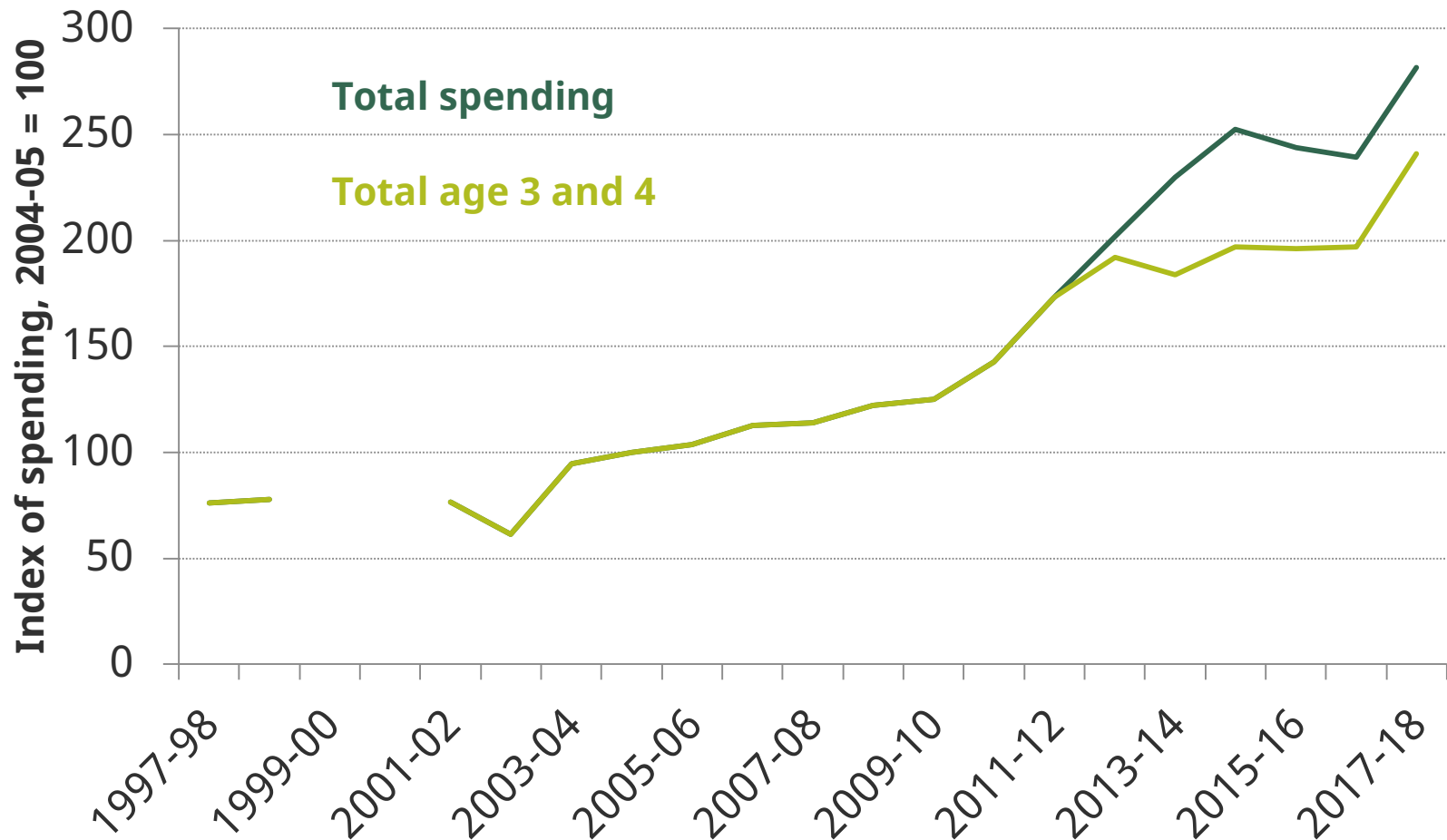
More hours

- 3- and 4-year-old entitlement went from 33 to 38 weeks in 2006
- And from 12.5 to 15 hours/week in 2010
- Extended entitlement to a 30-hour place introduced in September 2017 for 3- and 4-year-olds in most working households

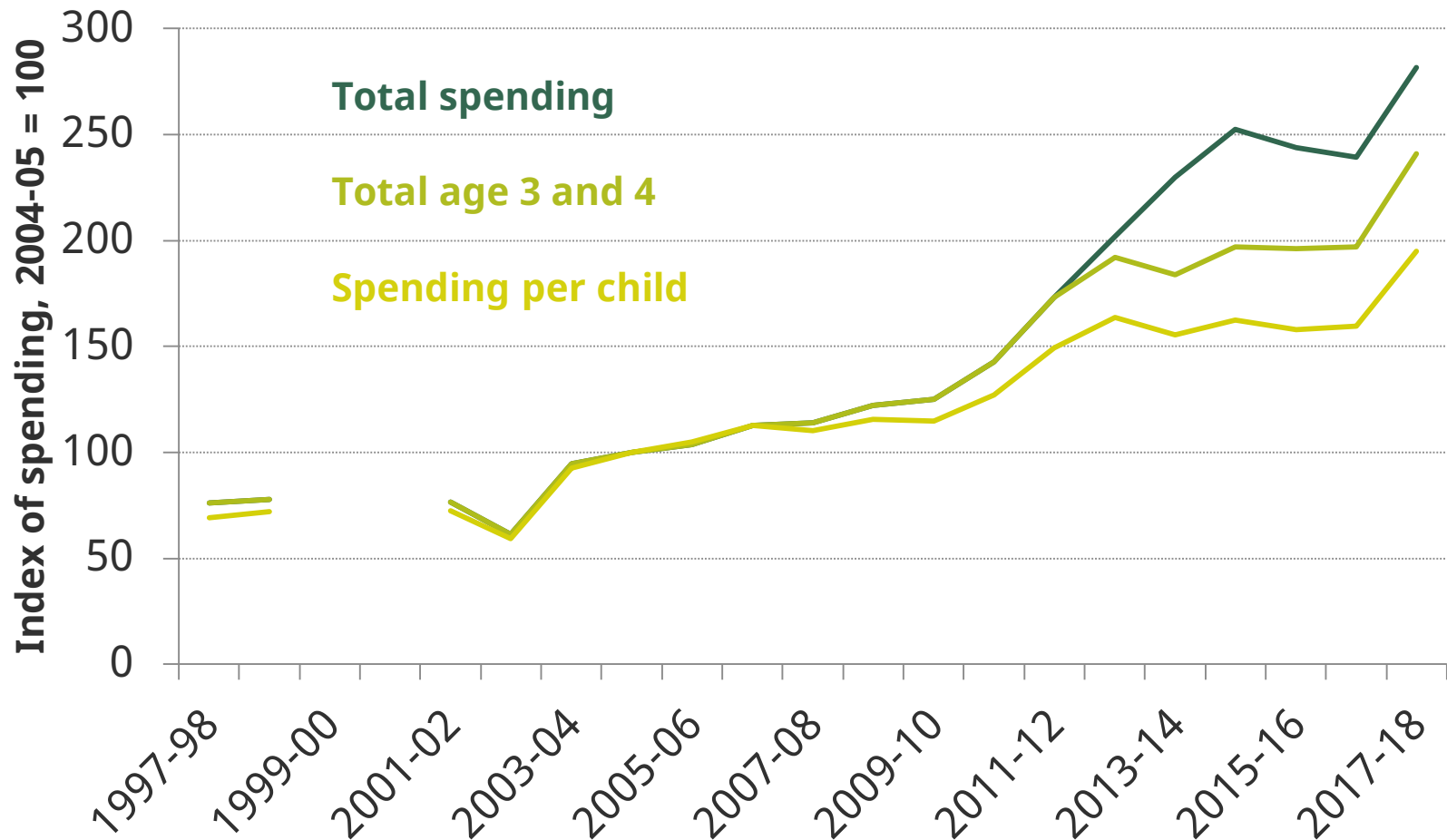
Growth in free entitlement spending



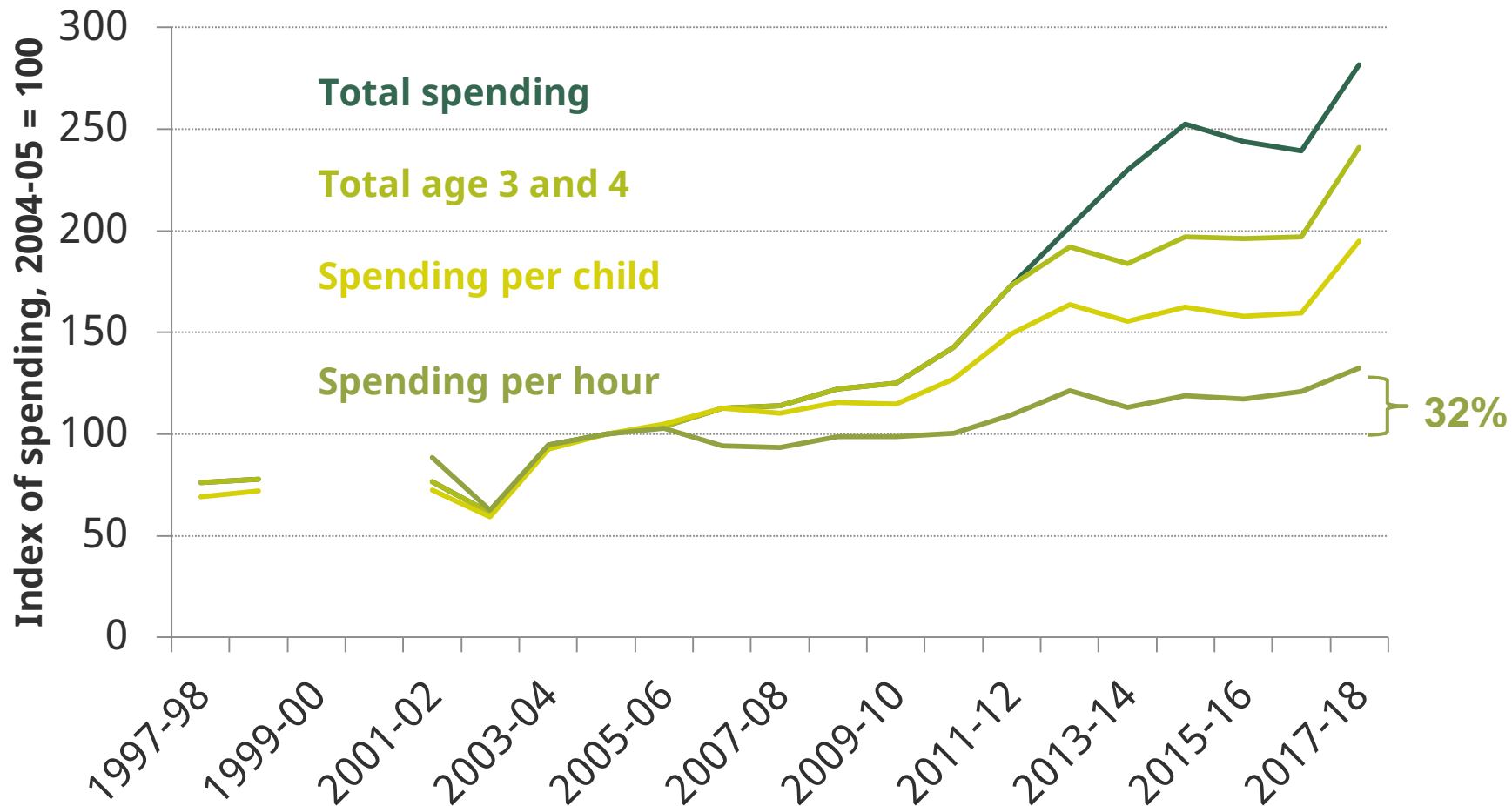
Growth in free entitlement spending



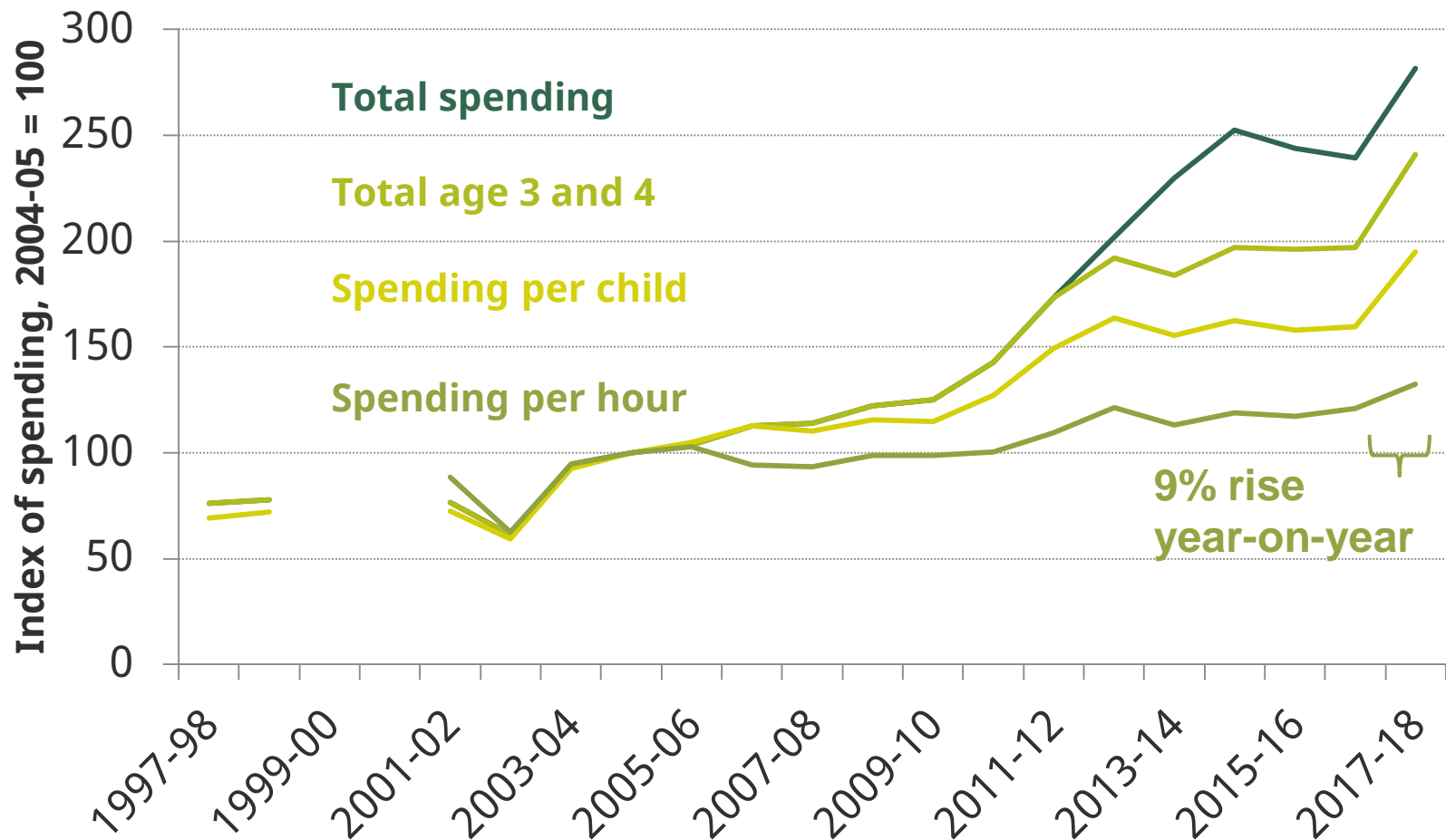
Growth in free entitlement spending



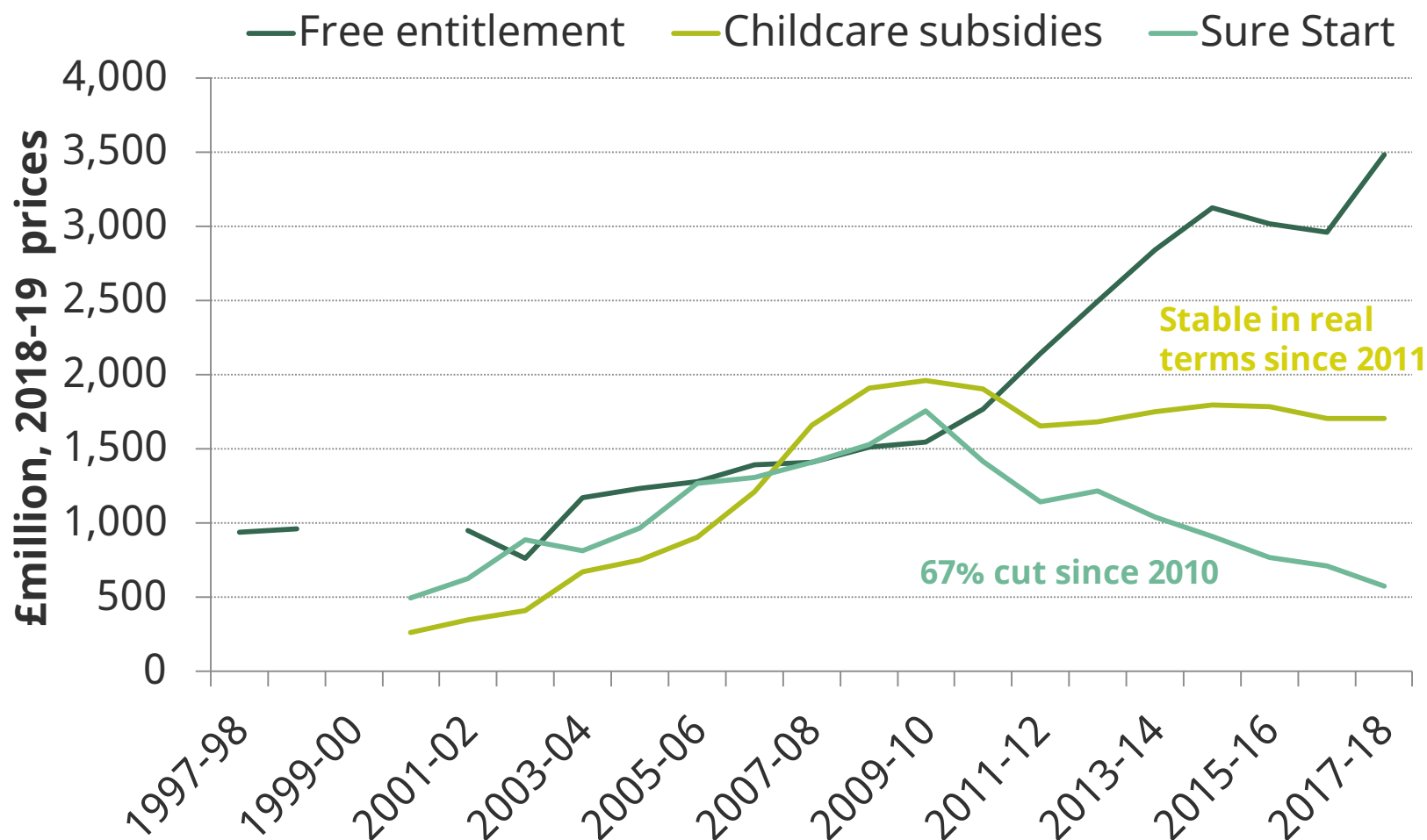
Growth in free entitlement spending



Growth in free entitlement spending



Spending on wider early years services



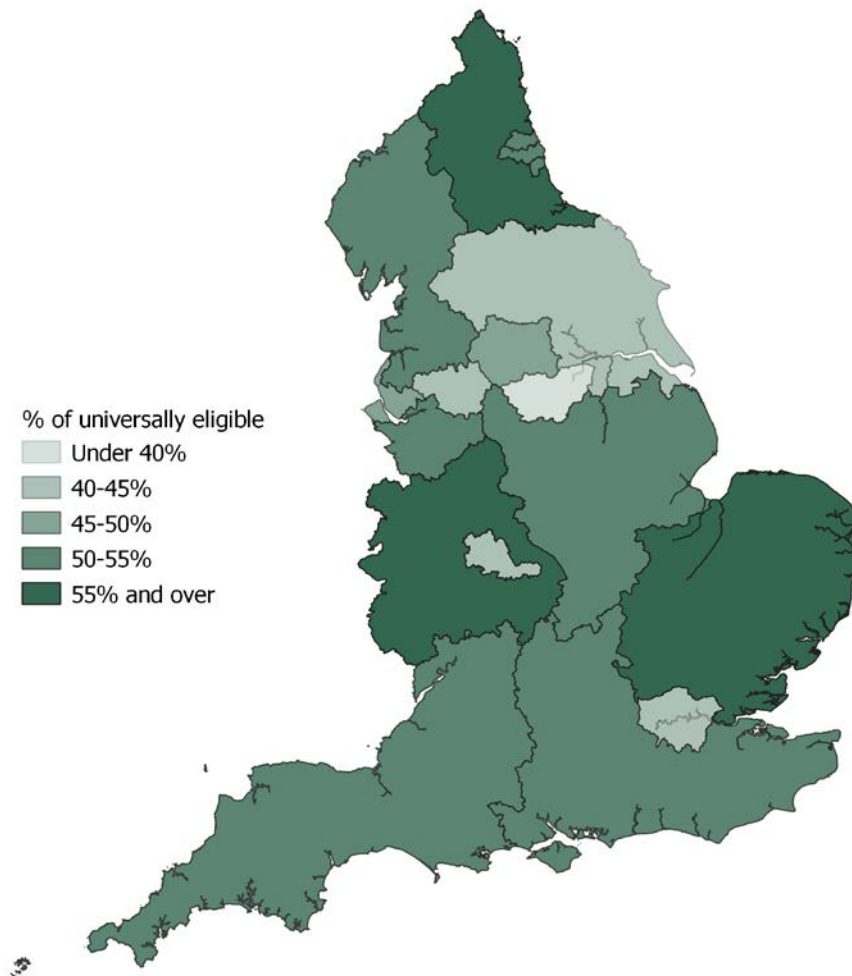
Delivering the 30-hour entitlement

Half of 3- and 4-year-olds are eligible for the 30-hour extended entitlement to free childcare introduced last year

Broadly, children in families where both parents – or the single parent – work and neither earns more than £100,000 are eligible

There are big differences in eligibility around the country

Eligibility for the new 30-hour entitlement varies across the country



Delivering the 30-hour entitlement

Half of 3- and 4-year-olds are eligible for the 30-hour extended entitlement to free childcare introduced last year

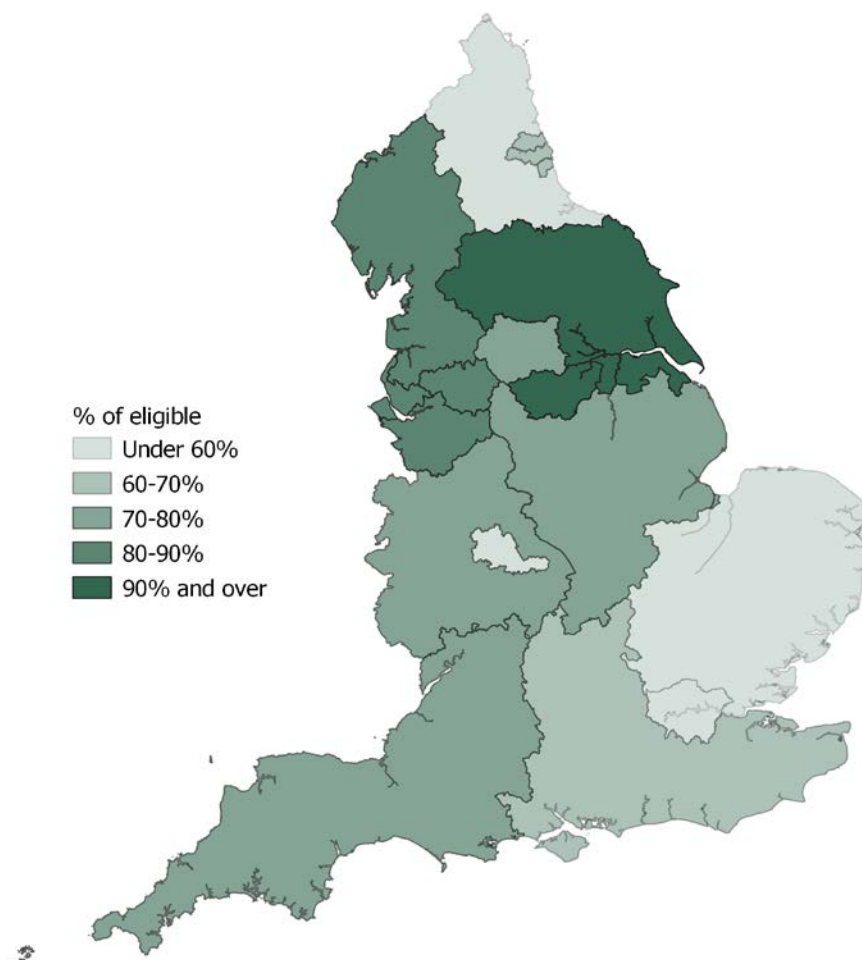
Broadly, children in families where both parents – or the single parent – work and neither earns more than £100,000 are eligible

There are big differences in eligibility around the country

In 2017–18, 310,000 children – half of the eligible group – successfully applied for a 30-hour place

- But it's not known why the other half did not apply

Rate of successful applications for the 30-hour entitlement among eligible children



Free entitlement spending has grown substantially

- Total spending has risen from almost nothing in the early 1990s to £3.5 billion in 2017–18

Much of this rise is comes from extensions to the number of children and hours covered

- Hourly funding has grown by 32% since 2004–05; over a third of this growth came in the last year

Meanwhile, other early years services have seen significant cuts

Challenges remain in designing a funding system that balances the cost to taxpayers with the importance of high-quality provision

- Particularly important in delivering the 30-hour entitlement, where some childcare providers are concerned about funding levels

Schools

School funding in England: Policy Context

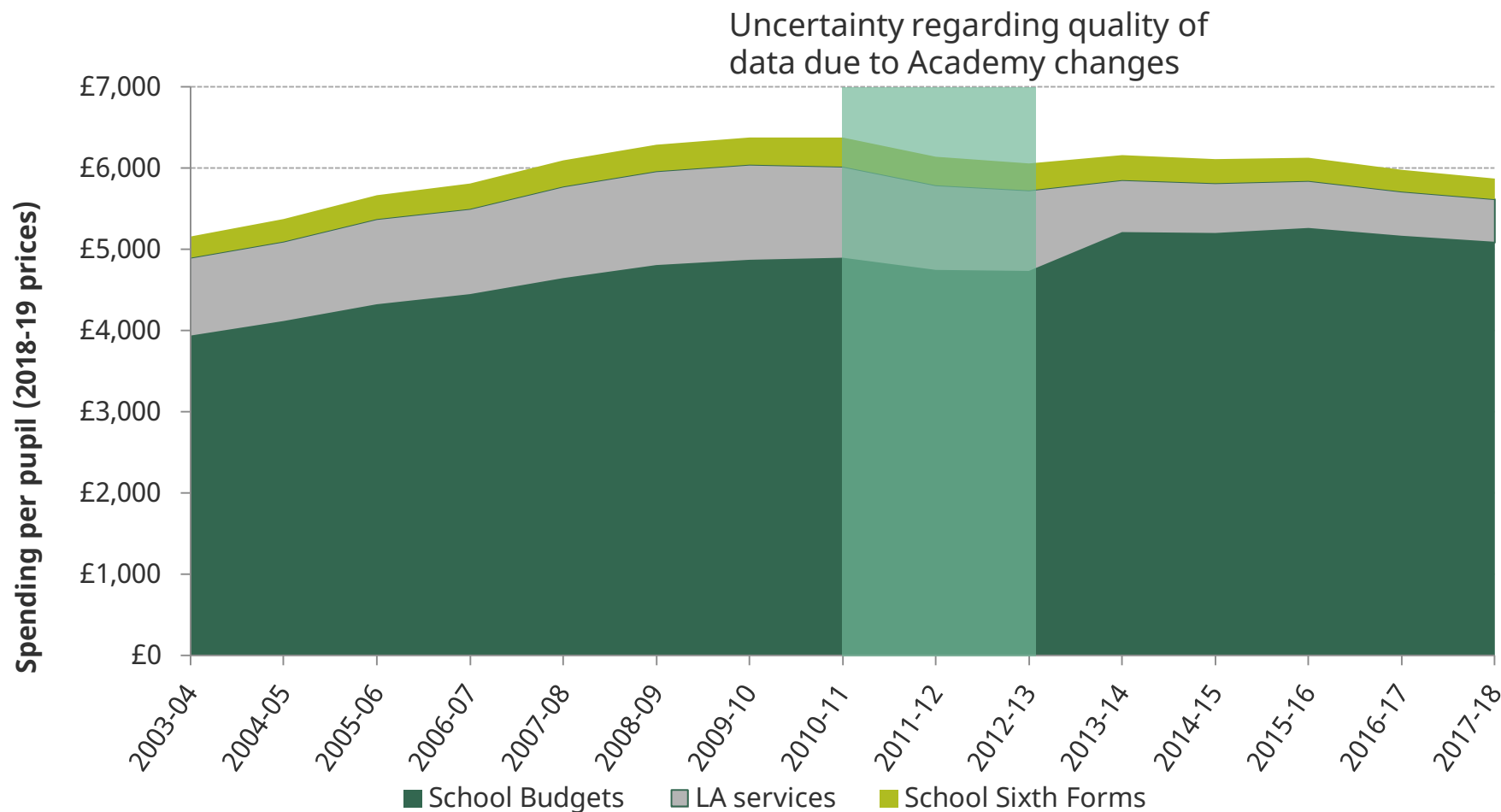
Total state spending on schools in England was about £49bn in 2017-18, or about £5,800 per pupil aged 3-19

- 8% real-terms fall in spend per pupil since 2009-10

Range of policy changes since 2010 important for understanding squeeze on school budgets

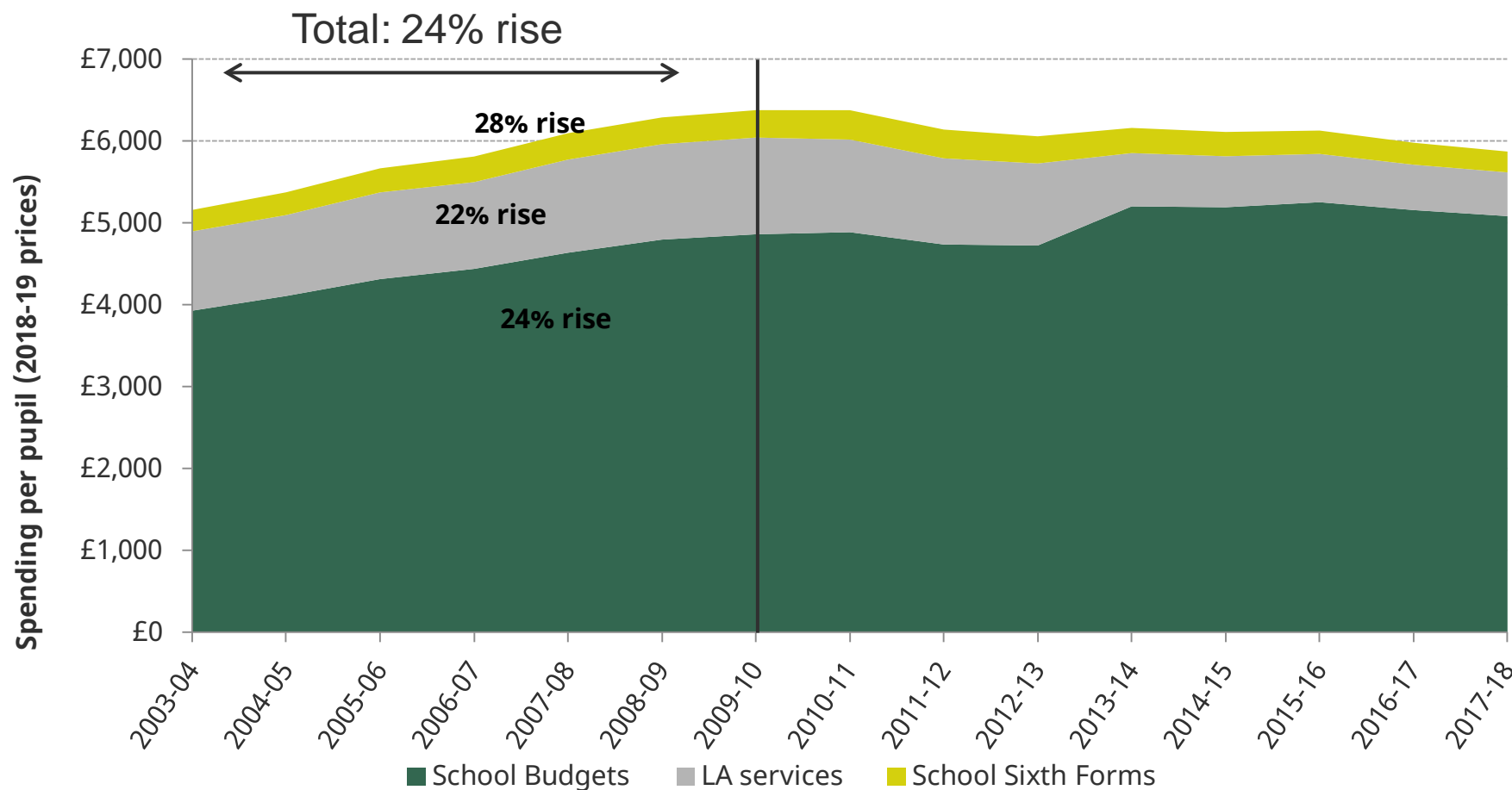
- Cash-terms freeze on existing funding per pupil for most years
- Introduction of pupil premium in 2011
- Introduction of National Funding Formula in 2018 – only currently relevant for funds allocated to local authorities
- July 2017 announcement of additional funding of £800m per year by 2019-20
- Academies programme
- Transfer of responsibilities (and funding) from local authorities to schools
- Caps on public sector pay awards up to 2018
- Additional employer pension and national insurance contributions in 2015

Total school spending per pupil includes local authority spending and school sixth form funding



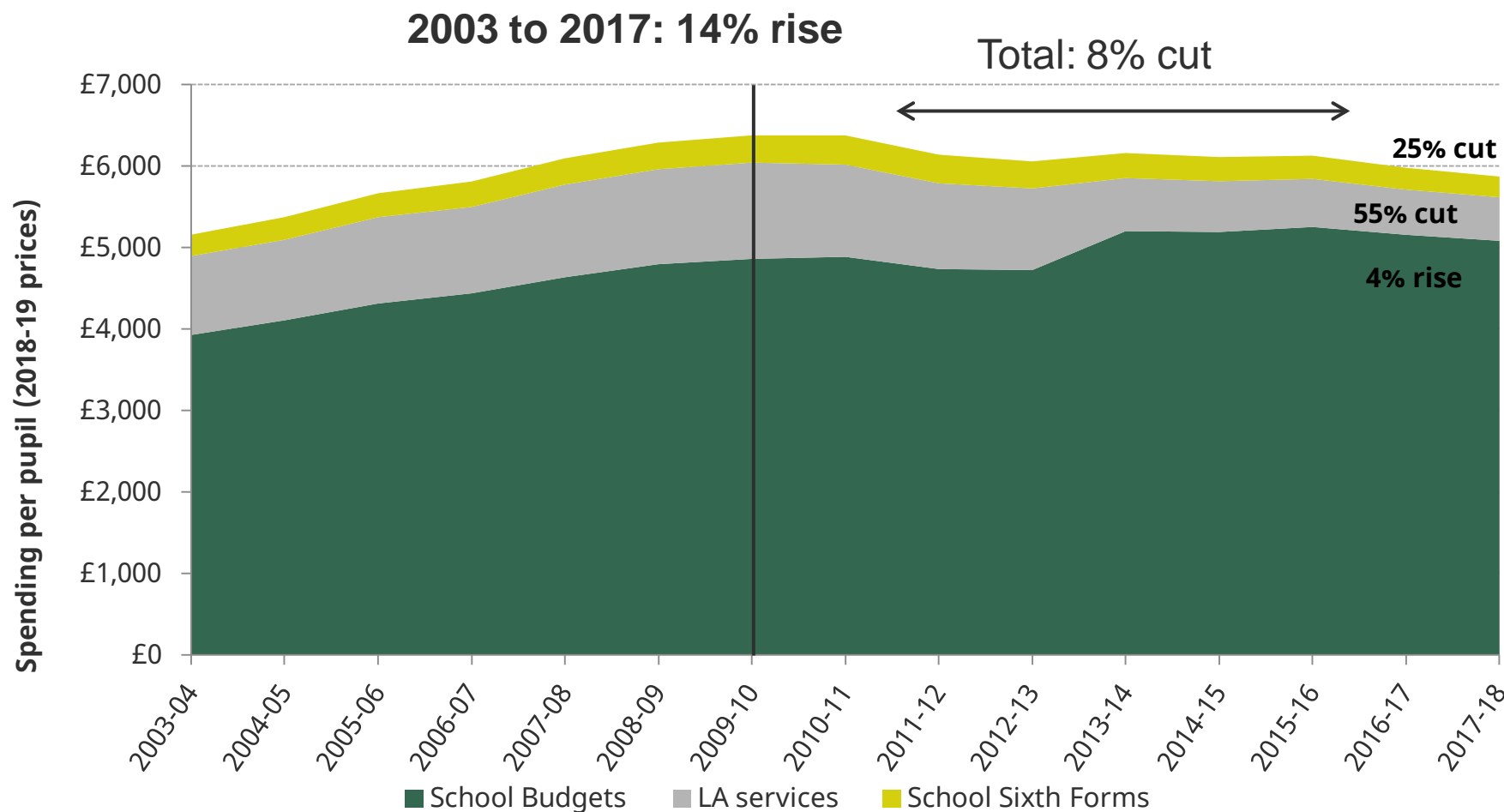
Notes: Figure are per pupil aged 3-19

Protection for funding directly allocated to schools, large cuts to sixth forms and LA services



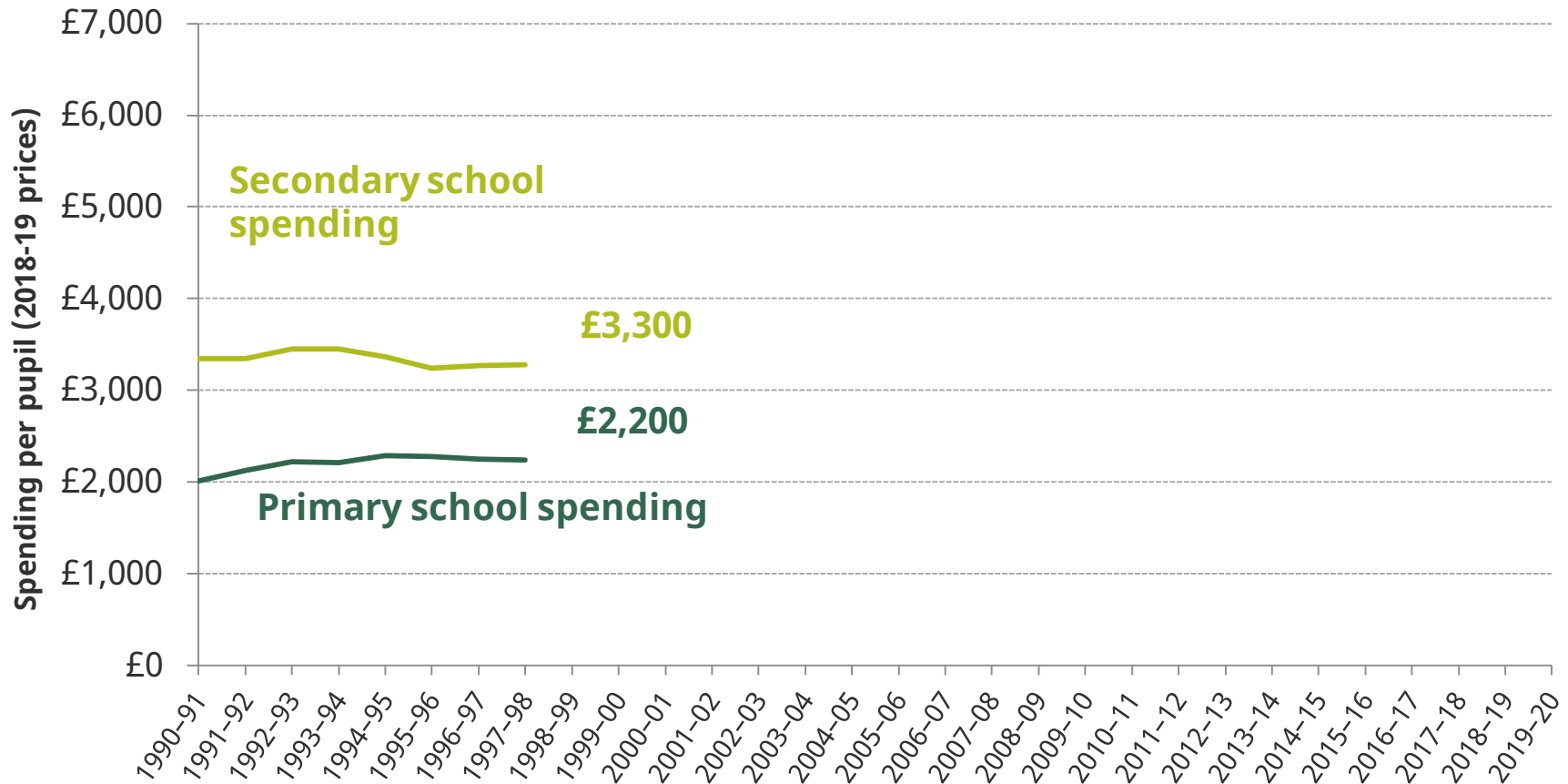
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Protection for funding directly allocated to schools, large cuts to sixth forms and LA services

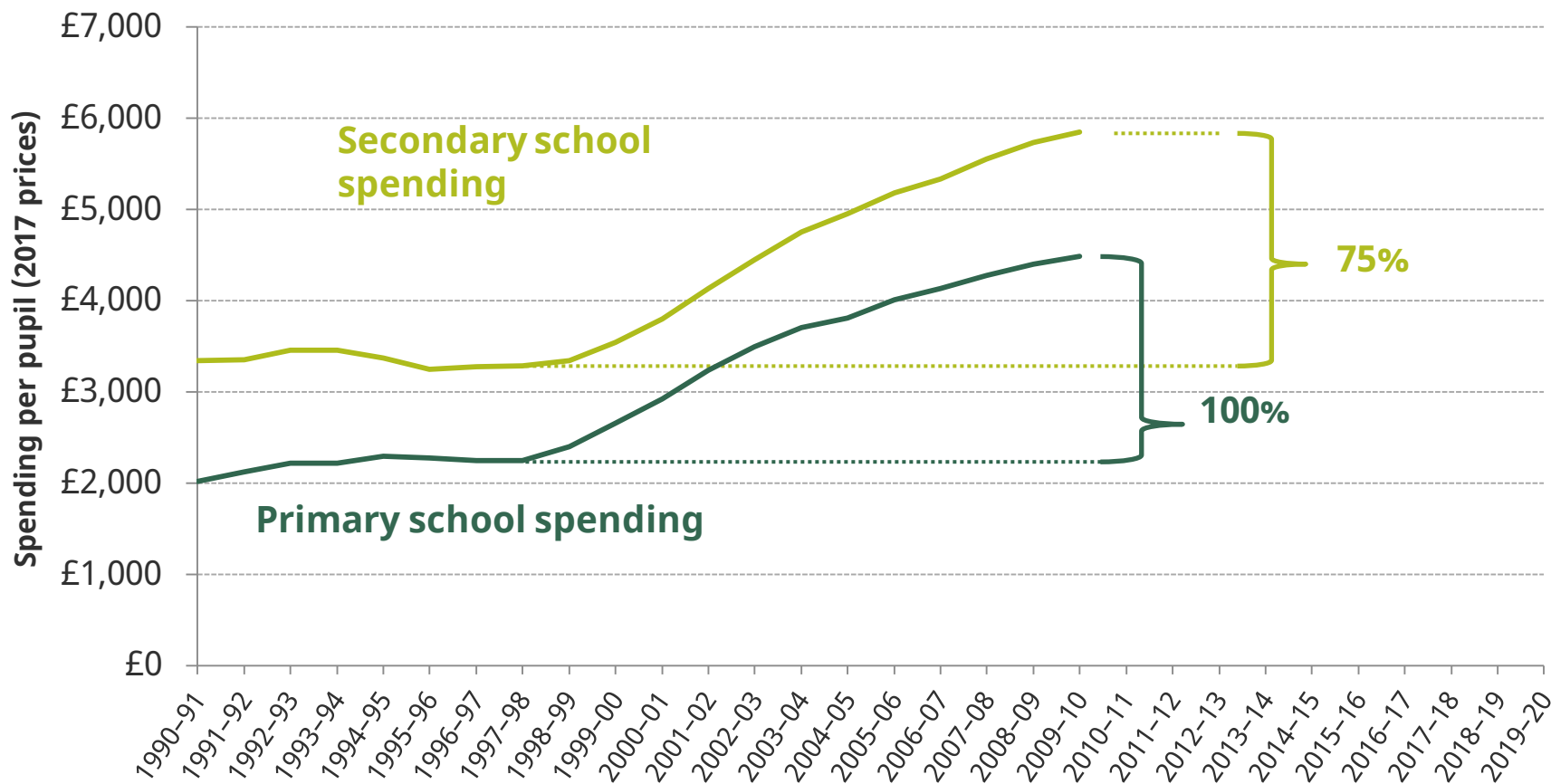


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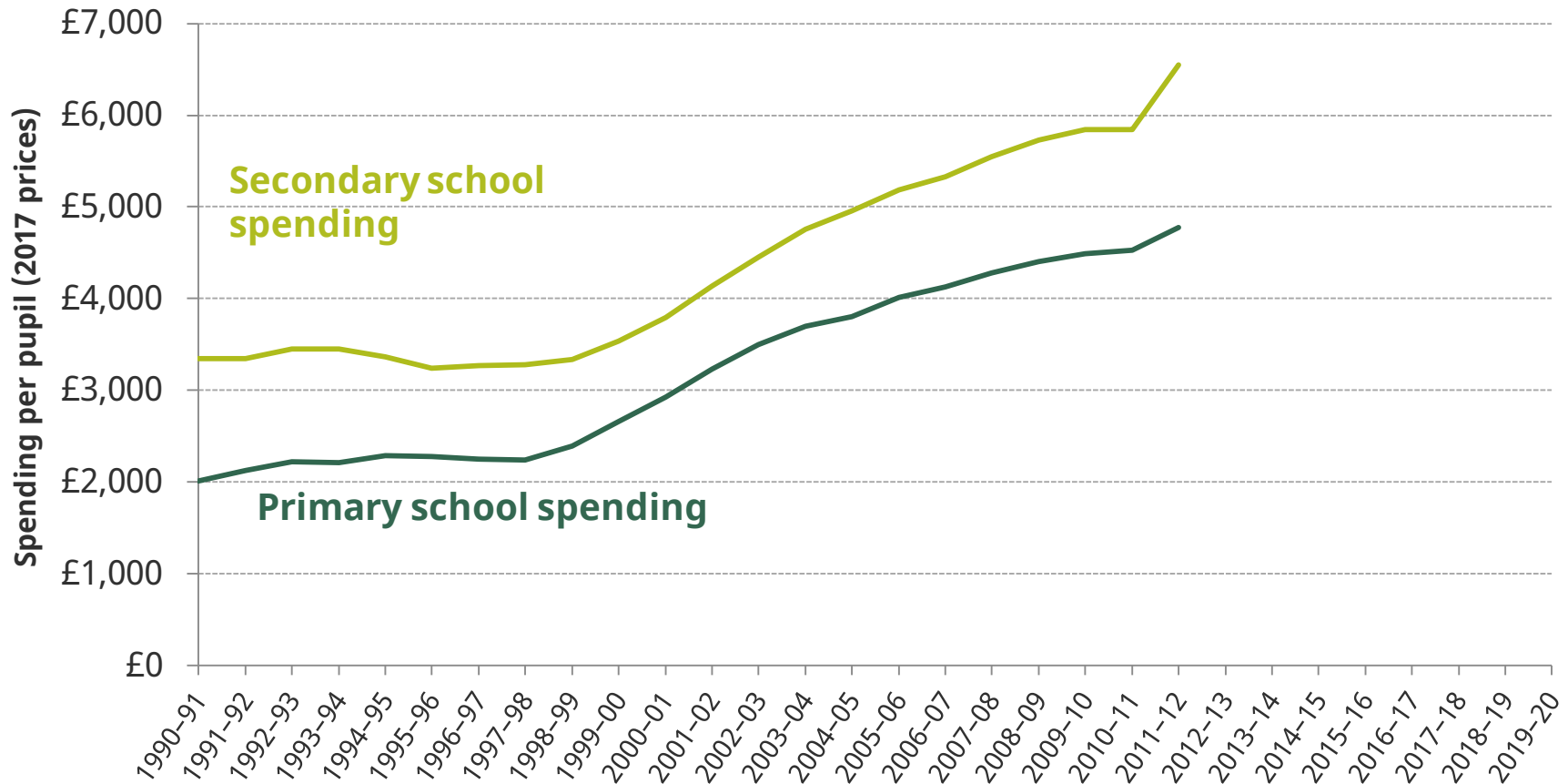
In 1990s there was little real terms growth in school spending per pupil...



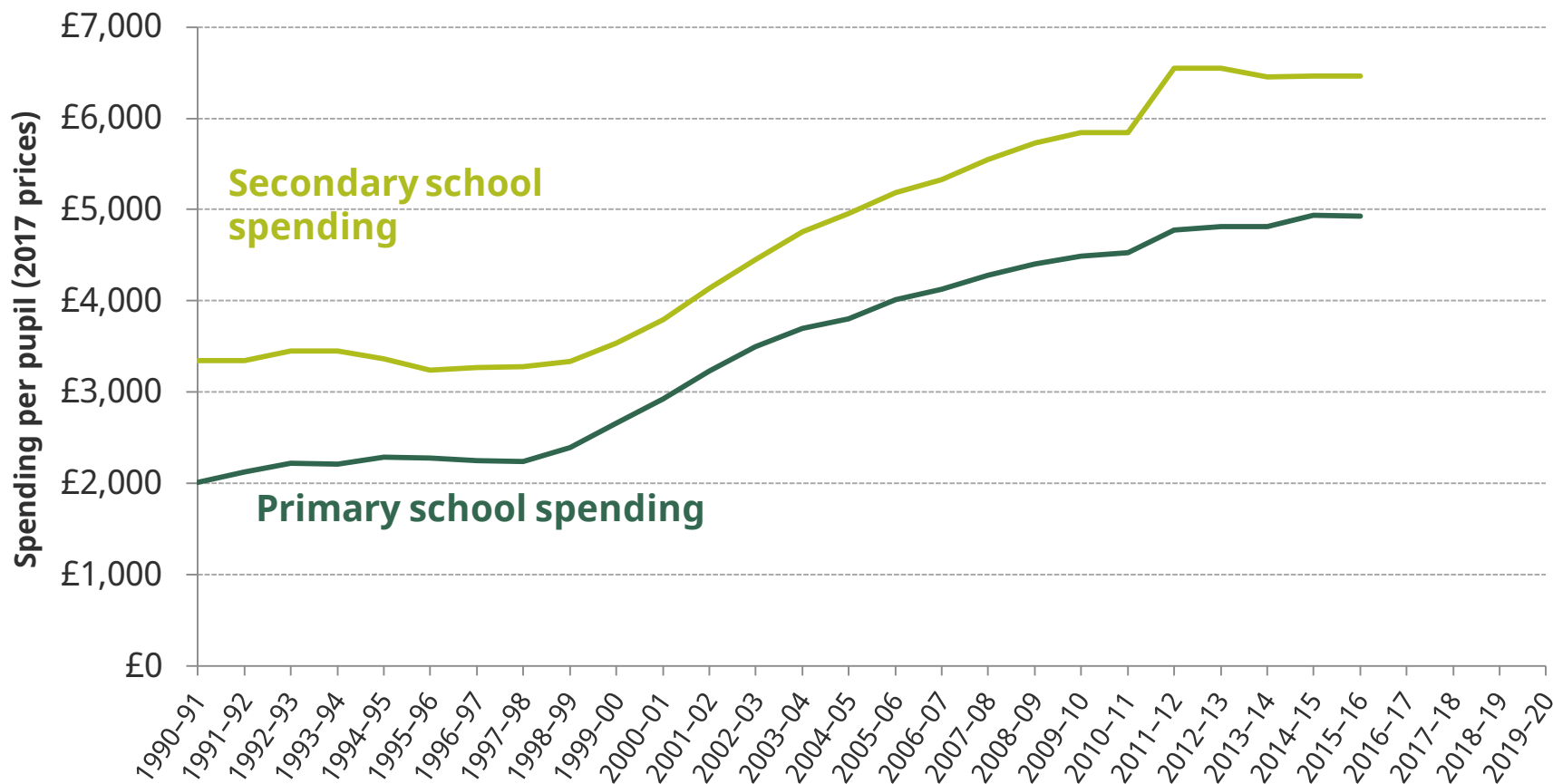
...followed by rapid growth throughout the 2000s.



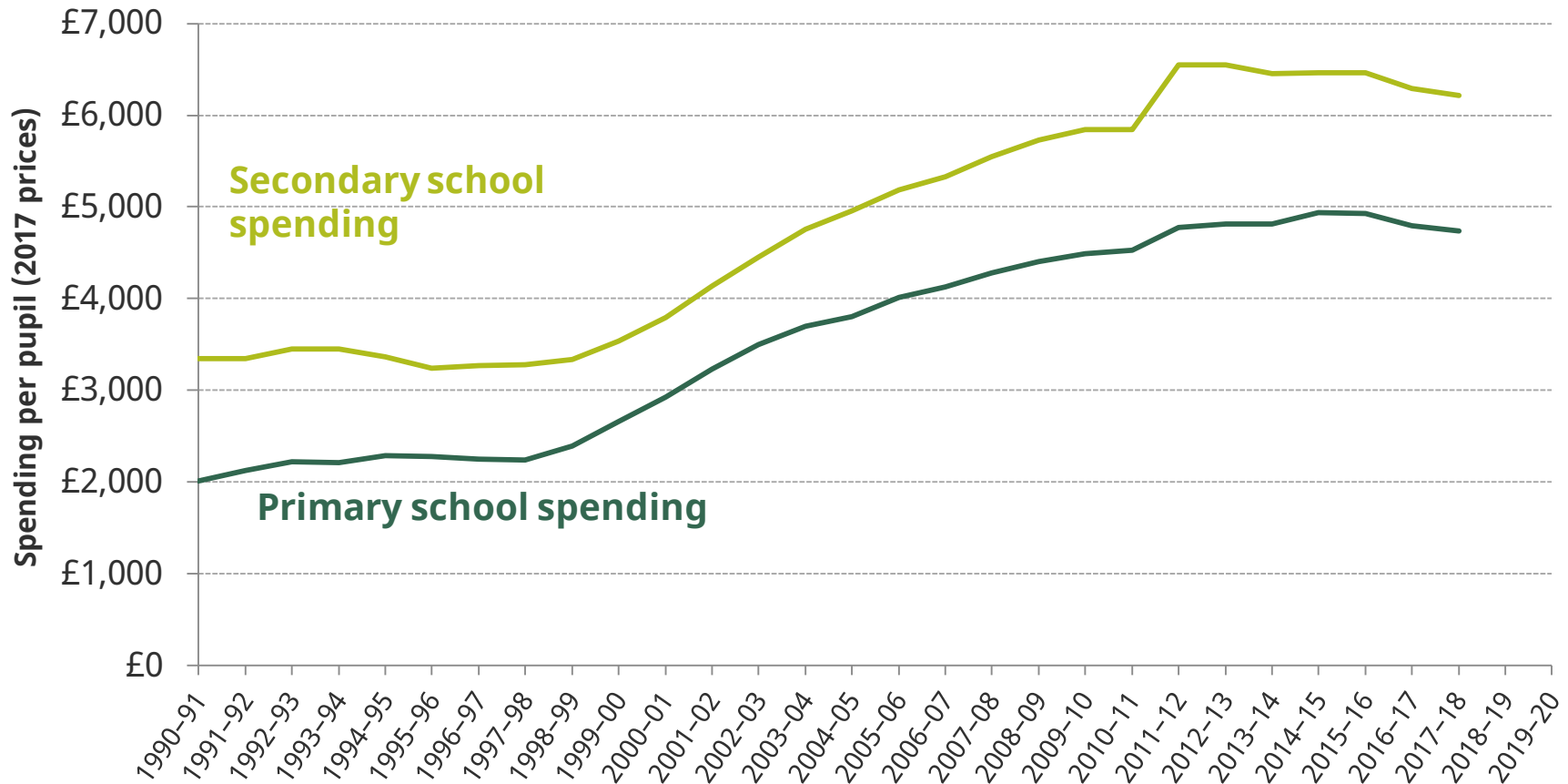
Large uptick in reported spending due to greater delegation of funding to schools and Academies



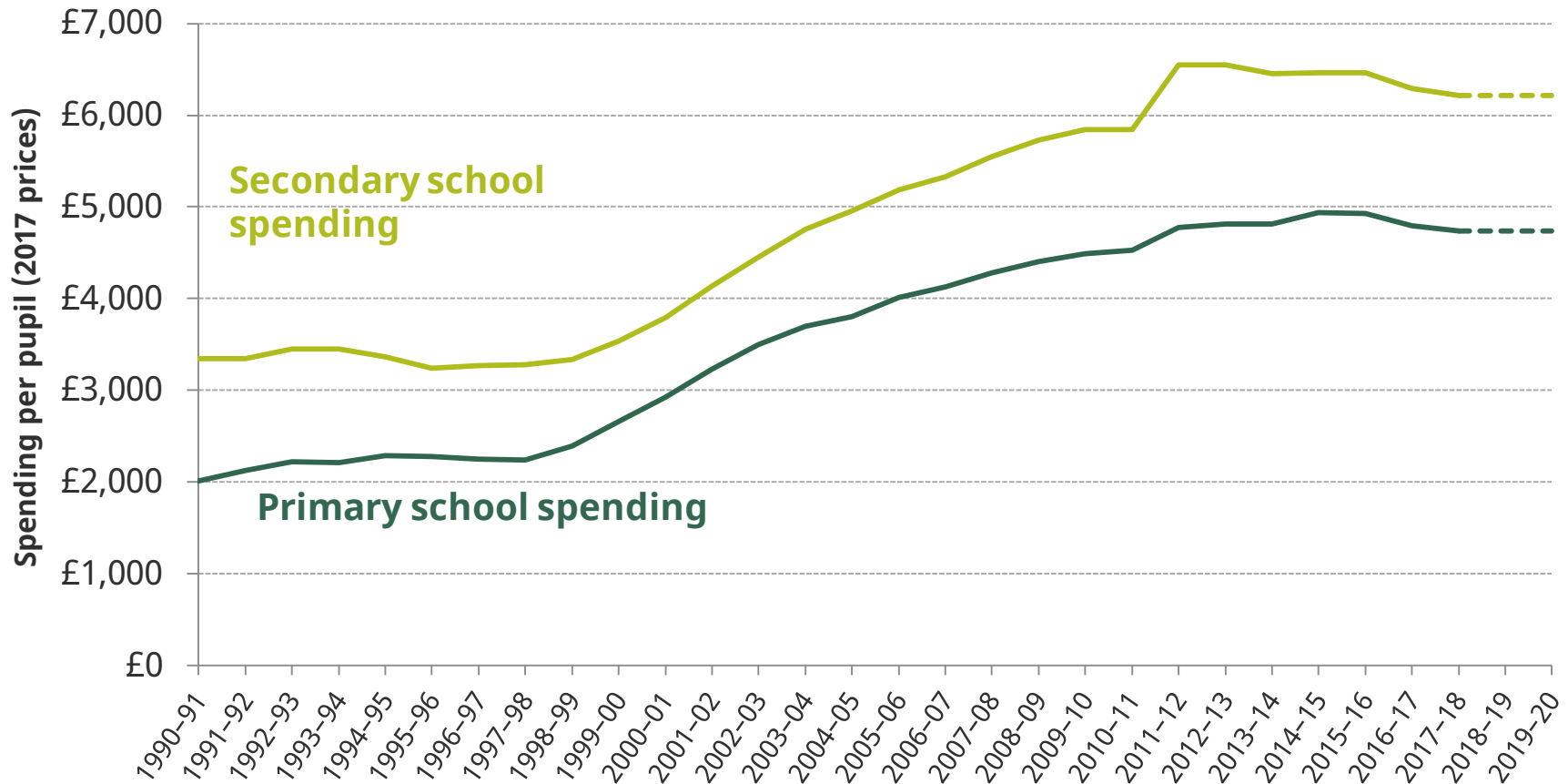
School spending was relatively well protected during the first 5 years of austerity...



...but cuts have begun to bite in the last two years.



...but additional funding announced in Summer 2017 and 2018 prevents further real terms cuts.



Summary and future challenges

Total spending per pupil fell 8% in real-terms between 2009-10 and 2019-20

- Mainly driven by 55% cut to LA spending and over 20% cut to sixth form funding
- Funding directly allocated to schools better protected

Funding provided to primary & secondary schools 4% below recent peak in 2015

- Protected in real-terms up to 2019 and 60% higher than in 2000-01

Costs now rising faster than general inflation

- Up to 2015, pay award caps meant public sector pay per head rose by less than inflation
- Now rising faster due to lifting of 1% pay cap and additional pension/national insurance
- 2015-16 to 2019-20: general inflation (7%); public sector pay per head (11%)
- Further budget pressures from taking on services previously provided by local authorities
- Sixth form funding cuts put pressure on secondary schools

Further Education and Skills

Covers many different and frequently changing routes

- 16-18 - Further Education, Sixth Form Colleges and School Sixth Forms
- 19+ Further Education
- Apprenticeships

Changing size and focus of different sectors

- Participation in 16-18 education doubled from 40% in mid-80s to 82% in 2017
- Falls in number of 19+ learners from over 4.5m in mid-2000s to around 2.2m by 2017 driven by fewer taking low-level qualifications

Increasing focus on apprenticeships

- Now account for about one third of all adult learners
- But numbers down since start of apprenticeship levy

Changing qualifications

- AS/A Levels, Diplomas, Rise and fall of vocational qualifications, Skills to Life, T-Levels

Major reviews at least every 5 years

- 2006 Leitch Review, 2011 Wolf Review, 2016 Sainsbury Review, Post-18 Review

Various attempts to increase adult skills and training

- Individuals Learning Accounts, Skills for Life, Train to Gain, Apprenticeship Levy

Funding reforms

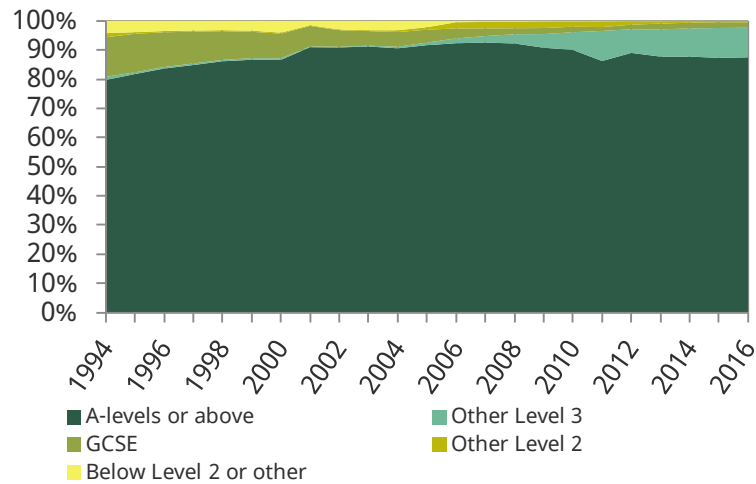
- National Funding Formula, Adult Education Budget, Advanced Learner Loans, English and Maths Funding Condition,

Various funding bodies and agencies

- Learning and Skills Council, Young People's Learning Agency, Skills Funding Agency, Education Funding Agency, Education and Skills Funding Agency, Institute of Apprenticeships

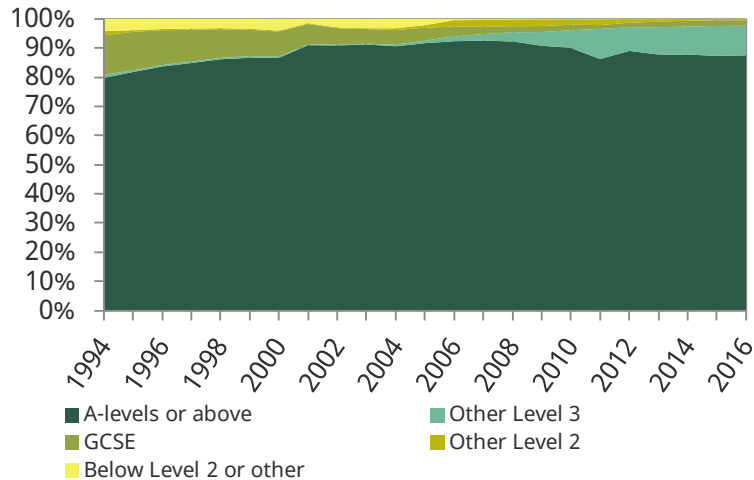
Near-complete focus on A levels or Level 3 in school Sixth Forms

School Sixth Forms

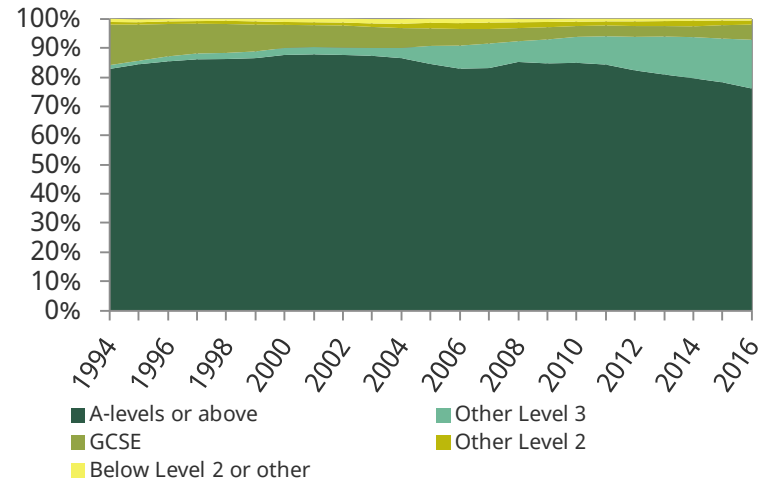


Mostly similar picture in sixth form colleges, slightly more shift to Level 3 vocational qualifications

School Sixth Forms

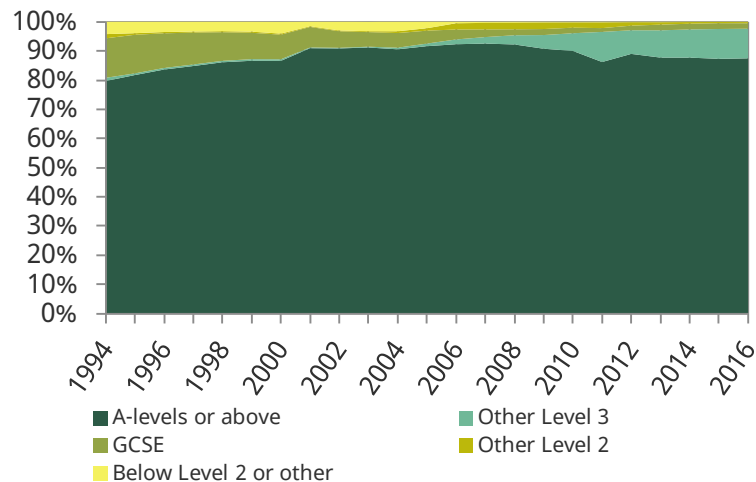


Sixth Form Colleges

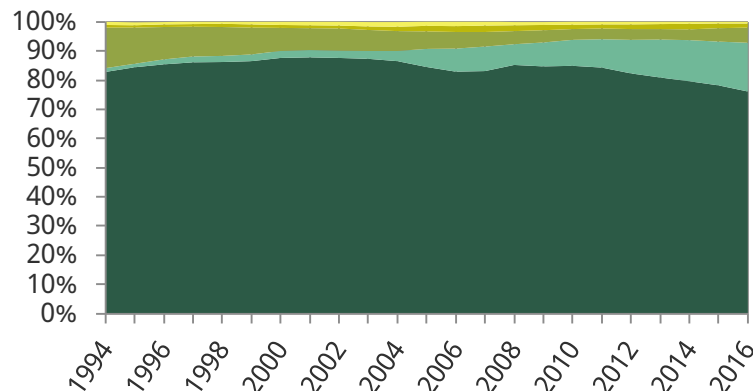


Larger (and frequently changing) share taking Level 2 and vocational quals in FE

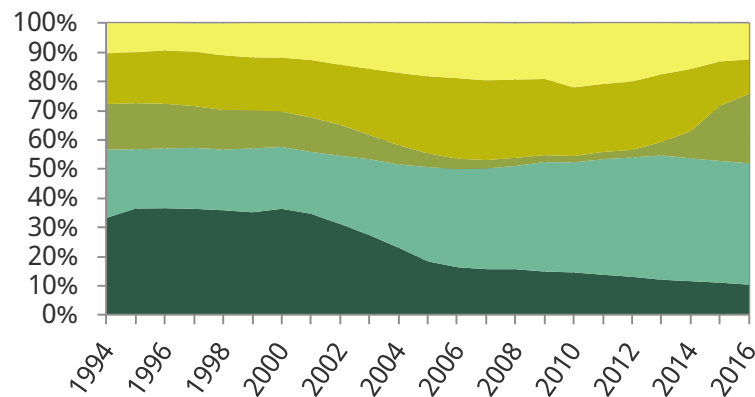
School Sixth Forms



Sixth Form Colleges



Further Education Colleges



29% fall in number of 19+ learners since 2010

Driven by falling number of learners at Level 2 or below



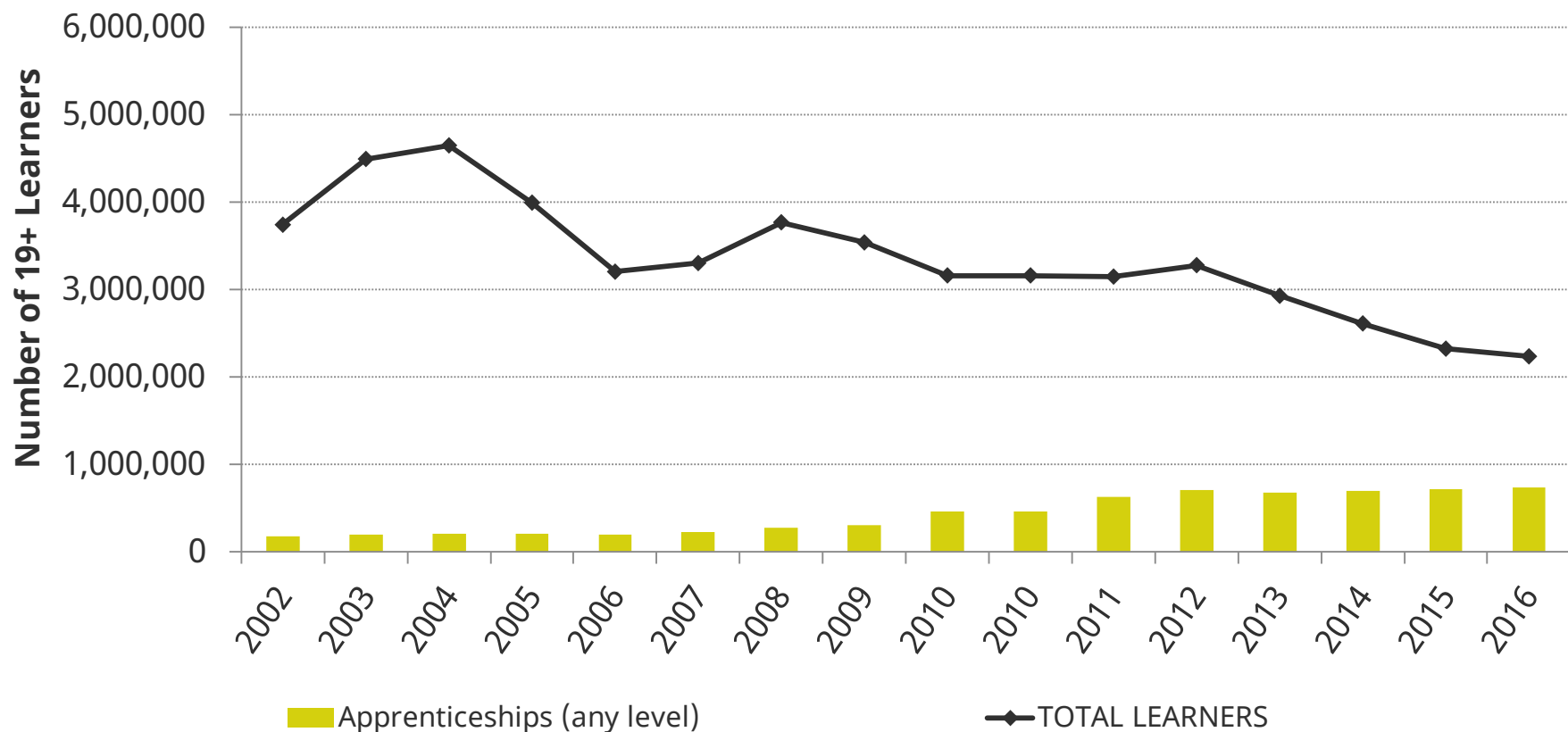
29% fall in number of 19+ learners since 2010

Shift towards greater share in apprenticeships

2005: 200,000 Apprentices

2010: 460,000 Apprentices

2016: 720,000 Apprentices



Summary of participation trends

Almost complete focus on A level or Level 3 qualifications in school sixth forms, similar picture in sixth form colleges

Larger and frequently changing shares taking Level 2 and vocational qualifications in further education colleges

Individuals taking vocational or level 2 qualifications tend to be more disadvantaged and have lower levels of performance at GCSE

1m or 29% fall in number of 19+ learners in Further Education between 2010 and 2016

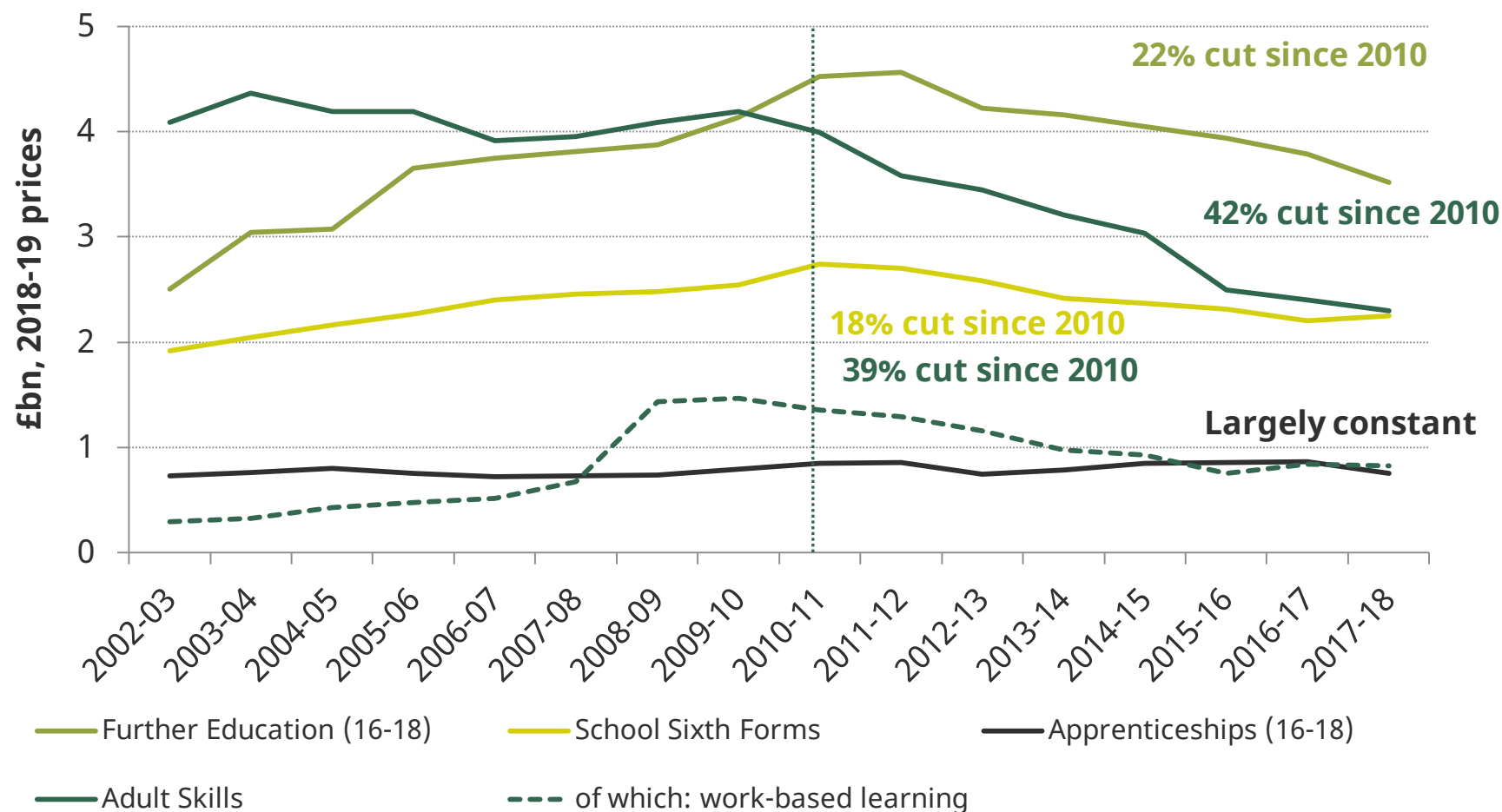
- Mostly accounted for by fall in number of low-level and Level 2 learners

Rising share of 19+ learners on apprenticeships

- 200,000 or 5% of learners in 2005
- 730,000 or one third of learners in 2016

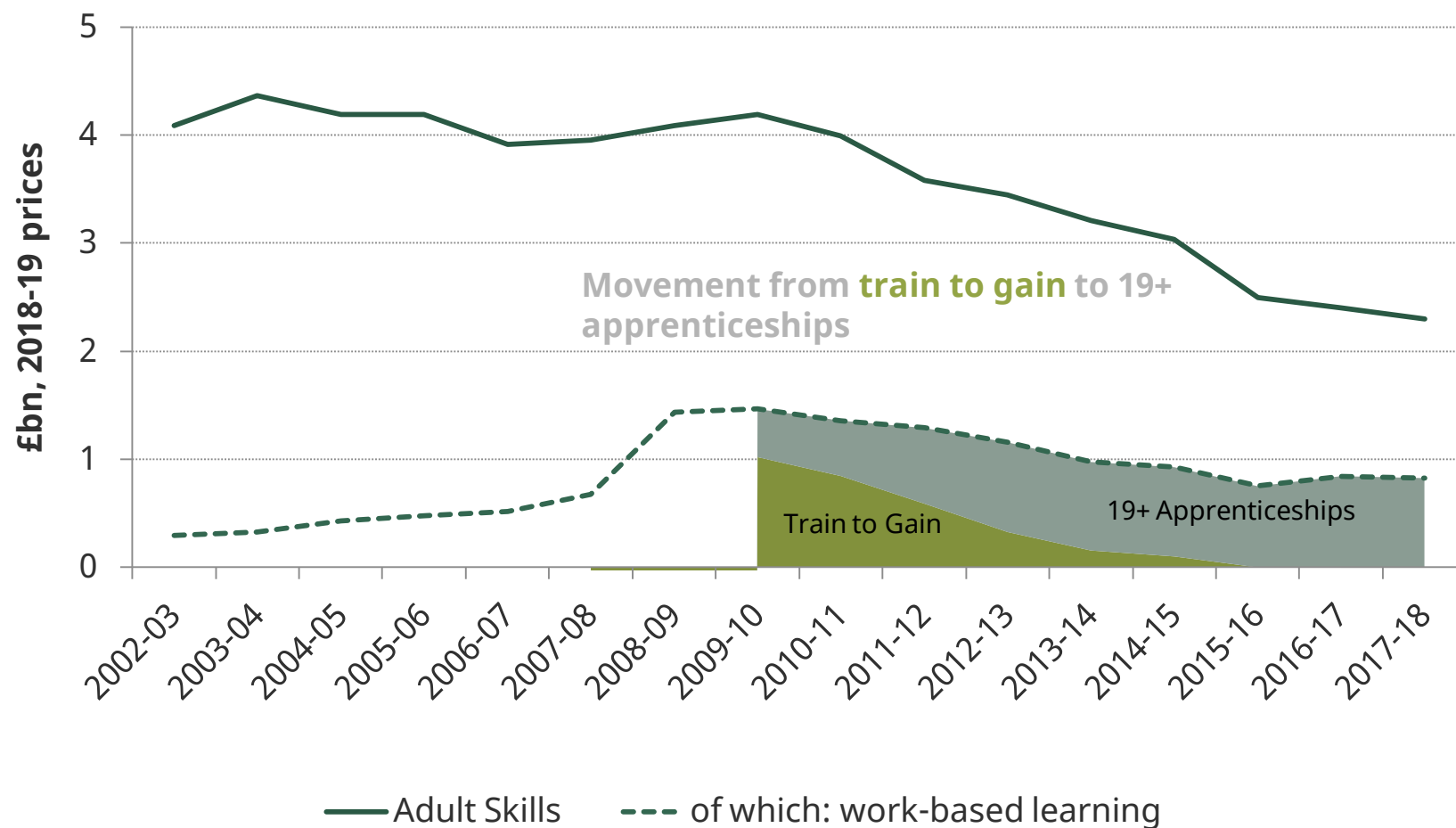
Rise & fall in FE and Sixth Form Spending

Very large cuts to 19+ Further Education since 2010

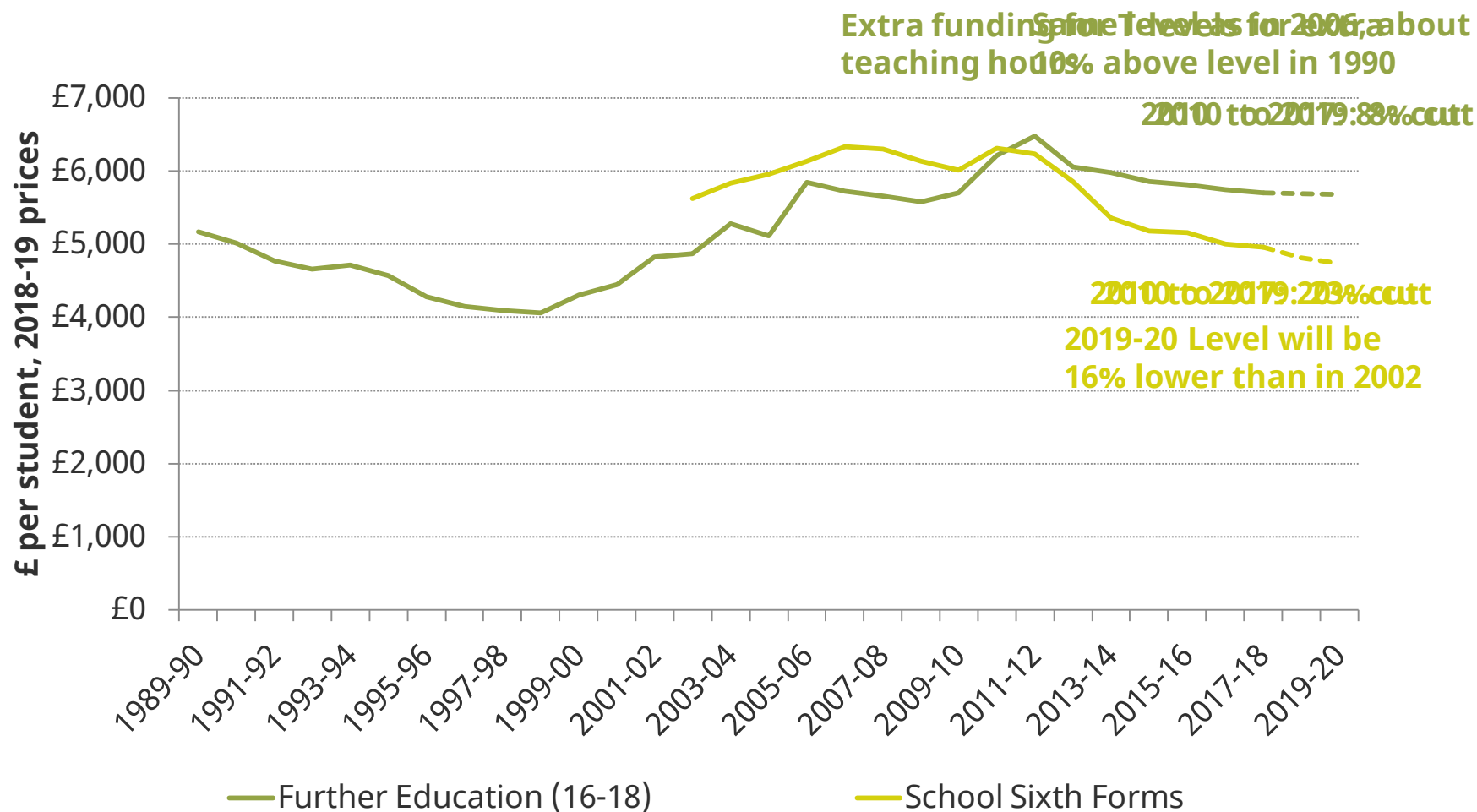


Rise & fall in FE and Sixth Form Spending

Very large cuts to 19+ Further Education since 2010



Large cuts to 16-18 spend per student since 2010, particularly school sixth forms



Range of funding systems for different routes

16-19 National Funding Formula

Adult Education Budget

Advanced Learner Loans

Apprenticeship Levy and Funding

Range of funding systems for different routes

16-19 National Funding Formula

- Funds programmes of study, rather than individual qualifications
- Extra funding for larger/complex programmes of study - mostly vocational
- Extra funding for more disadvantaged pupils
- Helps explain higher funding per student in 16-18 FE

Adult Education Budget

Advanced Learner Loans

Apprenticeship Levy and Funding

Range of funding systems for different routes

16-19 National Funding Formula

Adult Education Budget

- Mostly focused on funding for approved Level 2 qualifications for adults 19+ and 19-23 year olds taking their first Level 3 qualification
- Funding based on expected hours of study
- But large number of funding bands means funding per hour jumps around A LOT

Advanced Learner Loans

Apprenticeship Levy and Funding

Range of funding systems for different routes

16-19 National Funding Formula

Adult Education Budgets

Advanced Learner Loans

- Focused on adults taking additional Level 3 qualifications or Level 4+
- Same repayment terms and thresholds as for HE student loans
- FE learners likely to have lower earnings, so less likely to make repayments
- But loans are smaller in value, so *share* of loan repaid might be higher
- Currently quite small in total value (£200m issued in 2017 compared with £14bn for HE as a whole) and spending often falls short of budget

Apprenticeship Levy and Funding

Range of funding systems for different routes

16-19 National Funding Formula

Adult Education Budgets

Advanced Learner Loans

Apprenticeship Levy and Funding

- New system part of approach to meet target of 3 million apprenticeship starts
- All employers pay 0.5% of payroll above £3 million into an account which can be used for off-the-job apprenticeship training
- Hypothecation largely meaningless: additional spending subsidised at 90% up to certain limits
- Mainly a tax rise: levy raises £2.7bn in 2019, total spending due to rise by £640m
- Apprenticeship starts down by one third in 2017-18 compared with same point in 2016-17

Summary and Future Challenges

Large increase in education participation amongst 16-17 year olds

Falling numbers of 19+ learners, larger share now apprenticeships

Large falls in spending

- 8% cut in 16-18 FE spend per student over 2010s
- 21% cut in school sixth form spend per student
- Over 40% fall in total 19+ FE spending

Future challenges

- Delivering high-quality education with dwindling resources
- New T-levels with single awarding body due to start in 2020 – *will they be ready and of high-quality from day 1?*
- T-levels and apprenticeships focused on developing specific occupational skills - *will this leave individuals vulnerable to economic/trade shocks?*

Higher Education

HE is a large and rapidly expanding part of the education system

- Around 1 million undergraduate students were in HE in 2017, more than double the number 30 years previously

The provision of HE represent a significant cost to government

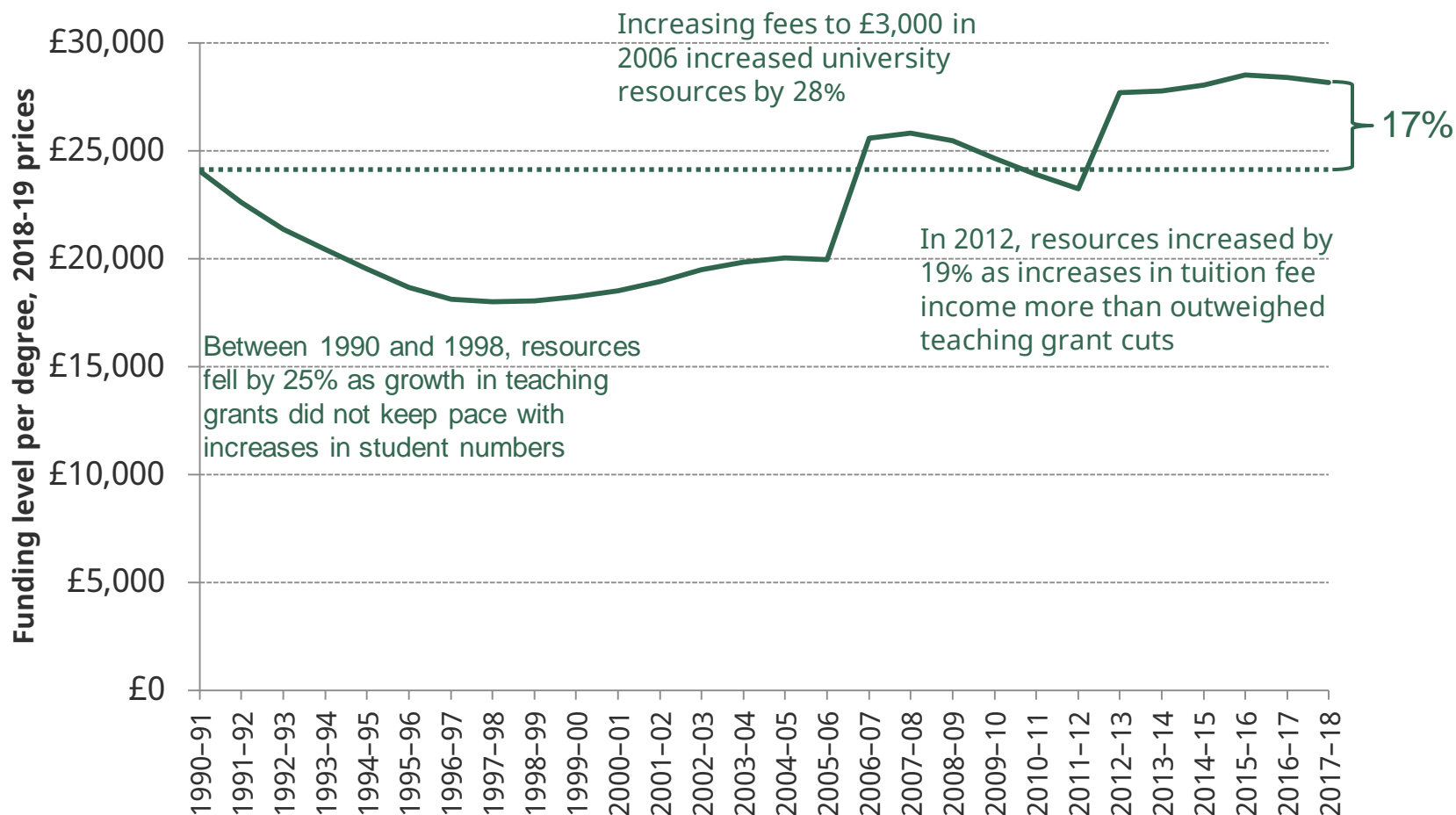
- The government pays out more than £17 billion per cohort of student that enter HE
- This includes spending on teaching grants, tuition fee loans and maintenance loans

The HE system has been under continual reform in recent years

- 'Post-18' review may result in further reforms

University resources

Our measure of resources includes funding the university receives for teaching each students' entire degree from teaching grants and tuition fee income



Recent changes to the system

2012 reforms

- Fee cap increased from £3,465 to £9,000
- Repayment threshold increase from £17,775 to £21,000 (increasing with earnings)
- Interest rate increased from RPI to RPI + 0-3%
- Repayment period increased from 25 to 30 years

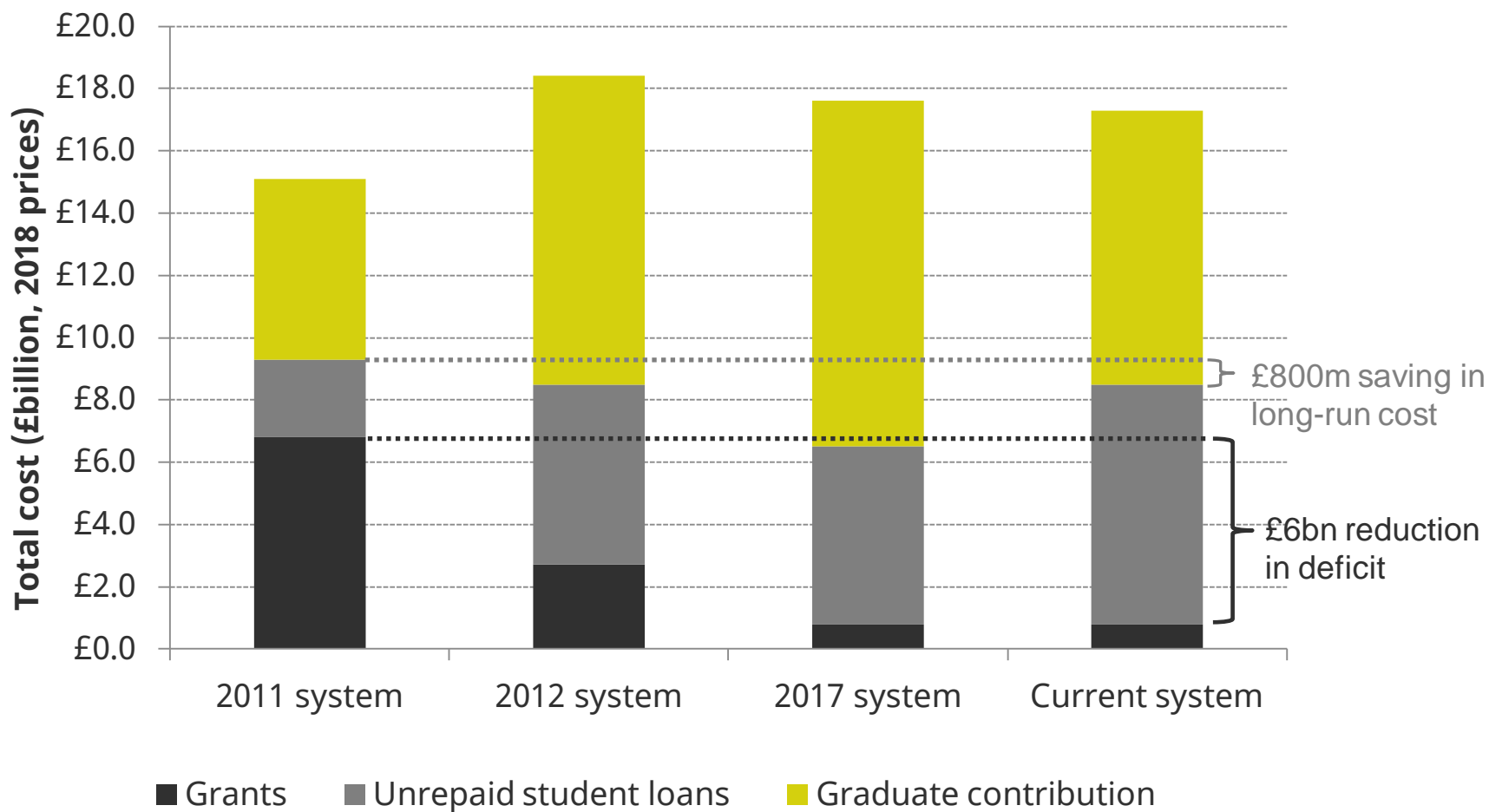
2012-2017 reforms

- Repayment threshold frozen at £21,000 in nominal terms until 2021
- Maintenance grants abolished – replaced with bigger loans
- Fee cap set to rise with inflation (subject to Teaching Excellence Framework restrictions)

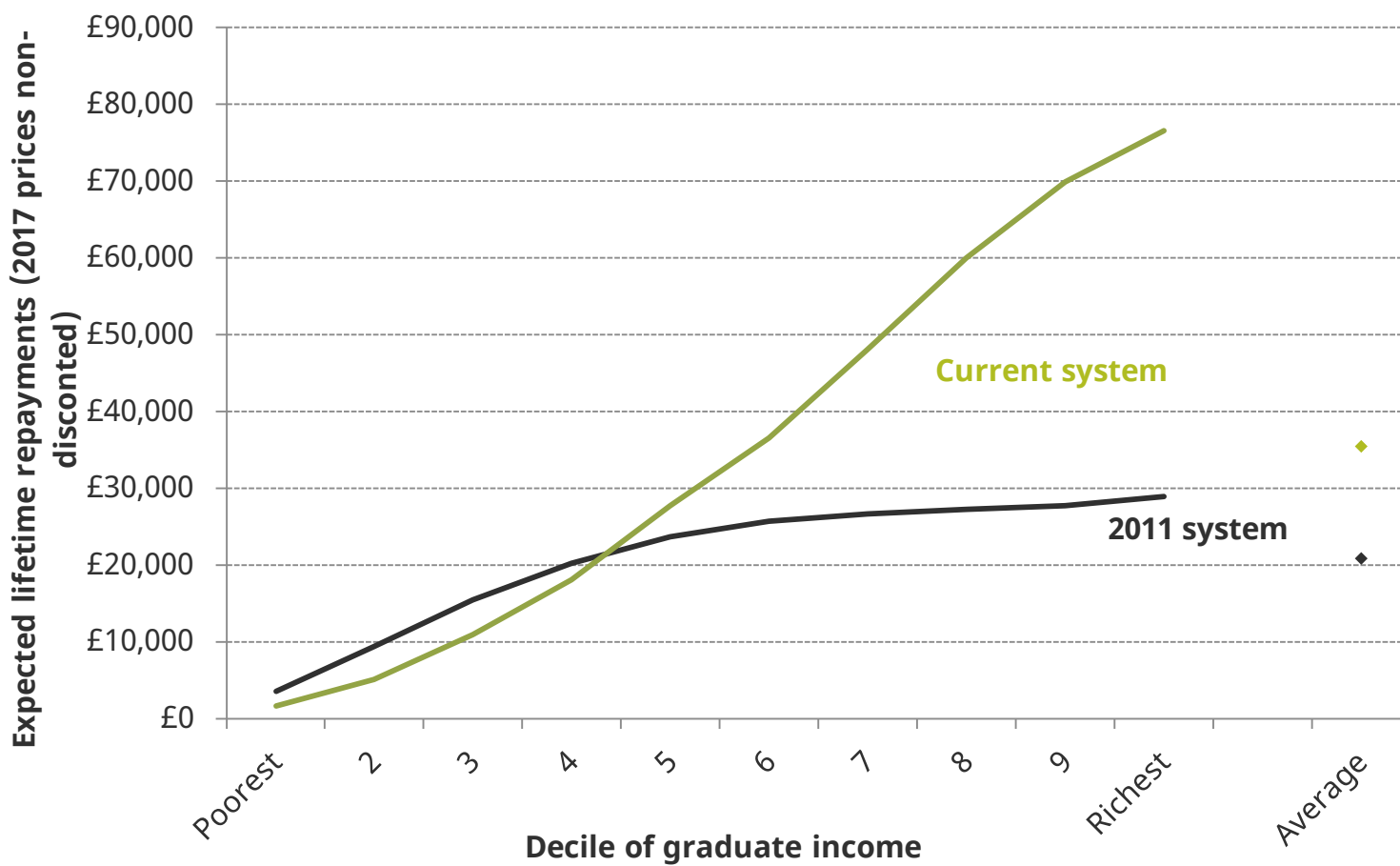
October 2017

- Repayment threshold increased to £25,000 (increasing with earnings from 2019)
- Fee cap frozen at £9,250 in nominal terms (indefinitely)

Government finances



Graduate repayments



Reforms in 2012 increased university funding levels for teaching

- Funding per student is 19% higher than in 2011 and 60% higher than in 1997, though only 17% higher than in 1990
- Low cost subjects experienced the biggest increases in funding from 2012 reforms

Impact of HE on the government deficit has fallen by £6bn (90%)

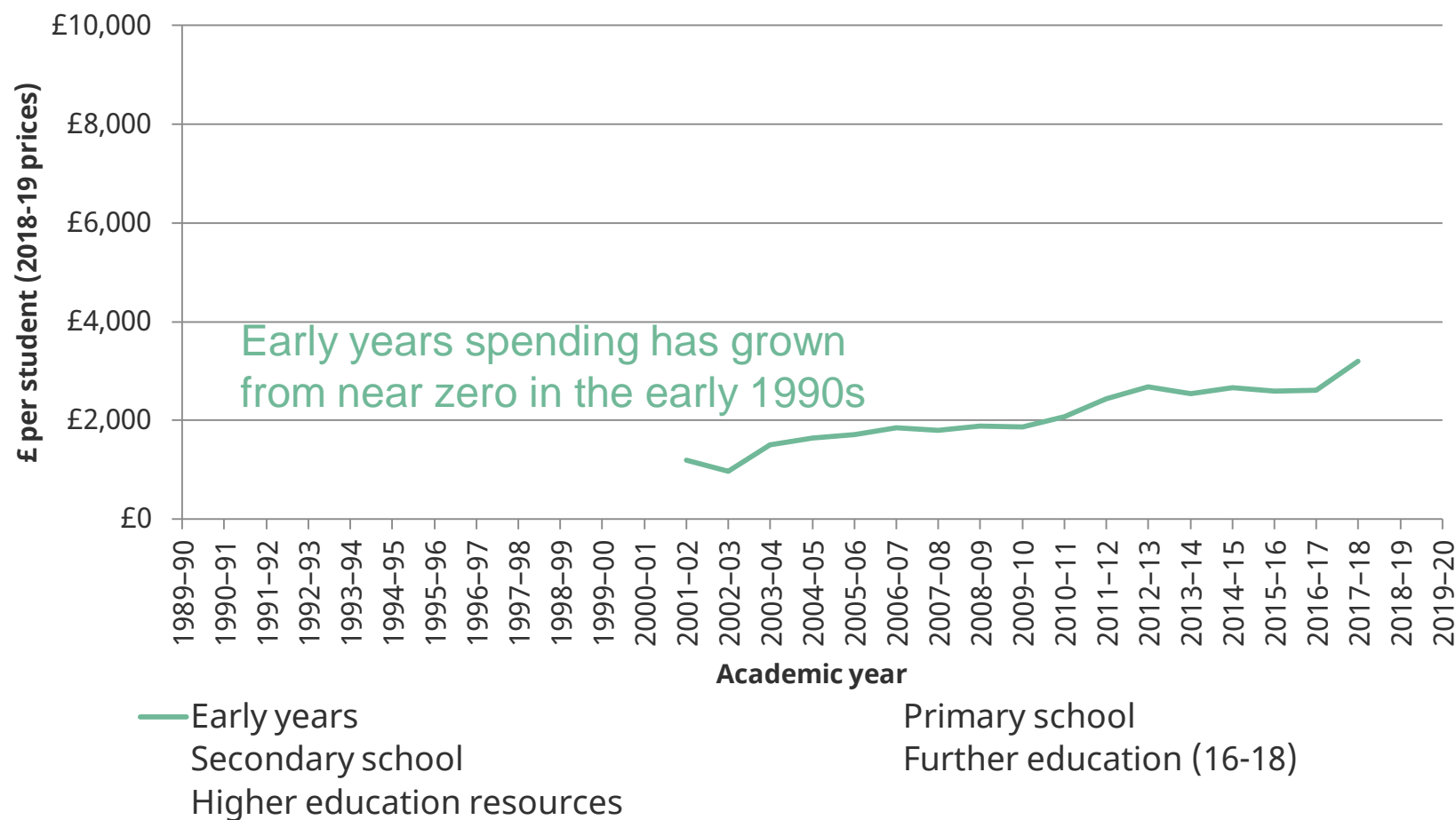
- But the long-run cost has only fallen by £800m

On average students contribute £15,000 more towards their degrees than under the 2011 system

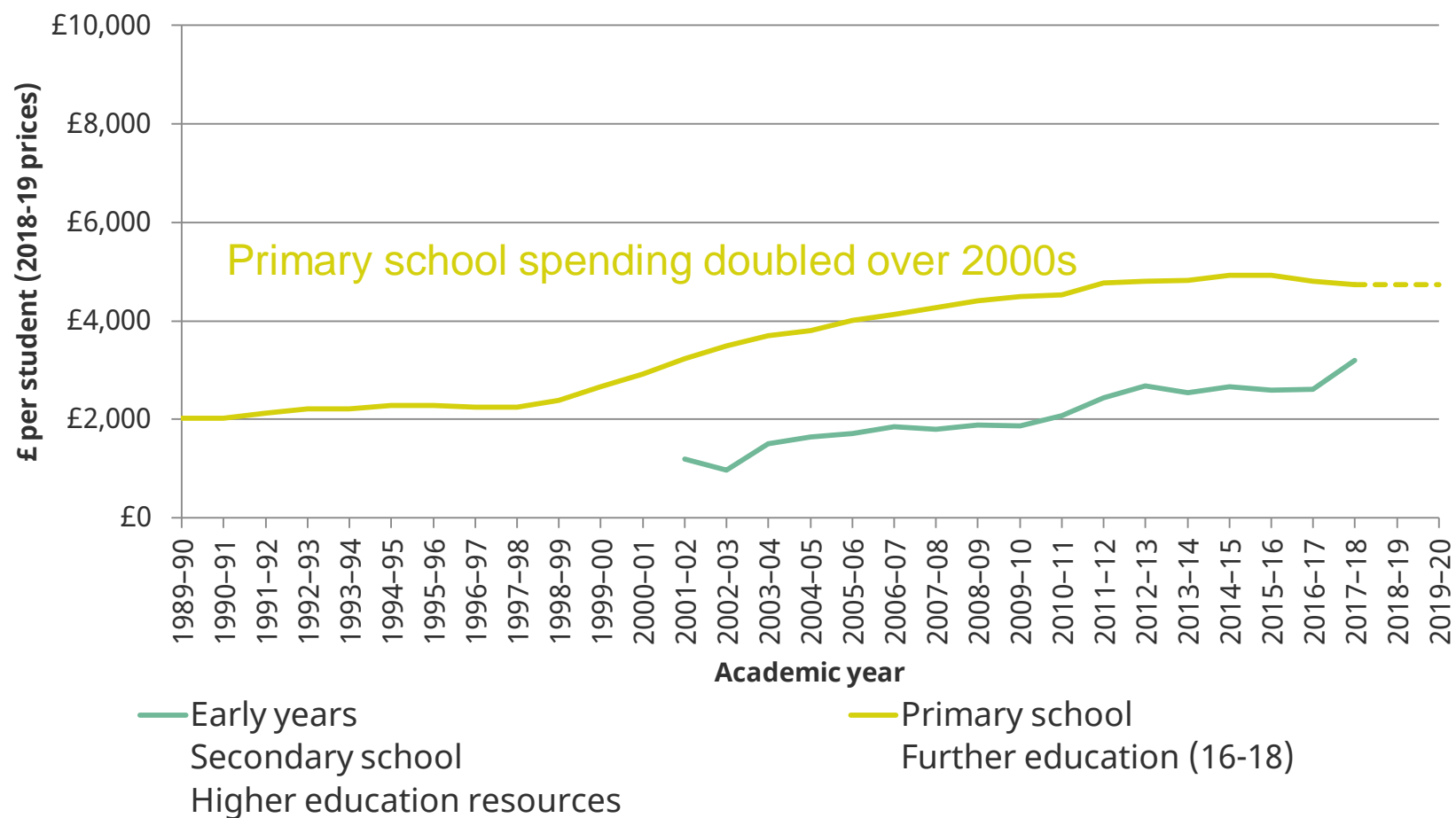
- But the lowest earning 40% of graduates are actually better off under current system

Comparisons

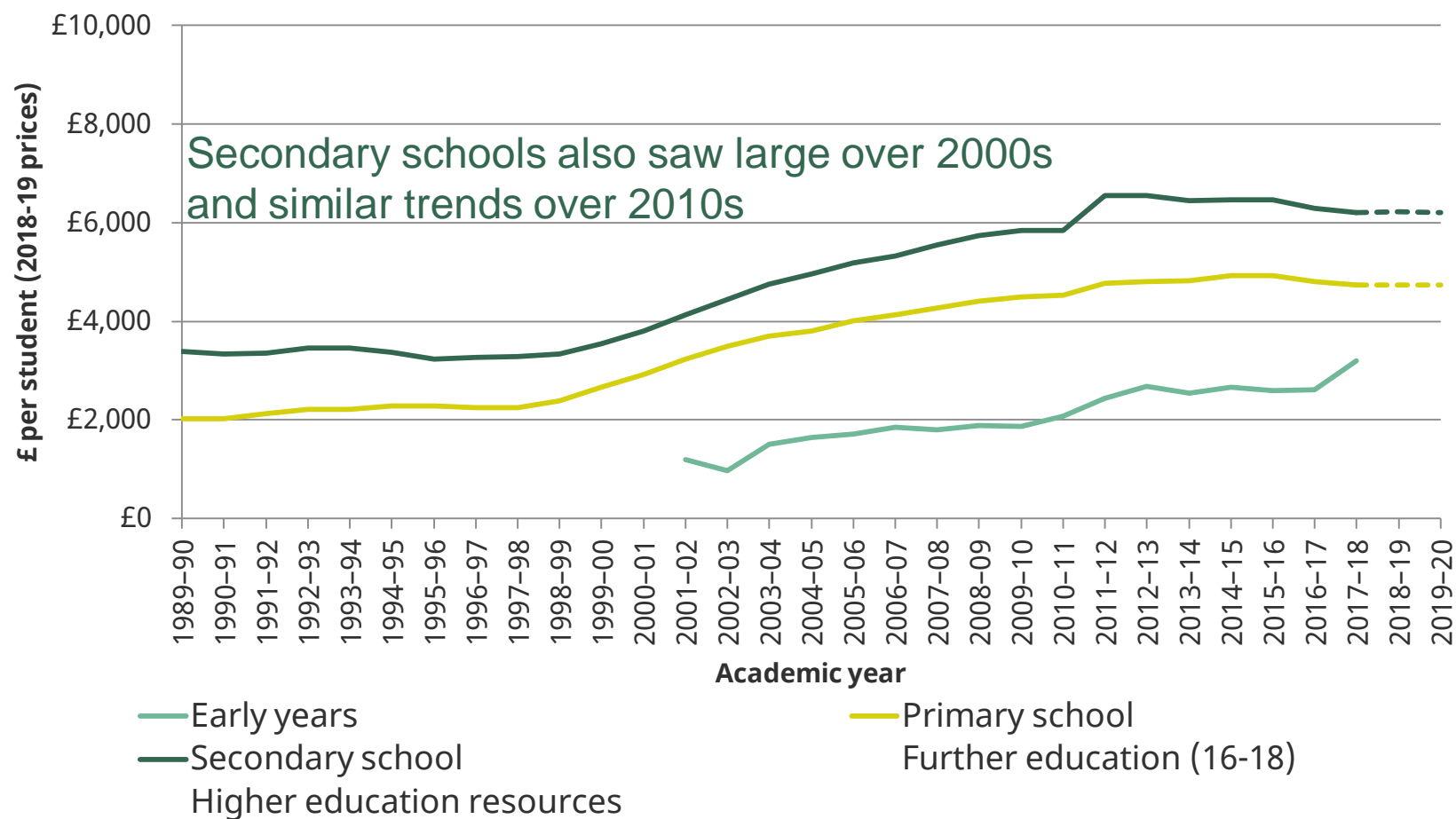
Spending across stages of education



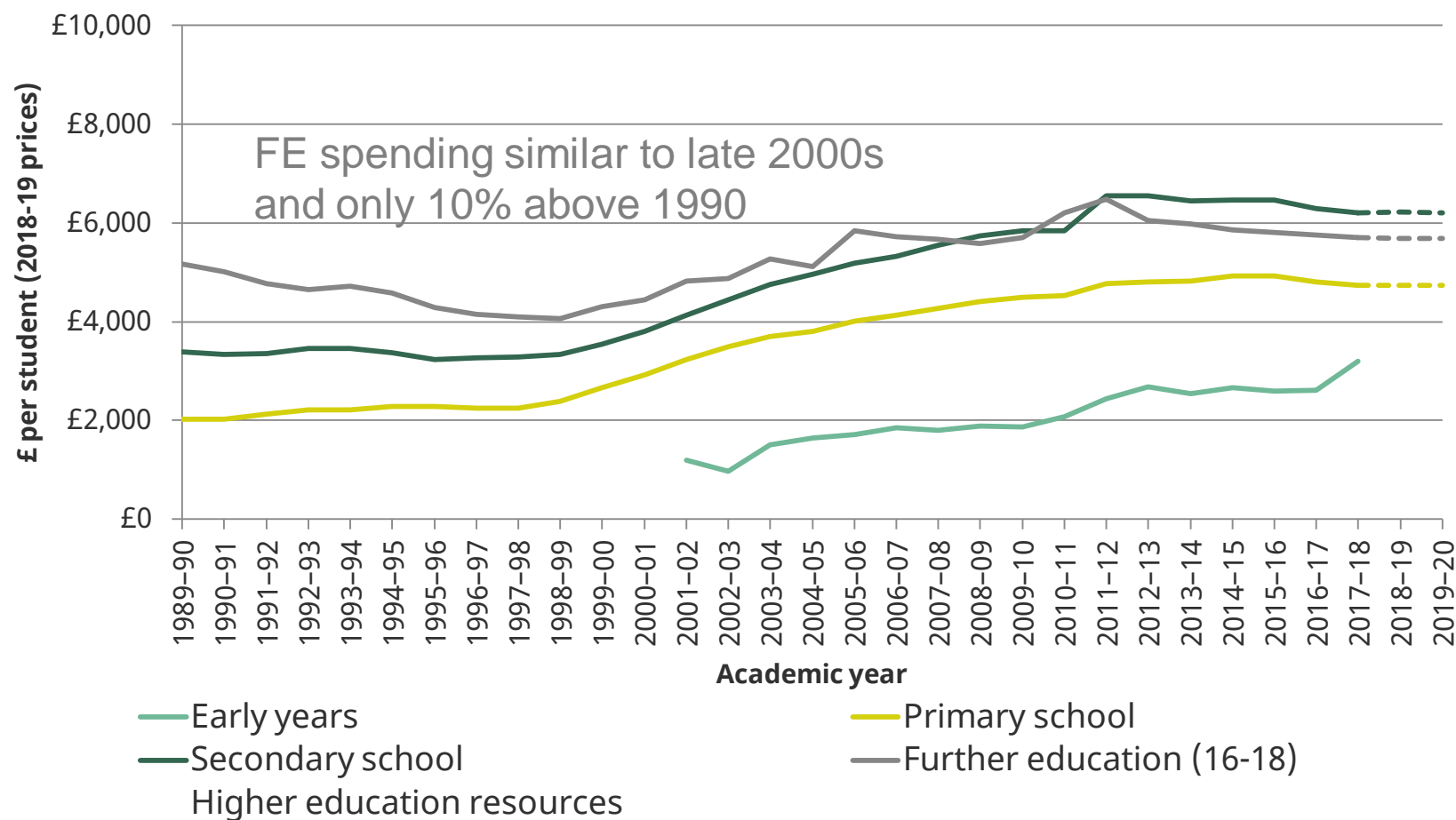
Spending across stages of education



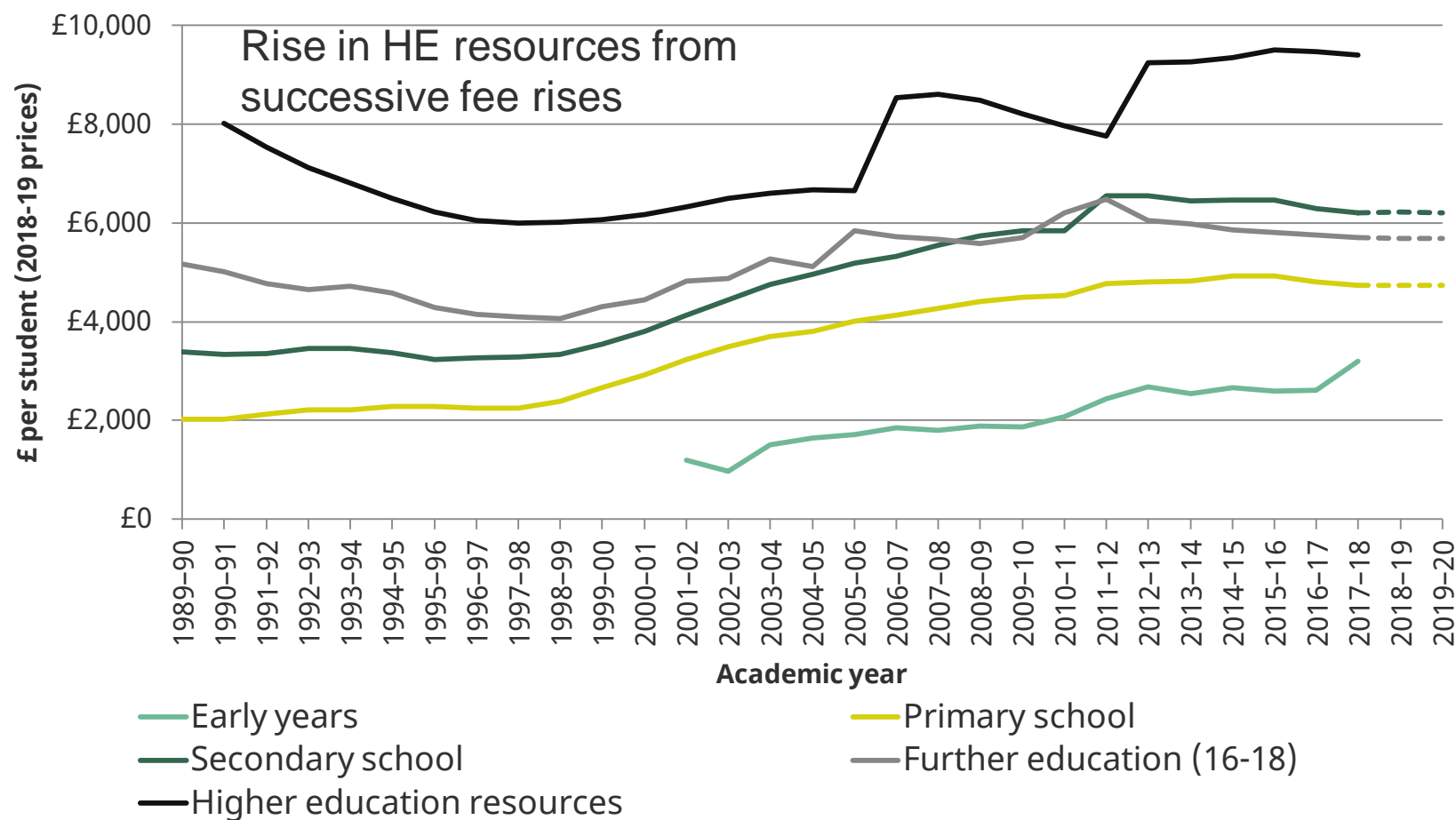
Spending across stages of education



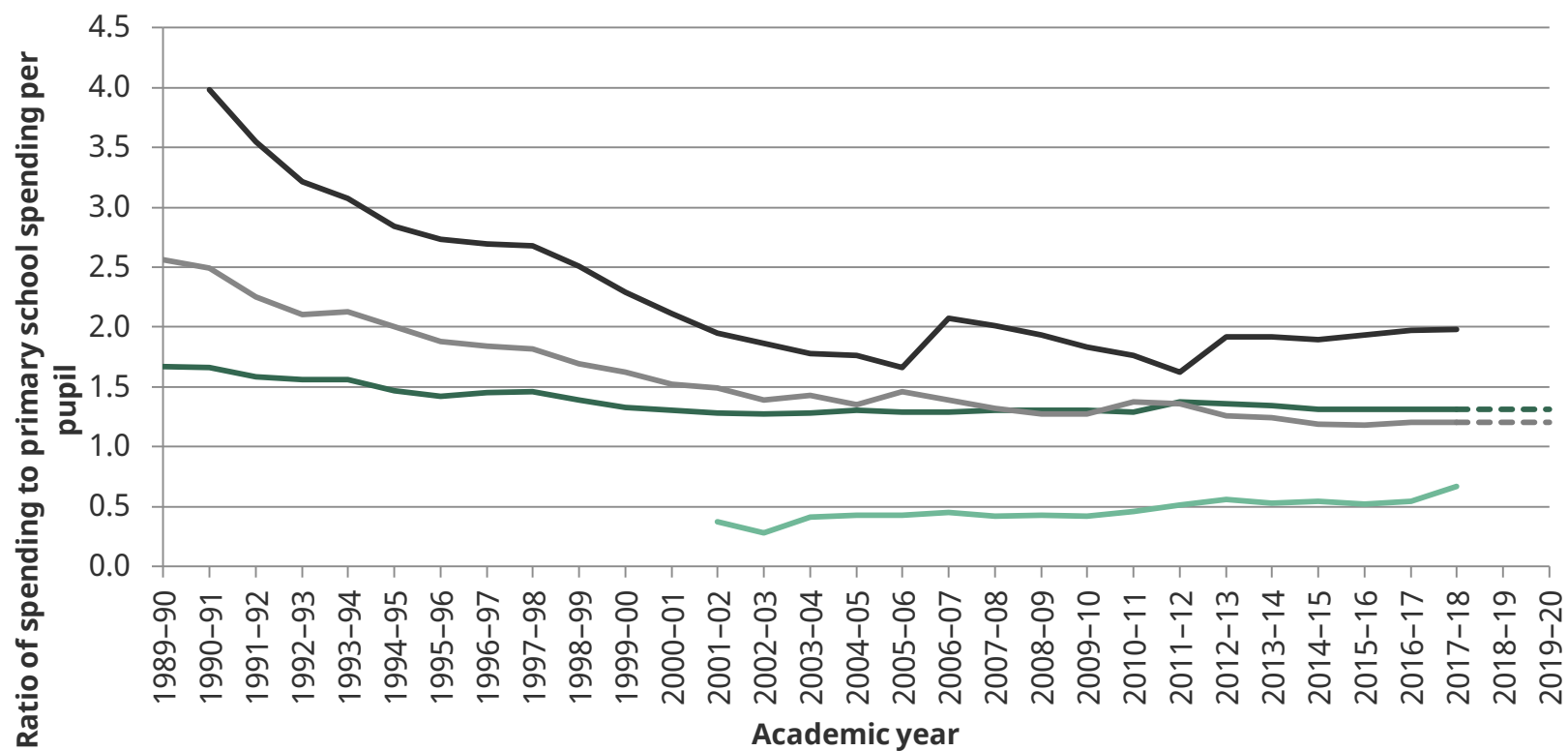
Spending across stages of education



Spending across stages of education



Spending across stages of education



Summary

- The pattern of later (older) stages of education attracting higher levels of funding per student has significantly declined over the last 30 years.
- Gradual growth in early years spending, but still small in absolute value
- Schools spending prioritized by successive governments
- 16-18 Education spending declined relative to all other areas of spending
- Increases in Higher Education spending have been result of tuition fee reforms and represent increased graduate contributions

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