

# 2019 Annual Report on Education Spending in England

## Introduction and background

Education spending is the second-largest element of public service spending in the UK after health, representing about £91 billion in 2018–19 in today's prices or about 4.2 per cent of national income. The level of UK education spending has risen significantly in real terms over time, growing particularly fast from the late 1990s through to the late 2000s, before falling in real terms from 2010 onwards. Although they are important, these overall trends in total spending tell us little about what has happened within the different areas of education. This report aims to close the information gap by looking at spending per student in the early years, schools, further education and higher education back to the early 1990s. The report also looks at the effects of the 2019 Spending Round. It was funded by the Nuffield Foundation and published by the Institute for Fiscal Studies.

## Key points

### Total spending on education

- Between 1998–99 and 2010–11, real-terms spending growth on education averaged around 5 per cent. However, between 2010–11 and 2018–19, it fell by about 14 per cent in real terms, taking it back to the 2005–06 level.
- These figures exclude the cost to the taxpayer of issuing student loans from 2011–12 onwards; this means that the statistics are likely to overstate cuts to education spending since 2010–11. Recent changes to public accounting rules mean that, from September 2019, the expected cost of issuing student loans will be included in measures of government spending, such as the deficit and reported education spending. The Office for National Statistics (ONS) estimates this would add about £12 billion or 0.6 per cent of GDP to education spending in the current year. It would reduce the scale of cuts since 2010–11 from 14 per cent to around 3 per cent and would increase education spending as a share of national income to about 4.8 per cent in 2018–19.
- Education spending as a share of national income has not risen since the early 1970s, when it stood at just under 5 per cent. This contrasts sharply with health spending, which has almost doubled as a share of national income since the early 1970s, from about 3.5 per cent to over 7 per cent.
- Pupil numbers are one of the most important factors driving changes in the total and per-pupil level of spending over time. Numbers in primary schools grew by 17 per cent between 2009–10 and 2019–20, the equivalent of an extra 700,000 pupils. They are now starting to fall again slowly. In secondary schools, pupil numbers fell from the early 2000s through to about 2014–15. They are now forecast to grow by 12 per cent between 2018–19 and 2026–27.
- Increased participation has led to big pupil and student numbers in early years, further education and higher education. For example, numbers in higher education have nearly doubled since 1990.

### Early years

- Government spending on funded childcare places for 3- and 4-year-olds stood at £3.3 billion in 2018–19, equivalent to £3,650 per 3- or 4-year-old child (in today's prices). This is an increase of about £250 million on the previous year, explained by the extra money used to deliver the first full year of the extended entitlement to 30 hours a week of childcare for children in working families.
- The free entitlement has become increasingly important. In 2009–10, spending on childcare support through the benefit system was slightly higher than spending on the free entitlement; by 2017–18, free entitlement spending stood at £3.6 billion, compared with £900 million in support through the benefit system. In the same period, spending on tax relief for childcare almost doubled.
- There has been a clear move away from support targeted at low-income families towards programmes for working families. In 2007–08, 45 per cent of government spending on the early years and childcare support was targeted explicitly at low-income families. Ten years later – in spite of the introduction of a new funded childcare offer for disadvantaged children, the share of spending targeted at low-income families had slipped to 27 per cent.
- Spending on children's services is increasingly directed at safeguarding and responding to crises, at the expense of universal programmes such as Sure Start and youth services. Since the peak of children's services spending in 2010–11, spending on Sure Start and services for young people has fallen by over 60 per cent. Meanwhile, spending on looked-after children rose by 19 per cent between 2010–11 and 2017–18 and spending on children's social care rose by 9 per cent.

## Schools

- Total spending per pupil has fallen by about 8 per cent in real terms between 2009–10 and 2019–20, i.e. from £6,537 to £5,994. However, per pupil funding directly allocated to schools has grown substantially over time. Between 2009–10 and 2018–19, it grew from £4,983 to £5,228. The overall 8 per cent decrease has been driven by a decrease in spending by local authorities, as responsibilities and funding were transferred to schools. There are indications that schools' costs have risen faster than overall inflation, given rises in employer National Insurance and pension contributions in 2015 and 2016.
- A large part of the spending cuts was delivered through cuts to spending on local authority services and sixth-form funding, which have fallen by 57 per cent and 30 per cent since 2009–10 respectively.
- Funding cuts have also been delivered through higher class sizes. Whilst primary school teacher numbers have risen by 11 per cent since 2010, pupil numbers have grown by 17 per cent. This has led to a small rise in average class sizes from 26 to 27 pupils. In secondary schools, teacher numbers fell by 20,000 or by just under 10 per cent between 2010 and 2018. With no net change in pupil numbers, average class sizes have risen from 20 to 22 pupils.
- In the 2019 Spending Round, the government chose to increase the schools' budget by £4.3 billion between 2019–20 and 2022–23 (2019–20 prices), which equates to a 7 per cent real terms rise in spending per pupil. If delivered, this would more than offset cuts of 5 per cent seen since 2015–16 and would come very close to offsetting the 8 per cent cuts in total school spending per pupil seen since 2009–10. This would leave spending per pupil in 2022–23 at about the same level in real terms as it was in 2009–10.
- The 2019 Spending Round figures do not include the new grant to schools to cover the additional costs of higher employer contributions to teacher pensions from September 2019, which rise from 16.4 per cent to 23.6 per cent of gross salary. State-funded schools will be compensated for these additional costs through the Teachers' Pension Employer Contribution Grant, which will be worth £848 million from September 2019 to March 2020. The government has committed to continuing this compensation through to 2022–23 over and above the settlement described above, at a cost of £1.5 billion over a full year.
- Teaching assistant (TA) numbers continue to rise in primary schools. Since 2010, there has been an increase of around 50,000 (40%) since 2010. Between 2000 and 2010, the numbers increased from 50,000 to 125,000. In contrast, TA numbers in secondary schools have fallen by about 13 per cent since 2011.

### Further education and skills

- Further education colleges and sixth forms have faced the largest spending cuts in recent years. Between 2010–11 and 2018–19, spending per student fell by 12 per cent in real terms in 16–18 colleges and by 23 per cent in school sixth forms. However, looking at longer term trends, this leaves spending per 16–18 year-old at a level 13 per cent higher than in 1989–90.
- Funding is lowest in school sixth forms and sixth-form colleges. In the 2018–19 academic year, spending per student was £4,800 in sixth-form colleges, £4,900 in school sixth forms and £5,900 in further education colleges. These differences are the result of a funding system that provides more to vocational and complex courses, as well as to pupils from deprived backgrounds.

- The extra £300 million which the government has allocated to further education colleges and sixth forms for 2020–21 will mean a real-terms increase in spending per pupil of over 4 per cent. However, it will still leave spending per student over 7 per cent below its 2010–11 level in colleges and over 20 per cent below its 2010–11 level in sixth forms. Fully reversing cuts since 2010–11 would cost a further £1.1 billion over and above existing plans by 2022–23. This increases to about £1.4 billion to ensure that spending on T levels is additional to an unchanged level of spending per student.
- Total spending on adult education (excluding apprenticeships) has fallen by 47 per cent between 2009–10 and 2018–19. These cuts have mainly been driven by falls in learner numbers from 2.7 million in 2010–11 to around 1.5 million in 2017–18
- There is an increased focus on apprenticeships. Of the £5.3 billion spent on adult education and apprenticeships in 2003–04, about 21 per cent was spent on apprenticeships or work-based learning. By 2018–19, this figure rose to 54 per cent. Specific spending on apprenticeships rose by 36 per cent in real terms between 2009–10 and 2018–19. An increasing proportion of individuals on apprenticeships are now on A-level-equivalent courses or higher (over 60% to date in 2018–19 as compared with around 40% in 2011–12).

### Higher education

- While per-student funding is similar today to its early 1990s levels, total resources for teaching undergraduate students have doubled in real terms over that period. This was driven by a near-doubling in student numbers. The nature of higher education funding has changed significantly, as it now comes primarily through tuition fees rather than through teaching grants.
- The overall cost of the current system is about £17 billion per cohort entering higher education. More than half of the cost is expected to be paid for through graduate contributions (£9.0 billion), particularly from higher-earning graduates. The long-run cost to government is expected to be about £8.0 billion, about £7.4 billion through unrepaid student loans and £700 million in up-front grants.
- The Augar Review proposed cutting fees to £7,500, reintroducing maintenance grants and changing the terms of repayment. This would give policymakers greater control of spending on different subjects.
- Labour's proposal to abolish tuition fees would cost around £5 billion per cohort of HE students, assuming that student numbers remain constant and that per-student university funding is held fixed, i.e. that fees are replaced one for one with teaching grants. The combined cost of abolishing fees and reintroducing maintenance grants would be around £6.3 billion per cohort. Factoring in part-time students would add approximately another £1 billion to the above cost. However, this figure could increase rapidly if the large decline in part-time student numbers since 2010 were reversed.

The full document can be downloaded from:

<https://www.ifs.org.uk/uploads/R162-Education-spending-in-England-2019.pdf>