

# 2018 Annual Report on Education Spending in England: Executive summary

Funded by the Nuffield Foundation

Chris Belfield  
Christine Farquharson  
Luke Sibieta

*Published by*

**The Institute for Fiscal Studies**

7 Ridgmount Street  
London WC1E 7AE

Tel: +44 (0) 20-7291 4800

Fax: +44 (0) 20-7323 4780

Email: [mailbox@ifs.org.uk](mailto:mailbox@ifs.org.uk)

Website: <http://www.ifs.org.uk>

© The Institute for Fiscal Studies, September 2018

ISBN 978-1-912805-10-5

# Executive summary

Education spending is the second-largest element of public service spending in the UK behind health, representing about £90 billion in 2017–18 in today's prices or about 4.3% 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. Whilst important, such overall trends in total education spending tell us little about what has happened to the different areas of education spending.

Our first annual report on education spending in England provides measures of spending per student in the early years, schools, further education and higher education back to the early 1990s. These series of day-to-day spending per pupil allow us to understand how policy decisions have affected the resources available to students in different stages of education over the long run.

## Key findings

### Early years

- **Government spending on early years education was around £3,200 per 3- or 4-year-old child in 2017–18.** In the early 1990s, early years spending was less than £100 million in 2018–19 prices. By 2017–18, this had risen to £3 billion on 3- and 4-year-olds. This large increase was the result of the introduction, and subsequent extension, of the entitlement to free part-time pre-school education for this age group. Spending on the free entitlement for disadvantaged 2-year-olds was about £500 million.
- **Large spending increases in the past year were driven both by offering more funded hours and by increasing the per-hour rate of funding.** Spending on 3- and 4-year-old early education rose by 22% in 2017–18. Much of this increase was the direct result of additional funded hours for working parents under the new 30-hour entitlement. The government also increased spending per hour by 9% in an effort to incentivise providers to offer the new extended entitlement.
- **The new Early Years National Funding Formula offers a welcome step towards transparency and consistency in funding.** However, it is difficult for the funding formula to incentivise and support high-quality provision as there is no agreed definition of 'high-quality' provision. A focus on minimising costs could also have unintended consequences by making it more difficult for childcare settings to provide high-quality care that supports children's development.
- **Including Sure Start and childcare subsidies, total early years spending was about £5.8 billion in 2017–18.** Whilst spending on the free entitlement more than doubled in real terms between 2009–10 and 2017–18, spending on childcare subsidies fell by 13% and Sure Start spending by 67%. As a result, spending on the free entitlement

represented a much larger share of early years spending in 2017–18 (60%) than in 2009–10 (29%).

## Schools

- **Total spending on schools in England represented just under £42 billion in 2017–18 (in 2018–19 prices).** This represents £4,700 per pupil at primary school and £6,200 per pupil at secondary school. This excludes spending by local authorities on central services, as well as spending by special schools.
- **Primary and secondary school spending per pupil rose by over 50% in real terms between 2000–01 and 2010–11, and was largely protected in real terms after 2010.** The average level of spending per pupil by primary and secondary schools rose by around 5% per year in real terms during the 2000s and was then largely protected in real terms under the coalition government. Spending per pupil fell 4% in real terms between 2015–16 and 2017–18, but will be held constant in real terms up to 2019–20. This will still leave spending per pupil more than 60% higher in real terms than in 2000–01.
- **Total school spending per pupil fell by 8% in real terms between 2009–10 and 2017–18, and will only be about 14% higher in real terms in 2017–18 than in 2003–04.** This adds on the additional effect of a 55% real-terms cut in local authority service spending and a real-terms cut of more than 20% to school sixth-form spending per student between 2009–10 and 2017–18. Spending per pupil by individual schools was partly buttressed by transfers of responsibility and funding from local authorities to schools. This total measure is probably the most comprehensive measure of public spending on schools over time.
- **Schools' costs increased more slowly than inflation between 2010–11 and 2015–16, but grew faster than inflation afterwards.** Squeezes on public sector pay between 2010–11 and 2015–16 meant that public sector pay per head grew more slowly (6%) than overall inflation (8%). Between 2015–16 and 2019–20, additional employer costs and the ending of the 1% public sector pay cap mean that we expect public sector pay per head to grow faster (11%) than inflation (7%).

## Further education and skills

- **Participation in full-time 16–18 education has more than doubled since the 1980s.** The proportion of 16- and 17-year-olds in full-time education rose from 40% in the mid 1980s to 82% in 2017. As a result, the proportion in paid employment without training went down from 21% to 2% and the proportion in other forms of education or training fell from 29% to 12%.
- **Total spending on 16–18 education in England was just under £5.8 billion in 2017–18.** Spending per student in further education and sixth-form colleges was about £5,700 in 2017–18, while that in school sixth forms was about £5,000. This lower level of spending per student in school sixth forms is a dramatic reversal: in the mid 2000s,

spending per student was about £600 *higher* than in further education and sixth-form colleges.

- **16–18 education has been a big loser from education spending changes over the last 25 years.** In 1990–91, spending per student in further education was 50% higher than spending per student in secondary schools, but it is now about 8% lower. Spending on further education fell faster during the 1990s, grew more slowly in the 2000s, and has been one of the few areas of education spending to see cuts since 2010.
- **Spending per student aged 16–18 has fallen faster in school sixth forms than in further education since 2010.** Spending per student in 16–18 further education fell by 8% in real terms between 2010–11 and 2017–18 and by over 20% in school sixth forms.
- **Spending and numbers in 19+ further education have both fallen significantly over time.** The total number of adult learners fell from 4 million in 2005 to about 2.2 million by 2016. Most of this decrease was driven by falls in the number of learners taking low-level qualifications (below GCSE). Total funding for adult education and apprenticeships fell by 45% in real terms between 2009–10 and 2017–18, but spending per learner has remained roughly constant in real terms at just over £1,000 per learner each year.
- **19+ further education is sharply focused on apprenticeships.** 19+ apprenticeship spending now represents 36% of total adult education funding, as opposed to 13% in 2010. Apprenticeships make up nearly half of all Level 2 qualifications undertaken by adults, having made up less than 10% in 2005. They also now make up about two-thirds of all Level 3 adult learners.
- **The further education and skills system is increasingly focused on developing specific occupational skills.** From 2020, providers will begin implementing T levels around 15 lines of learning, with additional funding to increase teaching hours. Both T levels and apprenticeships are focused on developing specific occupational skills. This could leave individuals more vulnerable to negative economic shocks than if they had more general skills.
- **There are a range of funding systems in place to support FE, which have very different underlying principles for different groups of learners.** The funding for 16- to 19-year-olds reimburses learning institutions based on government estimates of cost, while the advanced learner loan system for higher-level qualifications and older learners treats students as consumers of education. This comes to a head in the adult education budget, where some students are expected to cover part of the cost of their course without any of the protection against low earnings offered by other systems.

## Higher education

- **Universities receive £28,200 per student to fund the cost of teaching their degrees.** This is almost 60% higher than the level in 1997–98, largely as a result of the tuition fee reforms in 2006 and 2012 which boosted the level of university resources by 28% and 19% respectively.

- **The expected long-run taxpayer cost of providing HE is £8.5 billion per cohort.** The combined effect of the reforms since 2011 has reduced this cost from £9.3 billion, a saving of around £800 million per cohort of students that enter university.
- **The HE finance system only contributes £800 million per cohort of students towards the government deficit.** Government accounting rules mean that only grant spending counts towards the deficit; money paid out in student loans is not counted. Reforms since 2011 have significantly reduced grant spending, leading to a 90% reduction in the deficit impact. Interest accrued on student loans counts as income in the deficit too, regardless of whether it is expected to be paid. This 'income' is set to grow substantially over the coming years.
- **Under the new system, the lowest-earning 40% of graduates pay £3,000 less on average in student loan repayments over their lifetime than if they had started university in 2011.** This is due to the higher repayment threshold for students starting university after 2012. Conversely, the highest-earning 20% of graduates are expected to pay more than £40,000 more.