

Westminster Hall debate: Equality of funding for post-16 education

2.30pm, Tuesday 25th February 2020

SFCA briefing for MPs

Education funding for the 1.1 million 16 to 18 year olds in England is **insufficient** and hampered by **inequalities**. Around 40% of these young people are studying in a school or academy sixth form and 60% are studying in a sixth form or FE college. Funding is insufficient for all sixth form students, but those studying in a sixth form or FE college face a number of additional inequalities.

Education funding for 16 to 18 year olds is insufficient

- Education funding for 16 to 18 year olds has been cut sharply since 2010. During that time, costs have risen significantly, the needs of students have become more complex and the government has demanded much more of colleges and schools. However, the national funding rate ('the rate') for 16 and 17 year olds has remained frozen at **£4,000** per student, per year since 2013 (and was reduced to £3,300 per year for 18 year olds in 2014).
- The impact on students could not be clearer. The [funding impact survey](#) published by the Sixth Form Colleges Association in March 2019 for the [Raise the Rate campaign](#) found that:
 - **51%** of colleges and schools have dropped courses in modern foreign languages
 - **38%** have dropped STEM (Science, Technology, Engineering, Maths) courses
 - **78%** have reduced student support services or extra-curricular activities – with significant cuts to mental health support, employability skills and careers advice
 - **81%** are teaching students in larger class sizes
 - **46%** have reduced the delivery hours of individual courses
- All types of sixth form provider have been affected by the underinvestment in sixth form education. [Research](#) from London Economics found that in real terms, sixth form colleges received £1,380 less per student in 2016 than they did in 2010 – a 22% decline in funding. The Education Policy Institute [reported](#) last year that the number of FE colleges with in-year deficits had doubled since 2010 and that funding for school sixth forms had fallen by 26%.
- In the September 2019 spending round, the government [announced](#) that it would raise the rate to **£4,188** per student from 2020. This is a welcome first step on the road to sufficient funding, but the Department for Education [recently calculated](#) that the rate of £4,000 in 2013 amounted to £4,435 in 2019 prices – so this increase falls well short of even meeting the cost of inflation.
- [Research](#) from London Economics has found that a funding rate of **£4,760** is the *minimum* required to increase student support services to the required level (e.g. mental health support), protect minority subjects that are at risk of being dropped (e.g. modern foreign languages), and increase non-qualification time (e.g. extra-curricular activities, work experience).
- In its [recent report](#) on school and college funding, the cross-party Education Committee backed calls from the [Raise the Rate campaign](#) to increase the funding rate to at least £4,760 per student, rising in line with inflation each year.

Education funding for 16 to 18 year olds is hampered by inequalities

- The insufficient level of 16 to 18 funding is exacerbated by inequalities between different stages of education and within 16 to 18 education itself. Reflecting on trends over the past 25 years, the IFS [concludes](#) that “*Most stages of education have seen significant real-terms increases in spending per pupil over this period, with 16–18 education a notable exception*”.
- According to the IFS, funding is now 6% lower than in secondary schools, having been 50% *higher* at the start of the 1990s. The average funding for 16 to 18 year olds is now also around half the average university tuition fee (£4,860 per student, per year compared to £9,124 per student, per year).
- The post-Brexit workforce will all move through the 16 to 18 phase, so there is little point investing heavily in pre-16 and higher education if the pivotal stage in the middle continues to be overlooked. A further range of inequalities *between* schools and colleges means that the size of this sixth form funding ‘dip’ is often significantly underestimated. For example:
 - **VAT:** sixth form colleges and FE colleges cannot reclaim their VAT costs, but schools and academies can. This means that the average sixth form colleges has to redirect around £350,000 per year (4% of income) away from the front line education of students to pay VAT.
 - **Teachers’ Pay Grant:** unlike schools and academies, sixth form colleges are not eligible for the [Teachers’ Pay Grant](#) - targeted funding to increase the salaries of teaching staff. Sixth form colleges have the same workforce, pay rates and negotiating machinery as almost every 16 to 19 academy and yet remain outside the scope of the grant.
 - **Early career payments:** If a newly qualified teacher in a shortage subject chooses to work in a school or academy sixth form, they are eligible for the Department for Education’s [early career payments](#), but if they choose to work in a sixth form college, they are not.
 - **Various:** there are a range of other financial benefits that are available to schools and academies but not colleges. These include access to the [risk protection arrangement](#) for discounted insurance cover, a guarantee on local government scheme pension liabilities and funding to pay [business rates](#).
- Despite these funding advantages, many schools and academies still have to cross subsidise their sixth forms with the funding intended for younger students. Research from the [EPI](#) has shown that schools with sixth forms are much more likely to be in deficit than those without a sixth form. School leaders are increasingly concerned that the low level of funding for 16 to 18 year olds is having a negative impact on key stage 3 and 4 provision.
- A further inequality is the funding gap between the independent and state sectors. The average fee for educating a sixth former in the independent sector for a *single term* is over £300 more than state schools and colleges receive to educate a sixth former for an *entire year* (an average termly fee of £5,174 per student compared to average annual funding of £4,860 per student). In the independent sector, [fees actually increase](#) at the age of 16 to reflect the additional costs of teaching this age group.
- Unsurprisingly, this funding inequality acts as a significant barrier to improving social mobility. According to the most recent [data](#) from the Department for Education, just 18% of A level students from state school sixth forms and colleges progressed to the most selective universities in 2016/17, compared to 57% of students from the independent sector.
- Finally, the underinvestment in 16 to 18 education also means that our young people are disadvantaged compared to their peers in other countries. It is difficult to see how we can remain internationally competitive when 16 to 18 funding in England supports 15 hours of tuition per week compared to the [25-30 hours per week](#) experienced by students in other leading economies such as Canada, Singapore and Shanghai.

Two practical solutions: #RaisetheRate and level up funding

#RaisetheRate

- To ensure schools and colleges can continue to deliver a high quality, internationally-competitive education the government should raise the national funding rate for 16, 17 and 18 year olds (there is no justification for the current reduction in the funding rate at the age of 18) to at least **£4,760** per student, per year in 2020. The rate should then rise in line with inflation each year.
- Raising the rate (and ensuring it keeps pace with inflation) is the only way to ensure sixth form funding is sufficient and made available in a way that institutions can tailor to the individual needs of their students. The rate is by far the biggest component of the 16 to 18 funding formula and applies to all students. The recent trend for small uplifts in funding linked to particular qualifications has no impact on the vast majority of students.
- It is important that funding made available to **#Raise the Rate** is in addition to, rather than instead of, funding that may be required to meet additional costs that emerge in the future. For example, [London Economics](#) found that institutions would require a further £140 per student, per year if the government did not continue to meet the cost of the recent increase in employer contributions to the Teachers' Pension Scheme (from 16.48% to 23.6%).

Level up funding

- In the longer term, the government should **level up** education funding to ensure 16 to 18 year olds receive the same level of investment as younger students. It is difficult to explain why a country that (quite rightly) requires its young people to participate in education or training until the age of 18 reduces per student funding at the age of 16. Plans to guarantee that every secondary school will receive [at least £5,000 per pupil](#) next year are welcome, but a similar guarantee should be made for 16 to 18 education.
- The funding increase for 16 to 18 education announced in September 2019 was a welcome step in the right direction after a decade of underinvestment. However, even this was just a one year deal for 2020/21 in contrast to the [three year](#) funding deal for 5 to 16 education (that was also accompanied by a commitment to keep pace with inflation).
- The government should also ensure that all providers of sixth form education can operate on a level playing field by removing the imposition of the VAT 'learning tax' on colleges and ensuring that eligibility for government funding schemes is open to all types of sixth form provider. Young people should receive the same level of investment in their education, irrespective of where they choose to study.

Conclusion

- The post-Brexit economy will be driven by leaders, scientists, technicians, engineers and others who will all pass through the pivotal phase of 16 to 18 education, so we must ensure that funding is both sufficient and equal.
- 2020 is the year to #RaisetheRate to at least £4,760 per student, level up funding between different stages of education, and create a level playing field in 16 to 18 education.

Next steps

- We encourage all MPs to tweet support for the debate and campaign by using the hashtag **#RaisetheRate** and including the RTR arrow infographic that accompanied this briefing note.
- More infographics are available in the media toolkit on the [Raise the Rate website](#) alongside a range of information and resources on 16 to 18 funding.
- For more information about this briefing, or the #RaisetheRate campaign, please contact James Kewin at SFCA: james.kewin@sixthformcolleges.org