

2015/30

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Pocket Watch – Spending Review 2015: The Education Bits

Introduction

Much of the education world breathed a huge sigh of relief as the Chancellor sat down this week having set out his spending plans and priorities for the remainder of this Parliament in his latest Spending Review.

Ever since the summer and the latest raid on the dept budgets, the sector had been holding its breath while rumours of deep cuts circulated. In the event, there were cuts to some budgets, the Education Services Grant for schools and potentially the Student Opportunities Fund in HE and further efficiencies, a much-used word, will follow but it could have been worse. Jonathan Simons, the head of education at the think tank Policy Exchange, even called it "*a staggeringly good result.*"

As Paul Johnson, the director of the respected Institute for Fiscal Studies underlined, '*this isn't the end of austerity*' but for education at least, things feel better than they did a few months ago. It's early days but here's how it's shaping up for schools and colleges.

Schools

Here, the manifesto pledge to protect the school age budget in real terms remains as does the commitment to provide free school meals for infants and the pupil premium, both the subject of debate in recent weeks. The dept will have to make 20% of admin savings over this Parliament and its capital budget remains tight but its resource or day-to-day budget increases from £53.6bn currently to £57.1bn by 2020 and additional money is put in for childcare. Four points stand out:

- The academisation of the schools sector remains a core objective. The Prime Minister has referred to this in a number of key speeches, the manifesto targets 500 more free schools by 2020 and the Spending Review continues the theme with at least some of the £23bn promised under capital investment to go into making this happen. The aspiration appears to be to rid schools of local authority control even though the school system is hardly in the kind of local grip that the government envisages. Para 1.167 in the accompany Report however sets the tone: "*the Review and the Statement represent the next step towards the government's goal of ending local authorities' role in running schools and all schools becoming an academy.*" The academy shift therefore seems likely to continue.
- Both the dept and schools will have to get used to efficiencies. The dept itself is having to offer up a large chunk of the Education Services Grant, £600m out of the current £800+m to be precise, something that will hit academies as this is the money they use to compensate for services they would have had under the local authority. As for schools, the Chancellor launched the Spending Review in July calling for greater joint working and efficiencies for schools and is targeting over £1bn a year in procurement savings by the end of this Parliament. It will set out further details on this early next year.
- Teacher recruitment is not forgotten and the Review pledges over £1.3bn over the lifetime of this Parliament to attract new teachers particularly in STEM and EBacc subjects where according to the latest teacher training figures, the pressures are greatest.
- The long-awaited 'fair' national funding formula for schools has moved a step closer. The Prime Minister was lobbied on this again just the other week and the Chancellor confirmed that consultation on this will take place early in 2016 with a view to implementing the new model from 2017. It will include high needs and early years and should help smooth out some of the inequities in the current system but not everybody will be winners.

16-19

Unprotected and under severe strain, funding for 16-19 year olds had been a source of real worry for some time with the Sixth Form Colleges Association suggesting a dance of death for some colleges. The Review offered some comfort in two ways:

- The current national base rate will at least be protected in cash terms. This may offer some re-assurance although colleges remain subject to other cost pressures and para 2.60 of the Review suggests the government sees the '*declining demographic*' at 16-19 as a cost saver.
- As part of the current area-wide reviews, Sixth Form Colleges will be given the option to join up with Multi-Academy Trusts thereby saving non-business VAT costs. This may be attractive to some but adds another dimension to the post-16 area reviews.

Apprenticeships

Apprenticeships remain in the Review's words "*the cornerstone of the skills system*" and the government remains equally committed to meeting its 3m target by the end of this Parliament. It's already taken a number of measures to ensure this, securing the legal status of apprenticeships through the Enterprise Bill and setting up an Implementation Taskforce and Delivery Board to help keep up the momentum. This Review adds two more:

- Adoption of the levy procedure from 2017. This remains contentious for many employers, both the CBI and IoD have argued that it will impose a further cost on business and in the weeks before the Review there appears to have been fierce Whitehall discussion about what the levy threshold should be. The government has gone for 0.5% on payrolls of £3m or more with an offset of £15,000 allowing it to claim that less than 2% of UK employers will have to pay. The government is also saying it will continue to discuss but this will run.
- Another new employer-led body is being set up not only to advise on the levy arrangements but also to set standards and oversee quality. It'll be independent and is intended to help head off concerns about the future quality of training.

FE

As another unprotected area in an unprotected dept, FE had been fearing the worst but with the additional monies expected to come through apprenticeship training, the salvaging of the 16-19 base rate and the cash re-assurance around the adult skills budget, has perhaps got off better than expected. The overall BIS budget sees a steady decline over the lifetime of this Parliament and the effects of those ubiquitous efficiencies on some of the agencies and activities that come under BIS have yet to be felt but the anticipated extension of tuition fee loans to 19+ year olds should help. Three quick points to pick up here:

- The Productivity Plan is alive and well and FE continues to have a key role in this. The Chancellor listed a range of technologies he was keen to support, the new Infrastructure Commission meets again shortly and high skill training will be on the agenda.
- A lot seems to be hinging on the area-based reviews. The Review is suggesting that these will help create a more efficient but potentially more flourishing system, see para 1.177.
- Government spending on apprenticeships will almost have doubled by 2020 and as the Minister indicated at the recent AoC Conference, colleges need to get in on the action .

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