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## Pocket Watch – The education 'bits' in the 2013 Autumn Statement

### Introduction

With debt down, growth up and even the prospect of small cash surplus being dangled before us by 2018/19, the Chancellor was able to adopt a more upbeat tone in his latest Autumn **Statement** presented last week. It wasn't all good news, a further cut of £1bn a year for each of the next two years for Dept resource budgets and the bringing forward of the raising of the pensionable age are evidence of that and as the Opposition frequently point out, the cost of living hasn't improved but at least the Chancellor felt able to claim: "*Britain's moving again.*"

The theme for the future now is '*responsible recovery*,' one that balances growth with continued careful husbandry, "*where we don't pretend we can make this nation better off by writing cheques to ourselves and instead make the hard choices.*" Education and training form part of this 'responsible recovery' and in a week when the PISA results drew attention to how big the challenge remains in this area, the Chancellor made a number of announcements notably on free school meals, apprenticeships, youth unemployment and higher education. Each has led to considerable discussion as follows.

### Schools

For schools where teachers will be disappointed that there was nothing on pay but plenty on raising the pensionable age, the headline announcement was the adoption of the free school meal policy announced by Nick Clegg at his Party Conference in September. This covers children in Reception, Years 1 and 2 as well as disadvantaged students in colleges and takes effect from Sept 2014. So far, so good but what wasn't clear at the time was that for this to happen, school kitchens and eating areas would have to be upgraded as well. So a £600m policy pledge has now become a whole lot more expensive with the result that some £80m may have to be snaffled out of the Dept's budget to pay for it. Most people would regard extending the provision of free school meals a good thing although there's little empirical evidence to prove that it raises standards but it has put added pressure on the Dept's budget.

On a more positive note, school funding remains protected which at 0.8% currently may not be a great deal but is a significant recognition of the importance being attached to education. Also £150m will be added to the School Sport Premium for 2015/16, again another important gesture at a time when the Olympic legacy is under scrutiny. Two other things to keep an eye on perhaps are capital costs where concerns remain about the funding of a devolved school system. The next round of successful bids for Academies, Free Schools and UTCs is due next month so it will be interesting to see if the momentum is maintained or if there has been any scaling back. And secondly, the Dept is continuing its process of shedding responsibilities and divesting duties where appropriate. The proposed new regional school Commissioner posts, now advertised, are part of this but how far it'll generate efficiencies remains to be seen.

### FE and skills

If the funding of free school meals is creating an issue for the school sector, the funding of apprenticeships is having the same effect for FE and skills with the Chancellor confirming that the Government will seek to route this funding directly to employers through the tax system.

The move may be partly political with the Government convinced that greater employer ownership will help ensure that employers get a more responsive system and thus higher levels of engagement and partly economic with budgetary needs forcing Government to shift the funding of skills training away from the state and increasingly on to beneficiaries. Either way, this latest announcement raises concerns. First over whether employers who obviously come in all shapes and sizes actually have the capacity, time or enthusiasm to take on the costs of large chunks of apprenticeship training let alone the standard setting that goes with it. A powerful case for this was made in last year's Richard Review but the reality, with the Chancellor for

example introducing a compulsory cash contribution, may be different. Second, using the tax system may sound a simple way of transferring costs but by the time you've added in adjustments for small employers let alone for 16/17 year olds as well as potentially a separate approach for 18 year olds, it begins to sound more complex. No wonder a further technical consultation will follow early next year. Third, it's clear that the Government intends to link funding to results in some way which will inevitably add another hurdle in the process. And fourth, the 'if it ain't broke don't try and fix it' argument: apprenticeship numbers, and it should be said quality standards, have both been rising in recent years so will these changes put a block on such growth particularly given concerns that it's already slowing down? On a positive note for apprenticeships, however, the Chancellor committed to additional money, £40m for each of the next two years, to support higher apprenticeships.

The other area of interest for the FE sector was around youth unemployment, always an area of political sensitivity and the subject of a further review at present. The Chancellor pre-empted some of this by announcing the scrapping of employer National Insurance contributions from April 2015 for those aged under 21 under the upper earnings limit. He also put in a small amount, £10m a year, so that Jobcentre Plus can work with LAs who of course have a duty under the raising of the participation age to support young people, to help 16/17 year olds find apprenticeships and traineeships, and he announced the piloting of a new scheme to help unemployed 18-21 year olds to gain English and maths and some work experience.

## HE

For HE, the big debate is about lifting the cap on student numbers gradually for 2014/15 and fully, including for alternative providers, from 2015/16. Part of the thinking here may have been a desire to ensure an HE market is established before the next election but in truth the system of managing student numbers with its tolerance levels, separate incentives and core and margin procedures has been a difficult balancing act. The Government has justified the move on the basis that *"an estimated 60,000 young people a year who have the grades to enter higher education cannot currently secure a place"* but the bit that's missing from opening up the market and that will worry people, is a robust regulatory policy to go with it. David Willetts, the HE Minister, moved rapidly to say that the Government will monitor things closely and re-impose institutional number controls where necessary but a lot now hinges on how the incoming Chief Executive of HEFCE sets out the role of that and other bodies where the current momentum is for some streamlining around quality functions.

The other issue is cost. The move has been costed as adding £720m a year rising to £2bn by 2018/19. An additional £400m has been added to the BIS budget to cover teaching costs but this is only up to 2015/16. The hope is that sales from the loans book will pay for much of the cost of an increase in loans but analysis from IFS, IPPR and others suggests that this is unsustainable. Again, as a policy move many people would agree that opening out HE opportunities is a good thing especially given the rate of global growth in HE but it leaves a number of intriguing questions: will private providers help soak up the numbers and keep down the costs; will future graduates face a less preferential repayment rate; will the money needed for HE have a knock-on effect on other areas of the Dept activity such as FE; will tuition fees become an election issue again? Further detail may follow the publication of the sector's Grant Letter next month but funding an expansion of HE remains a challenge.

Finally for HE it's worth noting that the Government remains committed to supporting its science and innovation activity. The Government's response to the earlier Witty Review into universities and growth activity is due shortly but for the moment, £50m a year from 2015/16 has been promised for STEM students, additional funding provided for a number of high-tech projects and a new Science and Innovation National Strategy promised for this time next year.



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