

Budget 2018: a submission from the Sixth Form Colleges Association

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Our members: drivers of productivity and engines of social mobility

- The Sixth Form Colleges Association is the established voice of dedicated sixth form education and the hub of a national network of sixth form providers. SFCA represents all designated Sixth Form Colleges and 16 to 19 academies in England, as well as a growing number of FE colleges and 16-19 free schools. Our members are responsible for over a fifth of the A levels delivered in England each year and help their students to achieve better exam results than all other non-selective providers.
- Our members are drivers of productivity – the high-skilled economy envisaged in the government's Industrial Strategy will be driven by leaders, scientists, technicians, engineers and others educated in our member institutions. They are also engines of social mobility – our members educate [a more disadvantaged cohort](#) than school and academy sixth forms but still have superior rates of progression to higher education (including progression to the most selective universities).

Our recommendations

1. Significantly increase the 16-18 funding rate
2. Extend the teachers' pay grant to Sixth Form Colleges
3. Introduce a capital expansion and maintenance fund for dedicated 16 to 18 institutions
4. Introduce a competitive process for establishing new sixth form provision
5. Introduce a VAT refund scheme for Sixth Form Colleges

Recommendation 1: Significantly increase the 16-18 funding rate

- To ensure that schools and colleges can continue to deliver a high quality, internationally-competitive education, the government should significantly increase the national funding rate for 16 to 18 year olds.
- Forthcoming research commissioned by SFCA from London Economics, *Understanding the funding shortfall in sixth form education*, indicates there was a **22% reduction** in real terms funding for Sixth Form Colleges between 2010/11 and 2016/17. During the same period, there was a **15% reduction** in teaching staff and a **6% increase** in the number of students.
- London Economics estimate that in 2020/21 Sixth Form Colleges would need to see an increase in funding of:
 - **£760** per student to increase student support services (e.g. additional mental health services, investment in education technology), increase non-qualification time by 3 hours per learner per week (e.g. employability, enrichment and pastoral activities)

and retain/re-introduce 3 subjects with low student numbers that are under threat/have recently been dropped

- **£1,970** per student to increase weekly contact hours to an internationally competitive level of 25 hours contact time per learner (on top of the above increase in non-qualification time)
- **£1,490** per student to return to 2010/11 levels of funding
- The rate should also be raised in line with inflation each year. It is important that new funding from HMT is in addition to, rather than instead of, funding that may be required to meet additional costs that emerge during the spending review period such as increased employer contributions to the Teachers' Pension Scheme.

The diminishing purchasing power of 16 to 18 funding

- Sixth form funding (also known as 16 to 18 funding) was subject to deep cuts in 2011 and 2013. The national funding rate for 16 and 17 year olds (which is by far the biggest component of the 16 to 18 funding formula) has remained frozen at £4,000 per student, per year since 2013/14. The rate for 18 year olds is set even lower at £3,300 per student.
- The needs of students have become increasingly complex since 2011 (for example the significant increase in mental health problems) and the government continues to ask more of schools and colleges (everything from implementing the Prevent duty to meeting new benchmarks for careers advice). New requirements are rarely accompanied with funding to fully cover the costs of their implementation.

16 to 18 funding: some comparisons

- The average funding allocated to educate 16 to 18 year olds in school sixth forms and colleges is 15% lower than the average funding allocated to educate 11 to 16 year olds in secondary schools ([£4,545](#) per student per year compared to [£5,341](#) per student per year). 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 investment in education so sharply at the age of 16.
- The average funding for 16 to 18 year olds is also around half the average university tuition fee ([£4,545](#) per student, per year compared to [£8,905](#) per student, per year). The government continues to invest heavily in higher education – the [IFS](#) estimates that the recent decision to increase the threshold for student loan repayments to £25,000 will eventually cost the taxpayer £2.3 billion per year.
- It is hard to see how we can remain internationally competitive when 16 to 18 funding in England supports only 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. 16 to 18 education in England is now a part time experience for many students.

The impact of underinvestment on students

- Our recent [funding impact survey](#) found that:
 - **50%** of schools and colleges have dropped courses in modern foreign languages as a result of funding pressures, with A levels in German, French and Spanish the main casualties
 - **34%** have dropped STEM (Science, Technology, Engineering, Maths) courses
 - **67%** have reduced student support services or extra-curricular activities – with significant cuts to mental health support, employability skills and careers advice
 - **77%** are teaching students in larger class sizes
- The use of [comparable outcomes](#) in the Department for Education's performance tables masks the impact of the underinvestment in 16 to 18 education. Put simply, comparable outcomes means that *if the ability of the cohort of students is similar to previous years, they would expect results* (outcomes) to be similar. This explains why results in A levels (for example) have been stable year on year since 2010 despite the sharp reduction in sixth form funding.

- Performance tables can only ever provide a partial view of the student experience as they do not report on (for example) the effectiveness of support services linked to mental health or employability, or the extent and nature of extra-curricular activities. As the CBI concluded in its latest [Education and Skills survey](#), the clear message from employers is: “*we need to focus on more than just exam results*”.

The impact of underinvestment on institutions

- This is reflected in the [declining financial health of the college sector](#). Even the most efficient colleges will soon cease to be financially viable without an increase in the funding rate. This will have implications for students and local communities, but also the Exchequer - even when the government’s planned insolvency regime for colleges is implemented.

The impact of underinvestment on meeting key policy objectives

- The government views 16 to 18 education almost entirely through a technical/skills lens and has exhibited little interest in the vast majority of students in this age group who are studying A levels or applied general qualifications. Of the 897,300 16-18 year olds on a full time Level 3 course in England, just [9% \(84,300\)](#) are studying for a tech level qualification and yet technical education dominates political discourse and is set to receive additional funding to accompany the introduction of T levels.
- While it may be a legitimate political objective to increase the number of young people that pursue a technical course it should not follow that the needs of the majority of students are overlooked.
- This narrow focus on technical education will not be sufficient to prepare for life post-Brexit. The high-skilled economy envisaged in the government’s Industrial Strategy will be driven by leaders, scientists, technicians, engineers and others that in most cases will have followed the academic or applied general path during their 16 to 18 education.
- Funding pressures are also proving a real barrier to improving social mobility. While university trips, coaching for interviews, careers advice and extra-curricular activities (such as music, drama, sport and languages) have been cut in the state sector, they remain the hallmark of the student experience in the independent sector.
- Just 23% of A level students from state school sixth forms and colleges progressed to the most selective universities in 2014/15, compared to 65% of students from the independent sector. This [gap in progression](#) rates has grown by 6 percentage points since 2008/09. In the independent sector, [fees actually increase](#) at the age of 16 to reflect the additional costs of teaching this age group.
- The average fee for educating a sixth former in the independent sector for a single term is almost £500 more than state schools and colleges receive to educate a sixth former for an entire year (an average termly fee of [£5,022](#) per student compared to average annual funding of [£4,545](#) per student).
- The underinvestment in sixth form education is bad for students of all ages. Many schools have to [cross subsidise their sixth forms](#) with the funding intended for younger students. School leaders are concerned that this is starting to have a negative impact on key stage 3 and 4 provision. This is bad for all young people, not just those in the sixth form.

Making the change

- There will competing priorities for additional investment in the Budget 2018, but it is important for HM Treasury to acknowledge that without a significant increase in the 16 to 18 funding rate it will be very difficult to achieve its policy objectives related to skills, productivity and social mobility. More fundamentally, HMT should acknowledge:
 - The pivotal role that 16 to 18 education plays in preparing young people for higher education or employment
 - That all 16 to 18 year olds, not just those pursuing technical courses, require additional investment in their education

- How far investment levels in 16 to 18 education lag behind other stages of education, the independent sector and our international competitors
 - How the purchasing power of 16 to 18 funding has diminished since 2010
 - How students and government have become increasingly demanding ‘customers’ since 2010
 - The deteriorating financial health of institutions that deliver 16 to 18 education
 - The disconnect between current investment levels and the actual costs of providing a high quality education
- HM Treasury will no doubt be looking for a ‘something for something’ deal in Budget 2018. This is an unwelcome phrase, as it ignores the funding cuts and cost increases that institutions have already had to contend with and the negative impact this has had on the education of students.
 - However, we have already identified that there would be enormous benefits to social mobility and the post-Brexit economy through increased investment in 16 to 18 education. The government will be unable to deliver some of its key policy objectives without significantly increasing funding levels.
 - In addition to protecting minority subjects such as modern foreign languages and some STEM courses, a significant increase to the 16 to 18 funding rate could be used to co-ordinate the diverse range of non-qualification support activities that students require. The outcomes would be considerable:
 - Improving study skills would benefit 16 to 18 year old students when they progress to higher education or employment and enhance their studies.
 - Improving employability skills would help students to flourish in the workplace.
 - Improving careers advice would ensure young people make better choices when they leave 16 to 18 education.
 - Improving the mental and physical health of students would increase their resilience and contribute to improved exam performance.
 - Improving the range of enrichment activities would provide 16 to 18 year olds in the state sector with the social capital to compete with their better-funded peers in the independent sector
 - Significantly increasing the national funding 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 (although there is no justification for the current reduction in the funding at the age of 18 – the rate for 16, 17 *and* 18 year olds should be raised to the same level). The recent trend for very small uplifts in funding linked to particular qualifications has no impact on the vast majority of students.

Recommendation 2: Extend the teachers’ pay grant to Sixth Form Colleges

- In September 2018, the government [extended the teachers’ pay grant](#) to cover 16 to 19 academies, but not Sixth Form Colleges. Sixth Form Colleges have the same workforce, pay rates and negotiating machinery as almost every 16 to 19 academy and there is no justification for treating them differently when it comes to teacher pay.
- This decision further complicates an already difficult pay negotiation with the teacher unions and undermines efforts to improve teacher recruitment and retention in the Sixth Form College sector. The 62 Sixth Form Colleges employ the same teaching staff, offer the same curriculum, and educate the same group of aspirational students as 16 to 19 academies.
- The cost of including Sixth Form Colleges would be small (in the region of £1.5million in the 7 months of the 2018/19 financial year and £2.5million in the full 2019/20 financial year), but the impact would be significant - not just in terms of an individual college’s financial position, but

also in terms of reassurance for the sector that its work, its curriculum and its workforce are properly understood and appreciated by the government.

- As we identified in the previous section, Sixth Form Colleges are under extreme financial pressure. Extending the teachers' pay grant to Sixth Form Colleges would relieve pressure on the front line and level the playing field between institutions that are delivering exactly the same type of education.

Recommendation 3: Introduce capital expansion and maintenance funds for dedicated 16 to 18 institutions

- Many 16 to 18 institutions are experiencing significant problems with their estate. Low levels of revenue funding, the absence of a sufficient national capital fund, and (for colleges) the growing reluctance of banks to lend for capital projects have all contributed to these problems. A number of institutions are heavily oversubscribed and are keen to expand but cannot access the funding to educate more students. Many have increased student numbers as a response to funding pressures, but have now reached maximum capacity and lack the capital needed to satisfy demand.
- A capital expansion fund for dedicated 16 to 18 institutions would help to increase the number of young people being educated in these high performing providers. It would also do so at a lower cost to the public purse, and with a higher likelihood of success, than continuing to establish new (usually much smaller) providers. These providers (particularly school sixth forms) do not have the economies of scale to deliver strategically important, but less popular subjects such as modern foreign languages. As we noted in the previous section, even our large, specialist 16 to 18 members have been forced to cut minority subjects.
- As the number of 16 to 18 year olds is set to increase, it is important that the Department for Education receives a capital settlement to deal with this demographic upturn. SFCA members, as large, specialist, 16 to 18 institutions with a proven track record are best placed to cater for the upturn in student numbers, but they urgently need access to capital funding to build the necessary capacity.
- A capital maintenance fund for dedicated 16 to 18 institutions would help to address the ongoing challenges many institutions have with their estate. The [Condition Improvement Fund](#) experiment has not been a good one for most Sixth Form Colleges and 16 to 19 academies - far fewer institutions have submitted successful bids than under the SFC-dedicated Building Condition Improvement Fund (BCIF).
- Sixth Form Colleges successfully combined BCIF grants with funding from other sources to expand projects and provide even greater value for money. Sixth Form Colleges and 16 to 19 academies must now compete with mainstream academies for grants from the Condition Improvement Fund – far fewer institutions have been successful and the grants awarded have been much smaller. Multi Academy Trusts with more than 3,000 pupils receive a School Condition Allocation (SCA) to deploy strategically across their estate to address their priority maintenance needs – similar arrangements should be made for Sixth Form Colleges and 16 to 19 academies, either individually or as part of a consortium.

Recommendation 4: Introduce a competitive process for establishing new sixth form provision.

- HM Treasury should encourage the introduction of a competitive process for establishing new sixth form provision that is open to all types of sixth form provider. The absence of a competitive, demand-led process has led to the creation of sixth form providers in areas where there is already an oversupply of good or outstanding provision. This in turn has put pressure on the Department for Education's capital budget and forced colleges and schools to divert revenue funding away from the front line education of students to increase their marketing spend. As the number of 16 to 19 year olds starts to increase, the establishment of new sixth form provision should be based on an impartial assessment of demand, quality and value for money to make best use of scarce resources.

Recommendation 5: Introduce a VAT refund scheme for Sixth Form Colleges

- ◆ There remains a compelling case to introduce a VAT refund scheme for all sixth form providers. While school sixth forms and 16 to 19 academies have their VAT costs refunded, Sixth Form Colleges do not. The VAT anomaly was partly addressed in the 2015 spending review, when the government announced that Sixth Form Colleges could become 16 to 19 academies, and in doing so recover their VAT costs. But those colleges that do not convert will still be subject to the VAT 'learning tax' – we believe young people should receive the same level of investment in their education, irrespective of where they choose to study.

More information

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