House of Commons Library

Debate Pack

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1 July 2022

Department for Education Estimates Debate

Summary

On 6 July 2022 there will be an Estimates Day debate on the spending of the Department for Education. The debate will focus in particular on the early years, pandemic catch-up funding, persistent absence, and adult education.

The subject for this debate was selected by the Backbench Business Committee, following the publication of the 2022-23 Main Estimates on 12 May 2022 (subsequently updated on 23 June 2022).

The application to the Committee was made by Robert Halfon (Conservative), chair of the Education Select Committee.

This debate comes at a time when schools are returning to a degree of normality following the disruption of the Covid-19 pandemic. Schools have been open to all pupils since September 2021 and summer 2022 exams are being held for the first time since the pandemic.

This debate follows a previous Estimates day debate held in March 2022, which focused on the National Tutoring Programme and adult education.

1 2022-23 Main Estimates

1.1 What are the estimates?

One of Parliament's longest standing functions is the consideration and authorisation of the government's spending plans, requiring the government to obtain parliamentary consent before spending public money.

Main Estimates are the documents that contain the detail of those spending plans for a particular year. There is a separate Estimate for each Government Department. Changes are presented at the end of each year through Supplementary Estimates. Each of the Estimates must be authorised by Parliament before they take effect.

Within each Estimate, spending is divided into a number of distinct budgetary limits for each department, covering spending of a specific type determined by HM Treasury. Changes to the categorisation of spending between categories require prior consultation with Parliament. Departmental Expenditure Limits (DELs) cover net spending which is subject to limits set in Spending Reviews and which it is assumed government departments can control:

- Resource DEL (also referred to as 'day-to-day spending') covers costs of running and purchasing goods and services; staff costs; current grants; rent; and maintenance costs. It also includes profit or loss on the sale of assets; depreciation; and some impairments; and
- Capital DEL (also referred to as 'investment spending') covers the purchase, disposal and major improvement of assets; capital grants (i.e. grants to purchase or enhance assets) and loans.

Annually Managed Expenditure covers net spending which is more difficult to control and forecast:

- Resource AME covers benefits and state pensions; some impairments; and provisions for liabilities; and
- Capital AME covers student loans and some financial transactions.

The 2022-23 Main Estimates were originally published on 12 May 2022 and were subsequently updated on 23 June 2022 to reflect new spending measures to support the cost of living crisis. Departments also produce an explanatory memorandum, which is published and scrutinised by the relevant House of Commons Select Committee and the House of Commons Scrutiny Unit. This memorandum should compare spending plans to previous years and explain the reasons for changes proposed. Select committees currently publish memoranda on their webpages and the Scrutiny Unit uses the memoranda to prepare briefings for select committees and other Members.

Following publication of Estimates, the relevant committee will approve publication of the associated memorandum. Memoranda which have been published will appear on the relevant committee and Scrutiny Unit webpages of the Parliament website.

1.2 Department for Education Funding 2022-23

The Department for Education (DfE) is one of the big four spending departments, along with the Department for Health and Social Care, the Ministry of Defence and the Department for Work and Pensions. The DfE's spending is dominated by grants to schools which are paid to either: local authorities who then decide how to allocate funding to schools in their areas; or provided directly to academies. These grants (to local authority maintained schools and academies) make up around £63 billion (88%) of the DfE's Resource Departmental Limit and around £3.6 billion (58%) of its Capital DEL. Other department costs include funding for Early Years, Children's Services, Higher Education, Further Education, the Standards and Testing Agency, the Teaching Regulation Agency and supporting function costs.

The DfE is now seeking Parliament's agreement to decrease its Resource DEL budget by £9.2 billion, bringing it to £71.9 billion for 2022-23. This reduction is a result of a revaluation of the student loan book which is sensitive to macroeconomic factors outside the control of the Department. The budget set at the Main Estimate will be reviewed at the Supplementary Estimate to ensure appropriate budget cover.

If the student loan book impairment changes are excluded, DfE's Resource DEL is set to increase by £5.3 billion. This is made up of:

- £4.4 billion (+8.2%) towards the department's priority to: "level up education standards in every part of the country, and support children and young people to catch up on lost learning due to Covid-19".

This includes:

- £2.6 billion (+8.2%) increase in grants to Local Authority schools' budgets;
- £1.7 billion (+6.4%) increase in grants to academy school budgets;
- £0.7 billion (+5.8%) towards the department's priority to: "Level up productivity and employment by improving the skills pipeline and supporting people to work". This includes:

  - £0.6 billion (+10.9%) increase in Further Education. This is driven by increases in the budget for 16-19, Multiply, National Skills Fund and the Strategic Development Fund.

Adult Education is included within the Further Education category. Its budget is ring-fenced which means underspends in this area cannot be used elsewhere in the department. The budget for 2022/23 for Adult Education is £103.5 million, which is a £5 million uplift from last year (or 3.4%).

Part of the Adult Education Expenditure is the National Skills Fund which aims to help people retrain and upskill into better, more productive jobs through developing higher and intermediate skills. The 'Free Courses for Jobs' offer launched on 1 April 2021. This policy enables any adult aged 19 and over, who does not have an advanced technical certificate, diploma, or equivalent level 3 qualification, to access a range of fully funded level 3 qualifications. In April 2022 eligibility for the offer was expanded to also include any adult who earns below the annual National Living Wage (£18,525 in FY22/23) or is unemployed, regardless of their prior qualification level. Mayoral Combined Authorities and the Greater London Authority can determine the low wage threshold in their areas.

- £0.2 billion (+4.3%) towards the department's priority to: "Support families and provide the best start in life for all, through improved family services and high-quality early education and childcare to raise standards and help parents to work". This includes:

- £0.17 billion (+10.6%) increase in funding for Early Years. This funding relates to increases across several budget lines to reflect investment in catch up, including elements of the National Tutoring Programme, National Professional Qualifications and Early Career Framework. It also includes some increases across several budget lines to reflect the Schools white paper and Shared Outcomes Fund;

- £0.05 billion (+10.7%) towards the department's priority to: "Support the most disadvantaged and vulnerable children and young people through high quality education and local services so that no one is left behind". This includes:

  - £0.05 billion (+83.5%) increase in Special Educational Needs,

  - £0.03 billion (+28.2%) increase in Social Care; these are offset by,

  - £0.04 billion (-86.6%) decrease in Social mobility.

The DfE is also seeking authorisation for a Capital DEL of £6.4 billion, an increase of £1.1 billion (20.8%) from 2021-22's final budget. This includes £0.6 billion increase in local authority school budgets and £0.3 billion increase in grants for further education.

Beyond these totals, some DfE spending and receipts lie outside the normal pre-set expenditure limits, known as Annually Managed Expenditure (AME). This includes spending on payment of student loans, which this year is estimated at £31.8 billion, less £3.3 billion in loan repayments (making net spend of £28.5 billion).

Further Information

Further information on DFE's 2022-23 Main Estimate is available from:

- The House of Commons Library's: Main Estimate: Government Spending Plans for 2022-23 research briefing. This briefing discusses Parliament's approval of the Government's spending plans and summarises plans for 2022/23.
- The DFE's Main Estimate Memorandum, which explains the proposed changes to budgets in greater detail.

2 School funding

2.1 How are schools funded?

As outlined above, school funding makes up the majority of the Department for Education's annual spending (around 88% of RDEL in the 2022-23 Main Estimates).

Since 2018-19 a national funding formula (NFF) has been used to calculate core school funding. Local authorities receive a block grant from the DfE, called the Dedicated Schools Grant, or DSG. The DSG is currently divided into four blocks: Schools Block, High Needs Block, Central School Services Block and the Early Years Block. There are separate funding formulas for each block.

The Schools Block is the main source of revenue funding for mainstream schools in England. However, schools receive some revenue funding outside the Schools Block and the DSG, such as the pupil premium. Funding for sixth forms is determined and distributed separately.

The schools NFF is currently operating as an indirect formula. This means that local authorities retain a role in distributing funding and deciding how much individual schools receive in their delegated budgets. The schools white paper of March 2022 confirmed that the Government intended to introduce a direct national funding formula, which would largely cut local authorities out of the distribution process for core school funding, giving money directly to individual mainstream schools instead. It is currently consulting on completing these school funding reforms,[1] with the aim of moving to a direct formula within the next five years. Part two of the Schools Bill, currently before Parliament, would, if passed, provide the legislative framework for these reforms.

2.2 Summary of school funding trends

Core schools funding data

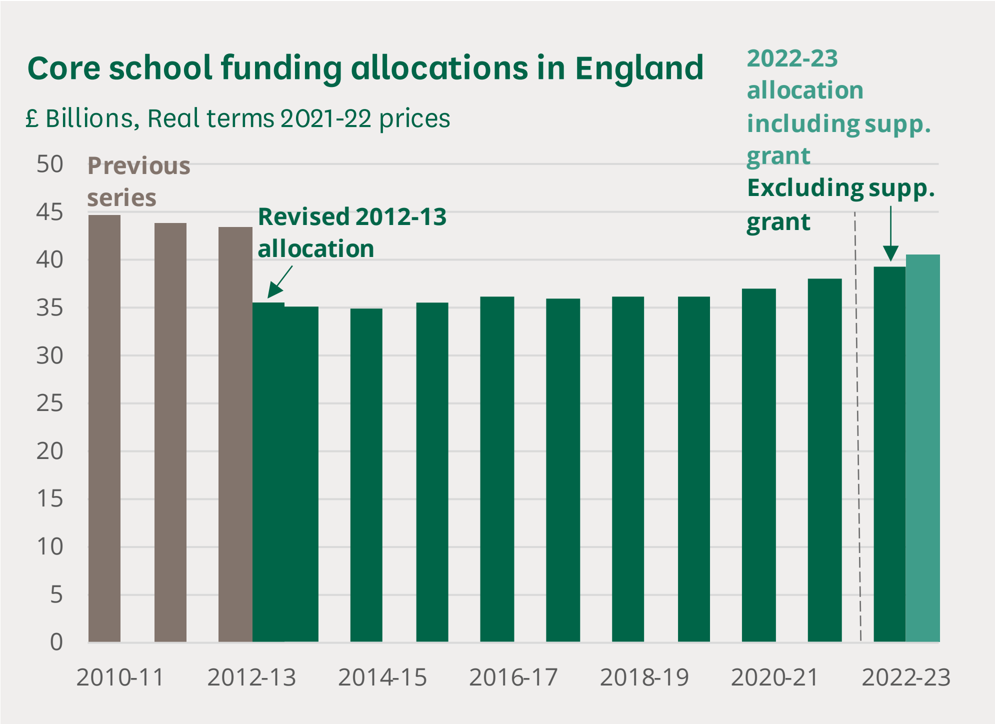
The Schools Block (also known as core revenue funding for schools) is one part of the Dedicated Schools Grant (DSG), which is paid by the Government to local authorities.

The Schools Block is the main source of revenue funding for mainstream schools in England. However, schools receive some revenue funding outside

1 Department for Education, Implementing the Direct National Funding Formula, 7 June 2022

the Schools Block and the DSG, such as the pupil premium. Funding for sixth forms is determined and distributed separately.

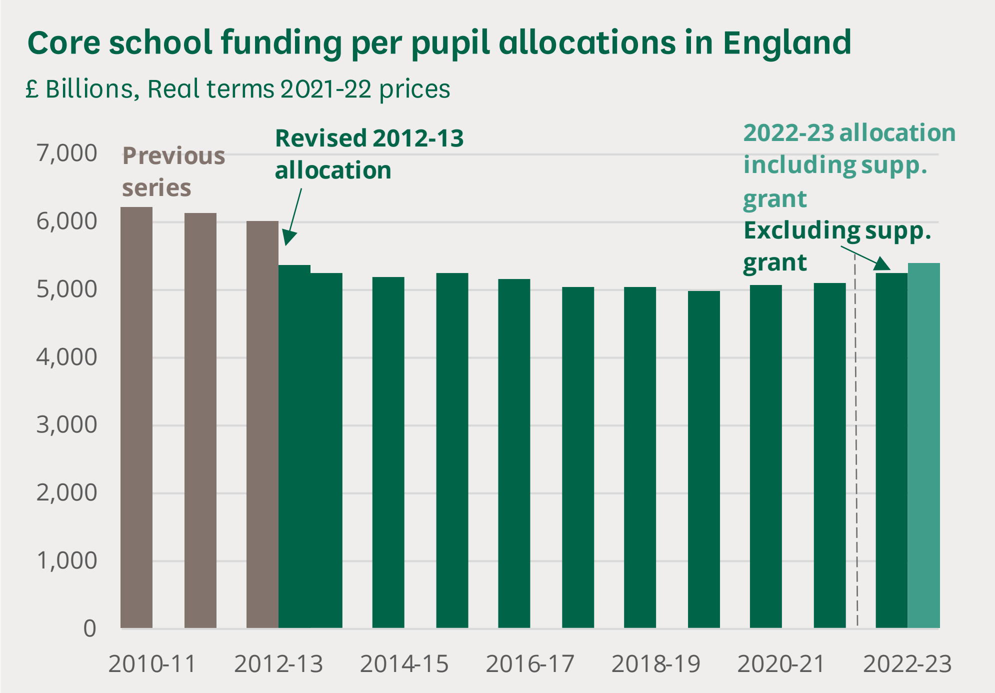
Between 2012-13 and 2022-23 the total Schools Block allocation increased by 10.9% in real terms (adjusting for inflation in 2021-22 prices). However, this increase has not kept up with increases in pupil numbers over this period. This means that on a per pupil basis the Schools Block allocation has decreased by around 2.3% in real terms.[2]



Notes: In 2022-23 the teachers' pension employer contribution grant is included in the allocations creating a break in the series. Central School Services Block is included from 2018-19 onwards. The pandemic has caused unusual movements in the GDP deflator, which is used to measure inflation in the economy. This means that for 2020/21 and 2021/22 it does not provide an accurate representation of price changes over this period. GDP deflator growth for 2020/21 and 2021/22 have been averaged across the two years to smooth the distortions caused by pandemic-related factors. OBR forecasts are used for 2021/22.

Sources: HMT, GDP deflators 24 March 2022; OBR, Economic and fiscal outlook, (table 1.7 of supplementary economy tables) , 23 March 2022; DfE, Dedicated Schools grant 2022 to 2023, 16 December 2021; DfE, Dedicated Schools Grant: Various Years

2 Adjusted 2012-13 allocations compared with 2022-23 allocation that includes the supplementary grant and the teachers' pension employer contribution grant.



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IFS estimates

The Institute for Fiscal Studies (IFS) 2021 education annual report analysed the Government's spending announcements to date. On school spending, it found:

> School spending per pupil in England fell by 9% in real terms between 2009–10 and 2019–20. This represents the largest cut in over 40 years, but it came on the back of a significant increase in spending per pupil of over 60% during the 2000s.
>
> The 2021 Spending Review included an extra £4.4 billion for the schools budget in 2024–25 as compared with previous plans. When combined with existing plans, we project that spending per pupil in 2024 will be at about the same level as in 2010. Whilst this will reverse past cuts, it will mean 15 years with no overall growth in spending. This squeeze on school resources is effectively without precedent in post-war UK history.
>
> Secondary school spending per pupil in England (£6,600) was about 14% higher than in primary schools (£5,800) in 2020–21. This is down from a secondary/primary funding difference of about 30% in the 2000s and over 50% during the early 1990s. Whilst empirical evidence shows high benefits to spending at younger ages, it is not clear that evidence supports such a dramatic shift.

Deprived schools have seen larger cuts over the last decade. The most deprived secondary schools saw a 14% real-terms fall in spending per pupil between 2009–10 and 2019–20, compared with a 9% drop for the least deprived schools. The National Funding Formula has continued this pattern by providing bigger real-terms increases for the least deprived schools (8–9%) than for the most deprived ones (5%) between 2017–18 and 2022–23. The Pupil Premium has also failed to keep pace with inflation since 2015. These patterns run counter to the government's goal of levelling up poorer areas.[3]

[3] Institute for Fiscal Studies, 2021 annual report on education spending in England, November 2021, p7

3 Pandemic related recovery funding for schools

Due to the impact of the Covid-19 pandemic, the Department for Education has made additional funding available for pandemic related recovery as well as for free school meals, exceptional cleaning costs, laptops and digital devices, teacher training and supply staff costs. This section focuses on pandemic related recovery funding, for information about other funding streams please see section 3.1 of the House of Commons Library briefing paper Coronavirus and Schools.

3.1 Level of recovery funding

In May 2021, the Education Policy Institute (EPI) published a report on education recovery and resilience.[4] This called for a three-year package amounting to £13.5bn, to support a range of programmes including:

- Increasing the Pupil Premium (funding for disadvantaged children) and increasing the Early Years Pupil Premium, to the same rate as is paid for primary pupils.
- Extended schools and summer wellbeing programmes.
- A new Continuing Professional Development (CPD) fund for teachers.
- Funding to recruit mental health support workers in schools.
- More small group and one-to-one tuition through to 2023-24, and an extension of the 16-19 tuition fund until then, too.

On 2 June 2021, the Government said it would provide a further £1.4bn in education recovery funding, on top of the £1.7bn already announced – taking the total to around £3.1 billion over four academic years, including 2020/21.[5] Of the £1.4 billion announced on this date, £1 billion would be spent on “up to 6 million, 15-hour tutoring courses for disadvantaged school children”, as well as the 16-19 tuition fund. Other funding would support early years provision, and teacher development.

4 Education recovery and resilience in England. Phase one report, Education Policy Institute, 14 May 2021

5 HC Deb 22 June 2021, Vol. 697, Col. 745

Reaction to June 2021 funding announcements

On the same day the funding was announced, Sir Kevan Collins resigned as Education Recovery Commissioner for England. He said that while he welcomed the funding, he believed it to be insufficient, and that he did "not believe it is credible that a successful recovery can be achieved with a programme of support of this size". [6]

The EPI said the money amounted to "a fraction of the level of funding required to reverse learning loss seen by pupils since March 2020". [7]

The National Association of Head Teachers (NAHT) called Government action so far "well below par, in terms of its speed of response, the scope of its ambition and the depth of its pockets. Education recovery cannot be done on the cheap, but as things stand, that is exactly what the government is proposing." [8]

The Early Years Alliance said that it was encouraging to see a greater focus on, and more money for early years, than there had been in initial announcements. Additional training for early years practitioners was "particularly welcome since tight budgets leave many settings with little money to invest in upskilling the workforce." However, it went on to say that the alliance hoped for further investment in the sector, given existing evidence on the importance of the early years in closing the attainment gap and missed opportunities for young children's personal and social development. [9]

Autumn Budget and Spending Review: October 2021

At the autumn Budget/ Spending Review (SR) 2021, the Government announced an additional £1.8bn over the SR period, for education recovery. Much of this is for the Recovery Premium through to the 2023/24 academic year. This is formulaic funding paid on a per-head basis to schools in England. In 2021/22, it can be spent on a range of support, including support to "deal with non-academic barriers to success in school, such as attendance, behaviour and social and emotional support". [10]

Whilst the additional funding was welcomed, some remain concerned that it is insufficient, with the Education Policy Institute saying that the total amount

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6 "Exclusive: Sir Kevan Collins resigns over catch-up plan', the TES, [online] 2 June 2021, accessed 11 January 2022

7 Education Policy Institute, "EPI responds to the government's new education recovery package", 2 June 2021

8 National Association of Head Teachers, "NAHT comments on education recovery plan", 9 June 2021.

9 Early Years Alliance press release, Alliance responds as DfE announces latest tranche of education recovery funding, 1 June 2021

10 Department for Education, Recovery premium funding, 7 June 2022

allocated was “still some way off the £13.5bn that our research has shown is needed to reverse the damage done to children’s education”. [11]

The Institute for Fiscal Studies (IFS) also commented that the additional £4.9 billion in England fell “a long way short” of the £15bn reported to have been recommended by the then-Education Recovery Commissioner, Sir Kevan Collins. [12]

Alongside additional funding relating to education recovery, the Spending Review also promised increases to core school funding in the years to 2024/25. In 2022/23 some of this funding would cover the employer costs of the new Health and Social Care Levy.

December 2021: £10 million for areas seeing greatest learning losses

In December 2021, the DfE confirmed that a further £10 million of the Government’s £22 million Accelerator Fund (announced in February 2021) would be spent on improving literacy and maths teaching in areas that research suggests have seen the largest learning losses: the North of England; East Midlands & Humber; and the West Midlands.[13]

Targeting and take up of education recovery support

A National Audit Office (NAO) report published in July 2021 looked at DfE support for children and young people during the early part of the pandemic.

This noted that schools were given considerable discretion in terms of how to support pupils during the initial 2020 school attendance restrictions, which reduced burdens on schools but also “contributed to wide variation in the education and support that children received”. The NAO concluded that whilst the Government did take action enabling vulnerable learners to attend school, and funded online resources, it could have done more, and more quickly, in some areas. Areas identified included support for disadvantaged children, and setting clearer expectations on remote learning.

On education recovery, the NAO said:

> [It is] crucial that the Department now takes swift and effective action, including to learn wider lessons from its COVID-19 response, and to ensure that the catch-up learning programme is effective and reaches the children who

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11 Education Policy Institute, “EPI response to spending review”, 27 October 2021

12 Institute for Fiscal studies, 2021 Annual report on education spending in England, November 2021, p10

13 Department for Education press release, Catch up learning accelerates with £10m for maths and literacy, 15 December 2021

have been disproportionately affected by the pandemic, such as those who are vulnerable and disadvantaged. [14]

[14] National Audit Office press notice, Support for children's education during the early stages of the Covid-19 pandemic, 17 March 2021

4 Absence rates

4.1 Persistent absence rates in autumn term 2021

The DfE has published persistent absence rates for the autumn term 2021. This term was impacted by the covid-19 pandemic however no national lockdown took place over this period.

In autumn term 2021 the absence rate in state-funded schools was 6.9% which was an increase compared to 2020 (4.7%) and 2019 (4.9%). Pupils not attending school due to being sick with Covid were included in these absence figures, however other covid-19 related reasons for absence were not included because pupils should have received online provision (such as when a class has been required to stay at home).

The DfE defines "persistent absence" as a pupil missing 10% or more of possible school sessions (one session is equivalent to half a school day). In autumn term 2021, 23.5% of pupils were recorded persistently absent. This was the highest rate recorded in the last six years and nearly double the rate recorded the previous year (13.0%).

The DfE also publishes the proportion of pupils that miss 50% or more of possible school sessions (previously defined as "severely absent"). In autumn term 2021, 1.4% of pupils missed more than 50% of possible sessions. This was also the highest rate recorded in the last six years.

Persistent absence in state-funded schools in England
Autumn term in each year

	2016	2017	2018	2019	2020	2021
Missed 10% or more of possible sessions:	11.6%	11.7%	10.9%	13.1%	13.0%	23.5%
	780,754	800,059	759,252	922,566	915,877	1,672,179
Missed 50% or more of possible sessions:	0.6%	0.7%	0.7%	0.9%	1.3%	1.4%
	41,906	46,165	51,277	60,244	93,463	97,994

Note: In 2020 and 2021 sessions where a pupil was not attending school due to covid-19 related reasons such as when a class has been required to stay home were not recorded as an absence and were recorded as a possible session. However, pupils with confirmed Covid are included in these absence rates.
Source: DfE, Pupil absence in schools in England: autumn term, 26 May 2022 (Table)

4.2 Persistent absence rates in 2020/21

The DfE has published persistent absence rates for the 2020/21 academic year. This year was impacted by the covid-19 pandemic. For the majority of the spring term schools were closed to most pupils (4 January 2021 until 8 March 2021).

In 2020/21 the absence rate was 4.6% which was similar to previous years prior to the pandemic. Pupils not attending school due to being sick with Covid were included in these absence figures, however other covid-19 related reasons for absence were not included because pupils should have received online provision (such as when a class has been required to stay at home).

The DfE defines "persistent absence" as a pupil missing 10% or more of possible school sessions (one session is equivalent to half a school day). In 2020/21, 12.1% of pupils were recorded persistently absent. This was the highest rate recorded in the last five years.

The DfE also publishes the proportion of pupils that miss 50% or more of possible school sessions (previously defined as "severely absent"). In 2020/21 1.1% of pupils missed more than 50% of possible sessions. This was also the highest rate recorded in the last five years.

Persistent absence in state-funded schools in England
Academic years

	2015/16	2016/17	2017/18	2018/19	2020/21
Missed 10% or more of possible sessions:	10.5%	10.8%	11.2%	10.9%	12.1%
	707,390	744,276	783,424	771,863	872,438
Missed 50% or more of possible sessions:	0.6%	0.7%	0.8%	0.8%	1.1%
	40,585	48,460	53,699	60,247	81,652

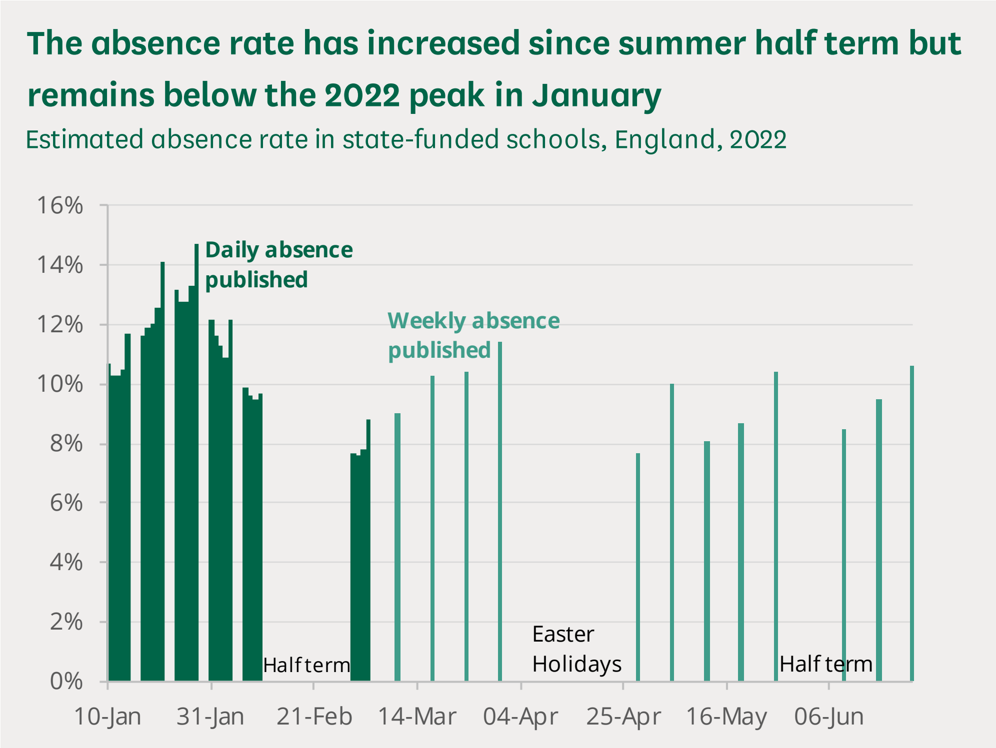
Note: In 2020/21 sessions where a pupil was not attending school due to covid-19 related reasons such as when a class has been required to stay home were not recorded as an absence and were recorded as a possible session. However, pupils with confirmed Covid are included in these absence rates.
Source: DfE, Pupil absence in schools in England, 24 March 2022 (Table)

4.3 Daily absence rates in 2022

The DfE has published **estimates** for the number of pupils attending school since the Covid-19 pandemic. These are based on figures that schools provide to them through a daily survey. The published national figures are estimates because they have been adjusted for non-responses using certain assumptions. Lower response rates from schools can make these estimates less accurate. Since 10 March 2022 a snapshot daily rate is published for each week only (previously every school day was published).

At the time of writing, the most recent daily attendance rate was 89.4% as of 23 June 2022 (excludes year 11-13 pupils who were off-site for approved purposes). This means the estimated absence rate in state-funded schools was 10.6%.

The chart below shows how the average absence rate for state-funded pupils has increased each week since summer half term but remains below the 2022 peak reached on 21 January 2022 (around 14%).



Note: Figures after summer half term have been adjusted to exclude year 11-13 pupils who are off-site for approved purposes.
Source: DfE, Attendance in education and early years settings during the coronavirus (COVID-19) pandemic, 28 June 2022 (Table link)

4.4 Government policy on improving school attendance

In January 2022, the DfE launched a consultation on school attendance policies and local authorities' duties in this area.[15]

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[15] Department for Education, School attendance: Improving consistency of support, 25 January 2022. Results from this consultation were published in May 2022.

The March 2022 schools white paper subsequently confirmed that the Government was planning to make a number of changes to the way that attendance and absence is recorded, and absence managed, including:

- Legislation to introduce statutory guidance on attendance, and new statutory expectations for local authority attendance services.
- A new national data solution to record and track attendance.
- A new register of children not in school. [16]

There is also a DfE trial whereby schools can submit daily school attendance data.

The Schools Bill, currently before Parliament, would provide the legislative framework for some of these changes. In particular:

- Clauses 48 to 51 would require local authorities to keep registers of children not in school, including those who are electively home educated
- Clause 52 would require local authorities to exercise their functions so as to secure good school attendance by pupils, and for them to have regard to statutory guidance issued by the Secretary of State.
- Clause 53 would require all schools to have an attendance policy, and also to have regard to statutory guidance on attendance.
- Clause 54 would allow the Secretary of State to regulate to set out the circumstances in which the issue of a fixed penalty notice (for parents) must be considered.

[16] HM Government, Opportunity for all: strong schools with great teachers for your child, CP 650, March 2022

5 Adult skills and lifelong learning

The majority of public funding for non-apprenticeship, 19+ further education in England is currently provided by the Education and Skills Funding Agency (ESFA) through the Adult Education Budget (AEB).

There are additional streams of funding for adult learning alongside the AEB, including the National Skills Fund, which was announced in 2020 to help adults to train and gain skills to improve their job prospects.

From 2025, the Government intends for the Lifelong Loan Entitlement to provide individuals with the equivalent of four years' worth of post-18 education to use over their lifetime.

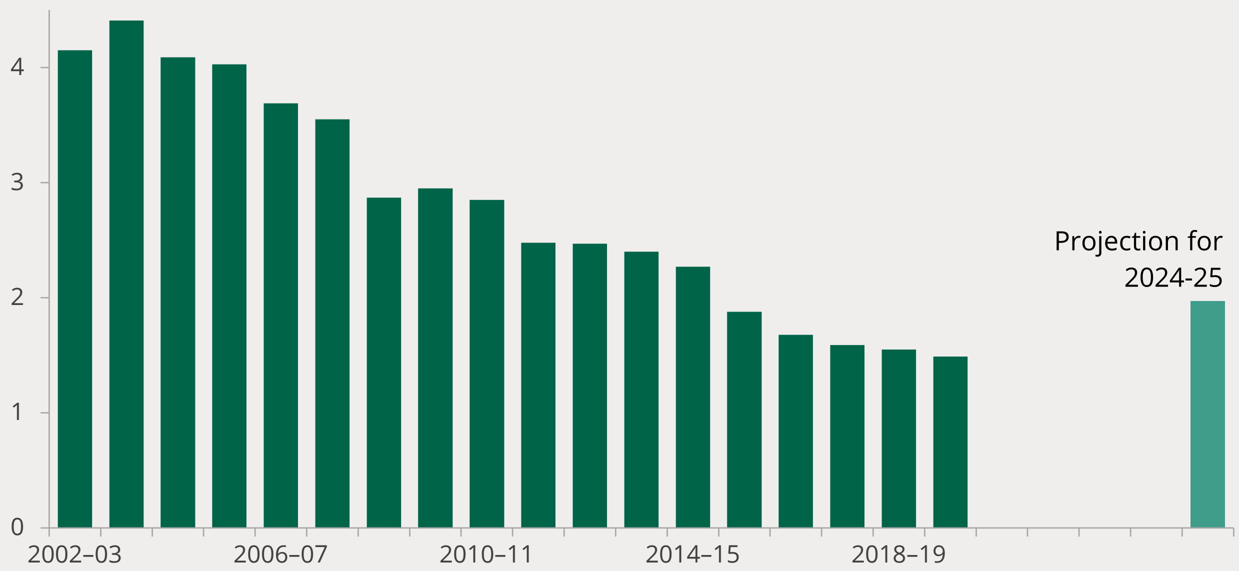
5.1 Trends in adult education funding

The Library briefing paper Adult further education funding in England since 2010 gives a detailed description of changes in 19+ funding between 2010 and 2019.

The Institute for Fiscal Studies' latest Annual report on education spending in England found that spending on classroom-based adult education in 2019-20 was **nearly two-thirds lower in real terms than in 2003–04** and about 50% lower than in 2009–10. It stood at £4.4 billion in 2003-04 (2021-22 prices) and fell to £2.9 billion in 2010-11 and to just under £1.5 billion in 2019-20. This trend is illustrated below.

Spending on adult FE down by two-thirds since 2003-04

Classroom-based adult education in England, £ billion 2021-22 prices



Source: Institute for Fiscal Studies, 2021 Annual report on education spending in England, 30 November 2021 – section 4.:

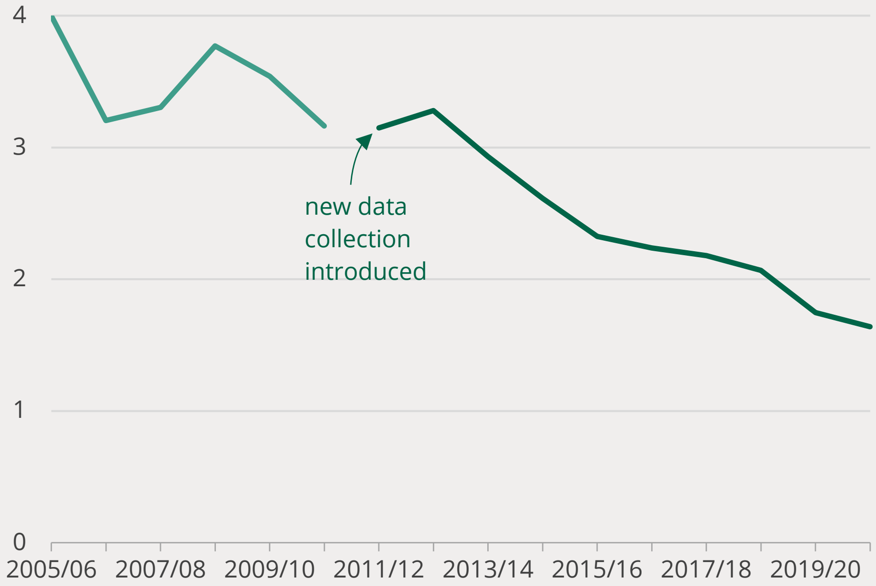
This fall in funding was said to be mainly driven by the removal of public funding from some (mainly lower level) courses and a resultant drop in learner numbers.

Trends in the total number of adult learners is shown in the chart below. This includes those on adult apprenticeships and community learning courses. There is a break in this series,[17] but it is still clear that learner numbers have fallen over time from 4 million in 2005/06 to below 3 million from 2013/14 to around 1.6 million in the latest figures.

Since 2011/12, the number of learners on classroom-based education and training has fallen by 48%, community learning by 64%, and adult apprenticeships by 4%. The largest fall in numbers by level was in those studying at 'full level 2' (equivalent to 5+ GCSEs), where numbers fell by 85% or around 875,000 between 2011/12 and 2020/21. [18] Participation at level 4 (such as a higher national certificate or higher apprenticeship) increased from 39,000 to 218,000 over the same period.[19]

Adults in FE down by more than half since 2005

Learners aged 19+ in further education and skills in England, millions



Source: Further education and skills: November 2021, DfE

This large fall in learner numbers means that funding *per student* will not have fallen to the same extent as total funding. The IFS reports on education

[17] This is thought to have reduced counts of learner numbers by around 2%.

[18] When the full range or 'width' of course aims a learner is taking are summed they are equivalent to five or more GCSEs.

[19] Source: Further education and skills: November 2021, DfE

spending do not calculate funding per student in adult (19+) further education.

The authors of the 2020 edition of this report said: "there has also been a large and deliberate shift from classroom-based to apprenticeship training".[20] Spending on apprenticeships increased by 50% in real terms between 2009-10 and 2019-20 to a total of £2.0 billion (2021-22 prices). However, total spending on classroom-based adult education, apprenticeships and work-based learning still fell by 35% in real terms between 2009-10 and 2019-20.[21]

Funding for classroom-based adult education is projected to increase by 32% in real terms between 2019-20 and 2024-25. The increase for apprenticeships is slightly smaller at 29%. However, the total of the two streams of funding would still be around 15% below 2009-10 levels in real terms.[22]

5.2 Recent funding announcements

Budget 2020 committed **£2.5 billion over the course of the parliament** to a new National Skills Fund to improve adult skills in England. Earlier funding announcements for adult education were summarised in a PQ on 10 July 2020, which highlighted the AEB, National Skills Fund, and planned capital funding:

> We are continuing to invest in education and skills training for adults through the Adult Education Budget (AEB) (£1.34bn in 2019/20 and 2020/21). We will continue to explore options within adult education and will be making decisions on where we may be able to introduce flexibilities to aid the Post-Covid recovery.
>
> Budget 2020 committed £1.5 billion over five years for capital spending across all of further education in England and a new £2.5 billion National Skills Fund to improve adult skills in England. In June the Government announced that £200 million of the capital funding would be brought forward to 2020-21.[23]

The Chancellor outlined how £375 million from the National Skills Fund would be spent at the Spending Review in November 2020. This included £43 million to expand skills bootcamps and £95 million to support adults in completing a level 3 qualification.

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20 Institute for Fiscal Studies, 2020 Annual report on education spending in England, 3 November 2020, section 4.
21 Institute for Fiscal Studies, 2021 Annual report on education spending in England, 30 November 2021, section 4.
22 Institute for Fiscal Studies, 2021 Annual report on education spending in England, 30 November 2021, section 4.
23 PQ 72243 [Skilled Workers: Coronavirus] 10 July 2020.

Spending Review 2021

The Autumn Budget and Spending Review 2021 allocated high-level funding for the period to 2024-25. It included £3.8 billion in new funding for skills and lifelong learning (including 16-19 education), to be delivered between 2021-22 and 2024-25.[24] This was said to be a 26% real increase compared to 2019-20. Some details of the overall spending for this sector, not just new money, included:

- £2.8 billion capital investment across the spending review period. This funding will establish Institutes of Technology across England and raise the condition of further education colleges in England.
- Apprenticeships funding to reach £2.7 billion by 2024-25.
- £560 million across the spending review period for adults across the whole of the UK to develop their numeracy skills through the Multiply programme, funded through the UK Shared Prosperity Fund.
- £554 million (part of the National Skills Fund) by 2024-25 to substantially increase retraining and upskilling opportunities for adults. According to the Treasury:

> This provides a 29% real terms uplift in adult skills funding compared to 2019-20 and meets the government's commitment to a National Skills Fund.

Detailed funding for individual years up to 2024-25 has not yet been published. The latest IFS Annual report on education spending in England gives more commentary on background on the spending review outcome for the sector.[25]

5.3 Adult Education Budget

The Adult Education Budget (AEB) covers funding for adult education (excluding apprenticeships), community learning, and learner support. It fully funds or co-funds (when the student or their employer must pay part of the costs) skills provision for eligible adults aged 19 and above from pre-entry to level 3.[26]

The budget is set by the Government, often in an annual skills funding statement or letter. Funding allocations reflect Government priorities for provision.

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24 HM Treasury, Autumn Budget and Spending Review 2021, October 2021, pp96-97.

25 Institute for Fiscal Studies, 2021 Annual report on education spending in England, 30 November 2021 (pp40-42).

26 GOV.UK, What qualification levels mean.

Under the Spending Review 2015 settlement, the AEB (comprising the previous non-apprenticeship Adult Skills Budget, plus community learning and learner support) was set to be held constant in cash terms at £1.5 billion up to 2019-20. However, the Government subsequently decided that a portion of the AEB would be retained centrally to spend on other Department for Education priorities. As a result, the annual AEB was reduced to £1.34 billion from 2016-17 onwards.

The AEB remains at **£1.34 billion in 2021-22**. It is targeted at groups of learners with low skills, including young adults, unemployed individuals actively seeking work, and employed individuals in receipt of a low wage. It also provides funding for certain subjects, such as English and maths. Eligibility for full funding or co-funding is based on an individual's age, their prior educational attainment, and personal circumstances.

Devolution of the AEB

Guidance on how the AEB is distributed in England is available on GOV.UK at Adult education budget (AEB) devolution, and discussed in the Library briefing Devolution of the Adult Education Budget, 19 June 2019.

On 1 August 2019, control over the AEB was transferred to six mayoral combined authorities (MCAs) and the Greater London Authority (GLA). The devolved authorities are:

- Cambridgeshire and Peterborough
- Greater Manchester
- Liverpool City Region
- Tees Valley
- West Midlands
- West of England
- Greater London

Since then, the North of Tyne, South Yorkshire, and West Yorkshire combined authorities have also become responsible for administering the AEB.

The devolved authorities are responsible for commissioning and funding AEB provision for learners resident in their areas. In exercising their adult education functions, the devolved areas must have regard to statutory guidance issued by the Secretary of State.

The ESFA remains responsible for funding learners in England that are resident outside of the devolved areas.

Community learning

The community learning budget was combined into the newly created AEB in 2016, following the 2015 Spending Review settlement. In 2017/18, the community learning budget was **18% (£0.24 billion) of the total £1.34 billion AEB.**[27]

Adult community learning is primarily managed and delivered by local authorities, general further education colleges, and charities. Most community learning provision is at level 2 (equivalent to GCSE level) or below, including non-formal learning which does not lead to accreditation.

It covers a wide range of areas, such as English, maths, digital skills and English for Speakers of Other Languages (ESOL) qualifications, as well as learning aimed at developing employability skills and improving well-being, family-oriented programmes, and learning for leisure and enjoyment.

Information on Community Learning provision is set out in a spreadsheet on the ESFA website, Community learning by type, region, and equality and diversity: participation 2005/6 to 2018/19.

5.4 National Skills Fund

The Conservative Party manifesto for the 2019 election included a plan for a National Skills Fund. It was to be worth £3 billion over the next parliament and provide matching funding for individuals and SMEs for high-quality education and training.[28]

The £2.5 billion (£3 billion when including Barnett funding for devolved administrations) investment in the National Skills Fund in England was announced in Budget 2020, which was in March of that year.[29]

The Department for Education has published an overview of the National Skills Fund, explaining what it currently funds for adult learners.[30]

Skills for Jobs white paper

On 29 September 2020, the Prime Minister announced a Lifetime Skills Guarantee, to give people the opportunity to train and retrain throughout their lives.

More detail on this policy was included in a Government white paper published in January 2021, Skills for Jobs: lifelong learning for opportunity

27 PQ 216425 [Adult Education: Expenditure] 4 February 2019.
28 The Conservative and Unionist Party Manifesto 2019
29 HM Treasury, Budget 2020, March 2020, p48
30 DFE, National Skills Fund.

and growth, which said the National Skills Fund "will deliver key elements of the Prime Minister's Lifetime Skills Guarantee".[31]

A report by the Institute for Fiscal Studies analyzing the Government's white paper proposals said a lot of detail was missing or left to further consultation, particularly with regard to what the National Skills Fund would mean in practice.[32] The IFS also noted the £2.5 billion National Skills Fund spending commitment over the next five years would only reverse about one-third of the cuts to adult education spending over the 2010s.

Consultation

In July 2021, the Government launched a consultation on the National Skills Fund, which focussed on how the fund could meet critical skills needs and two of the offers already available as part of the Lifetime Skills Guarantee (Skills Bootcamps and Free level 3 qualifications for adults).[33]

The Government responded to the consultation in April 2022.[34]

Skills bootcamps

Skills Bootcamps are free courses of 12 to 16 weeks for adults aged 19 or over who are either in work or recently unemployed, giving them the opportunity to build up sector-specific skills and get a fast-track interview with a local employer. They are developed in partnership with employers, colleges, training providers, and local authorities.

A list of Skills Bootcamps is available on GOV.UK.

At the Spending Review in November 2020, the Chancellor announced **£375 million** in National Skills Fund investment,[35] including **£43 million** for skills bootcamps in the 2021-22 financial year.[36] At the 2021 Spending Review, a further **£550 million** investment over the next three financial years was announced to expand Skills Bootcamps.[37]

In its response to the National Skills Fund consultation, the Department for Education highlighted this investment, saying it "will mean many more adults will gain the skills they need to access work in a range of priority sectors, responding to the needs of the economy."[38]

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31 DfE, Skills for Jobs: lifelong learning for opportunity and growth, January 2021.
32 IFS, Big changes ahead for adult education funding? Definitely maybe, April 2021, p16.
33 DfE, The National Skills Fund consultation, July 2021.
34 DfE, National Skills Fund consultation response, April 2022.
35 HM Treasury, Spending Review 2020, November 2020, p62.
36 PQ 68265 [Skills Bootcamps] 2 November 2021.
37 HM Treasury, Autumn Budget and Spending Review 2021, October 2021, pp96-97.
38 DfE, National Skills Fund consultation response, April 2022, pp35-36.

Free level 3 qualifications for adults

Since 1 April 2021, adults aged 19 and over who do not have a full level 3 qualification, which is equivalent to A levels or an advanced technical certificate or diploma, have been able to access fully-funded courses on an approved list. There are over 400 qualifications available in areas such as engineering, social care, and accounting.[39]

The offer is also available to adults in England who earn less than the National Living Wage annually (£18,525) or who are unemployed. This is regardless of their prior qualification level.

At the Spending Review in November 2020, the Chancellor announced £375 million in National Skills Fund investment,[40] including **£95 million** for the free level 3 qualification offer.

5.5 Advanced Learner Loans

Students studying courses not eligible for higher education student finance, such as diplomas, certificates, and awards in a wide range of vocational areas from levels 3 to 6, can access Advanced Learner Loans (ALLs) for support with tuition fees. Students cannot access maintenance loans for these courses, but there is a bursary fund to help with study-related costs, such as financial hardship and childcare.

Advanced Learner Loans (ALLs) were first introduced in 2013/14 for learners aged 24 and older on full level 3 and level 4 courses. They were subsequently extended to learners aged 19-23 on full level 3 and level 4 courses and to all learners aged 19 and older on level 5 and 6 courses.

Costs and take-up

ALLs only cover the costs of course fees. Repayment terms for these loans are the same as for current higher education undergraduate student loans: Advanced Learner Loans for Access to Higher Education Diplomas are written off if the leaner goes on to complete a higher education course. The average loan amount paid per learner was **£2,360 in 2019/20**.[41]

The table below gives trends in take-up. Uptake of ALLs has fallen in recent years with fewer loans taken out for level 3 courses. The value of loans awarded fell by 29% in cash terms between academic year 2016/17 and 2020/21.

39 DfE, Find a free level 3 qualification.
40 HM Treasury, Spending Review 2020, November 2020, p62.
41 Student Loans Company, Advanced Learner Loans paid in England, Academic Year 2020/21.

Advanced learner loan take-up, England

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Number of learners with loans							
Level 3	70,700	89,000	110,200	99,500	97,600	86,400	76,900
Level 4+	4,800	6,300	9,100	9,900	10,300	9,900	10,000
Total	**75,400**	**95,000**	**119,000**	**109,000**	**107,300**	**95,800**	**86,200**
Value of loans awarded (£ million)	148.8	195.2	236.2	208.0	200.3	182.4	166.9

Source: Further education and skills: November 2021, DfE

To put these figures in context almost 1.32 million home undergraduate higher education students took out student loans in England in 2020/21 with a total value of almost £18.2 billion.[42]

The Government forecasts that the value of ALLs will fall slightly from £180 million in (financial year) 2020-21 to £170 million in 2025-26. Only 25% of learners who take out these loans are expected to repay them in full. The Government forecasts that the costs of these loans to the public sector (the so-called 'RAB charge') is 67% of their face value. In other words, the present value of loan repayments is expected to be 33% of the amount taken out.[43] These estimates were made before student loans reforms were announced in February 2022. They subject to considerable uncertainty, especially at present with the economic downturn due to the coronavirus pandemic.

5.6 Lifelong Loan Entitlement

Background

Undergraduate higher education comprises qualifications at levels 4 to 6, with level 6 the equivalent of an undergraduate degree.

Currently, students enrolled on designated courses at levels 4 to 6 can access student finance. Designated courses include foundation degrees, higher nationals (HNDs and HNCs), certificates/diplomas of higher education (CertHE/DipHe), and undergraduate degrees.

Students studying non-designated courses, such as diplomas, certificates, and awards in a wide range of vocational areas from levels 3 to 6, can access Advanced Learner Loans (ALLs) for support with tuition fees. Students cannot access maintenance loans for these courses, but there is a bursary fund to help with study-related costs, such as financial hardship and childcare.

42 SLC, Student Support for Higher Education in England 2021.
43 DfE, Student loan forecasts, England: 2020 to 2021.

Chapter two of the independent panel report made the case for flexible learning at Level 4 and above, arguing a core principle of any future post-18 education system should be that individuals can access a higher education loan allowance over a lifetime.[44] Recommendation 2.1 of the report said:

> The government should introduce a single lifelong learning loan allowance for tuition loans at Levels 4, 5 and 6, available for adults aged 18 or over, without a publicly funded degree. This should be set, as it is now, as a financial amount equivalent to four years' fulltime undergraduate degree funding.[45]

The Government has made improving the UK's skill base and technical training an important part of recent policy papers, including its Industrial Strategy, and Skills for Jobs and Levelling Up white papers.[46] On 29 September 2020, the Prime Minister, Boris Johnson, gave a speech at Exeter College in which he announced a new lifetime skills guarantee and loans to allow people to undertake technical training throughout their life. He said:

> we'll give everyone a flexible lifelong loan entitlement to four years of post-18 education — so adults will be able to retrain with high level technical courses, instead of being trapped in unemployment.[47]

Skills and Post-16 Education Act 2022

The lifelong loan entitlement (LLE) is a flagship element of the Skills and Post-16 Education Act 2022, which received royal assent on 28 April 2022.

The Government has said the LLE will be introduced from 2025 and will give individuals a loan entitlement to the equivalent of four years' worth of post-18 education to use over their lifetime.[48] It is intended to be used flexibly, for full-time or part-time study of modules or full qualifications at levels 4 to 6 in colleges or universities. The Government's ambition is for the LLE to replace the two existing systems of Government-backed student finance loans and advanced learner loans.

During the parliamentary progress of the Skills and Post-16 Education Bill, the lack of detail about the LLE was repeatedly criticised, particularly because it would be a major change to the current student loans systems. In the House of Lords, Baroness Barran said the Government intended to consult on the "ambition, objectives and coverage" of the LLE, before bringing further primary legislation at a later date setting out how it will work.[49]

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44 DfE, Independent panel report to the Review of Post-18 Education and Funding, 30 May 2019, pp38-44.

45 DfE, Independent panel report to the Review of Post-18 Education and Funding, 30 May 2019, p40.

46 HM Government, Industrial Strategy: Building a Britain fit for the future, November 2017; DfE, Skills for jobs: lifelong learning for opportunity and growth, January 2021; Department for Levelling Up, Housing and Communities, Levelling Up the United Kingdom, February 2022, pp193-200.

47 Prime Minister, PM's skills speech, 29 September 2020.

48 HL Deb 15 June 2021 [Skills and Post-16 Education Bill [HL]], c1791.

49 HL Deb 21 October 2021 [Skills and Post-16 Education Bill [HL] c311.

The LLE is discussed in two Library briefings on the Skills and Post-16 Education Bill:

- Skills and Post-16 Education Bill [Bill No 176 of 2021-22] HL
- Skills and Post-16 Education Bill [HL]: Progress of the Bill

Consultation

On 24 February 2022, the Government launched a consultation on the lifelong loan entitlement as part of its conclusion to the post-18 education and funding review.[50]

The consultation document said the LLE will be facilitated through "lifelong learning accounts":

> To give the power of informed choice to the learner, new students will be able to sign up and log in online to find a lifelong loan entitlement worth the equivalent of four years of post-18 education to be used across level 4-6 education as they choose. Like a bank account, their account will show their learning "balance". Through their account, learners will be able to receive clear signposting of the courses and modules they can get onto to propel themselves into learning and further their career aspirations.[51]

The consultation focussed on the design principles of the LLE and how the current system will need to change. It had three themes:

- Ambition of the LLE
- Scope of the LLE
- Supporting quality provision and flexible learning.[52]

The Government said following the outcome of the consultation, which closed on 6 May, it would continue to engage closely on the implementation of the LLE in the run up to its introduction from 2025.

Higher Education Bill

At the Queen's Speech on 10 May 2022, a Higher Education Bill was announced, which would "enable the introduction of the Lifelong Loan Entitlement".[53]

The background briefing notes to the Queen's Speech said the LLE would:

50 DfE, Lifelong loan entitlement consultation, 24 February 2022.
51 DfE, Lifelong loan entitlement consultation, 24 February 2022, p8.
52 DfE, Lifelong loan entitlement consultation, 24 February 2022, p6.
53 Prime Minister's Office, Queen's Speech 2022: background briefing notes, 10 May 2022, p63

provide individuals with a loan entitlement equivalent to four years of post-18 education (£37,000 in today's fees) that they can use over their lifetime for a wider range of studies, including shorter and technical courses.[54]

5.7 Apprenticeships

The apprenticeships budget pays for the costs of all apprenticeships, including training costs and any incentive payments. Employers pay apprentices their wage, and do not receive any funding towards this from the Government.

The Education and Skills Funding Agency (ESFA) spent £1.86 billion on apprenticeships in 2020-21, which was down from £1.92 billion in 2019-20. The apprenticeships budget is demand-led, meaning that expenditure on apprenticeships will depend on the number of apprenticeship starts. The DfE has reported that there was an underspend in 2020-21, and £250 million of apprenticeship funding was surrendered. They have said this was partly due to a lower number of starts due to Covid-19.[55]

In the Autumn Budget and Spending Review 2021, the Government announced that apprenticeship funding would increase to £2.7 billion by 2024-25.[56]

In 2020-21, £2.9 billion was collected by HMRC through the apprenticeship levy.[57] Scotland, Wales and Northern Ireland will all receive a share of this funding, and the remainder will be made available for investment in apprenticeships in England. Around £2.5 billion of funding was made available for apprenticeships in England in 2021-22.[58]

All UK employers with a pay bill of over £3 million per year pay the apprenticeship levy which is set at 0.5% of the value of the employer's pay bill, minus an apprenticeship levy allowance of £15,000 per financial year.[59]

Incentive payments

In response to the pandemic, two increases to the incentive payments that are paid to employers when they take on new apprentices were announced.

In the March 2021 Budget, the Government announced that it will pay employers in England £3,000 for every new apprentice they hire between 1 April 2021 and 30 September 2021. [60] In October 2021, it announced that the

[54] Prime Minister's Office, Queen's Speech 2022: background briefing notes, 10 May 2022, p63.
[55] DfE, Main Estimate 2021-22: Estimates memorandum, 18 May 2021
[56] HM Treasury, Autumn Budget and Spending Review 2021: documents, p4
[57] HMRC, HMRC annual report and accounts: 2020 to 2021, 24 November 2021, p228
[58] PQ 57289, 25 October 2021
[59] HMRC, Pay Apprenticeship Levy, 13 May 2021
[60] HMT, Budget 2021, p47

£3,000 would also be available for every new apprentice that is hired between 1 October 2021 and 31 January 2022.[61]

This was an increase from the incentive that had been announced as part of the Plan for Jobs (July 2020).[62] This paid £2,000 for new apprentices who were under 25 and £1,500 for those aged 25 and over if they were employed from August 2020 to the end of March 2021.[63]

Various other measures were announced as part of the Plan for Jobs which were aimed at getting people back into employment. This included the introduction of the Kickstart scheme. The Government provided funding to cover the National Minimum Wage for 25 hours a week for six months for those who start these jobs.[64] Over 160,000 young people started a Kickstart job.[65]

Further information on the measures introduced in the Plan for Jobs, as well as the skills initiatives that have been put in place in response to the pandemic, are available in the Library briefing, Coronavirus: Getting people back into work.

Further information on the apprenticeship funding system in England is provided in the House of Commons Library briefing, Apprenticeships and skills policy in England.

61 ESFA, Incentive payments for hiring a new apprentice, 27 October 2021
62 HM Treasury, Plan for Jobs, 8 July 2020, p8
63 ESFA/DWP, 'Plan for Jobs' skills and employment programmes: information for employers, 10 December 2020
64 DWP, Kickstart Scheme, 1 May 2022
65 PQ 159037, 25 April 2022

6 Early years

6.1 Introduction

High quality early years provision is recognised as playing an important role in a child's development and in reducing educational inequalities.[66] A report on childhood inequalities, published by the IFS Deaton Review in June 2022, for example, noted that by the time children start school, "their levels of cognitive, socioemotional and physical development are already vastly unequal." "Without timely and appropriate mitigation", the report added, "developmental gaps already present between 5-year-olds from the most and least advantaged backgrounds persist and can widen, contributing to later inequalities in economic and social outcomes."[67]

In 2019 (the latest year for which official statistics are available due to the Covid-19 pandemic), around 72% of reception-age children achieved a good level of development, an increase from 52% in 2013.[68] There is evidence, however, that early inequalities remain "stubbornly persistent", with the early years disadvantage gap remaining at around 4.6 months since 2013. Concerns have been raised that the Covid-19 pandemic may also have exacerbated early education inequalities (see section 6.3 below).[69]

6.2 Early years funding

This section provides a short summary of early years funding in England. More detail, including stakeholder commentary, is available in the Library briefing: Early years funding (England).[70]

Introduction

The majority of Department for Education (DfE) funding for early years is delivered via the three childcare entitlements:

[66] Education Endowment Foundation, Assessing the impact of the COVID-19 pandemic on pupil outcomes in Reception, May 2022; Parliamentary Office of Science and Technology, Early childhood education and care, 26 August 2021.

[67] The IFS Deaton Review, Early childhood inequalities, June 2022.

[68] DfE, Early years foundation stage profile results: 2018 to 2019, 7 April 2020. A "good level of development" is defined as achieving at least the expected level within the following areas of learning: communication and language, physical development, personal, social and emotional development, literacy, and mathematics.

[69] Education Policy Institute, Education in England: Annual Report 2020, August 2020; The IFS Deaton Review, Early childhood inequalities, June 2022.

[70] Commons Library briefing CBP-8052, Early years funding (England).

- **15 hours universal entitlement for three and four-year-olds**: all three and four-year-olds are entitled to 570 hours of Government-funded childcare a year, commonly taken as 15 hours a week for 38 weeks of the year (and often referred to as "15 hours of free childcare"). The entitlement is universal and applies irrespective of parent income. [71]

- **15 hours entitlement for disadvantaged two-year-olds:** introduced under the Coalition Government, some two-year-olds are eligible for the "15 hours of free childcare" if certain conditions are met – eg, their parents are in receipt of specified benefits, they are a looked after child, or they have an Education, Health and Care Plan.[72]

- **Extended 30 hours entitlement:** introduced in September 2017, some three and four-year-olds qualify for a further 570 hours of funded childcare on top of the "15 hours of free childcare". This, together with the universal entitlement, is commonly taken as 30 hours a week for 38 weeks of the year (and often referred to as "30 hours of free childcare"). Only three and four-year-olds from working households and certain other households specified in regulations qualify for the extended entitlement. [73]

Funding for the childcare entitlements is included in the Early Years Block of each local authority's Dedicated Schools Grant (DSG). Additional funding for disadvantaged children (Early Years Pupil Premium) and children with additional needs (Disability Access Fund) is also included in the Early Years Block, along with supplementary funding for maintained nursery schools. [74]

Funding levels

At the Autumn Budget and Spending Review 2021, the Government said it would provide £170 million by 2024/25 to increase the hourly funding rate paid to early years providers.[75] The day after, the Minister, Will Quince, confirmed additional funding of £160 million in 2022/23, £180 million in 2023/24 and £170 million in 2024/25.[76]

The DfE subsequently clarified that the additional funding each year is based on a 2021/22 baseline and is not cumulative (ie, funding in 2024/25 will be £10 million lower than in 2022/23). The Department was reported as saying the funding levels reflect "cost pressures as well as anticipated changes in the

71 15 hours free childcare for 3 and 4-year olds, Gov.uk.
72 Free education and childcare for 2-year-olds, Gov.uk.
73 30 hours free childcare, Gov.uk.
74 Get extra funding for your early years provider, Gov.uk.
75 HM Treasury, Autumn Budget and Spending Review 2021, 27 October 2021, para 4.14.
76 Children and Young People Now, Children's minister confirms £340m funding boost for early years not announced in Spending Review, 28 October 2021.

number of eligible children". It also argued that the Minister's original announcement had never inferred cumulative increases.[77]

In 2022/23, the early years block is worth around £3.60 billion, comprising:

- £2.3 billion for the 15 hours entitlement for 3 and 4-year-olds.
- £842 million for the extended 30 hours entitlement.
- £397 million for the 15 hours entitlement for disadvantaged two-year-olds.
- £36 million for the Early Years Pupil Premium
- £18 million for the Disability Access Fund.
- £53 million of supplementary funding for maintained nursery schools.[78]

In 2021/22 the Early Years Block was worth around £3.55 billion.[79] Allocations for 2017/18, 2018/19; 2019/20, 2020/21, 2021/22 and 2022/23 are available on Gov.uk.

Funding rates paid to providers

Government funding for the 15 and 30 hours entitlements is determined using the early years national funding formula (EYNFF). While the EYNFF determines local authorities' funding allocations, each authority determines the hourly rate paid to early years providers in its area using a locally determined funding formula. There are, however, a number of requirements that authorities must follow when allocating funding to providers.

When the EYNFF was introduced, the Government provided additional funding to increase the average hourly funding rate for the 3 and 4-year-old entitlements from £4.56 in 2016/17 to £4.94 in 2017/18. These figures include the Early Years Pupil Premium, the Disability Access Fund, supplementary funding for maintained nursery schools, and quality and expertise funding. [80] The average rate excluding these additions was £4.76 in 2017/18. [81]

No major changes were made to the funding rates in 2018/19 and 2019/20. Additional funding was used to increase the rates in the "vast majority of areas" by 8p in 2020/21, 6p in 2021/22 and 17p in 2022/23.

77 Children and Young People Now, Early years funding significantly less than expected, sector fears, 27 January 2022.

78 ESFA, Dedicated schools grant (DSG) 2022 to 2023, 30 March 2022.

79 ESFA, Dedicated schools grant (DSG) 2021 to 2022, 27 January 2022.

80 DfE, Early years funding – Changes to funding for three- and four-year olds: Government consultation response (PDF), December 2016, pp5-6.

81 PQ 1144, 13 May 2021.

The average funding rate for the entitlement for disadvantaged two-year-olds increased from £5.09 in 2016/17 to £5.39 in 2017/18. It was frozen in cash terms in 2018/19 and 2019/20, before increasing by 8p in both 2020/21 and 2021/22.[82] For 2022/23, the funding rate for all local authorities increased by 21p.[83]

IFS 2021 annual report on education spending

In November 2021, the IFS published its 2021 annual report on education spending in England.

Early years spending during the 2010s

The report noted that the 2010s saw a large increase in total early years spending; spending per place for 3 and 4-year-olds nearly doubled between 2009/10 and 2019/20 (from around £2,000 to £3,900 per child per year). While increases in the generosity of the free entitlements played a large role in this, the report said, most of the rise actually happened between 2010 and 2012, "driven by rapid growth in spending per hour."[84]

While spending per place shows the extent to which the Government has prioritised the early years sector above other stages of education, the report suggested, "spending per hour is a better measure of the financial resources that providers have to actually deliver these entitlements." The report said hourly free entitlement funding had followed a "ratchet pattern" over the last decade, with "meaningful boosts in 2012/13 and 2017/18…followed by a few years of cash-term freezes, eroding spending power in real terms."[85]

Spending from 2020/21

In 2020/21 extra funding led spending per hour for 3 and 4-year-olds to rise from £5.44 to £5.71 in real terms (2021/22 prices), the report said. This was about the same level as two years earlier but still less than the £5.89 high point in 2017/18. While noting additional funding provided at the 2019 Spending Round, the report suggested the effects of the Covid-19 pandemic were likely more important – since funding allocations were based on pre-pandemic attendance levels, the total pot of funding was relatively bigger compared with the lower pupil count.[86]

The report noted the "significant amount of new money for the early years" committed at the Spending Review 2021, which it said was worth around 4% of overall spending on the free entitlement. It added, however, that the core funding rate for 3 and 4-year-olds in 2022/23 will only be around 3p higher in real terms once inflation is taken into account. If the rate is then frozen in

82 PQ 130188, 15 December 2020. For further details, see Early years national funding formula: funding rates and step-by-step calculation for 2021-22; PQ 1144, 13 May 2021.
83 HCWS421 [Early Years Education Entitlements: Hourly Funding Rates], 25 November 2021.
84 IFS, 2021 annual report on education spending in England, November 2021, p25.
85 IFS, 2021 annual report on education spending in England, November 2021, p25.
86 IFS, 2021 annual report on education spending in England, November 2021, p26.

cash terms for the following two years, it will "be on track to reach its lowest real-terms level yet". Once additional pressures from above inflation increases in the national living wage and the new health and social care levy are taken into account, the report added, "providers look set for several more years of very tight finances."[87]

The report also said:

- An increase in funding for the Early Years Pupil Premium (from 53p an hour to 60p an hour) is "a welcome increase", but a cash terms freeze after 2022/23 will see the increase eroded over time.

- A £185 increase for the Disability Access Fund "represents a large boost over current levels" but the "overall impact on early years budgets will be small".[88]

Further analysis of early years spending was published is available on the IFS website at: Education spending - early years.[89]

DfE's 2021 provider finances report

In April 2022, the DfE published an analysis of the finances of early years providers using data from the annual survey of childcare and early years providers for 2021. A similar report was published in 2019.

Fieldwork for the 2021 survey took place between March and July 2021 (ie, when providers were still experiencing disruption as a result of the Covid-19 pandemic). As a result, it is not clear to what extent changes observed since 2019 (ie, before the start of the pandemic) are result of the pandemic or other factors.

The report's findings included:

- The mean total weekly cost paid by providers (excluding mortgage and rent for childminders) was £2,239 in 2021 (£4,609 for all providers excusing childminders). There was no statistically significant difference in the mean weekly cost between 2019 and 2021.

- The mean total weekly income for all providers in 2021 was £2,504 (and £5,125 for all providers excluding childminders).

- The mean income-to-cost-ratio (total weekly income divided by total weekly cost) for all providers was 1.25 in 2021 (1.35 for all providers excluding childminders). There was no statistically significant difference in the income-to-cost-ratio between 2019 and 2021. The median income-to-cost ratio for all providers was 0.96, "indicating that half of providers

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87 IFS, 2021 annual report on education spending in England, November 2021, pp31-32.

88 IFS, 2021 annual report on education spending in England, November 2021, p32.

89 IFS, Education spending – early years.

were around or below the breakeven point where total costs equal total income."

- On average, providers received 55% of their income from parent paid fees in 2021, 33% from free entitlement funding and 12% from other sources. However, there were substantial differences in the income breakdown between provider types.[90]

6.3 Impact of the Covid-19 pandemic

Debates about the sufficiency of early years funding pre-date the Covid-19 pandemic. However, it has been suggested the pandemic had "severe consequences for the finances of childcare providers" and concerns have been raised about the sustainability of providers. These issues are discussed in section five of the Library briefing: Early years funding (England).

Concerns have also been raised about the impact of the pandemic on the learning of young children. A report commissioned by the Education Endowment Foundation and published in May 2022 used a sample of Early Years Foundation Stage data to assess the impact of the pandemic on the development of children who were in Reception class for the 2020/21 academic year. It found the proportion of children in the sample reaching the expected levels of development in all areas was 59% in 2021, compared to 72% in 2019. This is equivalent to, on average, three more children in every classroom not reaching the expected levels of development by the end of the school year.[91]

An additional summary report published by the EEF, which reviewed existing research on the impact of the pandemic, found that, while all pupils' learning has been affected, the attainment gap between socially disadvantaged students and their classmates has grown across all age groups.[92]

A major study funded by the Nuffield Foundation and published in June 2022 looked at the implications of the pandemic for early childhood education and care in England. The findings included:

- The number of children attending early childhood education and care in autumn 2021 had dropped to 90% of expected levels based on pre-pandemic patterns. The latest local authority figures continues to show substantial variation in attendance rates.

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90 DfE, Providers' finances: survey of childcare and EY providers 2021, 28 April 2022.

91 Education Endowment Foundation, Pandemic adversely affected young children's development, with fewer reaching expected levels by the end of reception class, 18 May 2022.

92 Education Endowment Foundation, Pandemic adversely affected young children's development, with fewer reaching expected levels by the end of reception class, 18 May 2022.

- Attendance was lower than expected in areas with large ethnic minority populations, deprived areas, and areas with high unemployment rates.
- Attendance rates were higher in local authorities that were less deprived, had higher rates of development amongst two- and five-year-olds and had higher rates of female economic activity and lower unemployment rates.[93]

In April 2022, Ofsted published research on education recovery in early years providers, based on evidence from inspections during the 2022 spring term. The findings included:

- The pandemic has continued to affect children's communication and language development, and many providers noticed delays in their speech and language progress.
- The negative impact on children's personal, social and emotional development has also continued, with many children lacking confidence in group activities.[94]

Catch-up funding

The Government has announced additional funding to support education to recover from the impact of the Covid-19 pandemic in England (see section 3 above). This has included the following funding for the early years (not including children in reception):

- £10 million for a pre-Reception early language continued professional development programme, to support early years staff to work with disadvantaged children who are at risk of falling behind.[95]
- £153 million to fund training for early years staff, including new programmes focusing on speech and development.[96]

In June 2020, the Government additionally announced £350 million for a National Tutoring Programme, which included an oral language intervention programme for children[97]

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93 Coram Family and Childcare, Concern for the inequality gap has increased as children from ethnic minority and disadvantaged backgrounds missed out on "considerably more" early years education, 20 June 2022.

94 Ofsted, Education recovery in early years providers: spring 2022, 4 April 2022.

95 DfE, New education recovery package for children and young people, 25 February 2021. PQ12949, 9 June 2021; DfE, Targeted training for staff to teach early language and numeracy skills, 6 September 2021.

96 DfE, Huge expansion of tutoring in next step of education recovery, 2 June 2021; Schools Week, DfE's £1.4bn education recovery plan: what you need to know, 2 June 2021.

97 DfE, Billion pound Covid catch-up plan to tackle impact of lost teaching time, 19 June 2020; DfE, Catch-up Premium, 27 April 2021.

Sutton Trust report

On 20 May 2021, the Sutton Trust published a report, Fairness First: Social Mobility, Covid and Education Recovery. The report argued that "much focus over the past year has been on what has happened in schools, but we cannot afford to forget the youngest and oldest children." [98] It added the pandemic had "laid bare the fragility of a sector which comprises many small and poorly funded private and voluntary providers, particularly those in less well-off areas." [99]

The report said early years should "form a central plank of recovery" and recommended:

- Eligibility for funded early education for three and four year olds should be increased, with a focus on those from less well-off homes. A phased introduction to a universal offer of 30 hours, similar to that being applied in Scotland, should be considered.

- An increase in the Early Years Pupil Premium to the levels of primary schools should form part of a new funding settlement that ensures small early years settings and those in less affluent areas can survive and deliver high quality provision. [100]

Education Policy Institute report

On 14 May 2021, the Education Policy Institute published a report, Education recovery and resilience in England. The report set out the financial impact of the Covid-19 pandemic on early years providers and noted the role of high quality early education in raising attainment and narrowing the attainment gap.

The report recommended:

- The Early Years Pupil Premium should be increased to the same level as the rate for primary aged pupils. The EPI estimated that this would cost £400 million over three years.

- A pilot study should fund early education and childcare at a higher rate than currently in around 200 settings in disadvantaged areas. The report said there is currently little evidence of the impact of high-quality provision that is funded at a higher rate than currently. [101]

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98 Sutton Trust, Fairness First: Social Mobility, Covid and Education Recovery, May 2021, p2.

99 Sutton Trust, Fairness First: Social Mobility, Covid and Education Recovery, May 2021, p3.

100 Sutton Trust, Fairness First: Social Mobility, Covid and Education Recovery, May 2021, p3.

101 Education Policy Institute, Education recovery and resilience in England: Phase one report, May 2021, pp36-8.

6.4 Affordability of childcare

The affordability of childcare has been raised as an issue for a number of years, and this has been heightened in the context of the current pressures on the cost of living.

A report published by the Institute for Fiscal Studies in May 2022 looked at how the cost of childcare has changed over time. The findings included:

- While many families have low or no weekly childcare costs, some families pay very high amounts. This is most strongly related to the age of the child using the childcare, with much higher costs for younger children.
- A quarter of families using formal childcare and earning between £20,000 and £30,000 a year spent more than £100 a week on childcare for their 1-2 year-olds – equivalent to more than 17% of their pre-tax income.
- 16% of families using formal childcare for a pre-school-aged child report finding it difficult or very difficult to manage the costs.
- The cost of childcare in England is high compared with other countries, and has risen quickly over time.[102]

In March 2022, Coram published its Childcare Survey 2022, based on survey responses from local authorities between November 2021 and February 2022. The report found that "the cost of childcare continues to rise steadily", increasing by 2.5% for those aged under two. The report concluded that "costs are too high and there is not enough of it."[103]

In June 2022, the Minister, Will Quince, responded to a parliamentary question asking what steps the Government is taking to ensure people are able to access childcare in the context of the rising cost of living. The response highlighted the existing sources of support and the additional funding committed at the Spending Review 2021.[104]

In response to an Opposition Day debate on 7 June 2022 on children's education recovery and childcare costs, the Minster said he knew "there is more we need to do, and that is why I am working across Government to take a renewed look at the childcare system, finding ways to improve the cost and availability of childcare and early education for families across England."[105]

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102 IFS, The changing cost of childcare, 20 May 2022.

103 Coram, Coram Family and Childcare Survey 2022, March 2022.

104 PQ 15294, 17 June 2022.

105 HC Deb 7 June 2022, c776.

6.5 Forthcoming consultation on childcare ratios

The current regulations concerning child to staff ratios in England are contained in the Early Years Foundation Stage Statutory Framework (paras 3.28 to 3.44).[106]

At the end of March 2022, the Children's Minister, Will Quince, said the Department for Education would "look into" the regulation of childcare settings in England and would visit other countries to see how childcare is regulated.[107] Subsequently, in a series of tweets on 13 May 2022, the Minister announced the DfE would consult before the summer on "mirroring the Scottish model…which means a maximum ratio of 1 to 5 instead of 1 to 4 for 2-year-olds." The consultation has not yet been published but further information on the proposals was provided in a Government response to a petition on 17 May 2022. This said:

> This change would align the English system to that of Scotland. We are proposing to move to the Scottish ratios for 2-year-olds on the basis that Scotland has a similar childcare system to England, we have no evidence to suggest that the Scottish model is unsafe, and evidence shows high parental satisfaction rates. England's statutory minimum staff to child ratios for 2-year-olds are among the highest in Europe.
>
> Whilst these proposed changes to ratios would amend the existing statutory minimum requirements, providers would continue to be able to staff above these minimum requirements if that is their preference. These changes would hand greater autonomy to settings to exercise professional judgement in the way in which they staff their settings, according to the needs of their children, and help as many families as possible benefit from affordable, flexible, quality childcare.[108]

The proposal has proved controversial, with some stakeholders raising concerns (for example, see the parliamentary briefing published by the Early Years Alliance and Pregnant Then Screwed, Why the relaxation of ratios on our early years sector would be a failed policy).[109] Others, have, however, argued that other countries have less stringent requirements without compromising safety (for example, see New Statesman, Don't buy into scaremongering around increasing nursery ratios).[110]

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106 DfE, Early years foundation stage (EYFS) statutory framework, 3 September 2021.

107 Children and Young People Now, Children's Minister to consider childcare regulations changes, 30 March 2022.

108 Petitions, Do not reduce staff-child ratios in early years childcare, 17 May 2022.

109 Pregnant Then Screwed, PARLIAMENTARY BRIEFING – WHY THE RELAXATION OF RATIOS IN OUR EARLY YEARS SECTOR WOULD BE A FAILED POLICY.

110 New Statesman, Don't buy into scaremongering around increasing nursery ratios, 27 April 2022.

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