



**University and College Union**

**‘Further, higher, better’**

**Submission to the government’s  
second Comprehensive Spending  
Review**

**Section 2**

## 2 Public spending on further education

Gordon Brown, Chancellor of the Exchequer, 2006 Budget speech:

'We are today setting aside resources so that up to the age of 25, further education all the way up to the scale to A-level standards will be free of charge. That new right to free learning will be backed by adult learning grants to help with costs of living.'

'... to make a reality of second chances in education at all ages, we must also strengthen our further education colleges – centres of learning that have been neglected in the past, but must be at the forefront of future skills.'

### Further education in England

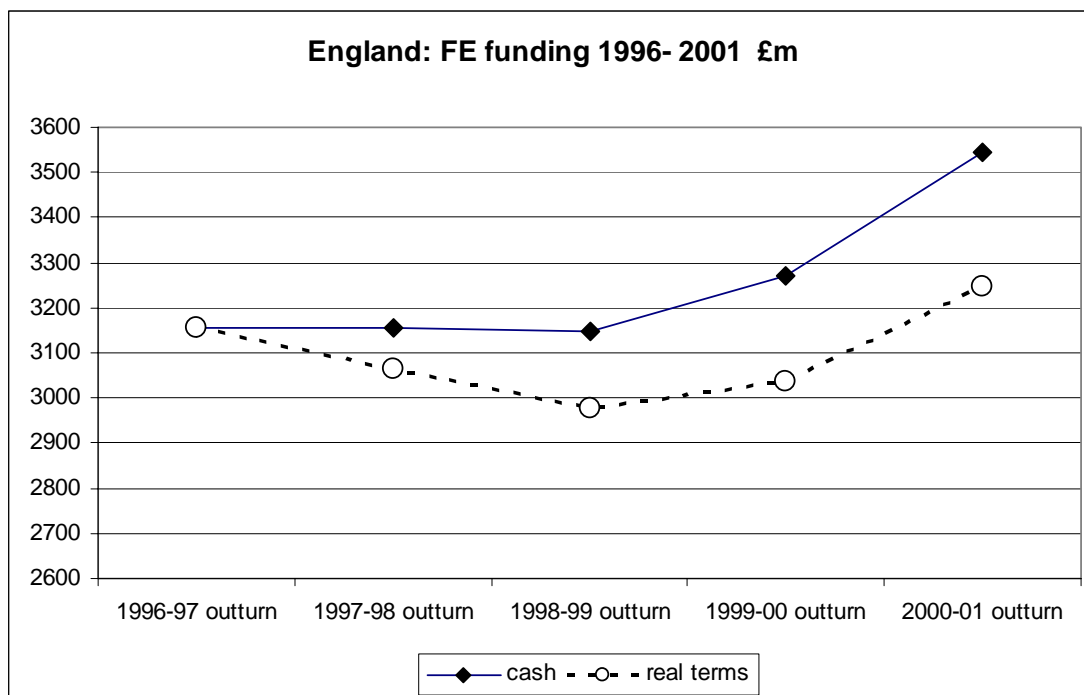
Nearly three-quarters (73%) of FE college income in England is from the government via the Learning and Skills Council; a further 11% comes from fees, and the remaining 16% is from other sources, including grants from the Higher Education Funding Council for England, and from the European Union.<sup>14</sup>

The first two years of the Labour administration saw real terms cuts in funding for further education in England. It was not until 2000-1 that real terms spending rose beyond the 1996-7 level.

#### England: FE funding 1996-2001

	cash	change	Real terms	change
	£m	%	£m	%
<b>1996-97 outturn</b>	3154		3154	
<b>1997-98 outturn</b>	3154	0.0%	3063	-2.9%
<b>1998-99 outturn</b>	3146	-0.3%	2978	-2.8%
<b>1999-00 outturn</b>	3271	4.0%	3037	2.0%
<b>2000-01 outturn</b>	3544	8.3%	3248	6.9%

Expenditure by function within Departmental Expenditure Limit - expressed as cash, except for 2000-01, which is in resource terms.  
Source: DfES, Departmental Report 2002, Table 4.2; percentage and real terms calculations by UCU using HMT GDP deflator at 23.12.05



Expenditure by function within Departmental Expenditure Limit - expressed as cash, except for 2000-01, which is in resource terms.  
 Source: DfES, Departmental Report 2002, Table 4.2; percentage and real terms calculations by UCU using HMT GDP deflator at 23.12.05

In April 2001 the Learning and Skills Council became responsible for planning and funding education and training for everyone in England over 16, with the exception of HE. As a result, the LSC baseline in 2001-2 was much larger than the level of funding for further education to 2001. In 2002-3 and 2003-4 funding for the LSC (with the exception of Sixth Form Funding) rose by around 10% a year above the rate of inflation. Beyond 2003-4, the level of funding remains fairly flat at slightly above or below the rate of inflation, with a 1% real terms cut in funding planned for 2006-7, followed by a 1.8% real terms increase in 2007-8.

For the period from 2004-5 to 2007-8, there is a strong contrast between further education funding in England and in Scotland. Funding for the LSC (excluding Sixth Form Funding) will rise during that period by only 9.5%, while funding for the Scottish Further Education Funding Council (as was) is set to grow by 30.6%.<sup>15</sup>

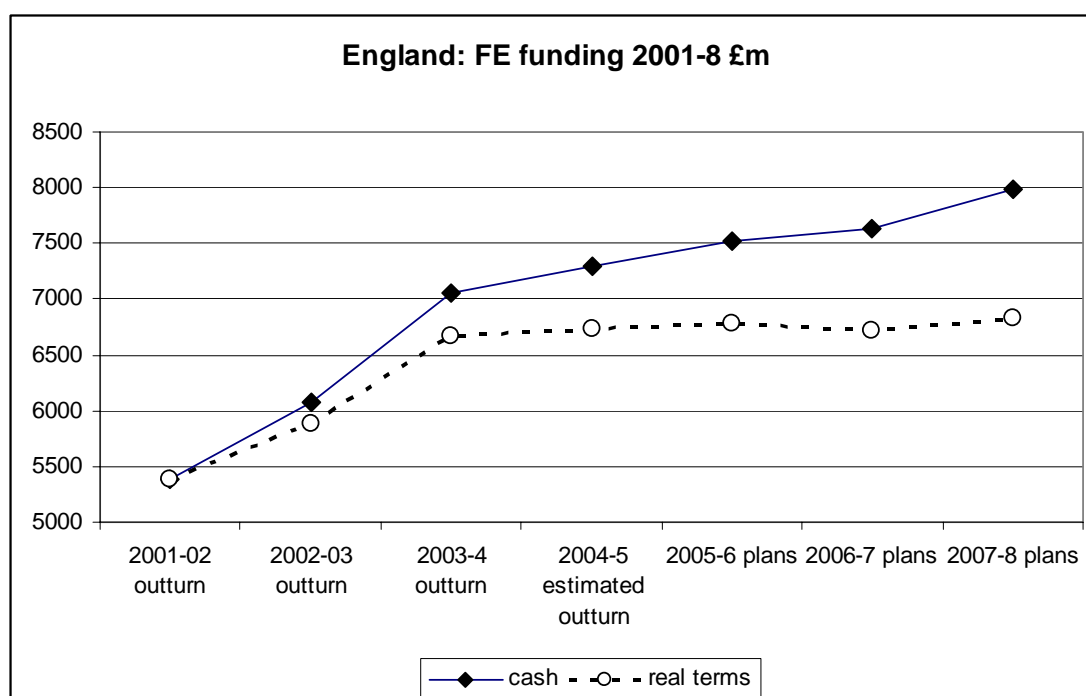
In 2004-5, the total expenditure of the LSC (on FE colleges, school sixth forms, Apprenticeships, e2e, adult and community/family learning, work-force related programmes) was £9.24bn. Of this 54.9% was spent on young people aged 16-18, and 32.4% was spent on adults.<sup>16</sup>

## England: Learning and Skills Council (except Sixth Form Funding)\*

	cash £m	Change %	Real terms £m	Change %
2001-02 outturn	5391		5391	
2002-03 outturn	6076	12.7%	5889	9.2%
2003-4 outturn	7057	16.1%	6663	13.1%
2004-5 estimated outturn	7291	3.3%	6741	1.2%
2005-6 plans	7514	3.1%	6777	0.5%
2006-7 plans	7640	1.7%	6710	-1.0%
2007-8 plans	7984	4.5%	6828	1.8%

\* consumption of resources in Departmental Expenditure Limits (DEL) - excludes Annually Managed Expenditure (AME) for Education Maintenance Allowances

Source: DfES, Departmental Report 2005, Table 12.2; percentage and real terms calculations by UCU using HMT GDP deflator at 23.12.05



Source: DfES, Departmental Report 2005, Table 12.2; percentage and real terms calculations by UCU using HMT GDP deflator at 23.12.05

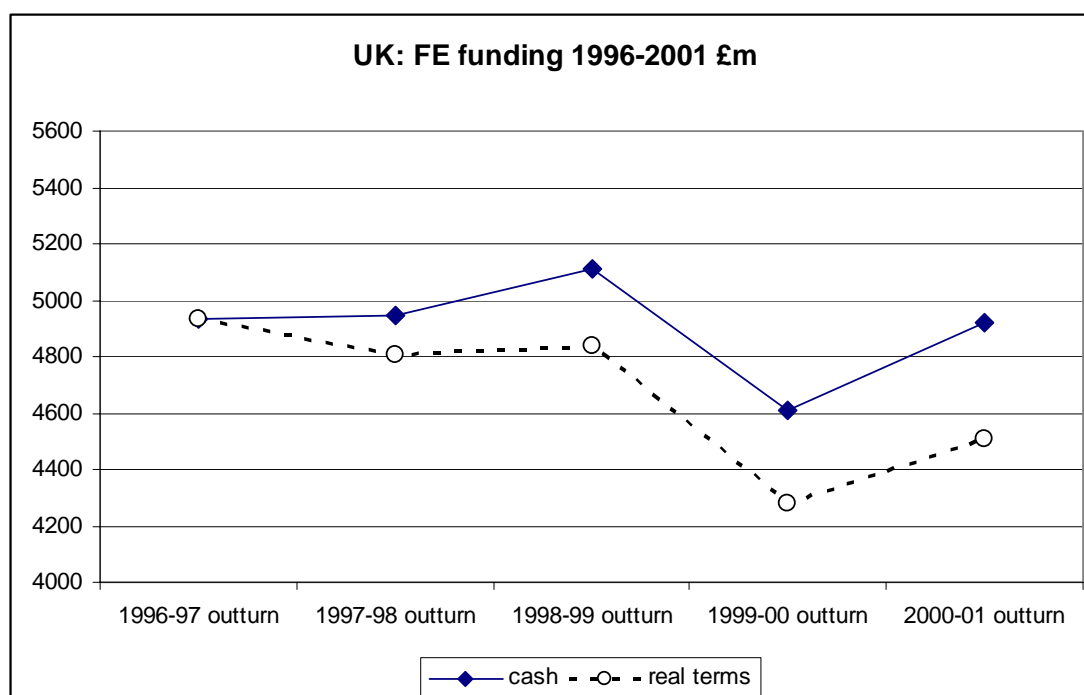
## Further education in the UK

Funding for further education in the UK since 1997 shows an even more marked pattern of boom and bust than funding in England alone.<sup>17</sup> In the period to 2001, there were sharp cuts in funding, with real terms expenditure in 2000-01 considerably below the 1996-7 level.

## UK: FE funding 1996-2001

	cash	change	real terms	change
	£m	%	£m	%
<b>1996-97 outturn</b>	4936		4936	
<b>1997-98 outturn</b>	4949	0.3%	4807	-2.6%
<b>1998-99 outturn</b>	5108	3.2%	4836	0.6%
<b>1999-00 outturn</b>	4612	-9.7%	4282	-11.5%
<b>2000-01 outturn</b>	4922	6.7%	4511	5.3%

Total Managed Expenditure (TME): current and capital expenditure of central government & local authorities; Cash basis (PESA 2001 used because data are all on cash basis, as opposed to later data which mix cash and resources)  
 Source: HM Treasury, Public Expenditure Statistical Analyses 2001, table 3.5; percentage and real terms calculations by UCU using HMT GDP deflator at 23.12.05



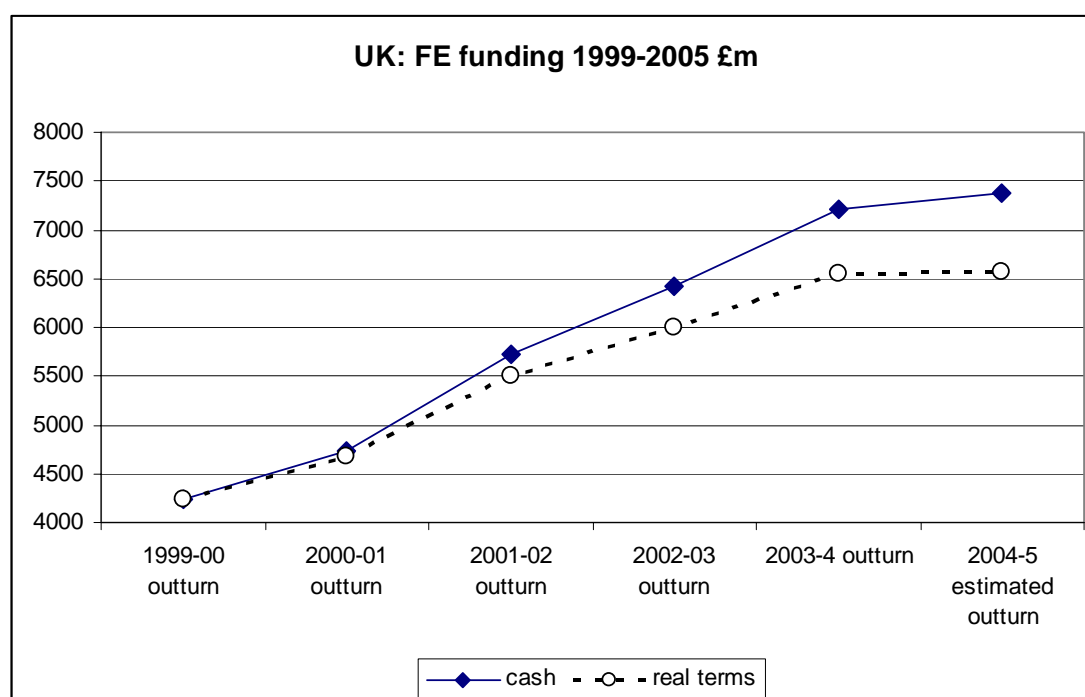
Total Managed Expenditure (TME): current and capital expenditure of central government & local authorities; Cash basis (PESA 2001 used because data are all on cash basis, as opposed to later data which mix cash and resources)  
 Source: HM Treasury, Public Expenditure Statistical Analyses 2001, table 3.5; percentage and real terms calculations by UCU using HMT GDP deflator at 23.12.05

In the period to 2005<sup>18</sup> sharp increases are shown in official statistics for spending on FE in the UK, with a particularly large rise in 2001-2, the year the LSC assumed responsibility for FE funding in England. In the most recent year for which data are available, 2004-5, FE funding in the UK, as with funding in England, increased roughly in line with inflation.

## UK: FE funding 1999-2005 £m

	cash	change	Real terms	Change
	£m	%	£m	%
1999-00 outturn	4230		4230	
2000-01 outturn	4741	12.1%	4680	10.6%
2001-02 outturn	5719	20.6%	5509	17.7%
2002-03 outturn	6430	12.4%	6003	9.0%
2003-4 outturn	7211	12.1%	6558	9.2%
2004-5 estimated outturn	7384	2.4%	6576	0.3%

Total Expenditure on Services: data presented on an accruals basis; includes capital expenditure, but excludes central government support for local authorities.  
Source: HM Treasury, Public Expenditure Statistical Analyses 2005, table 3.6; percentage and real terms calculations by UCU using HMT GDP deflator at 23.12.05



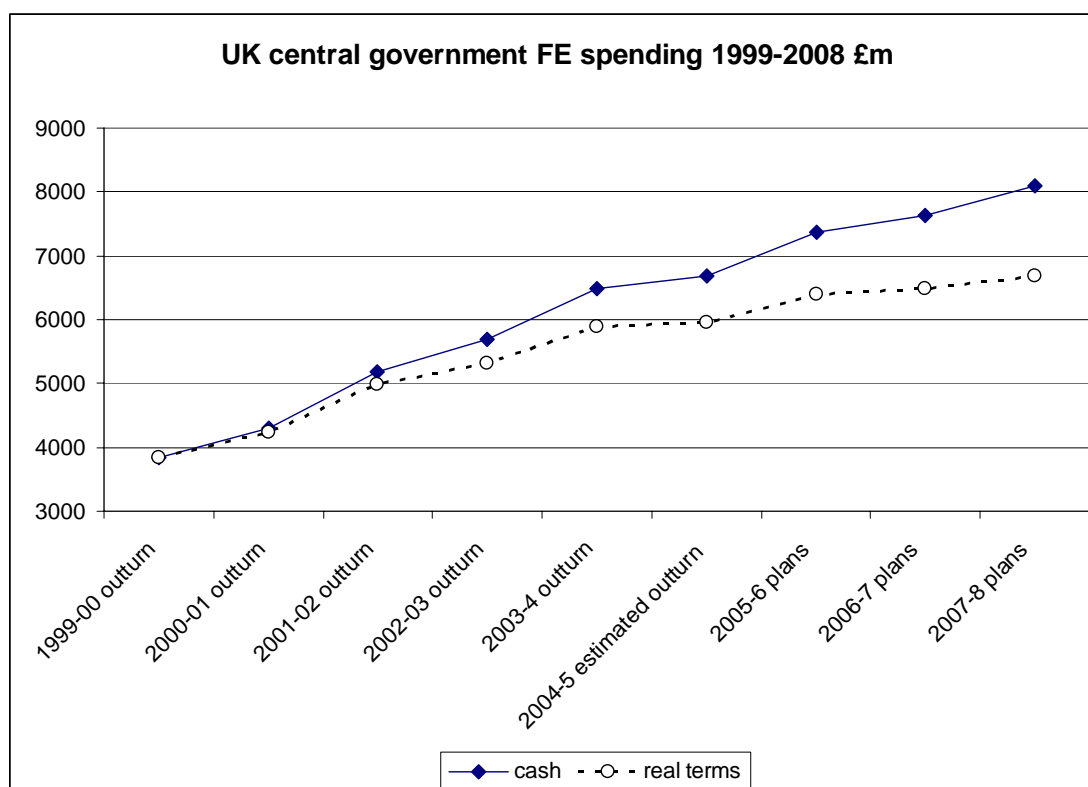
Total Expenditure on Services: data presented on an accruals basis; includes capital expenditure, but excludes central government support for local authorities.  
Source: HM Treasury, Public Expenditure Statistical Analyses 2005, table 3.6; percentage and real terms calculations by UCU using HMT GDP deflator at 23.12.05

For the period to 2007-8, aggregate UK national statistics are only shown for central government own expenditure on services (this includes capital expenditure, but excludes central government support for the spending of local authorities). Data from the Treasury's Public Expenditure Statistical Analyses 2005 indicate that planned spending is set to increase above the rate of inflation in 2005-6 and beyond. In the 2005 Budget a five-year £1.5bn programme to renovate and renew FE colleges was announced.

## UK central government FE spending 1999-2008

	cash	change	Real terms	change
	£m	%	£m	%
1999-00 outturn	3839		3839	
2000-01 outturn	4296	11.9%	4240	10.5%
2001-02 outturn	5186	20.7%	4996	17.8%
2002-03 outturn	5688	9.7%	5310	6.3%
2003-4 outturn	6484	14.0%	5898	11.1%
2004-5 estimated outturn	6687	3.1%	5955	1.0%
2005-6 plans	7361	10.1%	6403	7.5%
2006-7 plans	7637	3.7%	6484	1.3%
2007-8 plans	8093	6.0%	6693	3.2%

Source: HM Treasury, Public Expenditure Statistical Analyses 2005, table 4.5; percentage and real terms calculations by UCU using HMT GDP deflator at 23.12.05



Source: HM Treasury, Public Expenditure Statistical Analyses 2005, table 4.5; percentage and real terms calculations by UCU using HMT GDP deflator at 23.12.05

## Proportion of GDP spent on further education

Treasury data show that spending by central government on further education (including the devolved administrations) to 2005-6 increases as a proportion of GDP from 0.42% to 0.60%, with major jumps in 1999-2004, then tails off slightly towards 2007-8.

## UK central government spending on FE as % of GDP

	FE*	Proportion of GDP
	cash £m	%
1999-00 outturn	3839	0.42%
2000-01 outturn	4296	0.45%
2001-02 outturn	5186	0.52%
2002-03 outturn	5688	0.54%
2003-4 outturn	6484	0.58%
2004-5 estimated outturn	6687	0.57%
2005-6 plans	7361	0.60%
2006-7 plans	7637	0.59%
2007-8 plans	8093	0.59%

\* Central government own expenditure on services, including capital – excludes local authority expenditure  
 Source: PESA 2005: table 4.5; GDP current at 23 Dec 2005 [http://www.hm-treasury.gov.uk/media/578/12/GDP\\_deflators\\_20051223\\_NA\\_update\\_circ.xls](http://www.hm-treasury.gov.uk/media/578/12/GDP_deflators_20051223_NA_update_circ.xls);  
 percentage calculations by UCU.

## Spending per learner in FE

Over the period from 1997-8 to 2005-6, spending per learner in further education in England has changed from real terms reductions to real terms increases. In 1998, the first year of the new Labour government's spending plans, spending per full-time equivalent (FTE) learner was planned to drop quite sharply in real terms, under the spending regime inherited from the previous administration. By 2002, spending per learner was planned broadly to hold steady in real terms. By 2005, spending was planned to continue rising quite rapidly in real terms.

Data on full-time equivalent learner numbers in England show a reduction from 1,010,000 in 1997-8 to 945,000 in 2002-3. So although there have been undoubted real terms increases in public funding for the sector, the fall in FTE learner numbers in further education has contributed to the growth in funding per FTE learner.



## Public funding per FTE learner in government-funded further education colleges in England

	1998 plans		2002 plans		2005 plans	
	Funding per FTE learner	Real terms index	Funding per FTE learner*	Real terms index	Funding per FTE learner*	Real terms index
	cash		cash		cash	
	£		£		£	
1993-4	3,080	100				
1994-5	3,040	97				
1995-6	2,930	91				
1996-7	2,920	88	3,050	100		
1997-8	2,890	85	3,070	98		
1998-9	2,840	81	3,120	97		
1999-0			3,360	101	3,290	100
2000-1			3,380	100	3,470	104
2001-2			3,500	101	3,830	112
2002-3			3,550	100	3,980	113
2003-4			3,610	99	4,350	120
2004-5					4,520	122
2005-6					4,840	127

\* for participation

Source: DfEE departmental report 1998; DfES departmental report 2002; DfES departmental report 2005

Funding per full-time equivalent learner in further education in England grew by 27% above inflation between 1998-9 and 2005-6, according to the Department for Education and Skills. By comparison, real terms funding per school pupil over the same period grew by 37% above inflation. It should be noted that the baseline amounts differed between schools and FE, with the schools data excluding capital funding, and FE including it.

### School pupils and FE learners, England: real terms funding

	School pupil*	FE learner**
	Revenue funding	total funding
	real terms index	real terms index
1998-99 outturn	101	100
1999-00 outturn	105	107
2000-01 outturn	113	114
2001-02 outturn	118	123
2002-03 outturn	122	121
2003-4 outturn	126	121
2004-5 estimated outturn	130	125
2005-6 plans	137	127

\* Source: DfES Annual Report 2004, table 2.5; excludes capital funding

\*\* Source: DfES Annual Report 2004, table 2.6; includes capital funding

## School/FE funding gap

In her speech to the Association of Colleges conference on 16 November 2005, Education and Skills Secretary Ruth Kelly said she wanted address the funding gap between schools and colleges for like-for-like provision. She told the conference: 'I feel as strongly as you that the gap is both unfair and an obstacle to achieving the type of integrated 16-19 system that we want to create. I think you will recognise that I can't solve the problem overnight. But I am determined to tackle it as rapidly as we can. In the funding package announced last month, we have taken some important steps. We have continued to increase FE funding rates relative to schools. We have confirmed that we will match the Schools' Minimum Funding Guarantee for young people in FE next year. We estimate that this, together with other measures to correct technical anomalies, will reduce the gap from 13% to 8% by 2006/07.' In addition, the 2006 FE White Paper says beyond 2006-7, 'we will take steps to narrow the gap further as resources allow.'<sup>19</sup>

## Comment

The pattern of funding for further education in England since 1997 has been patchy, with funding changes at or below the rate of inflation in some years, and large real terms increases in others. While welcoming large but sporadic injections of cash, we call on the government to work towards a steadier model of funding for the sector to provide FE colleges with a more stable and reliable financial environment to work in. As the report by Colin Flint for the Foster Review noted: 'Colleges were promised a 3-year planning and funding cycle, which has not happened. An end to 'clawback' was also indicated, but there are examples where up to £1m is being taken back *in a year* ... there can be no stability for colleges to plan and deliver under these circumstances ... Means must be found to create greater planning stability.'<sup>20</sup>

We particularly welcome the increase in public spending on FE as a proportion of GDP. But this level of central government expenditure will need to rise towards 1% of GDP over the coming decade. Developing a further education sector which is able to deliver the skills programme necessary to help the UK as international economic competition intensifies will require additional resource and capital expenditure.

We note the Secretary of State's grant letter for 2006-7 funding to the LSC, realigning resources to support Public Service Agreement targets, including increasing the proportion of 17 year-olds in post-compulsory education from 75% to 90% over the next 10 years, and 'working towards' increasing participation of 18-30 year-olds in higher education to 50% by 2010.

We welcome the Secretary of State's intention to reduce the schools-FE funding gap. But the goal should be to get rid of the gap, rather than just reduce it. In particular, UCU would argue very strongly that the schools/FE funding gap is doubly iniquitous. Not only is it inequitable for similar programmes aimed at the same age group to be funded differently, but FE overall has a 16-19 student body which has achieved less than the similar

school cohort, and is working on lower levels of qualifications which often require more teaching and other support.

Evidence from the DfES evaluation of Success for All and from the Youth Cohort study show that FE colleges take a greater proportion of from relatively disadvantaged social backgrounds, from lower social classes and from black and ethnic minorities. The funding gap thus compounds the disadvantage already in the system. In localities that only have tertiary education for 16 to 19 year-olds, that is where there are no school sixth forms but all 16 to 19 year-olds in education and training attend an FE college or training provider, young people are being educated and trained on fewer resources than those localities with 16 to 19s in schools. FE is providing 16-19 education and training 'on the cheap'. At a time when we are trying to establish a more coherent system of 14 to 19 education implemented by schools and colleges working together, such inequalities not only cannot be justified, but may become a serious barrier to the successful implementation of these policies.

Additional resources are still urgently required. Not least, 2007 will see very severe pressure on sector resources with the ending of the present round of the European Social Fund, which supports a great deal of learning and skills provision in some of the most disadvantaged communities.

We note the goal announced by Chancellor Gordon Brown in the 2005 Budget of making available universal education or training to the age of 18: 'With China and India producing 4 million graduates a year I am convinced that Britain cannot afford to waste the ability of any young person, discard the future of any teenager, or leave untapped the talents of any adult ... But with global competition it is essential and with the financial support I am offering our goal should now be that children not only start education at 3 but continue in education or training until 18.'<sup>21</sup>

We welcome the announcement in the 2006 Budget of the resources to make further education free to level 3 to the age of 25, along with adult learning grants to help with costs of living. These decisions are vital steps towards developing the skills of young people and improving the inclusiveness of the education system.

We echo the comment of the Association of Colleges last year in 'Manifesto 2005 – creating a better future for learners': 'Continuing learning to age 18 for all represents a real opportunity to improve the start that young people have in life and for tackling social exclusion before it becomes endemic.'

Increasing the proportion of GDP spent on FE will be needed:

- To meet the cost of free tuition to level 3 to the age of 25;
- To provide for the expansion of adult learning grants;
- To meet the cost of achieving the government's PSA targets;
- To make available universal education or training to the age of 18;
- to address the funding gap between schools and FE;
- to invest in staff and staff development;

- to provide the teaching infrastructure which will enable FE to keep up with the pace of technological innovation.

On the latter point, the Foster Review recommended that the LSC support the further development of specialisms, including a reformed CoVE (Centre of Vocational Excellence) programme.<sup>22</sup> For these centres to operate successfully and keep up with innovations in particular industries, financial support will be needed from the government, as well as support from employers.

As the Association of Colleges said in its manifesto: 'The alternative is missed targets and lost opportunities measured in less flexible businesses and an uncompetitive labour market. Public money needs to be spent on promoting access, raising standards and improving pay and new buildings. Higher pay will make colleges competitive in the recruitment and retention of specialised staff. New buildings will pay for themselves in reduced running costs and greater employer engagement.'<sup>23</sup>

We note the Prime Minister's comment in January 2006: 'in education the really big issue for the future will be about ... how you improve adult skills further education, where I think there are real issues to do with reform and change'.<sup>24</sup>

If education and training for young people and adults is, as many claim, the key to economic regeneration in a globalised economy, public expenditure on education and training must be seen as a necessary investment.

The report of the Foster Review said very little about funding, despite making significant recommendations about changes for the sector. We recommend that an investigation takes place - similar to work which has been recently undertaken in the higher education sector - into the resource and capital needs of further education in the UK over the next 10 years to determine the level at which expenditure will need to rise. The investigation should provide funding models that reflect current levels of provision, the level of provision implicit in current government targets, and the more ambitious targets which are likely to emerge from the review of future skills needs by Lord Leitch.

We note the comments in the 2006 DfES FE White Paper on funding, particularly that funding will be targeted on priority areas and be demand-led. We are concerned that targeting young learners may mean excluding other categories of learner. 'The state cannot and should not pay for all education and training for adults. Adults and their employers receive substantial direct benefits from many forms of training and qualifications, in the form of higher wages and higher productivity. It is only fair that they should contribute to the cost.'<sup>25</sup>

We urge that these new funding arrangements are carefully monitored, so that disadvantaged adult learners are not penalised – the government should bear in mind the large proportion of current employees aged over 25 who need to update their skills through their working lives.

We welcome the intention to fully fund tuition for 19-25 year-olds up to a first level 3 qualification. However, we are concerned that there will be an approximately 50% fee contribution for adults not entitled to free tuition. We welcome the extension of the Adult Learning Grant to full national coverage from September 2007.