

## Spending Review 2015: a submission from the Sixth Form Colleges' Association

James Kewin, Deputy Chief Executive

September 2015

### Sixth Form Colleges: an education success story

The Sixth Form Colleges' Association represents the 93 Sixth Form Colleges in England. Sixth Form Colleges are outstanding providers of 16-19 education. They outperform school and academy sixth forms while educating more disadvantaged students and receiving less funding. Sixth Form Colleges also offer superior value for money by delivering better outcomes than schools and academies at a lower cost to the public purse<sup>1</sup>. All of this is achieved with a greater proportion of students eligible for Free School Meals: 11 per cent of Sixth Form College students were eligible for this benefit at age fifteen compared to 8 per cent of students in academies.

### Funding cuts and cost increases

While many parts of the education sector have had to face and adapt to funding reductions in recent years, Sixth Form Colleges have experienced deeper cuts to their budgets than any other group of institutions. In 2011, entitlement funding (used to provide tutorials, enrichment activities, additional courses etc.) was reduced from 114 hours per year to 30 hours. Sixth Form Colleges experienced, on average, a 10% reduction in their programme funding as a result. The 16-19 funding formula introduced in September 2013 saw the average Sixth Form College lose 6% of its funding, and the recent 17.5% reduction in funding for 18 year olds left Sixth Form Colleges, on average, a further 1.2% worse off. These averages mask the plight of some Sixth Form Colleges that will have lost a third of their funding in real terms between 2011 and 2016.

These three funding cuts, combined with significant cost increases (the proposed increase to employer pension and national insurance contributions will add 5% to the cost of employing a teacher from 2015/16) and ongoing funding inequalities (for example academy and school sixth forms, unlike Sixth Form Colleges, have their VAT costs reimbursed by the Government<sup>2</sup>) have left many Sixth Form Colleges in a parlous financial state. As 16-19 specialists, Sixth Form Colleges cannot cross subsidise from more generous pre-16 funding streams (as many schools and academies do) or from alternative adult and employer-based funding (as Further Education colleges do). Sixth Form Colleges are entrepreneurial - increasing numbers are delivering higher education courses for example - but suffer disproportionately from reductions to 16-19 funding. The most efficient sector in education has now reached the point where it cannot absorb any further funding reductions.

## The impact on students

The Sixth Form Colleges' Association's Funding Impact Survey 2015<sup>3</sup>, shows that 72% of Sixth Form Colleges have had to drop courses as a result of the funding cuts imposed since 2011. Over a third of Sixth Form Colleges (39%) have been forced to drop courses in modern foreign languages and almost a quarter (24%) have cut STEM subjects (science, technology, engineering and maths). Sport, music and educational visits have also been reduced, with 76% of colleges being forced to reduce or remove the extra-curricular activities available to students. Many Sixth Form College leaders fear for the future of their students and their institutions - 70% do not believe the amount of funding they are likely to receive in 2016 will be sufficient to provide students with a high quality education, and 83% do not believe it will enable them to provide the support required by students that are educationally or economically disadvantaged.

Although cuts to 16-19 funding affect Sixth Form Colleges most acutely, there is a fundamental under investment in this phase of education. There is a 22% drop in funding between key stage 4 and key stage 5<sup>4</sup>. This is in stark contrast to the independent sector where sixth form fees are actually *higher* than fees for younger students<sup>5</sup>. A joint report<sup>6</sup> by SFCA, London Economics and the Institute of Education published in March 2015 found that that sixth form students face the prospect of being taught for just 15 hours per week from next year because of the cuts to funding imposed since 2011. The report compares this with the high performing education systems of Shanghai, Singapore and other countries where sixth formers are taught for around 30 hours per week. As a result, English sixth formers risk being left behind by international competitors as a result of a "low hours, short duration" sixth form model.

There is a broad consensus amongst educationalists that a sixth form curriculum should have the characteristics of a baccalaureate model which, in addition to qualifications, values tutorial, support activities and work experience to develop the 'soft' skills essential to higher study and employability. However, an analysis of Sixth Form College finances by London Economics<sup>7</sup> has shown that there is a significant gap between this aspiration and the financial reality. Survey evidence shows that Sixth Form Colleges reduced the teaching workforce by 13 per cent between 2010 and 2012 while seeing an increase in students of 1.5 per cent. Since 2010, teacher contact time has increased in Sixth Form Colleges, while teacher salaries have remained static and class sizes have increased.

## Policy alternatives

The decision in 2010 to protect education funding for 5-16 year olds has had a seriously damaging effect on the education of sixth form students. As 16-19 funding is the biggest unprotected budget in the Department for Education (DfE) it has borne the brunt of cuts imposed since 2010. This policy - which is set to continue during this Parliament - is simply not sustainable, particularly as young people are now required to participate in education or training until the age of 18. Alongside this, the DfE continues to encourage the establishment of small, inefficient school and academy sixth forms. To ensure that Sixth Form Colleges can continue to transform the life chances of young people, we make the following recommendations to inform the Spending Review process:

**Recommendation 1: Introduce a national funding formula based on the actual cost of delivering the curriculum.** The Government should maintain sixth form funding at 2014/15 levels while a review of funding across all stages of education is undertaken. This should inform the introduction of a national funding formula (up to and including the age of 18) based on the *actual cost of delivering the curriculum*. While the DfE maintains that it is funding sixth formers to study on a full time basis, there is a big difference between the way the Department for Education defines full time study for funding purposes and the reality of what a full time education actually involves. Students are increasingly receiving a part time educational

experience and this will become the norm unless funding is linked to the cost of curriculum delivery. A further cut to 16-19 funding during this Parliament will seriously damage the life chances of many young people.

**Recommendation 2: Drop the ‘learning tax’ by removing the imposition of VAT on Sixth Form Colleges.** The Government provides funding to schools and academies to meet their VAT costs in full. Sixth Form Colleges receive no such support, and pay an average of £317,964 per year in VAT. This amounts to a tax on learning that redirects funding away from the front line education of students. Young people should receive the same level of investment in their education, irrespective of where they choose to study. The Government should drop the learning tax by introducing a VAT refund scheme for Sixth Form Colleges to mirror the arrangements in place in schools and academies.

**Recommendation 3: Improve the entry process for new sixth form providers.** Where demand for new sixth form provision exists, Government policy dictates that only a school, academy or free school sixth form can be created to meet it. So despite being the most efficient and effective providers of 16-19 education, no new Sixth Form Colleges have been approved to open in the past five years<sup>8</sup>, while 169 new school or academy sixth forms have opened their doors. In the same period, twenty 16-19 free schools have either opened or are in the pre-opening stage<sup>9</sup>. There should be a competitive process for establishing new 16–19 provision that is open to all types of sixth form provider and follows an impartial assessment of demand conducted at a local level. The absence of a competitive, demand-led process has led to the creation of many new sixth form providers in areas where there is already an oversupply of good or outstanding provision. This in turn has put pressure on the DfE’s capital budget and forced schools and colleges to divert funding away from front line education to increase their marketing spend.

**Recommendation 4: Develop an exit process for inefficient school and academy sixth forms.** According to the Association of School and College Leaders (ASCL), the break-even size for a sustainable A Level sixth form is around 200 students<sup>10</sup>. However, of the 2,009 school or academy sixth forms that received funding in 2014/15<sup>11</sup>, just 52% had more than 200 students (the average Sixth Form College educates 1,700 students). The reality is that almost half of school and academy sixth forms can only be sustained via a cross subsidy from funding intended for pre-16 students. It has been conservatively estimated that this provides academy and school sixth forms with access to an additional £1,307 and £680 per student respectively.<sup>10</sup> Growing pressure on pre-16 budgets will make this difficult to sustain in the longer term. Overall, school and academy sixth forms deliver worse outcomes than Sixth Form Colleges at a higher cost to the public purse. But many limp on with uneconomic class sizes and a narrow curriculum leaving students poorly served. The Government should develop an exit process for inefficient, unviable school and academy sixth forms to make best use of scarce resources.

**Recommendation 5: Ensure all 16-19 providers are genuinely included in the scope of area based reviews.** In July, the Government announced plans to restructure the post-16 education and training sector in England.<sup>12</sup> A series of ‘area based reviews’ will begin this month aimed at moving towards “*fewer, often larger, more resilient and efficient providers*”. A genuine process of area based reviews would be extremely welcome, as it would scrutinise the performance and viability of all 16-19 providers – including school and academy sixth forms. But the process announced in July is fundamentally flawed as it only focuses on FE and Sixth Form Colleges. The Government is now committed to reducing the number of Sixth Form Colleges but *increasing* the number of school and academy sixth forms. Eking out further efficiencies in the most efficient part of the post-16 sector (whilst ignoring the most inefficient providers) is difficult to square with “*the need to maintain very tight fiscal discipline in order to tackle the deficit*”.<sup>13</sup> For that reason, school and academy sixth forms should be included in the scope of the reviews on the same terms as Sixth Form Colleges.

Linked to recommendation 3, DfE should also put all applications for new 16-19 providers on hold until the area based reviews have concluded.

**Recommendation 6: Allow Sixth Form Colleges to change their status to become 16-19 academies.** Many Sixth Form Colleges have expressed an interest in changing their status to become 16-19 academies, and it would make educational and economic sense to allow them to do so. Academy conversion would mean more students could benefit from the Sixth Form College model of teaching, learning and support that has enabled hundreds of thousands of students to fulfil their potential over the past forty years. Research by London Economics<sup>14</sup> has shown that the superior progression rate of Sixth Form College students to higher education (compared to school or academy sixth forms) produces a net economic benefit of £418 million per annum. Academy conversion would enable Sixth Form Colleges to foster much closer relationships with academies and free schools. This would deliver educational benefits to a wider group of students through the sharing of expertise and good practice, and deliver financial benefits through shared services and improved purchasing power. It is estimated<sup>15</sup> that if just half of the new 16-19 student places created since 2010/11 had been in converted Sixth Form Colleges rather than academy or school sixth forms, the net Exchequer benefit would have been £5.9 million per annum (over and above any costs to the Exchequer from VAT rebate, increased insurance costs or capital costs). Looking ahead, for every 1,000 additional students educated in converted Sixth Form Colleges rather than new Academy or Maintained School Sixth Forms, the additional net Exchequer savings would stand at £1.3 million per annum.

## Conclusion

Implementing the recommendations outlined in this submission will help the Government to achieve the five core outcomes<sup>16</sup> prioritised as part of Spending Review 2015. Fair and sufficient funding will enable Sixth Form Colleges to continue to **deliver high-quality public services** and **improve choice and competition**. Improving the market entry and exit process for 16-19 providers will help to drive **efficiency and value for money across the public sector**. Allowing Sixth Form Colleges to join the academy programme will **promote innovation and greater collaboration in public services**. Taken together this will enable Sixth Form Colleges to drive up **growth and productivity** by producing the well-rounded, highly educated young people that will be needed to deliver the Government's vision of a dynamic and flourishing economy.

- 
- <sup>1</sup> Assessing value for money in Sixth Form education, London Economics, June 2014:  
[http://www.sixthformcolleges.org/sites/default/files/London%20Economics\\_Value%20for%20money%20in%20Sixth%20Form%20education\\_FINAL%20REPORT\\_0.pdf](http://www.sixthformcolleges.org/sites/default/files/London%20Economics_Value%20for%20money%20in%20Sixth%20Form%20education_FINAL%20REPORT_0.pdf)
- <sup>2</sup> Briefing: VAT and Sixth Form Colleges, SFCA, October 2014:  
<http://www.sixthformcolleges.org/sites/default/files/141014%20SFCA%20VAT%20briefing%20FINAL.pdf>
- <sup>3</sup> Funding Impact Survey, SFCA, June 2015:  
[http://www.sixthformcolleges.org/sites/default/files/110815%20SFCA%20Funding%20Impact%20Survey%20FINAL\\_0.pdf](http://www.sixthformcolleges.org/sites/default/files/110815%20SFCA%20Funding%20Impact%20Survey%20FINAL_0.pdf)
- <sup>4</sup> 16-19 Education Stripped to the Bare Bones, April 2014:  
[http://www.sixthformcolleges.org/sites/default/files/2014\\_post-16\\_funding\\_letter\\_and\\_report.pdf](http://www.sixthformcolleges.org/sites/default/files/2014_post-16_funding_letter_and_report.pdf)
- <sup>5</sup> ISC Census 2015:  
[http://www.isc.co.uk/media/2661/isc\\_census\\_2015\\_final.pdf](http://www.isc.co.uk/media/2661/isc_census_2015_final.pdf)
- <sup>6</sup> Costing the sixth form curriculum, SFCA, March 2015:  
<http://www.sixthformcolleges.org/sites/default/files/SFCA%20Costing%20The%20Sixth%20Form%20Curriculum%28web%20version%29.pdf>
- <sup>7</sup> Ibid
- <sup>8</sup> Hansard, January 2015:  
<http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2015-01-13/220526/>
- <sup>9</sup> List of all free schools, opening or in pre-opening stage:  
<https://www.gov.uk/government/publications/free-schools-open-schools-and-successful-applications>
- <sup>10</sup> ASCL leader magazine, November 2013:  
[http://www.leadermagazine.co.uk/articles/take\\_your\\_partners/](http://www.leadermagazine.co.uk/articles/take_your_partners/)
- <sup>11</sup> 16 to 19 allocation data: 2014 to 2015 academic year, Department for Education, 2014:  
<https://www.gov.uk/government/publications/16-to-19-allocation-data-2014-to-2015-academic-year>
- <sup>12</sup> Post-16 education and training institutions review, BIS/DfE, July 2015:  
<https://www.gov.uk/government/publications/post-16-education-and-training-institutions-review>
- <sup>13</sup> Ibid
- <sup>14</sup> Assessing value for money in Sixth Form education, *Op. cit.*
- <sup>15</sup> The net Exchequer benefits associated with Sixth Form College conversion to Academy status, London Economics, July 2015:  
[https://gallery.mailchimp.com/ffd15d51fdef83f54bc0f359d/files/LE\\_20\\_20Benefits\\_20and\\_20costs\\_20associated\\_20with\\_20Sixth\\_20Form\\_20College\\_20conversion\\_20\\_20FINAL\\_2031\\_07\\_2015\\_1\\_.pdf](https://gallery.mailchimp.com/ffd15d51fdef83f54bc0f359d/files/LE_20_20Benefits_20and_20costs_20associated_20with_20Sixth_20Form_20College_20conversion_20_20FINAL_2031_07_2015_1_.pdf)
- <sup>16</sup> A country that lives within its means: Spending Review 2015  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/447101/a\\_country\\_that\\_lives\\_within\\_its\\_means.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/447101/a_country_that_lives_within_its_means.pdf)