



Rt Hon Sajid Javid MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London, SW1A 2HQ

6th February 2020

Dear Sajid,

We are writing to you as officers of the All-Party Parliamentary Group for Sixth Form Education. Set out below are five recommendations that we encourage you to implement in next month's Budget.

The post-Brexit economy will be driven by leaders, scientists, technicians, engineers and others who will all pass through the pivotal phase of 16 to 18 education, so we must ensure that it is properly resourced. Implementing the recommendations below will help to improve standards, close the skills gap, level up opportunity and deliver outstanding value for money.

We would welcome the opportunity to meet with you to discuss these recommendations in more detail:

Recommendation 1: Introduce a dedicated capital expansion fund for sixth form providers

- The number of 16 to 18 year olds participating in full time education will rise from 1,127,000 in 2019/20 to 1,387,585 in 2028/29 - an increase of **260,585**. In some parts of the country it will make sense to establish new institutions to meet this demographic increase. But as a general principle, we believe that expanding existing, high performing institutions, offers better value for money (it is a lot cheaper to do) at lower risk (they already have a proven track record) than opening brand new ones.
- The Sixth Form Colleges Association estimates that it costs around £2.5 million to expand an existing sixth form institution to accommodate an additional 200 students - around £12,500 per student. Analysis of data published by the Department of Education this month indicates that the new 16 to 19 institutions established since 2012 cost an average of £11.5 million to set up (land and construction costs) and currently educate an average of 397 students – around £29,000 per student.
- The absence of a dedicated capital fund for sixth form providers means that expansion is simply not an option for many institutions. Sixth form colleges and academies must bid from a single Condition Improvement Fund for all phases of education that prioritises capital improvement over expansion. The creation of a dedicated capital expansion fund for high performing sixth form providers should be a major government priority and could
- be modelled on the existing expansion fund for grammar schools (but with non-selective institutions eligible to apply).



- In Budget 2020, the government should set aside £50 million to establish a pilot fund to allow high performing, oversubscribed, institutions to expand their estate in order to accommodate more students. This fund will help to cater for the immediate, acute need for additional sixth form places in many parts of the country whilst informing the development of a longer term approach to addressing the demographic boom in 16 to 18 year olds.

Recommendation 2: Raise the Rate of funding for sixth form students to at least £4,760 per year

- Education funding for 16 to 18 year olds has been cut sharply since 2010. During that time, costs have risen significantly, the needs of students have become more complex and the government has demanded much more of colleges and schools. However, the national funding rate ('the rate') for 16 and 17 year olds has remained frozen at £4,000 per student, per year since 2013 (and was reduced to £3,300 per year for 18 year olds in 2014).
- In the September 2019 spending round, the government announced that it would raise the rate for 16 and 17 year olds to **£4,188** per student. This is a welcome first step, but it is essential that the rate is raised to at least **£4,760** for 16, 17 and 18 year olds students (the reduction in funding for 18 year olds is particularly difficult to justify), as recommended by the Education Select Committee in 2019.
- Research from London Economics has found that a funding rate of £4,760 is the *minimum* required to increase student support services to the required level (e.g. mental health support), protect minority subjects that are at risk of being dropped (e.g. modern foreign languages), and increase non-qualification time (e.g. extra-curricular activities, work experience).
- The government should also raise the rate in line with inflation each year (the Department for Education recently calculated that the national funding rate of £4,000 in 2013 amounted to £4,435 in 2019 prices) and make a firm commitment to continuing the Teachers' Pension Grant (that covers the recent increase in employer contributions to the Teachers' Pension Scheme from 16.48% to 23.6%).
- In the longer term, the government should ensure that 16 to 18 year olds receive the same level of investment in their education as younger students. It is difficult to explain why a country that (quite rightly) requires its young people to participate in education or training until the age of 18 reduces per student funding by 11% at the age of 16. Plans to guarantee that every secondary school will receive at least £5,000 per pupil next year are welcome, but a similar guarantee should be made for 16 to 18 education.

Recommendation 3: Extend the teachers' pay grant to sixth form colleges

- The government pays the Teachers' Pay Grant to 16 to 19 academies, but not sixth form colleges. Sixth form colleges have the same workforce, pay rates and negotiating machinery as almost every 16 to 19 academy and there is no justification for treating them differently when it comes to teacher pay. The cost of extending the teachers' pay grant to sixth form colleges would be small (around £2.5 million per year) but the impact would be significant – it would help



- with the recruitment and retention of teachers, relieve pressure on the front line, and level the playing field between institutions that are delivering exactly the same type of education.

Recommendation 4: Introduce a capital maintenance fund for dedicated sixth form providers

- A capital maintenance fund for dedicated 16 to 18 institutions would help to address the ongoing challenges many institutions have with their estate. One practical commitment the government could make is to extend eligibility for school condition allocations (currently limited to MATs with 5 or more academies and at least 3,000 pupils) to sixth form colleges and 16 to 19 academies, either individually or as part of a consortium. This would provide funding for institutions to deploy strategically across their estate to address priority maintenance needs. Consideration should also be given to expanding the scope of capital funding to cover IT infrastructure – serious investment is needed in this area if we are to keep pace with our international competitors.

Recommendation 5: Introduce a VAT refund scheme for sixth form colleges

- There remains a compelling case to introduce a VAT refund scheme for all sixth form providers. While school sixth forms and 16 to 19 academies have their VAT costs refunded, sixth form colleges do not. The VAT anomaly was partly addressed in the 2015 spending review, when the government announced that Sixth Form Colleges could become 16 to 19 academies, and in doing so recover their VAT costs. But those colleges that have not converted are still subject to the VAT 'learning tax' which amounts to around 4% of their annual income. We believe young people should receive the same level of investment in their education, irrespective of where they choose to study.

Yours sincerely

Dame Diana Johnson MP	Co-Chair
Jason McCartney MP	Co-Chair

Peter Aldous MP	Vice Chair
Rachel Hopkins MP	Vice Chair
Caroline Lucas MP	Vice Chair
Rt Hon Caroline Nokes MP	Vice Chair
William Wragg MP	Vice Chair

cc.

Rishi Sunak MP, Chief Secretary to the Treasury

Rt Hon Gavin Williamson CBE MP, Secretary of State for Education

Michelle Donelan MP, Parliamentary Under Secretary of State (Minister for Children and Families)

Rt Hon Robert Halfon MP, Chair of the Education Select Committee