SUTTON TRUST REPRESENTATION TO THE 2021 COMPREHENSIVE SPENDING REVIEW

OVERVIEW

The Sutton Trust champions social mobility through programmes, research and policy influence. Since 1997 and under the leadership of founder Sir Peter Lampl, the Sutton Trust has worked to address low levels of social mobility in the UK. The Trust fights for social mobility from birth to the workplace so that every young person – no matter who their parents are, what school they go to, or where they live – has the chance to succeed in life.

There are serious challenges across all stages of education over the next three years, addressing both long term issues along with the impacts of the pandemic. In particular there are significant questions around funding for further education and apprenticeships compared with higher education routes (more detail on which can be found in Appendix I). However, the Trust wishes to emphasise the vital importance of two main areas in its submission: the **early years**, and **education recovery in schools**.

The Sutton Trust's representation to the Comprehensive Spending Review calls for:

- An extension of eligibility for the 30 hours childcare entitlement, with an increase in the hourly rate for providers.
- An increase in the Early Years Pupil Premium to bring it into line with the per-hour rate for primary school pupils.
- The introduction of a Leadership Quality Fund to improve quality and qualifications of the early years workforce.
- A recovery premium for schools and colleges to spend on evidence-based interventions to support students to recover from the pandemic.
- The introduction of a pupil premium for young people aged 16-19 to provide targeted support in the wake of the pandemic.

EARLY YEARS

Extending eligibility for the 30 hour entitlement

A child's early years play a significant role in determining their chances later in life. It is a crucial period for social mobility, as it is when the gap in outcomes between disadvantaged children and their more affluent peers first starts to emerge. Research consistently shows that an effective way to help children start school on a more equal footing is through access to high quality early education. Schools are already feeling the impacts of the pandemic on school readiness, with 54% of primary senior leaders saying fewer pupils were "school ready" when they started reception this year than they would usually expect.[1] Failing to invest in the early years risks placing further pressure onto schools, at a time where schools are stretched with supporting students to recover from the pandemic.

However, most of the country's poorest families are currently locked out of the entitlement to 30 hours of funded provision at age three to four, with 80% of families in the bottom third of the

[1] Sutton Trust (2021) *A Fair Start? Equalising Access to Early Education*. Available at: https://www.suttontrust.com/our-research/a-fair-start-equalising-access-to-early-education/

income distribution ineligible. This means that while the very poorest children are given greater access to funded early education and care at the age of two, many of these same children are then excluded from the full entitlement at ages three and four that better-off children may be eligible for. In addition to this, many of the families unable to access the fully funded 30 hours are in work but on low incomes. It is those children from low- or no-income homes who stand to benefit most from access to high quality early education. Evidence also suggests that the 30 hours entitlement may be contributing to a widening of the attainment gap, by doubly advantaging the better off with additional hours.

Eligibility for the 30 hours entitlement should be extended to children from disadvantaged backgrounds. Ideally, this extension would provide universal eligibility for the entitlement. Universality would provide equality of opportunity to early education, simplify access for families, providers and local authorities, give greater financial security to settings, and give greater confidence to parents seeking to re-enter the jobs market, increase their working hours or retrain.

An alternative option for extending eligibility would be a targeted extension of the entitlement to disadvantaged families (with three- and four-year-olds who were eligible for the disadvantaged two-year-old offer). This would be cheaper than universalising the entitlement, but it would exclude families with low but not the lowest household earnings (families who are 'just about managing').

Extending eligibility has the potential to contribute to the 'levelling up' agenda as there are also regional differences under current rules, with more disadvantaged children located in the North East and Yorkshire than in the South East.

Work by the Institute for Fiscal Studies for the Sutton Trust estimates that:

- Universalising the entitlement at current spending levels would raise spending by around £260 million in 2022–23, and by £250 million in 2024-25, an overall increase in spending on entitlements of just 9%, which would extend eligibility to about 80% of children aged three and four in the bottom third of the income distribution for the first time.
- Extending the entitlement only to disadvantaged three and four-year-olds, based on the criteria used for two-year-olds, would cost an extra £175 million a year in 2022-23, and £165 million in 2024-25. However, this approach would miss some families, for example those in work on low wages.
- An alternative option to reduce the net cost would be to remove eligibility from higher earners. Lowering the cap from £100,000 to £50,000 would save around £100 million a year, by removing eligibility from around 75,000 relatively high-income families.

As use of the free entitlement is voluntary, not all eligible families will take up their funded place, so it is impossible to predict the take-up rate with certainty in advance.

The central estimations above from the Institute for Fiscal Studies use data from the Childcare and Early Years Survey of Parents to calculate the amount of formal childcare that families who would be newly eligible currently use. This is then rescaled by the percentage growth in the use of formal care seen in families who meet the current eligibility rules for the 30 hour entitlement, before and after the current entitlement was introduced in 2017. Low take-up and high take-up scenarios are also modelled in the IFS' costings, which are available at: https://www.suttontrust.com/our-research/a-fair-start-equalising-access-to-early-education.

The costs above represent the up-front spending commitment needed to introduce an expanded 30 hour entitlement. However, expanding the free entitlement could also reduce government spending on some of the other childcare subsidy programmes, including through the working-age benefits system. An estimated one in ten families who are not currently eligible for the 30 hour entitlement might be eligible for childcare subsidies through the benefits system. The IFS estimate that the savings through the benefits system could offset a portion of the cost of extending the 30 hour entitlement to additional groups. While the precise savings in 2024 will depend on the future rates of benefit take-up, it is estimated that the government would save £10 million.

Funding – hourly rate for providers

When the current 30 hour entitlement was introduced in 2017, per-hour spending was increased by 9% year-on-year, to support the sector in delivering the entitlement. However, this has already been more than reversed in real terms. A continued cash-terms freeze in per-hour spending would make it very difficult for the sector to deliver any expansion in the 30 hour entitlement, particularly as they recover from the financial impacts of the pandemic. 75% of early years providers surveyed by the Trust said that current funding provided per hour for the 30 hour entitlement does not meet their costs.[2] **To ensure high quality provision and viability for providers, any extension in eligibility must be accompanied by greater levels of funding**. At a minimum, this should be a real-terms protection of per-hour spending. However, a universal uplift to funding would have broader benefits to providers, and would help to steady the sector in the aftermath of the pandemic.

Options for per-hour spending are as follows:

- Offering real-terms protection to per-hour spending would increase costs by around 8% in real terms.
- Restoring per-hour spending to the real-terms equivalent of its 2017 level (the level of funding in place to support providers with delivering the original 30 hour entitlement) would raise costs by around 18% by 2024–25.
- Building in compensation for increases in the minimum wage between 2017 and 2020 over and above this would increase the cost difference to almost 25%.
- Increasing spending per hour to meet the £7.49 that the Department for Education estimated would be necessary in a recent FOI request (https://www.eyalliance.org.uk/news/2021/06/new-data-shows-ministers-knew-early-years-was-underfunded) would be around 50% more expensive than the baseline cash-terms freeze by 2024–25.

Funding - Early Years Pupil Premium

To provide vital targeted supported for disadvantaged children, **the Early Years Pupil Premium should be increased to a per hour rate equivalent to the primary school Pupil Premium**. Increasing the rate would better capture the additional needs of this group, allowing settings in the most disadvantaged areas to, for example, invest in staff professional development and recruit a better qualified workforce.

[2] Sutton Trust (2021) *A Fair Start? Equalising Access to Early Education*. Available at: https://www.suttontrust.com/our-research/a-fair-start-equalising-access-to-early-education/

To bring the Early Years Pupil Premium in line with the primary school rate (up to £1.18 per hour from £0.53 at 2021/22 levels) for the 107,841 eligible three- and four-year-olds would cost approximately £40 million in 2022/23, or £120 million over three years. This estimate is based on 15 hours per week for 38 weeks per year.

Given the current low rates of eligibility, the Early Years Pupil Premium should also be reformed to make its administration easier and improve its impact by broadening the eligibility period over a greater amount of time to capture families dipping in and out of poverty, as with the Pupil Premium in schools.

Quality

A key factor in quality early education is the qualification level of the workforce, yet overall qualification levels in the workforce are declining across the sector and fewer children are accessing provision with a qualified graduate or teacher. **To offer the extended 30-hour entitlement with enhanced funding, providers should be required to meet certain evidence-based quality criteria**, for example employing a graduate leader in their setting, employing a certain proportion of Level 3 qualified staff, and providing professional development opportunities to their workforce. To support providers with this, **a 'Leadership Quality Fund' – similar to the previous Graduate Leadership Fund - should be introduced**. This would help settings to attract qualified staff with enhanced pay and status, with the long-term aspiration of having a qualified teacher in every setting. Based on previous costs of the Graduate Leadership Fund during the period it was shown to be effective,[3] we estimate that this could cost £122 million per year, or £365 million over three years, to deliver nationwide. However, targeting areas of deprivation where higher qualifications would lead to the most benefit, and where providers are already suffering most financially, would involve lower costs.

SCHOOLS AND COLLEGES

Recovery premium

Our education system has faced extraordinary challenges over the past 18 months, and the impacts are set to wash through the system for years to come. Estimates of the long-term impact on young people's careers and earnings range anywhere from £11 billion for current secondary students over the next twenty years,[4] to £350 billion for all current schoolchildren over a lifetime.[5] Children and young people from disadvantaged backgrounds have faced particular challenges over the course of the pandemic, and evidence suggests that the attainment gap is widening.[6] Disruption to schooling

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[3] Graham, J., Karemaker, A., Mathers, S., Moody, A., Ranns, H., Sylva, K., Siraj-Blatchford, I. (2011) *Evaluation of the Graduate Leader Fund Final report*. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/197418/DFE-RB144.pdf

[4] Sutton Trust (2020) *Lost Learning, Lost Earnings*. Available at: https://www.suttontrust.com/our-research/lost-learning-lost-earnings/

[5] Institute for Fiscal Studies (2021) *The crisis in lost learning calls for a massive national policy response*. Available at: https://ifs.org.uk/publications/15291

[6] Education Endowment Foundation (2021) *Impact of school closures and subsequent support strategies on attainment and socio-emotional wellbeing in Key Stage 1: Interim Paper 1*. Available at: https://educationendowmentfoundation.org.uk/public/files/Publications/Covid-19_Resources/Impact_of_school_closures_KS1_interim_findings_paper_-_Jan_2021.pdf

has affected disadvantaged pupils the most,[7] and Covid-related absences from school look set to continue. It now must be a national priority to support all young people and ensure that none are left behind.

Investment in the recovery plan must be of sufficient scale to match the challenge. There should be a **multi-year increase to the pupil premium through a new recovery premium, targeted at pupils who have suffered the most**, and using existing accountability mechanisms. In March 2021, the Trust called for the recovery premium for schools serving pupils aged 5-16 to amount to at least £400 per pupil. This would have a total minimum cost of £750 million per year, or £2.25 billion over three years. This funding should be provided directly to schools through the pupil premium to spend on a range of evidence-based interventions. Recently, the leaders of several academy chains have made the case for a recovery premium aimed at persistently disadvantaged students and amounting to £1.25 billion per year, over the course of three years. For either route, these funds could be spent on small group and one-to-one tuition, extending the school day and recruiting and retaining staff. Giving schools a choice of interventions allows for school leaders to decide what works best for their school and their pupils while being rooted in the best available evidence.

The availability of high-quality, evidence-based programmes are vital to the success of a recovery premium and helping pupils to bounce back from the pandemic. To build capacity and the range of interventions available to school, the Education Endowment Foundation (EEF) should continue to be resourced to identify, evaluate and build capacity for programmes that have high promise.

The recovery premium should also include students aged 16-19, who have faced enormous disruption to their education at a critical transition stage. Schools and colleges serving young people aged 16-19 must also have access to recovery funding to spend on evidence-based interventions for their students. This additional cost to including this group in the recovery premium would be £57 million each year, or £172 million over the course of three years. The Trust has long called for the introduction of a 16-19 pupil premium to provide targeted support to disadvantaged students in post-16 education. This is more important than ever in the aftermath of the pandemic and would be essential to delivering a recovery premium for this group.

16-19 pupil premium

Young people in post-16 education are at a vital stage of their educational journeys, while having faced two years of disruption and continued uncertainty around exams and future opportunities. The Sutton Trust is working with UCL and the Department for Education on the COSMO (COVID Social Mobility and Opportunities) Study, a large scale national longitudinal study which will look in detail at the progress of the cohort who just completed their GCSEs and are moving into post-16 education.

The impacts of disadvantage do not end at age 16, yet most of the significant policy solutions to support this group – the recovery premium, the pupil premium, the National Tutoring Programme – end at 16. It is vital that support is extended to post-16 settings to get students back on track for A Levels, technical and vocational qualifications, and for those who need GCSE passes to progress. The

[7] Hazell, W (2021) *School absences are double pre-pandemic rate – with GCSE year group missing the most study time.* Available at: https://inews.co.uk/news/education/school-absencespandemic-poorer-pupils-specialneeds-worst-hit-1086294

post-16 sector is already facing funding challenges, with colleges and sixth forms seeing the largest falls in per-pupil funding of any sector over the past decade.[8] As sixth form and colleges work to support their pupils in the aftermath of the pandemic, further resource will be crucial. Targeted funding for disadvantaged students should be introduced through **an extension of the pupil premium to those in education aged 16-19**, to provide essential support to the students that need it most.

We estimate that extending the pupil premium at the current rates for secondary students would cost an additional £136 million per year, or £410 million over three years. With this funding, colleges and sixth forms would be able to invest in interventions that can make both a short- and long-term difference to young people: tailored support for students resitting English and maths GCSEs, interventions which support transitions into careers and further study, but also high quality professional development for their staff and incentives to attract and retain specialist teachers. These students have the least time left in secondary education before they move onto higher education, training and the labour market, therefore it is vital that resources are invested in helping this group before they leave education. As with schools, it is vital that pupil premium funds are spent on the best evidenced interventions, and there is a need to build the evidence base for what works in post-16 education.

APPENDIX I: GETTING READY FOR THE WORKPLACE (FURTHER EDUCATION, HIGHER EDUCATION AND APPRENTICESHIPS)

The pandemic is set to impact on young people and their future opportunities for years to come. It is therefore vital that opportunities are levelled up in post-18 education, and that all young people, - regardless of background, where they live or the education pathway they choose – are able to develop the skills they need to succeed in the workplace and beyond.

Funding and maintenance support

While there have been substantial improvements in widening participation in higher education in recent years, progress has been slow and disadvantaged young people still face significant barriers to accessing selective universities. Under the current system, the poorest students currently graduate with the most debt. To minimise financial barriers to young people from lower income backgrounds accessing university, **maintenance grants for students should be restored to at least pre-2016 levels**. This would provide essential support for those who need it most and reduce the debt burden of the least well-off.

Sufficient funding across all education routes is key, to ensure that there are a range of high-quality options across academic, technical and vocational qualifications. The new Lifelong Loan Entitlement is a welcome introduction and will help to build parity of esteem between academic and technical routes, as well as providing important flexibility for those with existing commitments. To ensure that people from all backgrounds are able to access this funding, **the Lifelong Loan Entitlement should also include maintenance support**, otherwise those unable to cover living expenses while studying will be locked out from these opportunities.

[8] Institute for Fiscal Studies (2021) *Further education and sixth form spending in England*. Available at: https://ifs.org.uk/publications/15578

High quality alternative pathways

It is vital that there are high-quality alternative options to university. Apprenticeships are one such route and can be an important vehicle for social mobility. At present however, there are too few opportunities at higher and degree level, and many of the opportunities that are available are not focused on disadvantaged young people. While genuine upskilling and reskilling is a vital part of the apprenticeship programme, many opportunities are going to existing staff instead of those who need it most. Recent Sutton Trust research shows that senior leader apprenticeships take up 33% of the total levy funding for degree apprenticeships, the same proportion that is devoted to all degree apprenticeships for under 25s put together.[9] There should be a focus on **increasing the number of higher and degree level apprenticeships, ensuring that disadvantaged young people are able to access these opportunities**.

One option to tackle this would be to introduce a maximum salary ceiling for levy funded apprentices. This would mean that limited public funding is concentrated on providing opportunities for those who would benefit most, rather than funding apprenticeships for highly-qualified, senior staff. This would save money which could be used to fund more apprenticeships for younger people and those in genuine need of reskilling; and could also be used to fund outreach and access activities.

[9] Sutton Trust (2020) *Degree Apprenticeships: Levelling Up?* Available at: https://www.suttontrust.com/our-research/levelling-up