



Department  
for Education

# **Government evidence to the STRB**

**The 2016 pay award**

**November 2015**

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## Introduction

1. The Secretary of State wrote to Dr Patricia Rice, the Chair of the School Teachers' Review Body (STRB), on 7 October, asking for the STRB's recommendations on the September 2016 pay award.
2. Given the government's policy that public sector pay awards should be for an average award of 1% a year for four years from 2016-17, the Secretary of State has asked the STRB to recommend what adjustments should be made to the salary ranges and allowances for teachers in September 2016.
3. In addition, the Secretary of State has asked the review body to reflect on the reforms that have been introduced over the last three years and consider whether there are any additional flexibilities that could be introduced to support schools and to provide further incentives to recognise performance.
4. The remit also calls for the STRB to consider whether the existing salary sacrifice arrangements should be extended to provide scope for a salary advance scheme for rental deposits and whether changes to the School Teachers' Pay and Conditions Document (STPCD) may be appropriate following the introduction of new registration fee arrangements to finance the Welsh Education Workforce Council (EWC).
5. The Secretary of State emphasised that there remains a strong case for continued pay restraint and that the STRB should take into account the affordability of any recommendations within the existing budgets of individual schools. She has asked for recommendations on:
  - What adjustments should be made to the salary and allowance ranges for classroom teachers, unqualified teachers and school leaders to promote recruitment and retention within an average pay award of 1%.
  - What adjustments, if any, should be made to the pay and conditions framework to provide additional flexibilities for schools and incentives to recognise performance.
  - Whether the existing salary sacrifice arrangements should be extended to provide scope for a salary advance scheme for rental deposits.
  - What changes to the Document may be appropriate following the introduction of new registration fee arrangements to finance the Welsh Education Workforce Council (EWC).
6. This document provides the Secretary of State's evidence to support the STRB's consideration of how the 2016 pay award should apply to teachers and school leaders. It includes evidence on the teacher labour market, based on the latest recruitment and retention data, and on the continued need for

pay restraint in the public sector. It also provides further details on the other issues (additional flexibilities/incentives; salary sacrifice arrangements; EWC registration fee arrangements) that the STRB has been asked to address.

## The case for pay restraint at the national level

7. The government's economic strategy continues to support the process of recovery, reducing the deficit, completing the repair of the public finances and rebalancing the economy to secure Britain's economic future.
8. The UK economy is fundamentally stronger than five years ago, with positive growth since the first quarter of 2013. The UK economy grew by 0.7% in the second quarter of 2015 and the Office for Budget Responsibility (OBR) forecasts the UK economy to grow by 2.4% in 2015 overall.
9. However, the job is not yet done and external risks remain to the recovery, including from slower growth in the global economy. Public sector net debt stands at its highest share of GDP since the late 1960s and the deficit remains among the highest in advanced economies. In 2014/15 the country was still having to pay £45.2 billion in debt interest payments (equivalent to 2.5% of GDP). This reinforces the case for stability in the government's long-term economic plan.
10. The OBR forecasts inflation of 0.1% in 2015 and 1.1% in 2016. The Bank of England's latest inflation forecast, published in the August *Inflation Report*, has been revised down compared to the May report. The Monetary Policy Committee (MPC) expects inflation at 0.4% in the year to the fourth quarter of 2015 and 1.6% in the year to the fourth quarter of 2016.
11. Labour market figures have remained strong. The OBR expects employment to continue to rise over the forecast period, although with slower growth than that seen in recent years. The unemployment rate has fallen and is now 5.6%, down from the peak of 8.4% in the final quarter of 2011. Wage growth has strengthened, with regular pay growing by 2.8% in the second quarter of 2015 compared to the same period last year. Private sector pay growth has recovered somewhat from its large decline in 2009, with a 2.9% growth rate in the second quarter of 2015, but remains below rates seen before the recession of about 4%. Overall, levels of pay in the public sector remain on average comparable to those in the private sector. However, public sector workers continue to benefit from a significant premium once employer pension contributions are taken into account.
12. Public sector pay restraint has been a key part of the fiscal consolidation so far and helped to save approximately £8 billion in the last Parliament. At a time when further spending reductions are required to complete the repair of the public sector finances, a policy of pay restraint makes a significant contribution to protecting jobs and maintaining public services. The Summer Budget 2015 announced that public sector pay awards should be for an average award of 1% for four years from 2016-17. This will save approximately £5 billion by 2019-20. The government expects that the 1%

pay award for 2016-17 will be applied in a targeted manner to support the delivery of public services and to meet any recruitment and retention pressures.

13. Further detailed evidence about the state of the economy and the labour market in England and Wales is provided in [Annex A](#).

## Affordability in schools

14. The government has prioritised investment in education as one of our measures to drive long-term economic growth and commitment to social justice, giving every child the opportunity to reach their potential.
15. The overall schools' budget in England continues to be protected and will rise as the pupil population grows. The pupil premium is additional to this. In 2015/16 Dedicated Schools Grant allocations, before recoupage of funding for academies, total £40.1 billion. The pupil premium is an additional £2.5 billion.
16. Individual school budgets vary from year to year due to changes in local funding formulae. To protect schools from significant reductions, in England we have put in place a Minimum Funding Guarantee. This ensures that most schools will not experience a reduction to their budgets of more than 1.5% per pupil (excluding sixth form funding) compared to the previous year and before the pupil premium is added. The government has acknowledged that the current system for funding schools is unfair and out of date and that there needs to be a fairer, more transparent, funding system so that a pupil attracts the same amount of funding to their school no matter where they are in the country.
17. As a significant step towards a national funding formula, the previous Government allocated an additional £390m (on top of flat cash per pupil) to the least fairly funded local authorities in 2015-16. We have confirmed this in baselines for 2016-17, so that local authorities will continue to receive this uplift.
18. In Wales the education budget in 2015/16 was approximately £2.555 billion, of which £2.252 billion was in the schools budget and £303 million was in the LEA budget. The funding delegated to schools in 2015/16 was about £2.090 billion.
19. The teacher pay bill for publicly funded schools in England and Wales is projected to be approximately £24.2 billion<sup>1</sup> in the 2015/16 academic year. Without any pay award, the teacher pay bill is projected to increase by approximately £565 million to £24.8 billion in 2016/17. This is mainly due to increased employer National Insurance contributions and a projected increase in the workforce size.
20. A flat 1% pay uplift awarded to all salaries and relevant allowances in 2016/17 is estimated to cost a further £245 million, resulting in an estimated total pay

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<sup>1</sup> All pay bill figures in this section include teachers in academies, who are not bound by the statutory requirements of the School Teachers' Pay and Conditions Document (STPCD).



bill of £25 billion. The costs of the 2016 pay award will need to be met from within school budgets. This makes affordability a key consideration for this remit.

21. Subject to the outcome of consultation on revised arrangements for teachers' pay as a result of the STRB's next report, a revised School Teachers' Pay and Conditions Document (STPCD) will be implemented from September 2016.
22. Further evidence about affordability in schools is provided in [Annex B](#).

## Maintaining a supply of high quality teachers and leaders

23. The importance of high quality teachers and school leaders cannot be overstated. However, as the economy strengthens, teacher recruitment will become increasingly challenging, which is why we are focused on attracting more top graduates into the profession, particularly in those core academic subjects that help children reach their potential. Teaching continues to be an attractive profession for high quality graduates, with the proportion of new entrants with a 2:1 or above increasing each year.
24. The number of full time equivalent (FTE) teachers has increased by 3.4% between November 2011 and November 2014. The majority of the increase was in the primary sector, in part due to the growing number of younger pupils. Teacher vacancy rates have remained fairly low and relatively stable (at around 0.2% or below of all teaching posts) since 2010 and teaching continues to be an attractive profession for high quality graduates. The proportion of graduate recruits to teaching with degree classifications of 2:1 or higher continues to increase – 73% in 2014/15, up from 63% in 2010/11 and 55% in 2002/03. One in six teacher trainees now has a first-class degree (17%) – up from 16% last year and 10% in 2010/11.
25. Data from the Initial Teacher Training (ITT) Census indicate that those subjects that attract the new higher level of bursaries – maths, physics, chemistry and modern languages – have shown the highest increases in the recruitment of trainees who held a 2:1 or above.
26. The fundamental reforms to teachers' pay that have been introduced over the last three years following the STRB's recommendations have given greater autonomy to schools to decide how to reward their staff. They mean that schools now have much greater flexibility to decide what salary to offer to new teachers on appointment, as well as greater freedom to decide how quickly their pay progresses over time. This increased flexibility helps schools to attract and retain the best teachers and to target any school-level recruitment and retention problems they may have, including addressing teacher shortages in specific subjects.
27. We recognise that recruitment is particularly challenging in some parts of the country, especially as the economy improves. We are creating a National Teaching Service (NTS) so that by 2020 there will be 1,500 high-performing teachers and middle leaders in underperforming schools in areas of the country that struggle to attract, recruit and retain high quality teachers. We will start with a pilot in the North West of England from September 2016 which will aim to attract 100 NTS teachers and middle leaders into schools in the region, focusing on areas such as Knowsley.

28. We have put a range of incentives in places – including training bursaries of up to £30,000 – to encourage more top graduates and career changers to train to teach in priority EBacc subjects. We are also giving schools the opportunity to recruit and train graduates for teaching careers, giving them an even greater degree of influence over the teacher labour market.
29. The School Direct programme gives schools the opportunity to identify and train talented people from their local graduate labour market. It offers schools the chance to take greater control and attract, train and develop high quality teachers and potential leaders. The long term viability of School Direct requires strong local partnerships to be created and maintained, and the government encourages schools to work in large, sustainable partnerships, particularly in areas where this is not yet fully established. The School Direct salaried programme is aimed at career changers and allows trainee teachers to earn a salary as they train. We are also piloting an initiative to test whether schools can improve recruitment of returning teachers by providing a bespoke package of support promoted through national marketing to overcome any barriers that qualified inactive teachers face when looking to return to teaching.
30. In 2014/15, 948 lead schools trained 9,232 teachers through School Direct, up from 6,580 the year before. Over 23,600 places have been requested for 2015/16, an increase from 9,580 in 2013/14. Early indications suggest that over 90% of the 2013/14 cohort have found jobs as teachers.
31. We have continued to accredit new school-led providers (SCITTs), of which there are now 172 (compared to 115 last year). Around half of all recruitment to postgraduate ITT starting in 2015/16 was to school-led routes.
32. We are also continuing to expand the Teach First programme, increasing its geographical coverage into every region of England and into Wales. The programme now has the scope to reach 90 per cent of eligible schools by 2016 and is helping to recruit more teachers across England, including in more rural, coastal and disadvantaged areas. Since its founding, Teach First has trained over 5,000 teachers, with a further 1,622 starting in England in 2015.
33. We are also working to improve the quality of ITT provision for new entrants. In response to the recommendations of the Carter Review we have commissioned an independent working group, chaired by Stephen Munday (CEO of Comberton Academies Trust), to develop a core ITT framework to support those who deliver ITT as well as applicants and trainees to have a better understanding of the essential elements of good ITT core content.
34. Further information about the labour market for teachers and school leaders in England and Wales is provided in [Annex C](#).

## Applying the 2016 pay award

35. Following the government's acceptance of the recommendations of the STRB's 21<sup>st</sup> - 25<sup>th</sup> reports, schools now have a very large degree of flexibility to differentiate the remuneration they offer to teachers to reflect various factors, including local recruitment and retention; roles and responsibilities; and specialist qualifications.
36. The government's response to the STRB's 25<sup>th</sup> report was to accept the recommendation for an uplift of 1% to the national framework for teachers' pay, but with two exceptions – a 2% uplift to the maxima of the main pay range and no increase to the maxima of the eight headteacher pay group ranges.
37. In its report last year the STRB reiterated its expectation that it should be for schools themselves to decide the extent to which any uplift to pay ranges and allowances within the national pay framework will apply to their teachers. It was the STRB's view that uplifts should not be applied automatically to teachers and that any individual pay award needed to take account of performance. The STRB made very clear that it was not intended that the uplifts to the framework should translate into uniform pay increases for every teacher within every school. It is for schools to determine at the institutional level how to take account of the uplifts to pay ranges and allowances in the light of their individual school's pay policy. The government fully agrees with this approach and that schools should be using their autonomy and making decisions on how they will be rewarding individual teachers in accordance with their pay policies.
38. The government's view is that, as schools are now becoming increasingly accustomed to and confident in implementing this approach, a similar approach should be taken in any recommendations this year, namely that it will be for schools to use their autonomy and set out in their pay policies how they intend to deal with any proposed uplifts to the national framework.
39. As an illustration, the effect of uplifting the current minima and maxima for each of the national pay ranges by 1% in 2016/17 is shown in Table 1. The STRB will wish to consider the extent to which this will help schools to promote recruitment and retention or whether it would be more effective to provide a more targeted approach, eg differentiating the increases to the minima and maxima of the ranges. In all cases, the STRB should consider these options within the government's pay policy of an average uplift of 1% across the overall workforce.

**Table 1 : Reformed classroom teacher and leadership pay ranges with statutory minima and maxima uplifted by 1% in 2016/17.**

<b>Pay ranges</b>				
	<b>England and Wales</b>	<b>Inner London</b>	<b>Outer London</b>	<b>London Fringe</b>
<b>Main Pay Range</b>				
<b>Min</b>	£22,466	£28,097	£26,139	£23,546
<b>Max</b>	£33,159	£38,241	£36,905	£34,248
<b>Upper Pay Range</b>				
<b>Min</b>	£35,570	£43,184	£39,126	£36,650
<b>Max</b>	£38,250	£46,829	£42,077	£39,330
<b>Leading Practitioner Pay Range</b>				
<b>Min</b>	£38,984	£46,350	£42,077	£40,057
<b>Max</b>	£59,264	£66,638	£62,360	£60,340
<b>Unqualified Teacher Pay Range</b>				
<b>Min</b>	£16,461	£20,701	£19,553	£17,542
<b>Max</b>	£26,034	£30,270	£29,129	£27,111
<b>Leadership Group Pay Range</b>				
<b>Min</b>	£38,984	£46,350	£42,077	£40,057
<b>Max</b>	£108,282	£115,581	£111,345	£109,354

## Additional flexibilities and incentives

40. The pay reforms introduced over the last three years, as recommended by the STRB, are now becoming properly embedded in schools. We believe that this is an opportune time to ask the STRB to reflect on the changes that have taken place and consider whether there is scope to increase the flexibility that schools have to use their resources and to reward performance.
41. The Department has engaged in recent months in a series of intelligence-gathering visits with schools and local authorities that has provided valuable feedback on how schools are implementing the reforms, what they consider to be the successes of the reforms and where there remain barriers to further innovation.
42. For instance, one area where schools have suggested they would appreciate greater flexibility is the possibility of making non-consolidated payments or paying honoraria in recognition of good performance – a facility that we know many academies use.
43. Such payments are used elsewhere in the public sector, and some consultees suggested in their evidence towards the STRB's 21st Report that they should be allowed for teachers. There is however no provision in the current STPCD for such payments.
44. We are aware that the STRB previously considered this issue in its 23<sup>rd</sup> Report and made no recommendation at that stage. The STRB's view was that good performance should be rewarded through progression on the pay range and that that approach should be given an opportunity to bed down before there should be any consideration of further changes. We strongly believe that the time is right for the STRB to reconsider this option in the light of the different circumstances that schools are now in, where the link between appraisal and pay is accepted.
45. Under the previous pay system of near automatic and generous incremental pay increases there was little incentive for schools to consider the extent to which one-off non-consolidated bonus or retention payments might be effective as part of an overall pay and reward system. However, with a much sharper focus on all reward and progression being intrinsically linked to performance and based on evidence and schools having to be far more critical and creative in terms of getting the best value from their budgets, most headteachers we have spoken to have questioned why they are prevented from making use of a flexibility that is used widely in the rest of the public sector and, of course, in academies.
46. This is particularly relevant for headteachers who wish to reward the performance of teachers who may be at the top of the main pay range (and

who may not be eligible under their policy to apply for the upper pay range) or who are at the top of the upper pay range and where further progression is not possible. Enabling schools to make discretionary non-consolidated payments to recognise exceptional performance in these circumstances could have a strong impact on both motivation and retention. The anecdotal feedback from the academies that make use of such payments is that they are very popular with the teachers.

47. We would therefore like to ask the STRB to consider providing schools with greater flexibility in respect of discretionary non-consolidated payments so that they are better able to decide for themselves how they wish to reward good performance and encourage retention and so that maintained schools are better able to compete with academies in the wider market. Here, the STRB should consider non-consolidated payments within the overall average 1% pay envelope and, further, the interaction of non-consolidated allowances with salary and consolidated allowance awards and the trade-offs needed between them to remain within the 1% envelope.
48. Another consistent message that we receive from schools, Local Authorities and headteacher unions is that an additional flexibility they would welcome is the capacity for teachers who are currently paid on the upper pay range to revert voluntarily to the main pay range if they no longer wish to perform the additional responsibilities expected of them.
49. There is currently no provision in the STPCD to allow a teacher to volunteer to step back to or to be transferred to the main pay range without moving to another school. As in many professions, individuals often enjoy the core of their job but do not necessarily want to continue forever with the extra responsibilities they have taken on.
50. Many schools have a high proportion of staff on the upper pay range (and often at the maximum of the range). These are highly experienced and usually highly capable staff. However, heads and teachers tell us that, after many years successfully delivering the enhanced levels of performance and the wider school input expected from those on the upper pay range, there are some teachers who find that they would prefer to focus on their strengths as a classroom teacher and revert to a role that allowed them to do so. These teachers are usually highly committed to the school. They are obviously not performing poorly and there is no question that they should be considered for capability action, but neither the teachers themselves nor their schools' senior leadership teams feel comfortable with the current statutory requirement that the school has to continue to pay a salary on the upper pay range for what may be a reduced level of responsibility. The current tight budget position for schools makes this problem even starker.

51. At present the options that headteachers have are limited. They may either have to pursue capability action if the required contribution over and above the role of a classroom teacher is not met or encourage the teacher to move school (where they can be accepted on a main pay range salary), thereby potentially losing a member of staff who still potentially has much to offer the school in terms of experience and skill. In some cases a teacher may feel that their only option is retirement, which would result in the individual prematurely being lost to the profession entirely. These are neither sensible nor responsible courses of action as they fail to recognise that there may be significant numbers of effective classroom teachers who will reach a point in their lives when they want to return to their strengths and focus on continuing as a classroom teacher.
52. Providing a way for teachers to choose voluntarily to return to the main pay range would recognise the needs of both such individuals and the school without forcing headteachers to pursue capability actions or restructuring to overcome this issue. An option that allowed the teacher to remain in the same school but to step down voluntarily so that they had fewer responsibilities and were subject to less pressure would provide heads with an additional degree of management control in respect of their teaching staff and a significant increase of flexibility over their staffing budgets. It would also give them greater parity with academies in terms of deployment and budget flexibilities.
53. This could help retain experienced teachers in the profession for longer than may otherwise be the case, for instance by allowing teachers nearing retirement to release themselves from some responsibilities and remain teaching rather than leave the profession.
54. The STRB may wish to note that, if an individual is within 10 years of retirement, a decision to return to the main pay range may not have a major effect on the teacher's pension. The average of the best three years of pensionable earnings over the last 10 year period is used to determine the pensionable salary for calculating a teacher's pension.
55. We would like to ask the STRB to consider the case for enabling schools to have the flexibility to allow teachers on the upper pay range to opt to step down to the main pay range within their existing school where the school and the individual teacher concerned are in agreement.



## Salary sacrifice arrangements

56. In October 2014 the Department for Communities and Local Government (DCLG) launched a rental deposit salary advance scheme that it proposed could be supported by other public service employers. The aim of the scheme is to assist employees with moving home by helping them to meet the costs of deposits for privately rented homes (via their own salaries).
57. The private rented sector plays a very important role within the country's national housing stock, and is often essential for people looking to find a new home when they move work or location. Most landlords require a deposit from tenants before they move in, and sometimes affording that deposit can act as a barrier to moving.
58. The scheme works by enabling an employee to apply for an advance of salary to the cost of the rental deposit which they then repay through payroll over a period of up to 12 months. The Secretary of State advised DCLG that the Department would implement the scheme for its own staff.
59. Under Her Majesty's Revenue & Customs rules, employees are able to borrow up to £10,000 tax free in a single tax year before there is any tax liability. The employer costs of a scheme like this are limited to any administrative processes and upfront payroll changes as the advance itself is met totally from the employee's own salary.
60. We would like the STRB to consider extending the scheme to the wider education workforce and to determine whether it would be appropriate to add it to the existing salary sacrifice arrangements (which cover child care vouchers, cycle equipment or mobile phones) available to teachers or whether it should be regarded as a specific example of financial support that can be provided under the existing provisions related to recruitment and retention incentives and benefits. Given that affordability of rental deposits can be a barrier to moving into or changing employment, we believe a scheme of this type could act as an additional positive recruitment incentive.

## Welsh Education Workforce Council registration fee arrangements

61. The Education (Wales) Act 2014 (the Act) reconfigured the General Teaching Council for Wales to create the Education Workforce Council (EWC). This new body's remit includes responsibility for regulating the whole education workforce in Wales. The Act provides the Welsh Ministers with powers to make regulations in relation to fees payable for registration with the EWC.
62. From 1 April 2015, the EWC has been responsible for the registration and regulation of school teachers (including supply teachers); Further Education teachers; and, from April 2016, school and FE learning support workers in Wales.
63. The Welsh Government has consulted<sup>2</sup> widely on proposals for the registration fee model to be put in place for registration from April 2016. The structure adopted needs to be a model of charging for registration that is fair and equitable across the whole workforce.
64. School teachers in maintained schools in Wales currently receive £33 from their employer towards the registration fee with the EWC. Teachers are required to pay the difference (currently a further £12) themselves.
65. The Welsh Government's preferred fee model proposed to redistribute the element of funding that is currently provided to employers (i.e. Local Authorities in Wales) towards school teachers' registration fees, to help reduce the costs of registration for the wider workforce. This funding would continue to reduce fees for the wider education workforce, but be paid directly to the EWC, rather than into individual practitioners' pay.
66. The £33 allowance that teachers in maintained schools in Wales currently receive towards the EWC registration fee is referenced under paragraph 28 of the STPCD. To implement the Welsh Government's preferred fee model and redistribute the subsidy across the whole education workforce would require an amendment to the STPCD.
67. The Welsh Government believes that this issue has already been subject to a full formal consultation with the education profession in Wales. The Welsh Government would ask the STRB to recognise that it is not only teachers that

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1. <sup>2</sup> The consultation and the summary of responses can be found at -  
<http://gov.wales/docs/dcells/consultation/140718-consultation-document-en.pdf>  
<http://gov.wales/docs/dcells/consultation/150302-registration-fees-for-education-workforce-in-wales-summary-of-responses-en.pdf>

are affected by this issue, but also many other education practitioners in Wales.

68. The STRB is invited to note that, when the subsidy was first provided to school teachers in 2001, they were the only professionals in the education sector required to register. Those times have changed; and the Welsh Government intends to use the funding available to help reduce the cost of registration for all practitioners required to register.
69. The Welsh Government would also like to ensure the STRB is fully aware of the proposals for registration fees with the Education Workforce Council from April 2016. The Welsh Government’s registration fee proposal is effectively to remove the subsidy paid only to teachers in maintained schools in Wales (as currently set out in the STPCD); and provide that funding directly to the Education Workforce Council, allowing the subsidy of fees for all those required to register, whilst also ensuring that those in the lower paid sectors pay a lower fee. The result is a situation where the subsidy for other registering practitioners would be re-directed through school teachers’ fees by increasing the initial amount of the school teacher fee, in order to off-set against the subsidy received via the STPCD. This has resulted in a proposed fees model as set out below:

<b>Category</b>	<b>Registration Fee</b>	<b>Subsidy</b>	<b>Contribution</b>
School Teacher	£78	£33	£45
Further Education Teacher	£49	£4	£45
School Learning Support Worker	£49	£34	£15
FE Learning Support Worker	£49	£34	£15

70. The Welsh Government believes strongly that, as registration and regulation of the education workforce in Wales is a devolved matter, it is clearly for the Welsh Government to decide on funding arrangements. The Welsh Government would therefore like to ask the STRB to consider the removal of para 28 of the STPCD in its entirety following the introduction of new registration fee arrangements to finance the Education Workforce Council.

# Annex A: Evidence on the general economic outlook

## Economic context and outlook for the economy

- A1. The UK economy grew faster in 2014 than any other major advanced economy at 3.0%, its best performance since 2006. The Summer Budget 2015 continues the work of repairing the public finances, addressing the long-standing weakness in productivity and rebalancing the economy. It recognises the risks from abroad and the need to secure Britain's economic future.
- A2. Public sector pay restraint has been a key part of the fiscal consolidation so far. It helped save approximately £8bn in the last Parliament and is expected to save another £5bn in the current Parliament. At a time when further spending reductions are required to complete the repair of the public sector finances, a policy of pay restraint makes a significant contribution to protecting jobs and maintaining public services.
- A3. At Summer Budget 2015 the government announced that public sector pay awards should be for an average award of 1% for four years from 2016-17 onwards. The Office for Budget Responsibility (OBR) estimates that this policy will protect 200,000 jobs by 2019-20. The government expects that pay awards will be applied in a targeted manner to support the delivery of public services, ensuring that flexibility exists to meet any recruitment and retention pressures.
- A4. The UK economy is fundamentally stronger than five years ago, with positive growth since the first quarter of 2013. The UK economy grew by 0.7 per cent in the second quarter of 2015 and the OBR forecasts the UK economy to grow by 2.4 per cent in 2015 overall.
- A5. Since 2010 the deficit has halved as a share of Gross Domestic Product (GDP) and, for the first time since 2001-02, the national debt is forecast to fall in 2015-16, meeting the target set out in 2010. However, risks remain to the recovery, including from slower growth in the global economy. Debt stands at its highest share of GDP since the late 1960s, and the deficit remains among the highest in advanced economies. At Summer Budget 2015, the government announced the action it would take to complete the repair of the public finances. The government has decided to maintain the same average pace of reduction in the headline measure of public sector net borrowing in this Parliament as in the previous Parliament (around 1.1% of GDP a year on average) to reach an overall surplus of £10.0bn in 2019-20. Running a surplus on the headline measure of borrowing is the reliable way to bring down debt as a share of GDP in the long term.

- A6. Inflation is forecast by the Bank of England and OBR to remain low for the rest of the year, before returning gradually to the 2 per cent target in the medium term. The OBR forecasts inflation of 0.1 per cent in 2015 and 1.1 per cent in 2016. The Bank of England's latest inflation forecast, published in the August *Inflation Report*, has been revised down compared to the May report. The Monetary Policy Committee (MPC) expects inflation at 0.4 per cent (down from 0.7 per cent) in the year to Q4 2015, 1.6 per cent (down from 1.7 per cent) in the year to Q4 2016, and unchanged at 2.1 per cent in the year to Q4 2017.
- A7. Headline employment and unemployment figures were strong in 2013 and 2014. The first half of 2015 saw these figures slowing, with a 139,000 increase in employment over the period. The OBR expects employment to continue to rise over the forecast period, although with slower growth than seen in recent years. Unemployment fell by 221,000 between Q2 2014 and Q2 2015, although almost all of that fall came in the latter half of 2014. The unemployment rate in Q2 2015 stood at 5.6 per cent, down from the peak of 8.4 per cent in the final quarter of 2011. Wage growth has strengthened, with regular pay growing by 2.8 per cent in the second quarter of 2015 compared to the same period last year. Private sector pay growth has recovered somewhat from its large decline in 2009, with a 2.9 per cent growth rate in Q2 2015 compared with a pre- recession trend of about 4 per cent per annum.

## Growth

- A8. In 2008 the UK was hit by the most damaging financial crisis in generations. Between Q1 2008 and Q2 2009 the UK economy contracted by 6.1%, greater than the reductions in growth in the US, France, and Canada.
- A9. The government's long term economic plan has secured the recovery. The government's fiscal responsibility has allowed monetary activism to support demand in the economy alongside repair of the financial sector. This has been supported by supply-side reform to deliver sustainable increases in standards of living.
- A10. UK GDP growth has been positive since the first quarter of 2013 and GDP is now 5.2% above its pre-crisis peak. Growth in 2014 was 3.0%, above the OBR's March forecast of 2.6%. The UK economy grew by 0.7 per cent in the second quarter of 2015, following 0.4 per cent growth in the first quarter. The recovery is broad-based with widespread growth across all major sectors since the start of 2013, and manufacturing, services and construction all growing in the second quarter on a year earlier. The OBR's forecast at Summer Budget 2015 confirmed the UK recovery is well established with growth in 2015 and 2016 at 2.4% and 2.3%, before stabilising at 2.4% from 2017 onward.

- A11. However, external risks remain, reinforcing the case for stability in the government's long-term economic plan. The global economic recovery remains uneven and the risks from the world economy demonstrate the need to continue to fix the economy to ensure the UK can deal with risks from abroad.
- A12. As a part of its economic policy, the government has announced its intention to improve the UK's productivity performance. Improving productivity is key to increasing living standards and delivering strong growth. The government has published a productivity plan ('Fixing the foundations: Creating a more prosperous nation') which tackles the UK's serious long-term challenges, with major reforms to improve the UK's infrastructure, tackle failures in the skills system, improve the planning system, encourage long-term finance for productive investment and give cities the governance and powers they need to succeed.

**Table 2 : Forecasts for GDP growth 2015 to 2017**

<b>Forecasts for GDP growth (per cent)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
OBR (Summer Budget 2015)	2.4	2.3	2.4
IMF WEO (July 2015 update)	2.4	2.2	2.2
Avg. of independent forecasters (August 2015)	2.6	2.4	2.4

## **Inflation**

- A13. August's annual Consumer Price Index (CPI) inflation rate was 0.0%, down from 0.1% in July. External factors, such as oil and commodity prices, continue to exert significant downward pressure on inflation. The recent fall in inflation is good news for working families, helping their budgets stretch further with lower food and fuel costs. In the year to August 2015, food prices fell by -2.8% and prices of motor fuels fell by -12.9%.
- A14. Compared to the Bank of England's May 2015 *Inflation Report*, the outlook for inflation in the August report has been revised downwards. The MPC judged that CPI inflation is likely to remain close to zero in the near term, before rising around the turn of the year as past falls in energy prices begin to drop out of the annual comparison. It forecasts inflation at 0.4 per cent (down from 0.7 per cent) in the year to Q4 2015, 1.6 per cent (down from 1.7 per cent) in the year to Q4 2016, and unchanged at 2.1 per cent in Q4 2017.

- A15. Inflation is forecast by the Bank of England and OBR to remain low for the rest of the year, before returning gradually to the 2 per cent target in the medium term. The OBR forecasts inflation of 0.1 per cent in 2015 and 1.1 per cent in 2016.

**Table 3 : Forecasts for CPI Inflation 2015 to 2017**

<b>Forecasts for CPI Inflation (per cent change on a year earlier)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
OBR (Summer Budget 2015)	0.1	1.1	1.6
IMF WEO (April 2015)	0.1	1.7	2.0
Avg. of independent forecasters (August 2015)	0.1	1.4	1.9

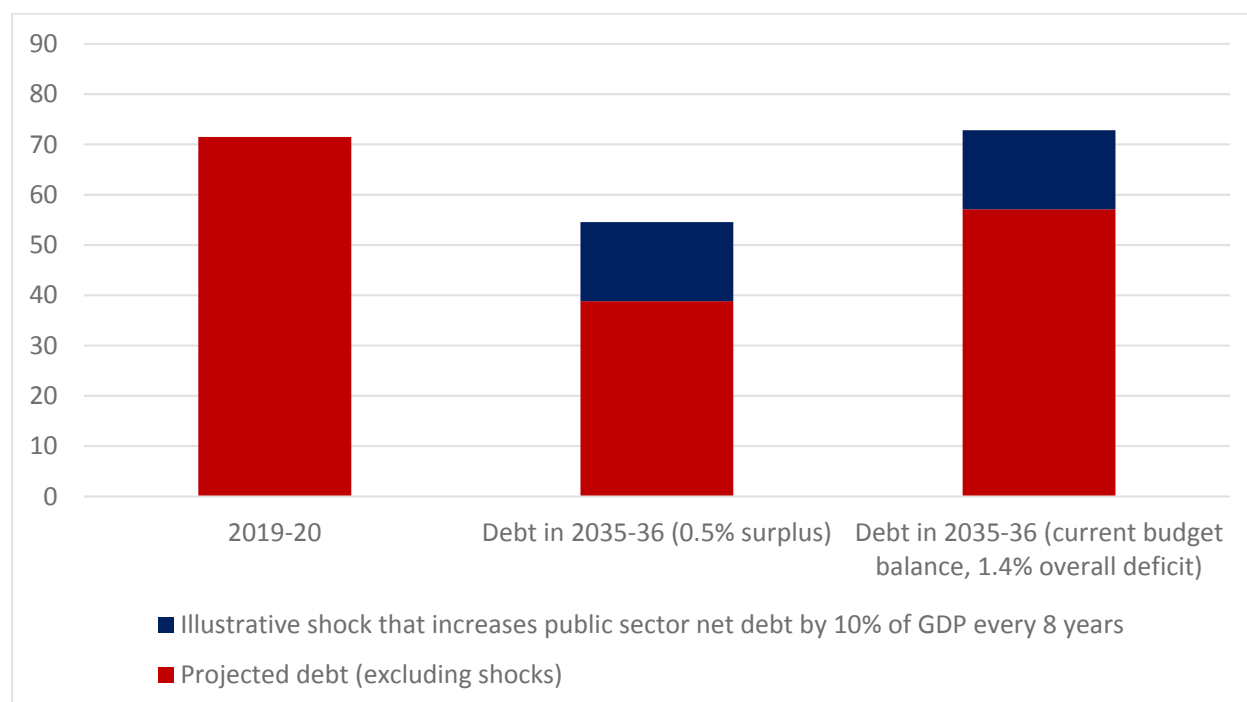
## **Affordability and Fiscal Strategy**

- A16. The Coalition government inherited the largest deficit in post-war history due to the financial crisis and unsustainable pre-crisis increases in public spending. Since then, significant progress has been made on reducing the deficit which has more than halved as a share of GDP, reaching 5.0% of GDP by the end of 2014-15. However, the job is not yet done. At 5%, the deficit remains high and public sector net debt as a share of GDP is at its highest level since the late 1960s. The government remains committed to getting debt as a share of GDP on a declining path across the forecast horizon to return the public finances to a more sustainable position.
- A17. By the end of the first year of the last Parliament, the deficit was reduced by 1.6 percentage points, from 10.2% of GDP in 2009-10 to 8.6% of GDP in 2010-11. This continued in 2011-12 when the deficit reached 7.0% of GDP and by the end of last year the deficit had halved from its post-war peak as a share of GDP to 5.0% of GDP. This level of deficit reduction equates to on average around a 1.1 % of GDP per annum decrease in public sector net borrowing over the last Parliament. At Summer Budget 2015 the government announced its intention to maintain the same pace of deficit reduction over this Parliament as over the previous Parliament. That means reducing the deficit by around 1 percent a year on average over the next four years to reach an overall surplus of £10bn in 2019-20.
- A18. The public sector net debt position has improved across the forecast period since last year's review, but continued action will be required in order to bring debt down to more sustainable levels. Last year, net debt as a share of GDP reached its highest level since 1967 at 80.8% of GDP. By 2020-21, it is still forecast to be 68.5%, significantly above the pre-crisis level of 36.9% in 2007-08. High debt increases the UK's vulnerability to future shocks. Evidence

suggests that at higher debt levels, the scope for fiscal policy to stabilise the economy is reduced. A higher starting level of debt also increases the risk that a further shock to the public finances could increase debt to a level that could be viewed as unsustainable, increasing interest rates on government debt. The evidence suggests that negative effects associated with high debt are likely to start to dominate with debt in the region of 70-90% of GDP. This risk can be exacerbated by country-specific factors, such as potential vulnerabilities from the UK's large current account deficit, large financial sector and any negative feedback of high debt on growth.

A19. The government is setting out to reduce debt as a share of GDP in every year of this Parliament. A strategy for debt reduction must also take into account the possibility of future economic shocks. The UK economy has been subject to relatively frequent shocks in the past, and though their nature and timing are unpredictable, prudent fiscal policy should allow for them. HMT analysis shows the impact on debt by 2035-36 of a simple scenario in which the economy is hit once every 8 years by a shock that increases public sector net debt by 10% of GDP. In this scenario, if the government ran a permanent 1.4% deficit (equivalent to a balanced current budget) after 2020-21 debt would only fall by 8% of GDP between its peak in 2014-15 and 2035-36. In comparison, continuing to run a surplus of 0.5% beyond the forecast period reduces debt by 28% of GDP by 2035-36 when allowing for shocks.

**Figure 1: Public sector net debt in 2019-20 and HM Treasury projections in 2035-36 under different policy assumptions with and without illustrative shocks**



Source: Debt in 2019-20 is an OBR estimate; 2035-36 debt are HM Treasury calculations



A20. Any strategy for long-term debt reduction must also take into account the UK's low inflation environment. Independent monetary policy now delivers low and stable medium-term inflation, to the benefit of the whole economy. This contrasts with the experience after World War II, when very high inflation, together with financial repression, played a major role in reducing debt. Therefore the reliable way to reduce debt over time, rebuilding fiscal buffers and reducing the burden of debt on future generations, is to run a headline surplus in normal times. Substantial debt reduction in future will depend on responsible management of the public finances and sustainable economic growth.

### **Proposed new Charter for Budget Responsibility**

A21. The publication of new fiscal rules alongside the Summer Budget 2015 commits the government to delivering a surplus by the end of the Parliament, and every year thereafter when the economy is in normal times, entrenching a commitment to long-term fiscal sustainability. The draft Charter sets out:

- A target for a surplus on public sector net borrowing in 2019-20, and a supplementary target for public sector net debt to fall as a share of GDP in each year from 2015-16 to 2019-20.
- A target, once a surplus is achieved in 2019-20, to run a surplus each subsequent year as long as the economy remains in normal times.

A22. These targets will apply as long as the economy is not hit by a significant negative shock that reduces real GDP growth to less than 1% on a rolling 4 quarter-on-4 quarter basis. If the OBR judges that the economy has been hit by a shock, the surplus rule will be suspended. This will allow the automatic stabilisers to support the economy when they are needed. The framework therefore supports fiscal discipline in normal times, while ensuring that future governments will have the flexibility to respond appropriately to shocks.

A23. Following a shock, the government of the day will be required to set a plan to return to surplus. This plan must include appropriate fiscal targets. The framework does not prescribe what the targets should be, allowing the government of the day to respond to the circumstances. However, the targets will be voted on by the House of Commons and assessed by the OBR. A surplus in normal times is necessary to provide the government of the day with the fiscal space to allow appropriate action to be taken in the face of these shocks. The end goal must be to return the public finances to surplus, ensuring that long-term debt reduction continues.

## Labour market

- A24. After strong rises in 2013 and 2014, headline labour market figures slowed in the first half of 2015. 2014 saw the employment level increasing by over 600,000, and the employment rise in the first half of 2015 was 139,000, taking the level of employment to 31.0m. The second quarter showed a slight fall in the employment level (- 63,000) after two years of uninterrupted growth. This likely reflects the tightening of the labour market. Between Q4 2014 and Q2 2015 the employment rate rose by 0.2 percentage points to 73.4%, around the highest rate on record. The OBR expects employment to continue to rise over the forecast period, but at a slower pace than seen in recent years. The unemployment rate fell by 0.1 percentage points in the first half of 2015, and by 2.8 percentage points since the peak of 8.4% in the final quarter of 2011. The unemployment rate in Q2 2015 stands at 5.6%. The OBR expects it to stabilise at 5.4% by the end of the forecast period.
- A25. The number of vacancies in the three months to June 2015 stood around record levels, having increased by 76,000 over the year to 734,000. The number of unemployed people per vacancy fell to 2.5 in Q2 2015, around pre-recession levels.
- A26. Wage growth strengthened slightly in the first half of 2015, with headline whole economy wage growth standing at 2.6%, up from 2.1% at the end of 2014.

## Employment and unemployment

- A27. Over the year to Q2 2015 employment grew by 354,000. This was nearly entirely amongst full-time workers, whose numbers increased by 352,000 on the year. Reversing trends seen in 2014, the number of people in self-employment fell on the year (95,000), while the number of employees grew by 485,000.
- A28. Over the year to Q2 2015 unemployment fell by 221,000 to 1.85m, down 832,000 from the peak in Q4 2011.
- A29. Long term unemployment (unemployment of 12 months or more) stood at 575,000 in the second quarter of 2015, down by 166,000 over the year. Three-quarters of the fall in total unemployment over the year to Q2 2015 came from the decrease in long term unemployment.
- A30. Working age (16-64) inactivity remained stable in the year to Q2 2015, with both the level and rate almost unchanged at 8.99m and 22.1% respectively. The female inactivity rate however continued to decline, dropping 0.3 percentage points on the year.

A31. Youth unemployment (16-24) fell by 38,000 over the year to the second quarter of 2015. This was driven by a fall in unemployment amongst those not in full-time education (28,000). The youth unemployment rate stood at 16.0%, down 0.9 percentage points on the year. Excluding people in full-time education, there were 475,000 unemployed 16-24 year olds, with a corresponding unemployment rate of 13.7%.

A32. The claimant count fell by 247,100 in the year to June 2015. The claimant count rate stood at 2.3%, the lowest level since February 1975. Table 4 summarises these statistics:

**Table 4 : Labour market statistics summary (Levels in 000s, rates in %)\***

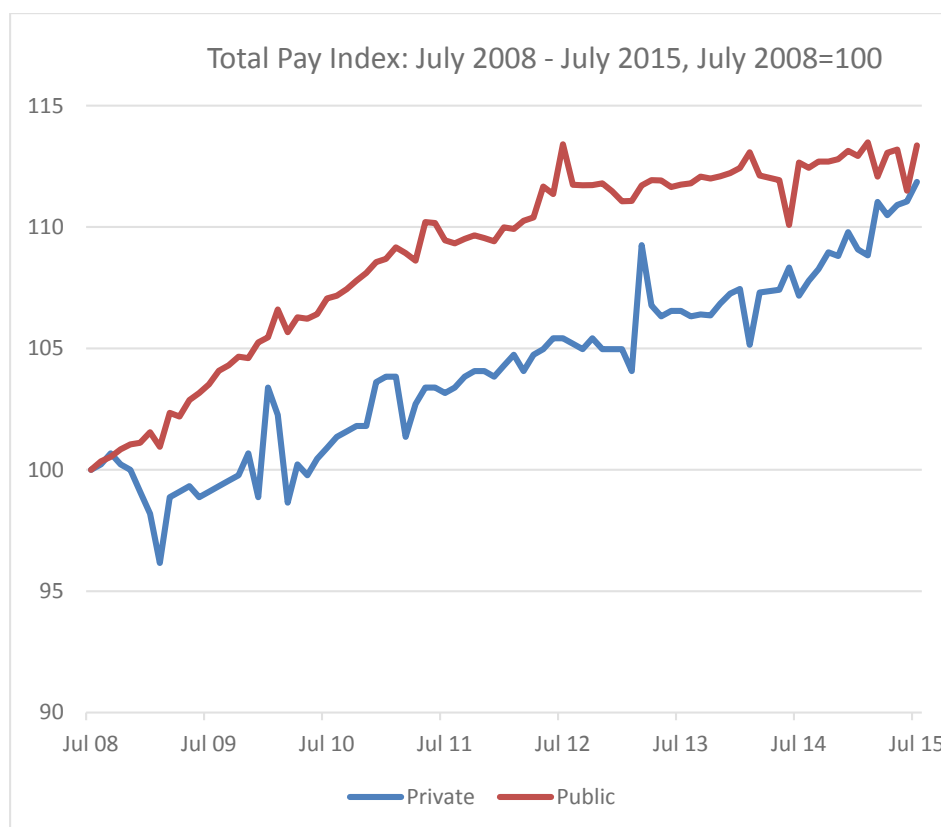
	2010	2011	2012	2013	2014	2015 Q2
<b>Employment level (All aged 16 and over)</b>	29,228	29,376	29,696	30,043	30,726	31,035
<b>Employment rate (All aged 16-64)</b>	70.4	70.3	71.0	71.5	72.9	73.4
<b>Unemployment level (All aged 16 and over)</b>	2,497	2,593	2,572	2,476	2,027	1,852
<b>Unemployment rate (All aged 16 and over)</b>	7.9	8.1	8.0	7.6	6.2	5.6
<b>Youth unemployment level (All aged 16-24)</b>	933	996	1005	969	783	738
<b>Youth unemployment rate (All aged 16-24)</b>	20.0	21.4	21.4	20.9	17.1	16.0
<b>Claimant Count</b>	1496	1,534	1,586	1,422	1,038	797**

- \* The latest public and private sector employment figures available are for the second quarter of 2015. These show that private sector employment rose by 53,000 on the quarter and was up by 457,000 over the year. This more than offset the fall in public sector employment which decreased by 11,000 on the quarter and by 44,000 over the year. These series exclude the effects of major reclassifications where large bodies employing a large number of people have moved between the public and private sectors.
- \*\* Monthly data used (June 2015)

## Public sector pay and pensions

- A33. The recent recession saw a significant fall in UK wage growth, particularly in the private sector. Analysis by the Institute for Fiscal Studies (IFS) and the Office for National statistics (ONS) shows that over the last few years public sector workers have benefitted from a higher pay growth on average compared to workers with similar characteristics in the private sector. While the pay differential between public and private sector workers is narrowing, the overall remuneration of public sector employees, when taking employer pension provision into account, continues to be above that of the market.
- A34. Earnings growth in the private sector has recently started strengthening and in the three months to July 2015 total pay growth (including bonuses) stood at 3.4%, while private sector regular pay growth (excluding bonuses) also stood at 3.4%. Although low inflation has helped boost real wages, nominal private sector wage growth remains below rates seen before the recession (about 4-5% per annum).
- A35. Public sector average earnings growth was 1.0% in the three months to July 2015. Regular earnings (excluding bonuses) grew at 1.3% over the same period. These rates stood above the rate of inflation (0.0%) but still below the pre-recession average growth rate, as in the private sector.
- A36. Historically, public sector wages tend to fall and recover at a slower pace during economic cycles than private sector wages – i.e. there can be a delay between a recession occurring and public sector wage adjustment. Over the last few months private sector earnings growth has been faster than growth in public sector wages, but this follows on from sustained public sector wage growth in the years immediately following the recession. Since the beginning of the 2008-09 recession, average private sector earnings have increased by 12.6%, while those in the public sector have increased by 14.6%. The overall level of public sector average weekly wage remains above that of the private sector. Figure 2 compares the growth in average public and private sector weekly earnings since 2008.

**Figure 2 : Total pay comparison<sup>3</sup>**



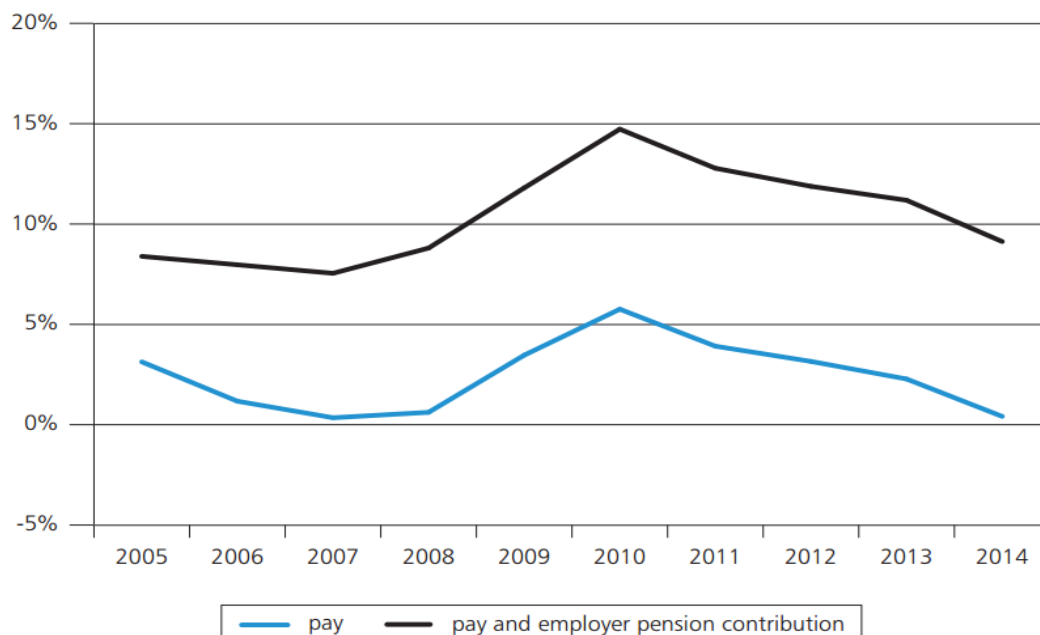
Source: Average Weekly Earnings, ONS Labour Market Statistics, August 2015

A37. When considering changes to remuneration, it is important to consider other elements of the total reward package. Including hourly employer pension contributions to hourly pay and bonus, recent HMT analysis finds that public sector workers benefit from an 8% premium compared with their private sector counterparts. This is supported by the IFS (October 2014 paper), which found that a 4.6% pay premium continues to exist in favour of public sector workers and that the premium increases significantly if one incorporates pension payments in the analysis. This premium is driven by a number of factors, including high pay for women and protection for the low paid in the public sector. Figure 3 shows the comparison of average hourly earnings for public and private sector workers with similar characteristics across time.

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<sup>3</sup> Nominal pay

**Figure 3 : Estimated public-private hourly pay differential**



*Source: HM Treasury analysis based on Annual Survey of Hours and Earnings data, comparing the average hourly earnings of public and private sector workers with similar characteristics.*

- A38. The government wants to move from a low wage, high tax, high welfare society to a higher wage, lower tax, lower welfare society and wants to do this in a fair way by ensuring that low wage workers take a greater share of the gains from growth. An essential part of this is the introduction of a new National Living Wage (NLW) for workers aged 25 and above.
- A39. At Summer Budget 2015 it was announced that the NLW will increase pay to £7.20 per hour from April 2016, rising to £9.00 per hour by 2020, benefitting workers across the economy. Estimates indicate that the NLW policy is expected to directly benefit approximately 200,000 public sector jobs.

## **Pension reforms**

- A40. One major factor in the overall reward package is pension provision. In the last few decades pension provision in the public and private sectors has diverged, in response to pressures around longevity, changes in the business environment and investment risk. This has led to a sharp decrease in the provision of defined benefit schemes in the private sector. Around 85% of public sector employees are members of employer-sponsored pension schemes, compared to only 35% in the private sector.
- A41. Following a fundamental review of public service pension provision by the Independent Public Service Pensions Commission, the government has

introduced key changes to the pension element of the remuneration package. New public service pension schemes introduced in April 2015:

- calculate pension entitlement using the average earnings of a member over their career, rather than their salary at or near to retirement;
- calculate pension benefits based on Normal Pension Age linked to the member's State Pension Age; and
- include an employer cost cap mechanism, which will ensure that the risks associated with pension provision are shared with scheme members to provide backstop protection for the taxpayer.

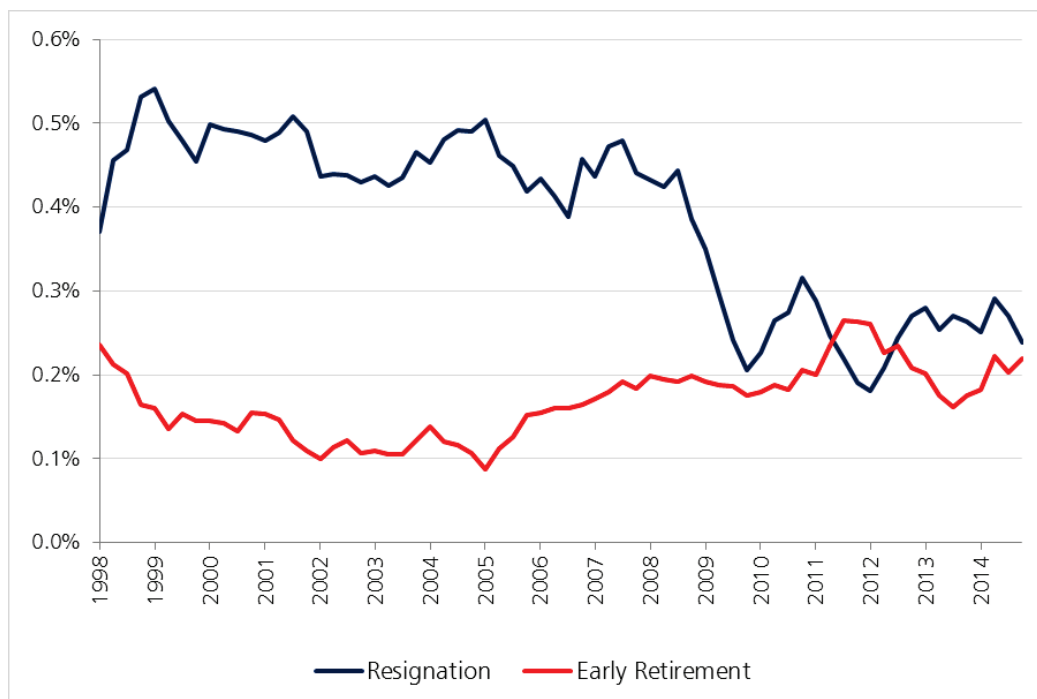
- A42. The changes introduced through the Public Service Pensions Act 2013 will save an estimated £65 billion by 2061-62.
- A43. Wider changes to public service pension provision have also taken place. Progressive increases in the amount that members contribute towards their public service pension began in April 2012 and were phased in over three years, with the final increases made in April 2014. Members are now contributing an average of 3.2 percentage points more, delivering £2.8 billion of savings a year by 2014-15.
- A44. Protections from the impact of the contribution changes have been put in place for the lowest paid. Those earning less than £15,000 were not subject to increases; and increases for those earning up to £21,000 (£26,000 for Teachers) were capped at 1.5 percentage points.
- A45. Public service pensions will remain among the best available and will continue to offer members guaranteed, index-linked benefits in retirement that are protected against inflation. Private sector workers buying benefits in the market would have to contribute over a third of their salary each year to buy an equivalent pension.
- A46. Putting together the evidence on pension provision and pay levels – and recognising that there will be significant variation between and within individual workforces – the overall remuneration of public sector employees is above that of the market. The government is therefore clear that any changes to public service pensions, including the progressive increase in contributions from 2012-13, do not justify upward pressure on pay.

## **Recruitment and Retention**

- A47. Across the whole economy there is evidence that the labour market is performing strongly. There has been strong growth in employment, and weakening of labour market slack with an increase in private sector vacancies. However, there is limited evidence of widespread recruitment and retention issues within the public sector, and resignation rates continue to be below pre-

recession levels in this sector. Figure 4 demonstrates recent resignation and early retirement rates in the public sector.

**Figure 4 : Resignation and Early Retirement Rates**



Source: Labour Force Survey Microdata, ONS and HM Treasury analysis

- A48. The rate at which people are resigning from the public sector remains substantially below pre-recession levels. Within the public sector the resignation rate was relatively constant prior to the recession, in the region of 0.4 – 0.5%. From the middle of 2008 this rate fell sharply to 0.2 – 0.3%, potentially relating to opportunities outside the public sector becoming scarcer. Since then it has made little sustained recovery and remained within the range up to 2014. The early retirement rate figures increased between 2010 and 2011, but have subsequently fallen back again.
- A49. The Chartered Institute of Personnel and Development (CIPD) Labour Monthly Outlook, Summer 2015, indicates that amongst all private sector firms, where pay has increased by 2% or more, in only 26% of cases were pay awards set at that level because of recruitment and retention issues.
- A50. There is limited evidence of widespread recruitment and retention issues in the public sector. The government's expectation that the 1% pay award for 2016-17 will be applied in a targeted manner to support the delivery of public services ensures that flexibility exists to meet any recruitment and retention pressures.



## Wales

- A51. The latest Labour Force Survey (LFS) data show that the employment rate in Wales increased strongly over the quarter (May-July 2015) and the year. Like the UK, unemployment increased over the quarter and decreased over the year. Inactivity decreased over the quarter and the year. The claimant count rate is 3.1%.
- A52. The LFS data suggest that Wales has passed through a period when its labour market was showing relative weakness, but the latest data may also be flattering the underlying Welsh performance. LFS results for Wales are volatile because the sample size is relatively small. Consequently, results should be treated with caution and are best interpreted over a period of several months. Wales's relative labour market position is fairly positive in a medium term context.
- A53. The employment rate in Wales was 71.2% (0.3 percentage points below its record high). The rate was up by 1.0 percentage points over the quarter and the number employed was up 25,000 to 1.423 million people, just below the highest level on record. Over the year, the employment rate was up 2.5 percentage points and the number employed was up 58,000. The employment rate is 2.3 percentage points below the UK average – similar to the gap prevailing before the recession of 2008/2009 and lower than in the 1990s. The employment rate for men was 73.4% (78.3% in the UK – a gap of 4.9 percentage points). The employment rate for women in Wales was 69.1% (68.8% in the UK – a gap of 0.3 percentage points in favour of Wales).
- A54. The unemployment rate, 6.5%, was down 0.1 percentage points on the quarter and the number unemployed increased by 4,000. Over the year, the rate of unemployment was also down 0.1 percentage points and the number of people unemployed up by 2,000. The number of people who were unemployed was 99,000.
- A55. The inactivity rate was down 1.2 percentage points on the quarter and the number inactive declined by 22,000 to 452,000. Over the year, the rate of inactivity was down 2.5 percentage points and the number inactive was down 47,000. The inactivity rate was 23.7%, 1.6 percentage points above the UK average.
- A56. Comparing changes over the quarter with other UK countries and regions, Wales had the second best performance in respect of employment and inactivity rates and was about average in terms of unemployment. Over the

year, Wales had the best performance on employment and inactivity, but lagged in terms of unemployment.

- A57. The claimant count rate (which now includes some claims for Universal Credit) was unchanged at 3.1% in August, down 300 from the previous month. Compared with a year ago, the number of claimants was down by 8,700 and the rate down by 0.6 percentage points. JSA claimant count rates declined over the year to July in each of the 22 local authorities except the Isle of Anglesey where it was unchanged. The largest proportionate decline was recorded in Newport (down 1.3 percentage points).
- A58. Workforce jobs by industry for March 2015 show that the number of jobs increased over the year by 5,000 or 0.4% (this series counts jobs not people and is based partly on different sources to the LFS and is not directly comparable with the figures for employment). Jobs in the service sector increased by 10,000 (0.9%) over the year. Jobs in manufacturing decreased by 4,000 (2.4%) and construction jobs decreased by 7,000 (7.2%) over the year (data are volatile and should be treated with caution).
- A59. Public sector employment declined by 6.5% (21,000) over the year to the second quarter of 2015. Employment in the private sector increased by 4.9% (50,000).

## Annex B: Affordability in schools

### Funding for schools in England

- B1. The government has prioritised investment in education as one of its measures to drive long-term economic growth, so it is especially important that we protect schools' funding at a time of economic difficulty. It is for this reason that the overall schools' budget continues to be protected and will rise as the pupil population grows. The pupil premium is additional to this and is targeted at those pupils who need it most.
- B2. Although the overall schools' budget will stay at the same level on a per pupil basis, before the addition of the pupil premium, individual school budgets will vary from year to year due to changes in local funding formulae. To protect schools from significant budget reductions, we have put in place a Minimum Funding Guarantee (MFG). This ensures that most schools will not experience a reduction in their budgets of more than 1.5% per pupil (excluding sixth form funding) compared to the previous year and before the pupil premium is added.
- B3. The government has already made significant changes to local school funding arrangements. It has ensured that schools are funded on a much simpler and more consistent basis, with more money based on the needs of pupils and not on historical decisions. These changes stand us in good stead for introducing a new National Fair Funding Formula in this Parliament. We are also allocating an additional £390m (on top of flat cash per pupil) to the least fairly funded local authorities in 2015-16. We are allocating the funding by setting minimum funding levels that a local authority should receive for each of its pupils and schools. Detail of this additional funding can be found on [GOV.UK](http://GOV.UK).

### The schools' budget and school spending

- B4. In 2015/16 Dedicated Schools Grant allocations, before recoupment of funding for academies, total £40.1 billion. The pupil premium is an additional £2.5 billion. Individual schools' budgets can vary significantly. They reflect both the distribution of funding across the country as well as historic and current decisions that local authorities have taken when allocating funding between schools in the same area.

### Spending in schools

- B5. In the financial year 2013-14 local authority (LA) maintained schools in England spent a total of £28.6 billion. During the same period they generated

an income of £1.7 billion, resulting in a total net expenditure of £26.9 billion. Of the total expenditure:

- £272.3 million (1.0%) was spent by LA maintained nursery schools;
- £17.7 billion (61.9%) was spent by primary schools (which included a number of primary schools with nursery classes);
- £8.3 billion (28.9%) was spent by secondary schools; and
- £1.9 billion (6.8%) was spent by special schools.

B6. Maintained schools spent £21.5 billion, or 75.0% of their total expenditure, on staffing costs. Of which:

- £13.7 billion (47.9% of total expenditure) was spent on permanent and supply teaching staff (excluding agency supply teachers and supply teacher insurance costs);
- £4.6 billion (16.1%) on education support staff; and
- £3.1 billion (11.0%) on other school staff.

B7. The way in which academies spend their funding is broadly in line with LA maintained schools. They spend just over half (51.4%) of all their spending on teaching staff. However, data on spending in academies are not directly comparable with the data collected for LA maintained schools, as academies receive additional funding which reflects their wider responsibilities that, within the maintained school sector, are carried out by LAs.

### **The pay freeze and the cost of a 1% pay uplift**

B8. In the academic year 2015/16 the teacher pay bill for publicly funded schools in England and Wales is projected to be approximately £24.2 billion<sup>4</sup>. Teachers in England and Wales were subject to a pay freeze from September 2011 to September 2013. An average pay award of 1% was applied in September 2014 and September 2015.

B9. A flat 1% pay uplift awarded to all salaries and relevant allowances in 2016/17 is estimated to cost £245 million. This would contribute to a total increase in the pay bill of approximately £815 million, to reach £25 billion in 2016/17. The remaining pressure of £565 million equates to a 2.3% growth in the pay bill compared to 2015/16. The majority of this pressure is due to removal of the 3.4% rebate for employer National Insurance contributions from April 2016 (within the teacher pay bill this is estimated to be a 1.2 percentage point increase on 2015/16 rates) and a projected increase in the workforce size

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<sup>4</sup> All pay bill figures in this section include teachers in academies, who are not bound by the statutory requirements of the STPCD.

(close to 0.7%). Any remaining growth is due to pay drift. Pay drift is the net effect of progression within the profession, wastage from the profession and entry and re-entry into the profession.

- B10. Schools would need to meet this cost from within their existing budgets. If the recommendations of the STRB proposed a larger pay award to some teachers than to others, this may result in some schools seeing disproportionate increases in their staffing budgets. This would have the potential to create a risk to their financial security.

## **School budgets in Wales**

- B11. In Wales, local authorities are responsible for school funding, through devolution of education to the Welsh Government. The education budget in 2015/16 is approximately £2.555 billion. Of this, £2.252 billion was in the schools' budget and £303 million in the LEA budget. The funding delegated to schools in 2015/16 is budgeted to be £2.090 billion.
- B12. Gross schools' expenditure per pupil is budgeted to be £5,526, a year-on-year decrease of 1.1% or £64. Of this £4,629 per pupil is delegated to schools and £898 per pupil retained for centrally funded school services. The amount of funding that local authorities delegate directly to schools ranges between 78% and 87% of overall gross schools' budgeted expenditure. Overall, 84% of the total gross schools' budgeted expenditure is delegated directly to schools, an increase of 0.9 of a percentage point compared to the previous year.
- B13. Since 2011-12, the Welsh Government has committed to increasing spending on schools' services at 1% better than the uplift to the overall Welsh budget. Local Authority budgets are monitored on an annual basis to ensure they meet the required target for schools' budgets. In support of this, additional funding has been provided each year to Local Authorities through a range of funding streams. The publication of the 2016-17 Provisional Settlement has been delayed this year until after the conclusion of the UK Spending Review 2015 on 25 November. This Settlement will set out individual Authority provisional allocations of the core revenue funding available for Local Government, with the Final Settlement following in 2016.

## Annex C: The teacher labour market

- C1. In November 2014 there were approximately 454,900 FTE teachers. Table 5 shows the FTE numbers of teachers in England split by grade and phase. The majority of teachers are classroom teachers (over 368,000 FTE). There are approximately 65,600 leadership teachers and 19,600 unqualified teachers<sup>5</sup>.

**Table 5 : Full-time equivalent teachers (FTE) by grade<sup>6</sup> and phase, publicly-funded schools (England, November 2014) (000s)**

	Nursery and primary	Secondary	Special	Centrally employed	Total
<b>Heads</b>	16.4	3.5	1.3	0.1	21.3
<b>Deputy heads</b>	12.2	5.5	1.2	0.1	19.0
<b>Assistant heads</b>	10.0	13.6	1.6	0.1	25.3
<b>Classroom teachers</b>	170.9	179.7	14.9	2.9	368.4
<b>Unqualified teachers</b>	5.8	11.2	2.0	0.6	19.6
<b>TOTAL</b>	215.5	213.7	21.0	4.7	454.9

Source: **School Workforce Census**, SFR November 2014

### The teaching workforce<sup>7</sup>

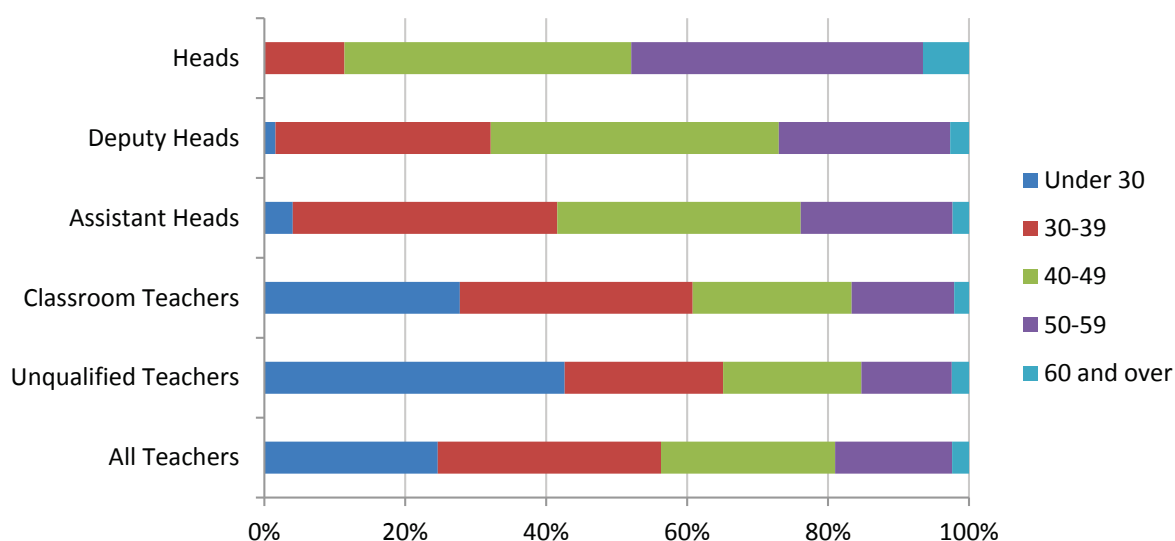
- C2. 19% of all FTE teachers in publicly-funded schools were aged 50 and over, whilst 25% of teachers were aged under 30. Unqualified teachers have the largest proportion of teachers under 30 at 43%. Age distributions by grade are shown in Figure 5.
- C3. 74% of teachers at all grades are female. For classroom teachers the proportion is slightly higher at 75%. For the leadership group and unqualified teachers, the percentage of female teachers is less than 70%. Figure 6 shows the proportions of females and males for each grade.

<sup>5</sup> The category 'Unqualified teachers' only includes unqualified classroom teachers. Teachers of higher grades without a QTS are reported. Leading Practitioners without a QTS are reported within Classroom Teachers. This classification is consistent with all the evidence provided elsewhere in this document.

<sup>6</sup> For simplicity, Advisory Teachers have been excluded from the table but they are included in the total. The table has been adjusted to account for the schools which did not provide SWFC returns.

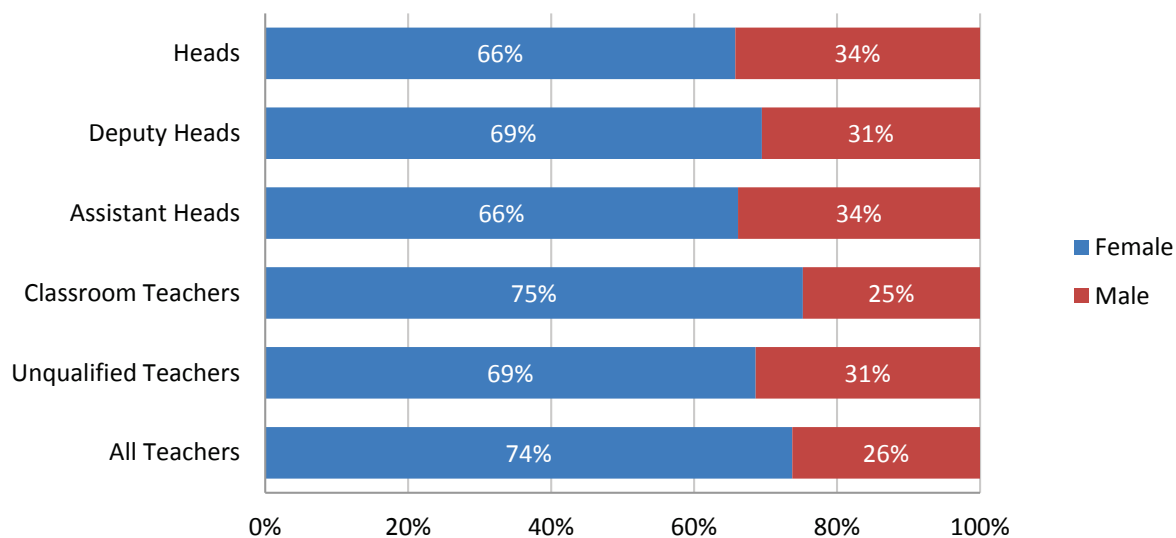
<sup>7</sup> All figures taken from the School Workforce Census (SWC) 2014 and are England only unless otherwise stated.

**Figure 5 : Full-time equivalent teachers (FTE) in publicly funded schools by grade and age (England, November 2013)**



Source: **School Workforce Census**, November 2014

**Figure 6 : Full-time equivalent teachers (FTE) in publicly funded schools by grade and gender (England, November 2014)**



Source: **School Workforce Census**, November 2014

C4. Table 6 shows the ethnic background of teachers in England by grade. The percentage of teachers with a non-white ethnic background decreases as grade increases. The highest percentages of teachers with a non-white background are observed for unqualified teachers and the lowest percentage of teachers with a non-white background is observed for headteachers.

**Table 6 : Distribution of full-time equivalent teachers (FTE) by grade and ethnicity in publicly funded schools. (England, November 2014)<sup>8</sup>**

	Heads	Deputy Heads	Assistant Heads	Classroom Teachers	Unqualified Teachers	Total
<b>White</b>	<b>97.0%</b>	<b>96.0%</b>	<b>94.1%</b>	<b>92.1%</b>	<b>87.5%</b>	<b>92.5%</b>
White British	93.7%	92.3%	89.8%	86.8%	74.6%	87.1%
White Irish	1.8%	1.8%	1.7%	1.7%	4.0%	1.8%
Any Other White Background	1.6%	2.0%	2.6%	3.6%	9.0%	3.6%
<b>Black</b>	<b>0.9%</b>	<b>1.3%</b>	<b>1.8%</b>	<b>2.1%</b>	<b>4.2%</b>	<b>2.1%</b>
Black African	0.2%	0.3%	0.5%	0.8%	1.3%	0.8%
Black Caribbean	0.7%	0.8%	1.1%	1.0%	2.3%	1.0%
Any Other Black Background	0.1%	0.2%	0.2%	0.3%	0.6%	0.3%
<b>Asian</b>	<b>1.2%</b>	<b>1.6%</b>	<b>2.8%</b>	<b>3.9%</b>	<b>4.8%</b>	<b>3.6%</b>
Bangladeshi	0.1%	0.1%	0.2%	0.5%	0.6%	0.4%
Indian	0.7%	1.0%	1.5%	1.8%	2.1%	1.7%
Pakistani	0.3%	0.3%	0.7%	1.0%	1.2%	0.9%
Any Other Asian Background	0.2%	0.2%	0.4%	0.6%	0.8%	0.5%
<b>Mixed</b>	<b>0.6%</b>	<b>0.8%</b>	<b>0.8%</b>	<b>1.2%</b>	<b>2.0%</b>	<b>1.1%</b>
White and Black African	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%
White and Black Caribbean	0.2%	0.2%	0.2%	0.3%	0.6%	0.3%
White and Asian	0.2%	0.2%	0.2%	0.3%	0.4%	0.3%
Any Other Mixed Background	0.2%	0.3%	0.3%	0.4%	0.9%	0.4%
<b>Chinese</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.2%</b>
<b>Any Other Ethnic Group</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>1.1%</b>	<b>0.5%</b>

Source: **School Workforce Census**, November 2014

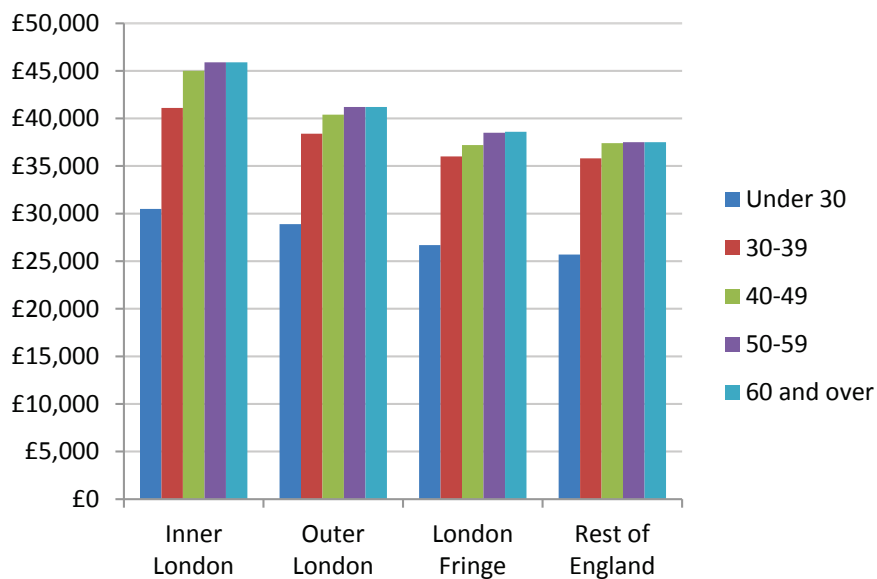
## Classroom teacher salaries

- C5. The case for continued pay restraint remains strong. While teacher recruitment will become increasingly challenging as the economy strengthens, the teacher labour market remains healthy and teaching continues to be an attractive profession. Teachers' salaries are still competitive.
- C6. In 2015/16 the minimum salaries for classroom teachers in the Rest of England and Wales pay band (the lowest of the four regional pay bands) are £22,224 for a qualified teacher and £16,298 for an unqualified teacher.
- C7. Teachers' salaries are largely driven by the location of the school they work in and their level of experience. Figure 7 shows median salaries of classroom teachers by pay band and age. Classroom teachers typically see their salary rise much quicker in the beginning of their careers than in their later stages.

<sup>8</sup> Percentages are out of a total of those with ethnicity information recorded in the census (over 95% of all teachers)



**Figure 7 : Average (median) salaries of classroom teachers in publicly funded schools, by age of teacher<sup>9</sup>**

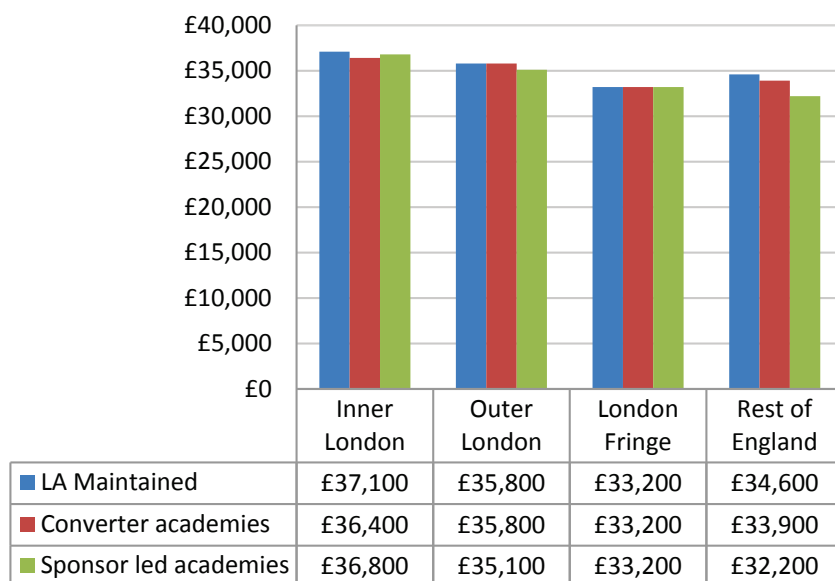


Source: **School Workforce Census**, November 2014

- C8. However, analysis of the November 2014 School Workforce Census (SWC) also shows that the overall level of pay varies between phase and sector. Figure 8 and Figure 9 show that average salaries for classroom teachers are higher in secondary schools than in primary schools, across both the maintained and academy sectors.
- C9. In inner London primary schools the average salaries are higher in maintained schools than in academy converters, whilst in secondary schools, classroom teachers in sponsor-led academies consistently have the lowest salaries in each of the four pay bands. However, this analysis does not allow for like-for-like comparison of characteristics. Other analysis suggests that on average academies use allowances less than in maintained schools.

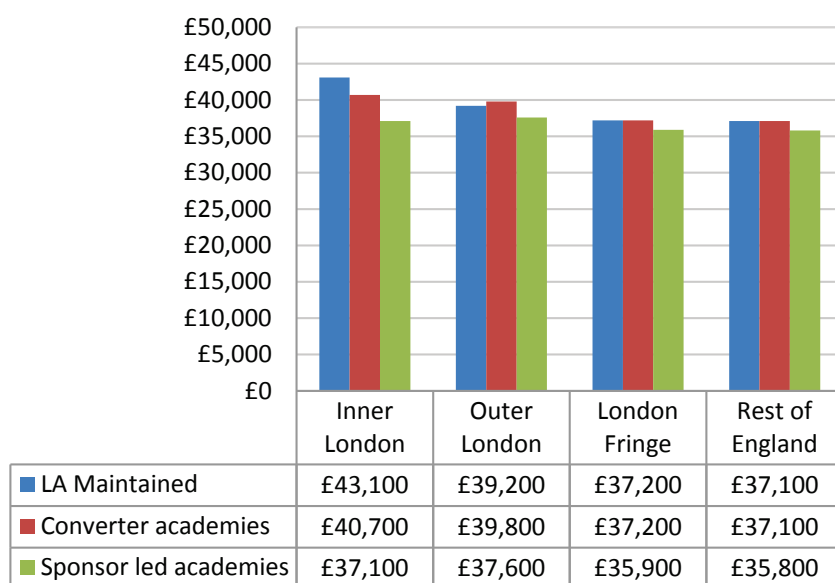
<sup>9</sup> Excludes centrally employed teachers, unqualified teachers and teachers with unreliable salary.

**Figure 8 : Average (median) salaries of classroom teachers in primary schools by region and school type<sup>10</sup>**



Source: **School Workforce Census**, November 2014

**Figure 9 : Average (median) salaries of classroom teachers in secondary schools by region and school type<sup>11</sup>**



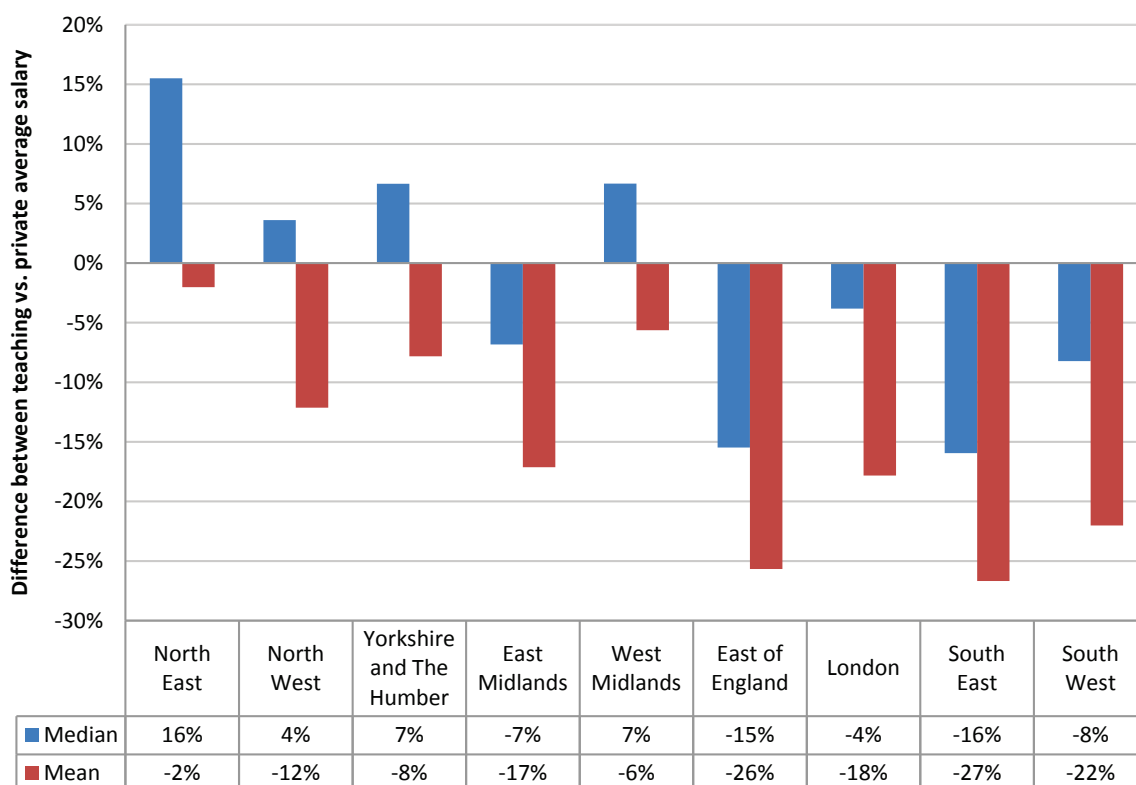
Source: **School Workforce Census**, November 2014

<sup>10</sup> Excludes special schools, free schools, CTCs, UTCs, studio schools, and centrally employed staff and teachers with unreliable pay information.

<sup>11</sup> Excludes special schools, free schools, CTCs, UTCs, studio schools, and centrally employed staff and teachers with unreliable pay information.

C10. Figure 10 shows that the median pay of classroom teachers is higher than private sector graduate professionals in the North East, North west, Yorkshire and the Humber, and the West Midlands. In the other regions the median pay of classroom teachers is lower than that of private sector graduate professionals.

**Figure 10 : Percentage difference in average (mean and median) salaries - classroom teachers' salaries vs. private sector graduate professional salaries 2014/15<sup>12 13</sup>**



Source: **School Workforce Census** November 2014 (teachers), **Labour Force Survey** (graduate professionals)

C11. The classroom teacher mean salary is lower than that of a graduate professional in all regions. In general, this can be explained by the existence of some graduate professionals earning very high salaries, which are inflating the value of the mean, but have little effect on the median. Classroom teachers are less likely to be paid salaries at very high levels due to the maximum salary restrictions of the STPCD.

C12. Pay is only part of the total compensation package and this analysis does not take into account additional elements offered in the different professions, such as the pension provision and the offer of healthcare benefits . Graduates

<sup>12</sup> Graduate cohort includes employees who worked in past week, full-time in main job, with highest qualification a degree or equivalent, professional occupation or associate professional and technical occupation. The national total for graduates includes Wales, whereas for classroom teachers it is England only.

<sup>13</sup> The 2014/15 average salaries for graduates are estimates based on the latest three quarters of available data (Q4 2014 and Q1&Q2 2015). Q3 2015 of the Labour Force Survey is not yet available

would also base their career decisions on other factors, such as future career/promotion prospects, job security and work/life balance.

- C13. This analysis does not compare workers with like-for-like characteristics and the comparison would be quite different if factors such as gender and age were taken into account. Female teachers generally fare better than male teachers when compared to graduates. The earnings gap between teachers and graduates of the same age varies but is generally smaller at younger ages.
- C14. Figure 11 shows real term earning values<sup>14</sup> of classroom teachers and private sector graduates 2002/03 to 2014/15<sup>15</sup>, not accounting for any regional variation. While all three averages have risen in the latest year, those for private sector graduates appear to have risen more steeply than was the case in the teaching profession. This could indicate the teaching profession is more robust to fluctuations in the economy than the private sector. The rising real terms average salaries were both driven by a slight increase in the average cash terms salaries as well as exceptionally low inflation. Alternatively, the increase in average salaries could be the result of a changing composition of the teaching/private sector labour market.
- C15. From 2002/03 to 2014/15<sup>16</sup> classroom teacher median salaries have seen a drop of 7% and overall teacher median salaries of 10% in real terms. The median salaries of private sector graduates have decreased by 12%.

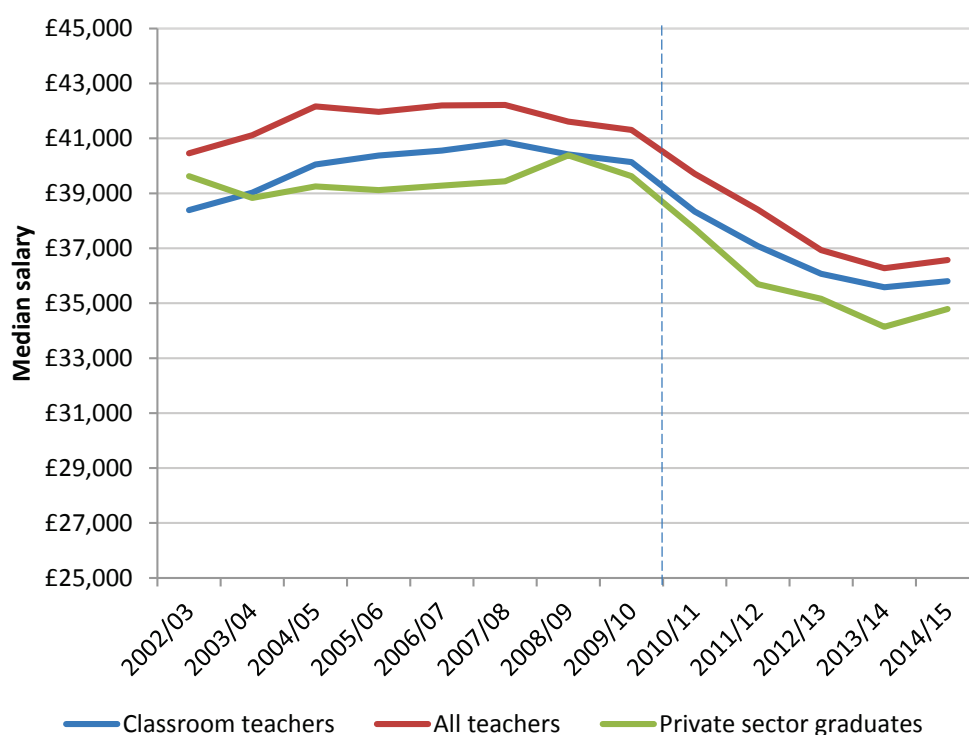
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<sup>14</sup> At 2014/15 levels, using CPI as the measure of inflation, consistent with ONS published analysis of changes in real wages.

<sup>15</sup> The 2014/15 average salaries for graduates are estimates based on the latest threequarters of available data (Q4 2014 and Q1&Q2 2015). Q3 2015 of the Labour Force Survey is not yet available.

<sup>16</sup> Before 2013/14 the classroom teacher figures include ASTs and ETs; from 2013/14 onwards they include leading practitioners.

**Figure 11 : Average (median) salaries in real terms<sup>17</sup> over time<sup>18</sup>**



Source: **Database of Teacher Records** (prior to 2010) and **School Workforce Census** (from 2010).  
 Graduates: **Labour Force Survey** (all years)<sup>19</sup>

## Use of allowances

C16. Table 7 shows the percentage of schools making use of different allowances by region. Nationally, 75.8% of schools were using allowances in November 2014. Following a stable increase from 75.7% in November 2012 to 78.8% in November 2013, we have observed a small decrease between November 2013 and November 2014. There is considerable variation between the regions as regards the use of allowances, with additional payments being used most in inner and outer London (more than five out of six schools using them), while only approximately two in three schools using them in the South West.

<sup>17</sup> At 2014/15 levels, using CPI as the measure of inflation, consistent with ONS published analysis of changes in real wages.

<sup>18</sup> Unlike the previous three charts, this analysis is not limited to professional graduates due to inconsistencies in the time series of the Standard Occupational Classification. Instead, graduates from all occupations are included in this analysis.

<sup>19</sup> Coverage: From 2010: England and Wales, post-2010 onwards: Graduates – England and Wales, Teachers - England only. The 2014/15 average salaries for graduates are estimates based on the latest three quarters of available data (Q4 2014 and Q1&Q2 2015). Q3 2015 of the Labour Force Survey is not yet available.

**Table 7 : Use of pay flexibilities, by region (England, November 2014)**

Region	Total Number of Schools	Schools using REC payments		Schools using TLR payments		Schools using SEN payments		Schools using other payments		Schools using any payments	
		Number	%	Number	%	Number	%	Number	%	Number	%
North East	1,166	124	10.6%	804	69.0%	153	13.1%	209	17.9%	874	75.0%
North West	3,162	191	6.0%	2,138	67.6%	600	19.0%	569	18.0%	2,401	75.9%
Yorkshire and the Humber	2,239	204	9.1%	1,358	60.7%	286	12.8%	492	22.0%	1,614	72.1%
East Midlands	2,040	185	9.1%	1,421	69.7%	380	18.6%	363	17.8%	1,573	77.1%
West Midlands	2,394	361	15.1%	1,691	70.6%	234	9.8%	780	32.6%	1,933	80.7%
East of England	2,569	341	13.3%	1,481	57.6%	528	20.6%	938	36.5%	1,997	77.7%
Inner London	1,011	220	21.8%	769	76.1%	219	21.7%	272	26.9%	842	83.3%
Outer London	1,525	221	14.5%	1,167	76.5%	313	20.5%	550	36.1%	1,297	85.0%
South East	3,337	423	12.7%	1,784	53.5%	713	21.4%	891	26.7%	2,259	67.7%
South West	2,316	140	6.0%	1,181	51.0%	441	19.0%	755	32.6%	1,712	73.9%
<b>England</b>	<b>21,759</b>	<b>2,410</b>	<b>11.1%</b>	<b>13,794</b>	<b>63.4%</b>	<b>3,867</b>	<b>17.8%</b>	<b>5,819</b>	<b>26.7%</b>	<b>16,502</b>	<b>75.8%</b>

Source: **School Workforce Census**, November 2014<sup>20</sup>

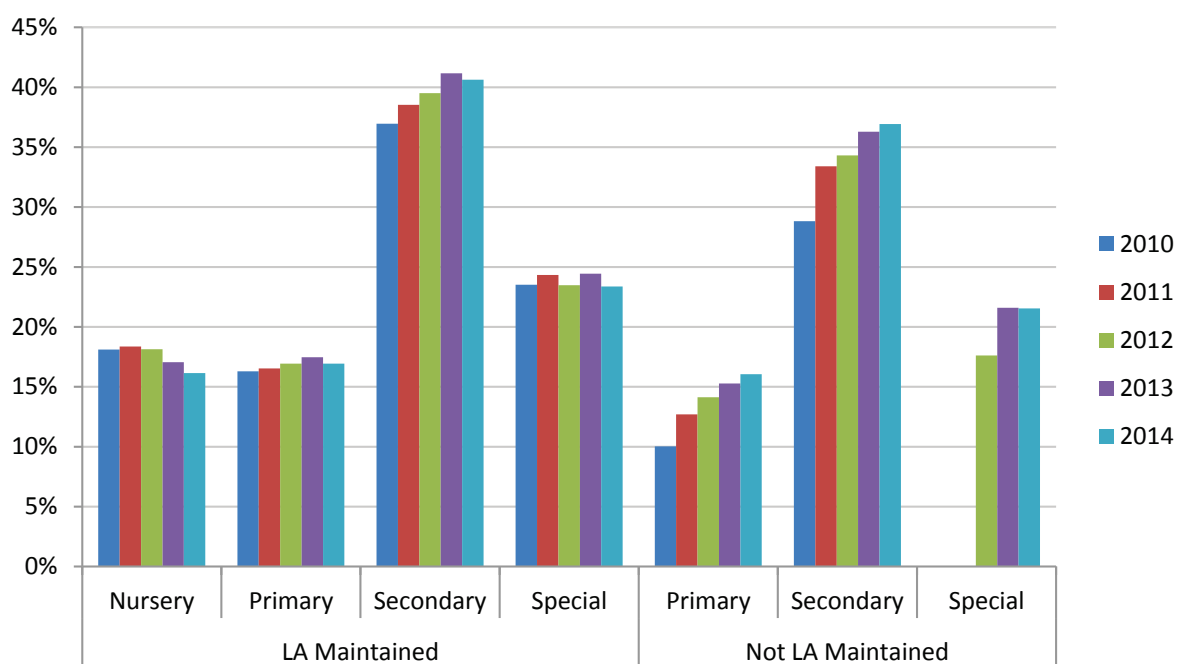
<sup>20</sup> Classroom teachers in publicly funded schools for whom data is provided. A school is counted if they are paying a pay flexibility to at least one classroom teacher. REC payments represent Recruitment and Retention payments.

- C17. Teaching and learning responsibility (TLR) payments are the most widely used form of allowances, used in approximately 63.4% of schools. TLR payments are made to a teacher for undertaking a sustained additional responsibility for the purpose of ensuring the continued delivery of high-quality teaching. London schools make use of these payments most often and this pattern has been stable over time (since November 2010).
- C18. Recruitment and retention payments provide financial assistance, support or benefits to a teacher if such incentives are considered to be necessary for the recruitment of new teachers and the retention of existing teachers.
- C19. Table 7 shows that Inner London schools use these payments the most often; this has long been the case. Given the size of the job market in London, schools may face larger competition for teachers there than elsewhere, which may in turn drive the higher use of recruitment and retention payments.
- C20. Similarly, London has the most widespread use of SEN payments, but they are also widely used in the East of England and in the South East. 'Other payments', on the other hand, are being used most widely in Outer London and in the East of England, West Midlands and the South West. It could be that schools in some regions tend to record TLR / REC / SEN payments under 'Other payments'. These figures should therefore be interpreted with caution.
- C21. Figure 12 shows the percentage of classroom teachers in receipt of TLR payments each year between November 2010 and November 2014. Maintained schools were more likely to use TLR payments than academies, and TLR payments were more widely used in secondary schools than primary schools. The overall proportion of teachers in receipt of a TLR payment has been generally increasing over time, from 26.6% in November 2010 to 27.3% in November 2014. However, a slight decrease has been noted between November 2013 and 2014 (from 27.7% to 27.3%). The long-term increase has been reflected in the rise of the proportions both in primary and secondary schools; special schools show no change and nursery schools a small decrease. It is also worth noting that full-time teachers are approximately twice as likely to be awarded a TLR payment compared to part-time teachers, with approximately 31.3% of full-time teachers and 14.2% of part-time teachers having been in receipt of a TLR payment in November 2014.<sup>21</sup>

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<sup>21</sup> This also holds when controlling for school type.

**Figure 12 : Proportion of classroom teachers in receipt of a TLR payment<sup>22</sup>**



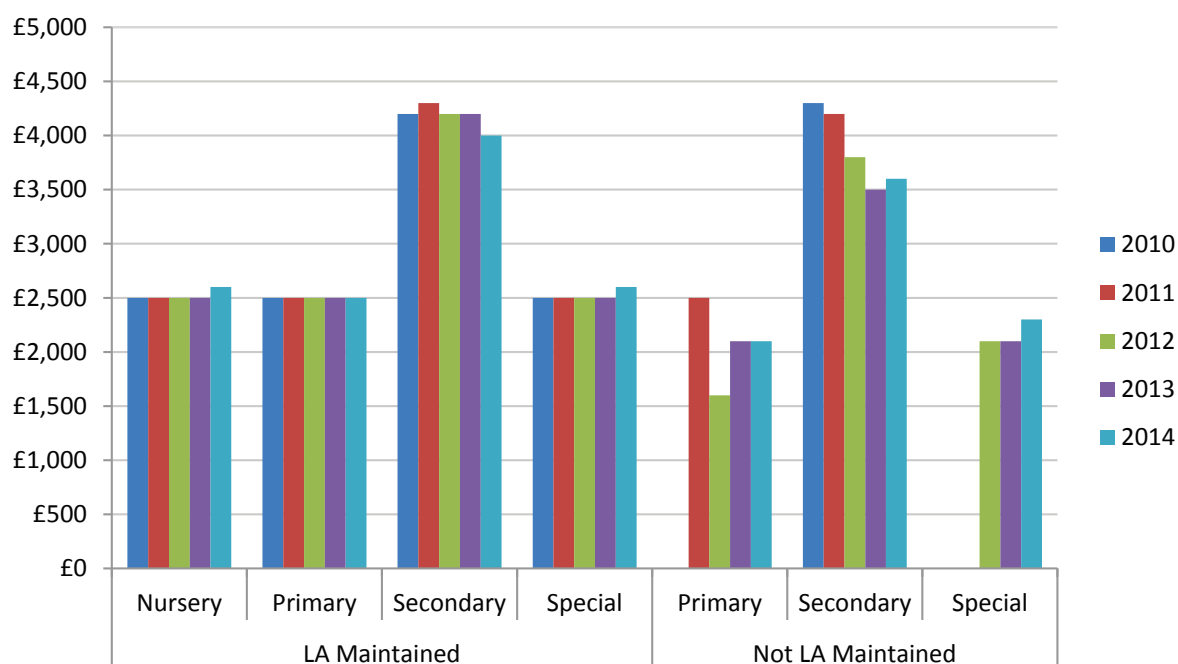
Source: **School Workforce Census**, November 2010-2014

C22. Figure 13 shows the median annual TLR payments by phase and sector paid to classroom teachers in November 2010-2014. It shows that TLR payments of all types were on average of higher value in secondary schools than in primary schools and that they have also been higher in LA-maintained schools in comparison to academies and other state-funded non-LA-maintained schools. The highest average TLR payments, of around £4,000, have been found in LA-maintained secondary schools. Non-LA-maintained secondary schools saw a decline until November 2013 and a small increase in November 2014, with the most recent estimate being £3,600. In LA-maintained nursery, primary and special schools the average has been stable at around £2,500, while it has been slightly lower in non-LA-maintained schools of the respective types.

<sup>22</sup> Excludes centrally employed teachers, unqualified teachers and leading practitioners. The number of teachers in not LA maintained special schools prior to November 2012 is not large enough to provide robust estimates and the respective figures are therefore not reported here. 'Not LA maintained' covers all state funded primary, secondary and special schools which are not maintained by LAs, e.g. academies, studio schools and UTCs



**Figure 13 : Average (median) TLR payment for classroom teachers<sup>23</sup>**



Source: **School Workforce Census**, November 2010-2014

## Vacancies

C23. Table 8 shows vacancy rates by English regions between 2001 and 2014. The dotted line indicates a change in data source prior to the final five years in the series. From November 2010 vacancy rates are based on a census date in November (prior rates were based on a census date in January, a time of the year in which schools would be expected to have more vacancies than in November). A general decline in vacancy rates and the change in census date accounts for the large drop between January 2010 and November 2010.

C24. Vacancy rates have remained fairly low and relatively stable in the last five years, but have shown a small increase between November 2012 and November 2013 from 0.1% to 0.2%. In November 2014 the overall rate was again higher at 0.3%. The teacher vacancy rate nevertheless remains low and has remained stable at around 1% or below for the past 15 years.

<sup>23</sup> Excludes centrally employed teachers, unqualified teachers, leading practitioners and classroom teachers without a TLR payment. The numbers of teachers receiving TLR payments in non-LA maintained special schools prior to November 2012 as well those in non-LA maintained primary schools prior to November 2011 are not large enough to provide robust estimates and the respective figures are therefore not reported here. 'Non-LA maintained' covers all state funded primary, secondary and special schools which are not maintained by LAs, e.g. academies, studio schools and UTCs.

**Table 8 : Vacancy rates<sup>1</sup> in publicly funded schools by region (England, November 2014)**

Region	Vacancy rate (as a percentage of teachers in post)												Nov 2010 <sup>2</sup>	Nov 2011	Nov 2012	Nov 2013	Nov 2014
	Jan 2001	Jan 2002	Jan 2003	Jan 2004	Jan 2005	Jan 2006	Jan 2007	Jan 2008	Jan 2009	Jan 2010							
North East	0.8	0.6	0.7	0.5	0.4	0.4	0.4	0.5	0.4	0.5			0.2	0.1	0.1	0.1	0.1
North West	0.5	0.6	0.5	0.5	0.5	0.3	0.3	0.3	0.3	0.3			0.1	0.1	0.1	0.2	0.1
Yorkshire and the Humber	0.5	0.9	0.6	0.5	0.6	0.5	0.5	0.7	0.5	0.4			0.1	0.1	0.2	0.3	0.3
East Midlands	0.7	0.9	0.5	0.4	0.4	0.4	0.3	0.5	0.5	0.3			0.1	0.1	0.1	0.3	0.2
West Midlands	0.9	1.1	0.8	0.7	0.7	0.6	0.6	0.9	0.9	0.6			0.1	0.1	0.2	0.2	0.2
East of England	1.7	1.7	1.2	0.9	0.8	0.8	0.7	0.8	0.9	0.5			0.1	0.1	0.1	0.2	0.2
London	3.5	2.7	2.1	1.4	1.3	1.2	1.0	1.1	0.9	0.6			0.1	0.1	0.1	0.2	0.3
South East	2.0	1.4	1.2	0.8	0.7	0.7	0.6	0.8	0.6	0.4			0.1	0.1	0.1	0.2	0.3
South West	0.6	0.5	0.4	0.3	0.4	0.3	0.3	0.4	0.3	0.2			0.1	0.1	0.1	0.1	0.2
<b>England</b>	1.4	1.2	0.9	0.7	0.7	0.6	0.6	0.7	0.6	0.4			0.1	0.1	0.1	0.2	0.3
<b>England (excl. London)</b>	1.0	1.0	0.8	0.6	0.6	0.5	0.5	0.6	0.6	0.4			0.1	0.1	0.1	0.2	0.3

Source: **618g Survey and School Workforce Census**

1. Based on advertised vacancies for full-time permanent appointments (or appointments of at least one term's duration). Includes vacancies being filled on a temporary basis of less than one term.
2. From November 2010, vacancy rates are based on a census date in November which represents a break in the time series (prior rates were based on a census date in January). A general decline in vacancy rates and change in census date accounts for the large drop between Jan 2010 and Nov 2010

- C25. We are confident that these vacancy rates are manageable. We recruited 93% of the overall number of trainees we set out to recruit for training in 2014/15, reflecting the continuing popularity of teaching. In addition, increased pay flexibilities will support headteachers in addressing teacher shortages in specific subjects and in certain areas of the country.
- C26. At secondary level, after a drop in the vacancy rate between November 2010 and November 2011, Table 9 shows that the number of full-time classroom teacher vacancies and temporary filled posts has increased from 520 in 2011 to 1,730 in 2014. The rate has also increased from 0.3% to 1.1%. Above average vacancy rates have been consistently observed for mathematics, information technology, all sciences and English.
- C27. Table 10 shows the proportion of hours taught by non-specialist teachers in EBacc subjects. There has been a small increase since last year, with 28.2% of all hours taught in Physics and 19.8% of all hours taught in Chemistry being taught by non-specialist teachers. There are also above average proportions of non-specialist hours for modern foreign languages, although this definition of 'specialist' does not take into account the native tongue of the teacher<sup>24</sup>.

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<sup>24</sup> For example, a teacher who speaks French as a first language but who did not hold a post-A level qualification in 'French' would not be counted as a specialist

**Table 9 : Full-time classroom teacher vacancies and temporary filled number<sup>25</sup> of posts<sup>26</sup> and rates in publicly funded secondary schools and academies by subject<sup>27</sup>**

November 2010 to 2014, England

	VACANCIES AS A PERCENTAGE OF TEACHERS IN POST					NUMBER OF VACANCIES				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
<b>ALL VACANCIES</b>	0.4	0.3	0.5	0.8	1.1	630	520	800	1,220	1,730
<b>MAIN TEACHING SUBJECT</b>										
Mathematics	0.7	0.5	0.7	1.1	1.4	120	100	140	220	290
Information technology	0.5	0.4	0.5	1.0	1.5	40	30	30	60	90
All sciences	0.4	0.4	0.6	1.0	1.4	80	90	140	230	340
Languages	0.3	0.4	0.5	0.3	0.7	30	40	50	40	80
English	0.5	0.4	0.7	1.0	1.3	110	80	150	220	280
Drama	0.3	0.1	0.1	0.4	0.4	10	-	-	-	-
History	0.2	0.3	0.2	0.4	0.8	10	20	20	30	60
Social sciences	0.6	0.3	0.6	0.7	1.4	20	10	30	30	60
Geography	0.2	0.2	0.4	0.6	1.2	10	10	20	40	80
Religious education	0.3	0.2	0.4	0.7	0.6	10	10	20	40	30
Design and technology	0.4	0.2	0.4	0.6	1.1	40	20	40	60	100
Commercial/business studies	0.5	0.1	0.2	0.4	0.6	20	-	10	20	40
Art/craft/design	0.2	0.1	0.2	0.5	0.5	10	10	10	30	30
Music	0.2	0.2	0.5	0.3	1.0	10	10	20	10	40
Physical education/sport/dance	0.2	0.1	0.1	0.3	0.4	30	20	20	40	50
Careers	-	-	-	-	-	-	-	-	-	-
Other main and combined subjects	0.5	0.4	0.5	1.0	1.1	50	50	50	90	100
Unknown subjects	.	.	.	.	.	30	20	40	50	40

Source: **School Workforce Census**

<sup>25</sup> Advertised vacancies for full-time permanent appointments (or appointments of at least one term's duration). Includes vacancies being filled on a temporary basis of less than one year

<sup>26</sup> Teachers in post include full-time qualified regular teachers in (or on secondment from) publicly funded secondary schools

<sup>27</sup> Totals may not appear to equal the sum of the component parts because of rounding.

**Table 10 : Number of 'specialist'<sup>28</sup> teachers and percentage of hours taught by 'non-specialist' teachers in publicly funded schools (England, November 2014)**

<b>EBacc subject</b>	<i>Number of 'specialist' teachers in subject</i>	<i>% of hours taught by 'non-specialist'</i>	<i>Number of additional 'specialist' teachers needed to teach the 'non-specialist' hours</i>
Mathematics	25,320	20.2%	6,410
English	29,620	17.0%	6,070
Physics	4,060	28.2%	1,600
Chemistry	5,700	19.8%	1,410
Biology	7,620	13.8%	1,220
Combined / General science **	29,360	11.0%	3,630
History	11,920	14.7%	2,050
Geography	10,090	16.7%	2,020
French*	10,420	24.7%	3,420
German*	3,360	24.7%	1,100
Spanish*	3,720	43.0%	2,810
Other modern languages*	1,000	60.7%	1,550

Source: **School Workforce Census**, November 2014

## Demand

C28. Every year the Department sets the National College for Teaching and Leadership (NCTL) targets for recruitment to Initial Teacher Training (ITT) courses informed by the Teacher Supply Model (TSM)<sup>29</sup>. The main purpose of the TSM is to determine the optimum number of ITT places in England in order to match future teacher supply with future teacher demand as closely as possible. The future demand is determined using assumed Pupil Teacher Ratios (PTRs). It also takes into account other flows within the existing stock of teachers, such as those leaving the profession (wastage) and retiring as well as those expected to return to teaching in the state-funded sector. Further information on recruitment to ITT is in [Annex D](#).

C29. Overall pupil numbers (aged up to and including Key Stage 5) in state-funded schools began to increase in 2008/09 and are projected to continue rising until at least 2026/27. The numbers in maintained nursery and state-funded primary schools are projected to increase by 6% between 2015/16 and 2026/27, reaching around 4.836 million FTE<sup>30</sup>. State-funded secondary pupil numbers (up to and including Key Stage 5) declined to 3.124 million FTE in 2014/15. However, these are now starting to increase as the increases in primary pupil numbers flow through into secondary schools. By 2026/27, the

<sup>28</sup> Teachers qualified in biology, chemistry or physics are treated as qualified to teach both combined/general science and other science

<sup>29</sup> The model is published online at: <https://www.gov.uk/government/publications/teacher-supply-model>

<sup>30</sup> 2016/17 TSM published online at: <https://www.gov.uk/government/publications/teacher-supply-model>.

number of state-funded secondary school pupils up to and including Key Stage 5 is projected to be 19% higher compared to levels in 2015/16. When pupil numbers increase, it is expected that future teacher demand will increase. This is taken into account when calculating future teacher need as part of the TSM<sup>31</sup>.

- C30. Long-term projections of pupil numbers used in the TSM are at a national level. The Office of National Statistics (ONS) produces shorter-term projections of the numbers of the school-aged population by region<sup>32</sup>. By 2017, all regions in England are projected to have an increase in their primary aged population (aged 5 to 9) compared with 2012. There is some variation by region, ranging from around 9% in the North West, North East, West Midlands and Yorkshire and the Humber to 13% in London. Between 2012 and 2017, the secondary aged populations (aged 10-14) of all regions in England are projected to rise. Most regions will see an increase of 2-3%, but the South East and London will see increases of 4% and 8% respectively.
- C31. Whilst the Department aims to estimate future teacher demand, decisions taken at school level will determine the actual number of teachers required. Increasing the proportion of ITT that is school-led gives schools greater scope to plan for local demand. Wider evidence of international experience shows that, even when supply and demand for teachers are in balance, many countries face shortages of specialist teachers and shortages in schools serving disadvantaged or isolated communities<sup>33</sup>.

## Vacancies and demand in Wales

- C32. The latest published statistics for advertised vacancies in Wales show that between 1 January and 31 December 2014, 785 teacher vacancies were advertised for primary schools, with an average of 18 applications received. (With English medium posts attracting an average of 23 applications per post and Welsh medium posts attracting an average of 8 applications.)
- C33. The latest projections for pupil numbers (based on the school population of Wales at January 2015) show primary pupil numbers rising by 13,500 between 2015 and 2025. Pupil projection figures are based on full time equivalent figures.

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<sup>31</sup> See 2016/17 TSM published online at: <https://www.gov.uk/government/publications/teacher-supply-model>.

<sup>32</sup> See 2012 sub national projections at: <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Population+Projections>.

<sup>33</sup> OECD, *Preparing Teachers and Developing School Leaders for the 21<sup>st</sup> Century: Lessons from Around the World*, (2012), Ch. 3.p58

- C34. A baseline projection from the Teacher Planning and Supply Model (TPSM) for the period 2014/15 – 2022/23 using updated data shows that without any change to numbers there would be no over supply of primary ITET entrants, but a sustained and significant reliance on large numbers of re-entrants to fill vacant positions.
- C35. This approach would also ensure that qualified primary teachers already in the system, but yet to secure teaching work, should become utilised, as anecdotal evidence suggests that in some areas there remain numbers of recently qualified primary teachers being unable to secure permanent posts.
- C36. Whilst primary and secondary ITET numbers were kept at the 2014/15 level for 2015/16, the situation will continue to be monitored in light of the latest national pupil projection data, given the current projected rising number of primary pupil numbers.
- C37. Between 1 January and 31 December 2014, 741 teacher vacancies were advertised for secondary schools, with an average of 10 applications received per post. (With English medium posts attracting an average of 11 applications per post and Welsh medium posts attracting an average of 4 applications.)
- C38. Projections for pupil numbers suggest secondary pupil numbers will fall by 7,700 overall between 2015 and 2018, before starting to rise again by 2019.

## Annex D: Recruitment to teacher training

- D1. Each year the government projects the number of new trainee teachers that will be required over the next five to 10 years to ensure there are enough teachers in the state-funded school system (in England). These estimates are reflected in indicative numbers published<sup>34</sup> by the Department and the NCTL in relation to ITT recruitment.
- D2. The overall number of trainee teachers required for the 2014/15 recruitment round, for both the primary and secondary phases, was estimated to be 32,543.
- D3. Provisional recruitment data from NCTL's ITT trainee census 2014/15 suggests that we have reached 93% of all required trainees in all secondary and primary programmes.
- D4. The latest figures (released by UCAS on 1 October) show that, by the end of the 2014/15 recruitment cycle, 3% more people started postgraduate teacher training than in the previous year.
- D5. Table 11 shows recruitment to primary phase against targets for the past three years. The slight shortfall against primary targets represents a small fraction of the overall primary workforce. It is expected that the system can respond to this, since not all trainees progress into teaching and schools can recruit teachers from other avenues. We have recently announced that bursary support for primary ITT trainees with a first or a 2:1 will continue to be provided in 2016/17 a rate of £3,000.

**Table 11 : Recruitment to primary stage ITT 2012/13-2014/15**

	<b>Entrants</b>	<b>Target</b>	<b>Recruitment rate</b>
<b>2012/13</b>	20,480	20,840	98%
<b>2013/14</b>	19,418	20,630	94%
<b>2014/15</b>	19,213	20,595	93%

Source: NCTL, ITT Census updated 2 July 2015

- D6. Table 12 shows recruitment to secondary phase broken down for English Baccalaureate subjects. There are some subjects that did not achieve the target numbers in 2013/14 or 2014/15.

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<sup>34</sup> <https://www.gov.uk/government/statistics/initial-teacher-training-trainee-number-census-2014-to-2015>



- D7. Over the last three years approximately 44,000 new teachers start each year in English state schools. Of these, around half (23,500) are newly qualified teachers (NQTs), a third (14,000) are returning to teaching<sup>35</sup>, and just under a fifth (7,000) qualified earlier<sup>36</sup> but are working in the state sector for the first time. We do not assume that all trainees will complete their training successfully and/or teach immediately in a state school, and that is built into our estimates of the numbers required.<sup>37</sup>.

**Table 12 : Recruitment to ITT courses for English Baccalaureate subjects –percentage of target**

Subject	2012/13	2013/14	2014/15 (Provisional)
English	114%	132%	122%
Mathematics	89%	86%	88%
Physics <sup>38</sup>	92%	72%	67%
Chemistry	108%	127%	122%
Biology	93%	95%	85%
Modern and ancient languages <sup>39</sup>	103%	85%	79%
Geography	99%	100%	81%
History	121%	150%	125%
Computer science	60%	58%	85%

**Table 13 : Recruitment to ITT courses broken down by gender 2014/15<sup>40</sup>**

Gender breakdown by phase	Provider led	School Direct (Fees)	School Direct (salaried)	Total
Males on primary ITT programmes	19%	24%	27%	21%
Females on primary ITT programmes	81%	76%	73%	79%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Males on secondary ITT programmes	40%	40%	43%	40%
Females on secondary ITT programmes	60%	60%	57%	60%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: NCTL, ITT Census updated 2 July 2015

<sup>35</sup> Teacher was not in service in the previous year, but had some previous service in the English publicly funded schools sector.

<sup>36</sup> Teacher has no known service in the English publicly funded schools sector, and qualified before the previous calendar year.

<sup>37</sup> Proportions of new teachers based on School Workforce Census data July 2015.

<sup>38</sup> Recruitment for Physics includes courses designated as physics with mathematics.

<sup>39</sup> Compromises modern foreign languages and classics for 2014/15.

<sup>40</sup> Percentages are rounded to the nearest whole percentage. Teach First and Troops to Teach are excluded.

- D8. Recruitment to STEM subjects is always very challenging, especially during a period of economic recovery. In 2014/15 we took a number of steps to help address some of these issues:
- removing the cap on allocations for physics and mathematics for schools and providers
  - increasing bursaries and scholarships for postgraduate ITT recruitment in shortage subjects
  - increasing the number of School Direct training programme (salaried) places from 3,757 to 5,134, to encourage more career changers to train as teachers
  - extending the subject knowledge enhancement (SKE) programme to include biology and geography
  - working closely with relevant professional bodies to promote priority subjects.
- D9. The reforms to teachers' pay that were introduced last September gave schools greater freedom to develop local offers which enable them to attract and retain the good teachers they need. Schools now have greater flexibility to determine what salary they wish to pay new teachers on appointment, as well as greater freedom to decide how quickly their pay progresses over time. This increased flexibility will help schools to address recruitment and retention issues at a local level.

## **ITT allocations 2015/16**

- D10. Every year the Department for Education estimates the number of trainees required in each subject, based on a range of factors. Based on these estimates, NCTL makes teacher training places available to accredited ITT providers and to lead schools involved in the School Direct scheme (who have to be partnered with an accredited ITT provider). We have previously done this by allocating a specific number of places to individual schools, and ITT providers.
- D11. We are changing the approach to initial teacher training (ITT) allocations for the 2016 to 2017 academic year. NCTL will not be allocating a specific number of places to individual organisations for postgraduate ITT courses due to start in the 2016 to 2017 academic year. Instead, eligible schools, SCITTs and HEIs will be able to recruit (subject to a limited number of controls) as many trainees as they feel they need – until the overall system has recruited sufficient trainees.

D12. To ensure sufficient national trainee coverage, whilst protecting individual school, SCITT and HEI viability and insuring against uncontrolled over recruitment, we will operate a limited number of controls on recruitment. We will apply 2 specific controls, and will hold in reserve 2 controls that will only be applied if necessary.

#### a. Specific controls

- **National demand by subject:** We will limit recruitment on a subject-by-subject basis to prevent more trainees being recruited than is necessary. The threshold level by subject is based on our estimate of trainee need as determined by the teacher supply model. We will monitor the latest recruitment data and the level of the TSM target to inform enforcement of this control.
- **Route:** There has been overwhelming demand among schools to provide school-led ITT, either as the lead school for School Direct or as a SCITT provider in their own right. We have seen year-on-year increases in trainee recruitment to School Direct routes since its introduction in the 2012/13 academic year. Ministers are committed to the continued growth of school-led ITT provision and, as such, we will set national minimum levels of recruitment to school-led routes (i.e. School Direct and SCITT provider-led courses) by subject. Lead schools and SCITTs will be able to recruit above these levels if such demand from applicants exists. There will be no minimum recruitment level for university provider-led courses.

This control will allow for moderate growth in school-led provision where such demand exists. The minimum recruitment level for School Direct and SCITT provider-led courses has been informed, in part, by recruitment to courses starting in September 2015.

School Direct (tuition fee) and SCITT provider-led courses will be considered under the same minimum recruitment level. School Direct (salaried) will have its own separate controls for each subject, reflecting national recruitment requirements and available funding.

The minimum recruitment level for each subject has been calculated using the latest available recruitment data, information supplied about planned recruitment at route level and the 2016/17 teacher supply model.

As there is a recruitment control for each subject (i.e. the TSM estimate of trainee need) and a school led minimum recruitment level, NCTL

may stop HEI recruitment should it reach a certain level to enable the school-led route minimum to be reached within the overall threshold for that subject should school-led routes prove sufficiently popular.

## **b. Reserve controls**

- **Organisation:** We reserve the right to control recruitment to prevent individual SCITTs and HEIs expanding their share of the market beyond a certain level. We would expect to see some expansion at individual SCITTs and HEIs but we expect this to be carried out responsibly (i.e. not at the expense of quality). We know schools, SCITTs and HEIs are committed to recruiting the best possible quality of trainees. This is also very important to the Department for Education and is reflected in the significance that Ofsted places on this matter in their inspection framework and the importance attached to Ofsted grade in our eligibility requirements.

This control is intended to maintain the mix of ITT provision locally to protect choice for applicants and to limit any negative effects of over-expansion from this change of approach for 2016 to 2017. HEIs and SCITTs will remain free to expand their business by establishing new partnerships and acting as the ITT provider for School Direct courses. HEIs will also be able to grow by offering academic awards for SCITTs.

If applied, this control will vary by subject, as with the control based on route, and will also be calculated using data on recruitment to courses starting in the 2015 to 2016 academic year, planned recruitment and the 2016/17 teacher supply model. By its nature it will vary by individual institution.

- **Location:** We reserve the right to control recruitment in particular regions for all routes and courses. It is important to maintain the regional balance of ITT provision and consequently we may use this control to prevent significant geographical variation in the distribution of provision compared to previous years. However, we will not operate with regional targets.

In practice, this control is most likely to be applied to allow one or two regions to continue to recruit when recruitment to courses in other areas of the country has been stopped.

D13. The recruitment control levels allow for continued expansion of School Direct. Many HEIs are embracing opportunities to engage with School Direct and will continue to be important players in the delivery of ITT, working with schools to

shape and deliver initial training and continuing professional development that more closely matches the needs of the school, its pupils and its teachers.

D14. Table 14 sets out this year's recruitment control levels by subject and type of place.

**Table 14 : Summary of recruitment controls for the 2016 to 2017 academic year, grouped by subject and type of place**

Academic year 2016 to 2017				
Designated ITT subject	Teacher supply model (TSM)	Teach First allocation	School Direct (salaried) recruitment level	School Direct (tuition fee) and SCITT minimum recruitment level
Art & Design	633	0	14	261
Biology	1178	190	80	316
Business Studies	252	30	10	60
Chemistry	1053	60	95	393
Classics	69	0	2	6
Computing	723	30	51	215
Design & Technology	1033	15	77	273
Drama	347	0	11	200
English	2253	430	444	819
Geography	778	110	46	242
History	816	77	67	424
Mathematics	3103	308	256	847
Modern Foreign Languages	1514	143	79	390
Music	399	20	42	143
Other	938	0	13	203
Physical Education	999	0	25	577
Physics	1055	50	86	264
Primary	11489	507	1849	4135
Religious Education	544	30	28	106
<b>Totals</b>	<b>29176</b>	<b>2000</b>	<b>3275</b>	<b>9874</b>

## The quality of new recruits 2014/15

D15. The 2014/15 census data shows that the provisional overall proportion of trainees with a 2:1 or higher is 73%. This is a decrease of one percentage point on the same result in 2013, but an overall increase of eight percentage points since 2011. The overall proportion of trainees with a first class degree has also risen from 14% to 17%. The proportions of trainees with a 2:1 and with a first class degree are the highest recorded since this data was first collected in 2008/09.

D16. The provisional data in Table 15 indicates that the proportion with a 2:1 or above has remained stable compared to 2013/14 data.

**Table 15 : Proportion of first year postgraduate trainees with a 2:1 or higher classified degree, 2011/12-2014/15 (updated 2 July 2015) (selected subjects only)**

Subject	2011/12	2012/13	2013/14	2014/15
English	77%	84%	84%	84%
Mathematics	54%	62%	67%	64%
Biology	66%	73%	74%	70%
Chemistry	54%	64%	65%	62%
Physics	45%	62%	65%	60%
Modern and ancient languages	63%	74%	80%	73%
Geography	72%	75%	76%	76%
History	82%	87%	88%	88%
Total Secondary	63%	72%	75%	73%
Primary	67%	70%	73%	74%
<b>Total</b>	<b>65%</b>	<b>71%</b>	<b>74%</b>	<b>73%</b>

Source: NCTL, ITT Census updated 2 July 2015

## Bursaries and scholarships

- D17. The government's ITT strategy: *Training Our Next Generation of Outstanding Teachers*; published in November 2011, proposed new financial incentives, including higher bursaries than in previous years, particularly for trainees with good degrees in subjects where recruitment is traditionally hard. From 2012/13 bursaries were differentiated to provide a stronger focus on shortage subjects and high quality candidates.
- D18. For 2016/17 we have increased the value of the scholarship, and bursary for physics trainees with a first, from £25,000 to £30,000; other physics trainees, and maths trainees with at least a 2:2, will receive £25,000. We have increased bursaries in chemistry and computing to £20,000 for trainees with a 2:2 and languages trainees with at least a 2:1 will now receive £25,000, with £20,000 available for those with a 2:2. We have increased biology bursaries at all levels; trainees with a 1<sup>st</sup> class degree will now receive £20,000, with £15,000 available for those with at least a 2:2. Geography trainees with at least a 2:2 will also receive £15,000, reflecting the fact we need to do more to attract the top graduates in these subjects.

D19. All EBacc subjects, as well as music, continued to receive a bursary, reflecting the importance of those subjects. Table 16 summarises the bursaries available for different trainees in 2016/17.

**Table 16 : Bursaries and scholarships available to trainees in 2016/17**

	Eligibility 2016/17 <sup>41</sup>				
	Scholarships <sup>42</sup>	Bursaries			
		Trainee with 1 <sup>st</sup> /PhD	2:1/Masters	2:2	Other
<b>Physics</b>	£30,000	£30,000	£25,000	£25,000	£9,000 <sup>43</sup>
<b>Maths</b>	£25,000	£25,000	£25,000	£25,000	£9,000 <sup>45</sup>
<b>Chemistry or computing</b>	£25,000	£25,000	£20,000	£20,000	£0
<b>Languages<sup>44</sup></b>	-	£25,000	£25,000	£20,000	£0
<b>Biology</b>	-	£20,000	£15,000	£15,000	£0
<b>Geography</b>	-	£15,000	£15,000	£15,000	£0
<b>Design and technology</b>	-	£12,000	£9,000	£0	£0
<b>English, History, Music, RE</b>	-	£9,000	£4,000	£0	£0
<b>Primary maths<sup>45</sup></b>	-	£6,000	£6,000	£6,000	£3,000
<b>Primary</b>	-	£3,000	£3,000	£0	£0

D20. Scholarships are designed to recognise the very best applicants who have excellent subject knowledge and outstanding potential to teach. The organisations who award the scholarships set the bar high in their assessment and selection of ITT scholars. Table 17 provides details of performance in 2014/15.

D21. For 2016/17 we have increased the value of ITT scholarships to £30,000 for physics and retained the £25,000 scholarships for maths, chemistry and computing, reflecting the fact that we need to do more to attract the top

<sup>41</sup> Applicants with a degree from outside the UK should refer to the equivalency table (PDF, 1MB) to see if their degree is likely to attract a bursary, or should consult their chosen training provider.

<sup>42</sup> Trainees in maths, physics, chemistry and computing with a 2:1 or above are able to apply for a teacher training scholarship with the appropriate professional body.

<sup>43</sup> Trainee teachers in maths and physics, and on primary maths courses, with a relevant degree and at least a B at A level in maths or physics (or equivalent) will be eligible for a bursary of £9,000. Trainees will not be entitled to this bursary if they are also entitled to a higher bursary based on degree basis.

<sup>44</sup> Bursaries are available to train to teach modern foreign languages, community languages and ancient languages including Latin and Ancient Greek.

<sup>45</sup> Bursaries are available to trainees on either primary maths specialist courses or primary general (with mathematics) courses. Trainees on other primary courses will be eligible for the standard primary bursary.

graduates in these subjects. All successful scholars are supported by professional bodies through their training and early teaching career.

**Table 17 : Provisional scholarship performance in 2014/15**

	2014/15 Scholarships		
Subjects	Number available	Applications	Awarded
Chemistry	180	388	89
Computing	120	244	75
Maths	250	390	76
Physics	150	486	114
<b>Total</b>	<b>700</b>	<b>1,508</b>	<b>354</b>

D22. There are no changes to bursaries for English, RE or History; £9,000 for a first and £4,000 for a 2:1. However we have increased bursaries for biology, geography, languages, computing, chemistry, maths and physics. See Table 16.

## School-based ITT

D23. Table 18 shows the proportion of trainees in 2014/15 who came through the routes recorded in the ITT Census.

**Table 18 : Proportion of trainees training through each ITT route 2014/15**

	Initial allocations	2014/15 Census	Fill rate
<b>Provider led</b>	<b>25,817</b>	<b>22,924</b>	<b>89%</b>
<i>of which HEI</i>	23,095	20,774	90%
<i>of which SCITT</i>	2,722	2,150	79%
<b>School led (School Direct)</b>	<b>15,254</b>	<b>9,232</b>	<b>61%</b>
<i>of which SD (Salaried)</i>	3,919	2,781	71%
<i>of which SD (Fee)</i>	11,335	6,451	57%
<b>Total</b>	<b>41,071</b>	<b>32,156</b>	<b>78%</b>

Source: NCTL ITT Census updated 2 July 2015

## Teaching schools and school-based ITT

D24. There are currently 691 teaching schools across 537 alliances and we are on target to designate 600 alliances by October 2015. The average size of a teaching school alliance is 20 to 30 schools. Teaching schools lead the



school system in training and developing outstanding teachers. Their remit includes both the development of existing teachers through professional development opportunities such as peer-to-peer training and coaching and mentoring, as well as training new teachers.

- D25. Teaching schools co-ordinate ITT in schools across their alliance in their role as system leaders, to improve the range and quality of trainees' experience.

## **School Direct**

- D26. School Direct was launched as a pilot with the School Direct Training Programme (tuition fee places) in February 2012. The School Direct (salaried) route was introduced in 2013/14, offering employment-based places to career changers.
- D27. In 2013/14 some 850 lead schools were involved in School Direct, representing partnerships of around 6,000 schools. Demand from schools is increasing and in 2014/15 887 lead schools were allocated 13,879 places, with 3,757 places requested for the School Direct salaried programme.
- D28. Published data<sup>46</sup> shows that over 95% of those that completed their training on School Direct in 2013/14 have found jobs as teachers within six months of being awarded QTS.

## **School Direct (salaried) training and salary grants**

- D29. NCTL provides training and salary grants to School Direct lead schools to cover training costs for salaried trainees to achieve qualified teacher status (QTS); amounts vary on a regional basis (see Table 19). Additional qualifications such as a postgraduate certificate in education (PGCE) are not funded. School Direct trainees on the salaried route are not eligible for bursaries or scholarships. In 2014/15 School Direct trained 9,232, which is 29% of the total trained (see Table 18).
- D30. A £2,000 incentive payment is also available for schools recruiting and employing eligible graduate service leavers. This payment is funded directly by NCTL as part of the Troops to Teachers programme.

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<sup>46</sup> [Initial Teacher Training Performance Profiles: 2013 to 2014 academic year](#)

**Table 19 : School Direct (Salaried) 2014/15 funding, per place, by region**

Subject	National	London Fringe	Outer London	Inner London
High priority subjects: (physics and maths)	£25K	£26.2K	£28.6K	£29.9K
High priority subjects: (chemistry, computing; languages)	£19K	£20.2K	£22.6K	£23.9K
Other priority subjects: (English; biology; design and technology; geography; history; music; religious education)	£14K	£14.9K	£16.6K	£17.6K
Primary (maths specialist) <sup>47</sup>	£14K	£14.9K	£16.6K	£17.6K
Primary (non-specialist)	£9K	£9.6K	£10.8K	£11.4K

## 2015/16 School Direct salaried funding incentives

- D31. Additional grant funding of £6k will be available to schools to support salaries of £25k nationally and £29.9k in inner London on School Direct (salaried) for trainees in maths or physics.
- D32. Grant funding for chemistry, computing or languages remains at £19k nationally and £14k nationally for English, biology, design and technology, geography, history, music and religious education. To reflect bursary changes, the primary maths specialist grant will decrease from £19k to 14k nationally.

## School-centred initial teacher training (SCITT)

- D33. Some of the best schools are taking on full responsibility for the design and delivery of training by gaining accreditation as a school-led and SCITT provider.
- D34. There are currently 144 ITT providers which are school-led and the school is the legal entity; NCTL provides a support package to new SCITTS until the end of the first year of delivery of ITT programmes.
- D35. 80 SCITTS are led by teaching schools. Since April 2014, 61 new SCITTS have been accredited, 44 of which have been teaching schools.

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<sup>47</sup> This funding only applies to trainees with at least grade B at A level and who are on primary maths specialist courses.

## Teach First

- D36. The government is also continuing to build on Teach First's outstanding record in recruiting top graduates into teaching in challenging schools.
- D37. The recruitment target figures in 2009/10 were 560. In 2014/15, 1,387 participants joined the programme, including placements in the Eastern region, giving Teach First a presence in every region in the country and allowing it to place participants in more schools in low income communities. We have announced our support for the programme to expand towards 2,000 participants annually by 2015/16.

## Quality of ITT providers

- D38. The Ofsted guidance for inspecting ITT providers focuses on outcomes for trainees as one of the key judgements of the effectiveness of providers. Inspectors consider the attainment and completion rates of trainees; also how well trainees teach and how successful they are in finding employment upon qualification.
- D39. Ofsted is also working to ensure that ITT providers involve schools fully in their provision. The inspection framework for ITT providers recognises the features of outstanding university/SCITT-school partnerships, where schools are closely involved in the selection of trainees and the design and delivery of training.

## Teacher recruitment and training in Wales

- D40. The recruitment climate in Wales has not changed significantly in Wales during the past 2 years.
- D41. The Welsh Government has a key role in managing teacher supply for maintained schools in Wales by forecasting demand for newly qualified teachers through the setting of intake targets for recruitment to accredited initial teacher education and training (ITET) courses in Wales.
- D42. Initial Teacher Training intake target numbers have been kept at a steady state following a period of substantial reduction.
- D43. Intake targets are set annually based on the forecast of demand for newly qualified teachers. These are notified to the Higher Education Funding Council for Wales (HEFCW), which in turn notifies ITET Centres of their allocation by phase, subject and level of study.

- D44. The overall level of ITET Intake targets are set annually by the Welsh Government having taken account of the statistical runs undertaken each year following annual data updates to the Teacher Planning and Supply Model (TPSM) for Wales. The allocations are notified to HEFCW early autumn for distribution across the accredited ITET Centres. The latest published allocations refer to intake for academic year 2015/16. The TPSM was introduced from 2007/08 following a Review of ITET in 2006 which recommended that a more robust teacher supply model should be adopted to gauge better the number of newly qualified teachers required to meet demand for teachers from maintained schools in Wales.
- D45. Overall intake targets have been reduced based on the outcome of the TPSM and policy considerations, including evidence of significant over supply of qualified teachers. Between 2004/05 and 2015/16 intake numbers have reduced by approximately one third.
- D46. The recommendation to hold a steady state intake for 2015/16 academic year for both primary and secondary was based on the preliminary findings of a review on the quality and consistency of ITET 'Teaching Tomorrow's Teachers' (published in March 15). Table 20 shows the total intake target numbers for 2015/16.

**Table 20 : Intake target numbers for 2015/16**

	<b>Undergraduate</b>	<b>Postgraduate</b>	<b>Total</b>
<b>Primary</b>	300	450	<b>750</b>
<b>Secondary</b>	95	785	<b>880</b>
<b>Total</b>	<b>395</b>	<b>1,235</b>	<b>1,630</b>

- D47. The report included a qualitative analysis of the ITET provision overall in Wales and set out options and recommendations for reforming the sector. The Minister for Education responded to the report in June 2015 and work is now underway to transform the way ITET is currently delivered to help raise standards and support the introduction of a revised curriculum for Wales.
- D48. Maintaining stability in respect of ITET numbers through this period of reform will protect the viability of current provision and also support the supply of Welsh medium teachers. All three ITET Centres currently provide opportunities for students to train to teach through the medium of Welsh, but provision is the most comprehensive in the North and mid Wales Centre. However, in terms of overall targets the South East and South West centres continue to recruit strongly and serve significant regional catchment areas.

D49. Intake numbers for courses commencing in academic year 2016/17 are currently being considered following scrutiny of the TPSM projections. It is unlikely that a significant variance for allocations will be recommended given the work underway to transform how ITET is currently delivered in Wales.

## **Incentives in Wales**

D50. The Welsh Government makes available training incentives to students undertaking postgraduate ITET courses. Incentives are available of up to £20,000 for new eligible students starting postgraduate ITET courses in the 2015/16 academic year in the subjects of mathematics, physics, chemistry, and Welsh. Eligible postgraduate students with a first class degree will receive the highest funding levels, with progressively lower amounts for those with a 2.1 or 2.2. Incentives of up to £15,000 will be available for new eligible students studying modern foreign languages and ICT. Again eligible postgraduate students with a first class degree will receive the highest funding levels with a lower amount for those with a 2.1. Outside of the priority subjects, the Welsh Government only offers incentive grants to students with a first class degree (£3,000). Alongside the incentive support for their first class degree (£3,000) a further supplement is offered to primary students whose first class degree is in English, Welsh, mathematics, physics or chemistry (an additional £3,000).

## **Employment-based training in Wales**

D51. In Wales the current number of places on employment-based routes is relatively small, around 4% of overall places leading to QTS in Wales. The Welsh Government funds a contribution toward the trainee salary costs (£14,500 for 2015/16) and training costs (£4,500 in 2015/16) for a limited number of applications in priority secondary subjects of mathematics, physics, chemistry, modern foreign languages, ICT and Welsh and a £4,500 training grant for primary places. An additional number of unfunded places are available to support existing overseas qualified and further education qualified teachers to gain QTS, and those wishing to train to teach vocational subjects to support the 14-19 local curriculum.

D52. For academic year 2015/16, 60 GTP places are available in Wales. Allocations for GTP places for academic year 2016/17 will be considered following the allocation of mainstream ITET places, depending on the projections from the TPSM.

D53. From academic year 2013/14, places have been available on the Additional Training Graduate Programme (ATGP) in Wales, which is delivered by Teach First. Teach First recruits high quality graduates to work in challenging

schools in Wales. Each programme is two years in length and across the life of the pilot programme up to 150 participants will take part.

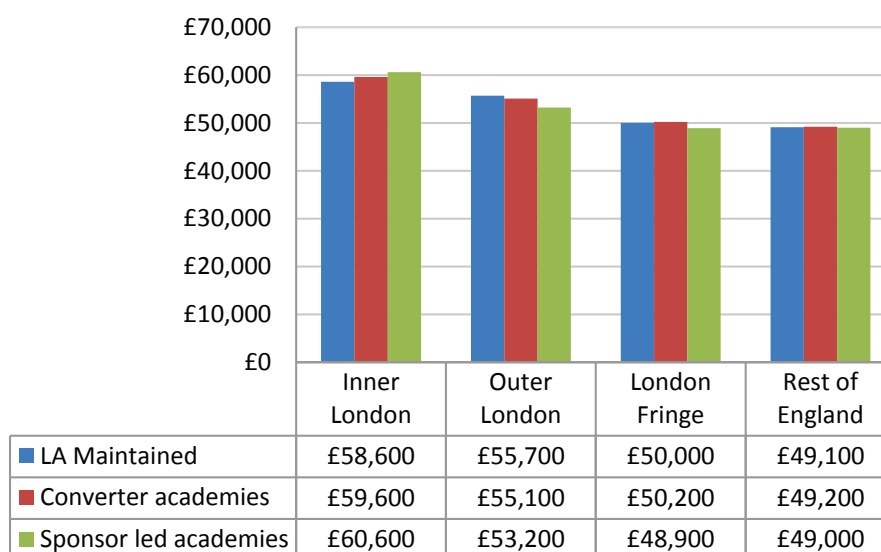
## Annex E: School leaders

- E1. The leadership group in the STPCD covers headteachers, deputy headteachers and assistant headteachers. There is a single leadership pay range which has eight headteacher groups (HTGs) for each of the four regional pay bands. The minimum on the Rest of England and Wales pay band is worth £38,598, and the highest on the Inner London pay band is worth £114,437.
- E2. The relevant body determines how the pay of leaders at its school relates to the leadership pay range by assigning the school to one of the eight HTGs, based on the number and age of the school's pupils, and then adopting the three-stage process recommended in the STRB's 23<sup>rd</sup> Report.

### Salaries of school leaders

- E3. In November 2014, the average gross pay of regular school leadership teachers in publicly funded schools in England was £53,700. This was an increase of 0.6% compared to November 2013.
- E4. Leaders in maintained secondary schools get paid significantly more than their counterparts in maintained primary schools. The average salary of leadership teachers in primary schools varied between £49,100 (Rest of England) and £58,600 (Inner London), compared to £55,400 and £65,300 respectively in secondary schools.

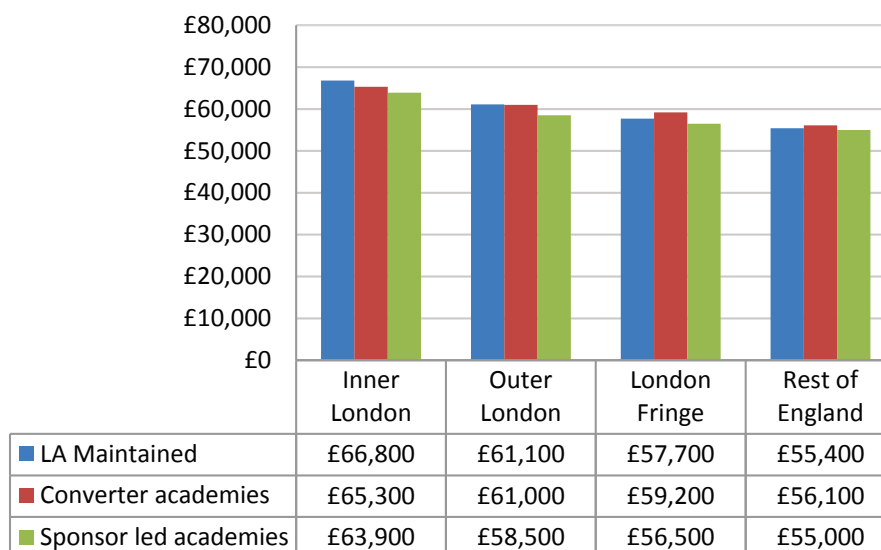
**Figure 14 : Average (median) salaries of school leadership teachers in primary schools**



Source: **School Workforce Census**, November 2014

- E5. In primary academy converters, average salaries for the leadership group are slightly lower than those in LA maintained primary schools in outer London, but are higher on average in Inner London and similar in the London fringe and the rest of England. Sponsor-led primary academies in Inner London show the highest average salaries, but in all the other pay bands the respective average salaries are lower than in LA maintained schools.

**Figure 15 : Average (median) salaries of school leadership teachers in secondary schools**



Source: **School Workforce Census**, November 2014

- E6. In secondary academy converters, on average leadership pay is higher than in LA maintained secondary schools, except for those in Inner London. For secondary sponsor-led academies the average salary for the leadership group is lower than in maintained secondary schools and converter academies across all the area pay bands.

## Age

- E7. Average salaries of leadership teachers increase with age. Table 21 and Figure 16 show that in all pay bands older school leaders are paid more on average than younger leaders.

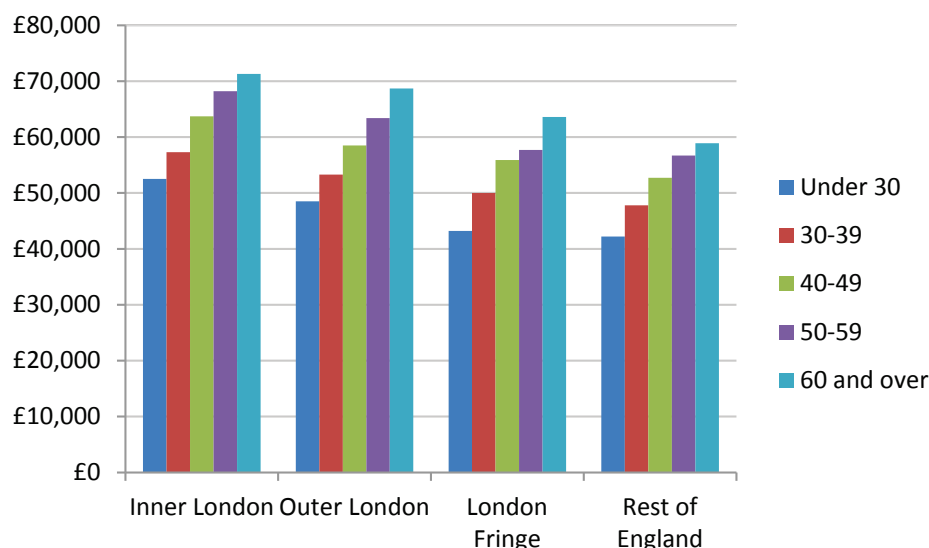
**Table 21 : Average (median) salaries of school leadership teachers in publicly funded schools, by age**

	Under 30	30-39	40-49	50-59	60 and over	Total
Inner London	£52,500	£57,300	£63,700	£68,200	£71,300	£61,600
Outer London	£48,500	£53,300	£58,500	£63,400	£68,700	£58,400
London Fringe	£43,200	£50,000	£55,900	£57,700	£63,600	£53,700
Rest of England	£42,200	£47,800	£52,700	£56,700	£58,900	£52,600
<b>England</b>	<b>£43,200</b>	<b>£49,100</b>	<b>£54,000</b>	<b>£57,700</b>	<b>£61,000</b>	<b>£53,700</b>

Source: **School Workforce Census**, November 2014



**Figure 16 : Average (median) salaries of school leadership teachers in publicly funded schools, by age**



Source: **School Workforce Census**, November 2014

## Headship vacancies

E8. The School Workforce Census shows a very low and fairly stable picture of overall headship vacancies at around 0.2%.

## Future demand for leaders

E9. We will be exploring ways to improve data and evidence to support a more effective forecast of leadership demand and supply during 2016/17.

## Leadership supply in Wales

E10. The headteacher population in Wales was stable for a number of years at around 1,750 before declining from 1,738 in 2010 to 1,523 in 2015, due mainly to school closures and an increase in headteachers managing more than one school. The age profile of headteachers in Wales continues to get younger, with the proportion of headteachers aged 50 or above falling from 65.2% to 45.0% between 2008 and 2015.



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