



Cynulliad Cenedlaethol Cymru
The National Assembly for Wales
Y Pwyllgor Menter a Busnes
The Enterprise and Business Committee

Dydd Mercher, 17 Hydref 2012
Wednesday, 17 October 2012

Cynnwys
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Motion Under Standing Order No. 17.42 to Resolve to Exclude the Public for the Remainder of the Meeting

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Byron Davies	Ceidwadwyr Cymreig Welsh Conservatives
Yr Arglwydd/Lord Elis-Thomas	Plaid Cymru The Party of Wales
Alun Ffred Jones	Plaid Cymru The Party of Wales

Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Gwyn R. Price	Llafur (yn dirprwyo ar ran Keith Davies) Labour (substitute for Keith Davies)
Nick Ramsay	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Jenny Rathbone	Llafur (yn dirprwyo ar ran Julie James) Labour (substitute for Julie James)
David Rees	Llafur Labour
Kenneth Skates	Llafur Labour
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Leighton Andrews	Aelod Cynulliad, Llafur (Y Gweinidog Addysg a Sgiliau) Assembly Member, Labour (The Minister for Education and Skills)
Jeff Cuthbert	Aelod Cynulliad, Llafur (Y Dirprwy Weinidog Sgiliau) Assembly Member, Labour (The Deputy Minister for Skills)
Owen Evans	Cyfarwyddwr, Sgiliau, Addysg Uwch a Dysgu Gydol Oes Director, Skills, Higher Education and Lifelong Learning
Carla Lyne	Dirprwy Gyfarwyddwr, Gwasanaethau Cyllid a Chorfforaethol Deputy Director, Finance and Corporate Services

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Siân Phipps	Clerc Clerk
Kayleigh Driscoll	Dirprwy Glerc Deputy Clerk
Anne Thomas	Y Gwasanaeth Ymchwil Research Service

Dechreuodd y cyfarfod am 9.31 a.m.
The meeting began at 9.31 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

[1] **Nick Ramsay:** I welcome Members, witnesses and members of the public to today's meeting of the Enterprise and Business Committee. The meeting is bilingual, and headphones can be used to hear the simultaneous translation from Welsh to English on channel 1, or for amplification on channel 0. The meeting is being broadcast, and a transcript of the proceedings will be published. I remind Members to turn off their mobile phones. There is no need to touch the microphones, as they will work automatically. In the event of a fire alarm, please follow the directions of the ushers. We have apologies from Keith Davies and Julie James, so I thank Gwyn Price and Jenny Rathbone for agreeing to substitute for them today. Welcome to the committee.

9.32 a.m.

**Cynigion Cyllideb Ddrafft Llywodraeth Cymru ar gyfer 2013-14: Sesiwn i
Graffu ar Waith y Gweinidog
Welsh Government Draft Budget Proposals for 2013-14: Ministerial Scrutiny
Session**

[2] **Nick Ramsay:** The aim of this meeting is for the committee to scrutinise the Ministers on their draft budget proposals for 2013-14. Members will remember the stakeholder event that we held on 27 September, which will also inform the committee's recommendations to the Welsh Government. I welcome our witnesses who are here today. Thank you for finding time to come to speak to us. Would you like to give your name and position for the record?

[3] **The Minister for Education and Skills (Leighton Andrews):** I am Leighton Andrews, the Minister for Education and Skills.

[4] **The Deputy Minister for Skills (Jeff Cuthbert):** I am Jeff Cuthbert, the Deputy Minister for Skills.

[5] **Ms Lyne:** I am Carla Lyne, the deputy director of finance and corporate services.

[6] **Mr Evans:** I am Owen Evans, the director of skills, higher education and lifelong learning.

[7] **Nick Ramsay:** We have a large number of questions for you, so I propose that we get into those straight away. If I think that, at any point, we are not making enough progress, I will try to move things on. It is not that I am trying to cut you off; it is that I want to get through as many questions as possible. I will ask the first question to the Minister. In real terms, the education and skills revenue budget will decrease by 2.6% in 2013-14, in comparison with the previous year. What factors have influenced your decisions on which of your strategic priorities will receive more or less support within your portfolio in the 2013-14 draft budget?

[8] **Leighton Andrews:** It is probably helpful to remind Members that the overall framework for this budget was set in the context of the 2010 comprehensive spending review by the UK Government. In broad terms, it has probably changed very little from the draft budgets voted on by the Assembly in December 2010 and December 2011, although there have been some changes in certain programme areas as we carry through our normal review line by line of the budgets on an annual basis.

[9] We have developed the budget for this year, essentially around the priorities of the programme for government. They are reflected within that budget. You will see our continuing commitment to programmes such as Jobs Growth Wales; our continuing commitment to ensuring that no Welsh students pay the higher tuition fees from this year, wherever they choose to study within the United Kingdom; our continuing commitment to address the issues of young people not in education, employment or training; and our continuing commitment, of course, to support the Welsh language throughout education.

[10] **Alun Ffred Jones:** Efallai eich bod wedi ateb fy nghwestiwn i ryw raddau. Rydych wedi nodi rhai meysydd lle rydych yn mynd i roi blaenoriaeth iddynt o ran eich cyllideb. Un maes yw lleihau nifer y bobl ifanc nad ydynt mewn addysg, cyflogaeth na hyfforddiant. A oes meysydd eraill yr ydych

Alun Ffred Jones: Perhaps you have answered my question to a certain extent. You have noted certain areas that you will prioritise in budgetary terms. One area is reducing the number of young people not in education, employment or training. Are there any other areas that you have prioritised

wedi rhoi blaenoriaeth iddynt o fewn y within the budget that we should be looking
gyllideb y dylem edrych arnynt? at?

[11] **Leighton Andrews:** The budget process is quite transparent and our budgets have been quite transparent since we were elected as a Government in May 2011. We went through a realignment of the budgets last year, before our scrutiny by the committees, and the priorities remain largely as they were.

[12] **Gwyn R. Price:** What work has been done in your department to access the long-term fiscal sustainability of your policies and priorities, given a potential reduction in budgets and increasing pressure?

[13] **Leighton Andrews:** Obviously, we assess all our budgets, not just on an annual basis when we are preparing for the annual budget round, but we review them at my monthly policy board. We have an up-to-date review of where spending has got to and how we are performing against our targets; we do that internally. Clearly, there are certain unknowns. We do not know what the future settlements from the UK Government will be; they might cause us to look again at priorities and we would need to revise those in that context. There are certain unknowns, which I am sure the committee will want to discuss, in the area of tuition fee support, which we will come to, but we regularly review those. Our information is up-to-date and we have a good record of coming in on budget.

[14] **Gwyn R. Price:** To follow up on that, what work is being done in your department to consider preventative spending and how is this reflected in your budget plans?

[15] **Leighton Andrews:** There is preventative spending throughout the department, some of which operates in areas covered by other committees, because some of the work we are doing on literacy and numeracy further down in the school system, if tackled there, would have a direct impact on the use of funding for young people not in education, employment or training. That is a big priority for us. We are spending through the school effectiveness grant, the specific grants for literacy and numeracy and the pupil deprivation grant to tackle literacy and numeracy, and that will have an impact.

[16] **Jeff Cuthbert:** Following on from that, and Alun Ffred Jones raised the point about young people not in education, employment or training, although there has been a slight decrease in the number of 19 to 24-year-olds who are technically represented as NEETs, we know that we have to do more work in that direction. So, part of the functions will be undertaken to ensure that our tracking systems, through schools and local authorities, are as good as they can be, so that we have the very best information to help tackle what is a key problem.

[17] **Alun Ffred Jones:** Rydydych chi newydd ddweud bod gostyngiad bach wedi bod yn niferoedd y rhai nad ydynt mewn addysg, cyflogaeth na hyfforddiant. A allwch chi roi'r ffigurau hynny imi? Mae'r ffigurau rwyf wedi eu gweld gan y Llywodraeth yn dangos tuedd tuag at i fyny, yn enwedig yn y grŵp rhwng 19 a 24 oed tan 2011.

Alun Ffred Jones: You just said that there has been a slight decrease in the number of people not in education, employment or training. Could you give me those figures? The figures I have seen from the Government show an upward trend, especially in the 19 to 24-year-old age group until 2011.

[18] **Jeff Cuthbert:** I am happy to send the figures, but my understanding is that there has been a slight decrease in that age group.

[19] **Alun Ffred Jones:** Since when?

[20] **Leighton Andrews:** There is certainly a decrease at 18. We will give you the figures in detail.

[21] **Eluned Parrott:** Minister, you have told this committee how complex the modelling is for student support, based on the need to balance cross-border flows. Early indications that we have had from UCAS suggest that there are more Welsh students going to England and fewer English students coming to Wales than had been predicted in your initial model. Clearly, the figures that we have from UCAS at the moment are not the final figures, but at this point we tend to lose students from that, rather than pick them up from somewhere. The suggestion I have seen is that the gap in funding could be as much as £20 million. Is that accurate and, if so, where is that money coming from?

[22] **Leighton Andrews:** I do not think that is accurate.

[23] **Eluned Parrott:** Can you tell us what you believe the gap in funding might be?

[24] **Leighton Andrews:** No, I cannot, because it is too early to make those kinds of judgments. We will get final figures on enrolment in due course and at that stage we will share those with the committee.

[25] **Eluned Parrott:** Do you have a concern that the modelling will need to be adjusted on the basis of these figures?

[26] **Leighton Andrews:** I have said throughout this process over the last two years that we are likely to have to adjust the modelling regularly, because nobody has been clear—not in England or in Wales—on the impact of the increases in fees. The increase in fees in England has had a significant impact, with fewer students going to university in England. There has been a similar, but slightly smaller impact in Wales, according to the initial figures that we have. At the moment, people are making all sorts of predictions about whether this will bounce back to a degree next year. I do not think that anyone really knows to what extent it will bounce back, and I base my judgments on conversations with senior figures in the higher education sector not only in Wales, but in England.

[27] **Eluned Parrott:** However, Minister, if there is a significant gap in the modelling, as is indicated by the early figures—and I accept that you will not necessarily act on those early figures, but wait until they are confirmed—where will the money come from?

[28] **Leighton Andrews:** Chair, the system is affordable and it will be paid for.

[29] **Nick Ramsay:** At what point do you expect to get the data?

[30] **Leighton Andrews:** I think that we will have clear data in December this year or January next year when we get the final figures through from the Higher Education Statistics Agency.

[31] **David Rees:** Obviously, the HESA figures that usually come in at the end of December should give us a better idea on that. However, at the moment, we have only the UCAS figures to go on for the number of applications and there seems to be a 4.3% increase in Welsh students being accepted across institutions. To me, that reflects the benefit of the Government's policy because we are seeing more Welsh students going into higher education. However, the consequence of that is that there are more going across the border. In your view, has the model considered the role of the English universities in looking at the criterion of needing two As and a B, and has that had an impact on Welsh institutions?

[32] **Leighton Andrews:** It is an interesting question. When you talk to people in the

higher education system in England, they will observe that predictions were made about the numbers of students who were likely to get AAB grades overall. I think that they were working on a figure from the Higher Education Funding Council for England of 85,000, but it turned out to be nearer 80,000, and, of course, that is partly a direct consequence of the policies being operated by other parts of Whitehall in respect of so-called grade inflation in A-levels. The issue for us is that we hear anecdotally that there have been some institutions that have been specifically targeting Welsh students in some institutions on the border. Other institutions in England have adopted different strategies, focusing not necessarily on increasing the numbers coming in, but maintaining an overall quality of service to students. Therefore, it has probably had some impact because English universities may well want to scoop up, as it were, more Welsh students with AAB grades, particularly given that there was an overall decline in the number of students with those grades. However, we are not at the stage where we have any scientific evidence to prove the extent of that.

[33] **David Rees:** We focus very much on full-time undergraduate students in these figures, but I am also concerned about the part-time programme and the funding aspects for part-time students. Can you confirm that this will not have an impact on delivery for part-time students in Welsh HE institutions or FE institutions that deliver higher education?

[34] **Leighton Andrews:** Yes. We have deferred the introduction of the fees regime in respect of part-time students, as you are aware. The fees regime has started in England and we are hearing about a very significant decline in part-time student numbers at institutions that focus on that community. Therefore, I think that judgments will also be made across the border about the effectiveness of that policy. Obviously, we want to continue to encourage people to study part time. Whether the existing models for part-time study are durable and sustainable in the context where you see a significant amount of material moving to online learning is a question that I want us to look at in the future.

[35] **Jenny Rathbone:** I want to go back to the issue of the drop-off in the number of English students. We have been told that, overall, there has been a drop of 7.9% in the number of English students, whatever their destination. Were that to be reflected in the number of English students coming to Welsh universities, what would the implication be for the income of universities?

9.45 a.m.

[36] **Leighton Andrews:** The implication will be that, overall, it will have an impact on the income available to Welsh universities and the income available to HEFCW to distribute. We do not regard the current drop-off as unaffordable; we still have more students coming across the border to Wales to study than the reverse, so our policy remains affordable for the lifetime of this Assembly.

[37] **Jenny Rathbone:** I was not thinking about the aspect of our policy to keep student fees at their current level, but about looking at the institutions themselves and the pressures on them, given that there is a completely different model of funding. One of my concerns is that the inverse care law is in operation here. That is, the best-off students are disproportionately attending very well endowed universities such as Oxford and Cambridge. Cambridge now has an endowment fund that is larger than a third-world country's funding.

[38] **Leighton Andrews:** So what is new?

[39] **Jenny Rathbone:** It is just that that is the ongoing challenge with the universities that are serving the least well-off students, who are the ones that we have striven to encourage to go to university. It is very difficult for universities that do a good job with those students, because the funding structure is simply disadvantageous for those universities.

[40] **Leighton Andrews:** It is very hard to get around the fact that there are some institutions that clearly attract a significant amount of sponsorship, funding from alumni and so on. In our system, we have to try to ensure that there are no financial disincentives to young people to study at the institutions of their choice. No doubt, in due course, we will need to look at the balance in the system between bursaries offered by institutions such as Oxford and Cambridge and those offered by others, but at the present time, we have a policy that is coherent and affordable.

[41] **Joyce Watson:** Good morning, Ministers. Do you have any concerns that the Higher Education Funding Council for Wales's budgets for quality research and postgraduate research, and for part-time provision and premium funding allocations for targeted priorities, are likely to be adversely affected if the HEI income from fees from Welsh-domiciled students is lower than expected?

[42] **Leighton Andrews:** I think that the budgets are going to be tight, certainly, and it is not going to be easy in this context to support everything that we would like to support.

[43] **Joyce Watson:** Moving on, the budget for 'For Our Future' projects has increased by £7.3 million, or 30.3%. Which projects are funded by this budget? What outcomes for learners are you expecting as a result of this budget increase?

[44] **Leighton Andrews:** What we have done is try to structure the budget so that it is clearly aligned with our priorities. In that area, there would be elements such as the Coleg Cymraeg Cenedlaethol, which is making tremendous progress, let me say, and the Universities Heads of the Valleys Institute, which has also been highly successful in attracting a wide range of students. The budget would also, to a degree, cover some of the likely costs in respect of the recent merger in south-west Wales of Trinity Saint David and Swansea Metropolitan University, which concluded on Friday, I am very pleased to say, without campus closures and without compulsory redundancies.

[45] **David Rees:** On the research aspect, have you considered any funding in preparation for Horizon 2020 and for European projects? Clearly, the future of those, and the linking of them to structural funds, will have a major influence on how HE can undertake research. Also, are you putting any money aside to look at how you can prepare for that side of things?

[46] **Leighton Andrews:** Yes. We have obviously been discussing this for a couple of years now, and how we prepare for research is important to us. We have held meetings with the research councils, for example, and we have had internal discussions about the balance of spend from universities. There has been a concern for some time that universities may have been using structural funds rather than competing for some of the framework budgets. I will bring Owen Evans in on this point in a moment.

[47] We have also created the Sêr Cymru scheme, which will help on the science side to bolster research in recruiting leaders in science who can build teams around them. I will ask the director of skills, higher education and lifelong learning to say a word on that.

[48] **Mr Evans:** At the moment, we are working out exactly what the priorities will be for the next European structural funds round. We have been working very actively with Higher Education Wales in particular, but also HEFCW, in trying to work out how the sector itself can gear up to change the model in some respects, to move away from less sustainable programmes to ones that will add value in the long term.

[49] We have had a number of conversations between the various parties and facilities, and now with the Welsh European Funding Office to ensure that the balance between the ESF

and the access to the European regional development fund in particular, match up with the type of research projects that we would hope to see in the future being delivered across the sector. The sector provides some world-leading research and we need to ensure that, as the Minister said, we can build on initiatives such as Sêr Cymru through Horizon 2020 and the future funding rounds. So, there has been quite a lot of work across the sector to try to establish that we have a good plan to draw down the funds when they become available.

[50] **David Rees:** I am pleased about that, because preparing now means that we will benefit more when it comes, because we cannot go into it cold. I would like to confirm whether any other elements of the Sêr Cymru programme are being funded from this budget.

[51] **Mr Evans:** Obviously, it will eventually come from our budget, but I think that HEFCW has set aside £3 million per year from its budget to support Sêr Cymru.

[52] **Jeff Cuthbert:** I would just like to add that my discussions with the Deputy Minister responsible for European structural funds are ongoing. Indeed, I am meeting him later this morning to discuss this matter. We will certainly be looking at the type of programmes and projects that we want to support in the next round of funding.

[53] **Nick Ramsay:** Do you have any further questions?

[54] **David Rees:** I can move on, Chair, if no-one else wants to come in on that point.

[55] HEFCW's funding has decreased slightly, but the implications of the further and higher education Bill will clearly have a different emphasis for HEFCW. Have you considered the implications of that Bill and the funding arrangements as a consequence to it?

[56] **Leighton Andrews:** Yes, we have, but the consultation on that concluded only on 24 September, so we are still working through some of the implications for our budgets. We will meet the financial implications from within our overall budgets.

[57] **David Rees:** There has been an internal restructuring within HEFCW, but the savings achieved are less than the projected savings. How does that fit into the proposals and the plans for the budget? HEFCW will no longer be the main vehicle for teaching funding, but it will take on more responsibility for quality assurance, according to the Bill. How will that pan out?

[58] **Leighton Andrews:** Once again, I think that it is too early for us to say. We are assessing the responses to the consultation. We will have judgments to make about the role of a funding council in the future—whether it is called HEFCW or anything else. It will require further planning powers and we expect that it will have responsibilities to ensure regional coherence, for example. So, as we bring forward the legislation, we need to work on the priorities for the new funding and planning council. I do not anticipate that the bulk of those costs will be needed in the next financial year; they are likely to be needed in subsequent financial years.

[59] **Alun Ffred Jones:** Mae gennyf ychydig o gwestiynau am addysg cyfrwng Cymraeg. Dechreuaf gyda'ch cyfeiriad at y Coleg Cymraeg Cenedlaethol. Gyda llaw, dylwn fod wedi dweud 'bore da', ond anghofiais i ddweud hynny. Felly, bore da. Faint o adnoddau sy'n mynd i mewn i'r Coleg Cymraeg Cenedlaethol a sut ydych yn mesur y llwyddiant? Er enghraifft, un ffordd

Alun Ffred Jones: I have a few questions on Welsh-medium education. I will start with your reference to the Coleg Cymraeg Cenedlaethol. By the way, I should have said 'good morning', but I forgot to do so. So, good morning. What resources go into the Coleg Cymraeg Cenedlaethol and how do you measure the success? For example, one measure would be the number of students

o fesur fyddai edrych ar nifer y myfyrwyr studying through the coleg Cymraeg.
sy'n astudio drwy'r coleg Cymraeg.

[60] **Leighton Andrews:** I would like to start by saying that I am very encouraged by the developments within the college. It launched its academic programmes recently. It has obviously put in place a number of programmes to support academics, PhD students and others and the developments are quite exciting. It is also moving online; it has created a presence on iTunes university, which means that its resources are being taken globally, which is very good news. Only it, the Open University and the University of Glamorgan in Wales are available on that platform at present, which demonstrates the scale of its ambition.

[61] In terms of the detail on the figures, we will give you a note.

[62] **Alun Ffred Jones:** Hoffwn gael y ffigurau o ran yr adnoddau sy'n mynd i mewn a'r canlyniadau, ac yn enwedig y niferoedd sy'n astudio drwy'r coleg. **Alun Ffred Jones:** I would like to see the figures in terms of the resources going in and the outcomes, particularly the numbers studying through the college.

[63] Mae gostyngiad o ryw £200,000 yn llinell gyllideb Cymraeg mewn addysg. A oes rheswm am hynny, a pha effaith y buasech yn disgwyl i hynny ei chael? There is a reduction of around £200,000 in the Welsh in education budget line. Is there a reason for that, and what effect would you expect that to have?

[64] **Leighton Andrews:** That is mainly at our end in terms of commissioning; I do not think that it will be felt on the ground.

[65] **Alun Ffred Jones:** O ran yr adnoddau sy'n mynd i addysg cyfrwng Cymraeg, gan gyfeirio'n benodol at addysg bellach, pa ganlyniadau rydych yn disgwyl eu cael o'r buddsoddiad hwn o safbwynt addysg bellach, sydd wedi bod, yn draddodiadol, yn wan iawn o safbwynt addysgu drwy gyfrwng y Gymraeg? **Alun Ffred Jones:** In terms of the resources going into Welsh-medium education, referring specifically to further education, what outcomes do you expect to achieve with this investment in the field of further education, which has traditionally been very weak in terms of Welsh-medium teaching?

[66] **Leighton Andrews:** I agree with you, and the emphasis there has been on trying to work with Colegau Cymru to develop the scale of support throughout the further education system. Colegau Cymru recently appointed a bilingual officer who has been in post for six months, and work there is progressing well. Specific developments have taken place; some of the mergers of colleges, particularly in north-west Wales, are strengthening the ability to provide Welsh-medium provision. I do not think that we are yet at the point where we would say that we are delivering the results we would want to see. There will need to be greater consolidation of post-16 education to ensure that we are able to resource that effectively, and that is what I would expect to see over the next few years.

[67] **Kenneth Skates:** I have a few questions on young people who are not in education, employment or training. Deputy Minister, you said that the number of NEETs has remained stubbornly consistent, in part due to the economic situation. Do you have any comparative figures for England to put this into context?

[68] **Jeff Cuthbert:** It is a common problem across the whole of the UK. I will need to write to you with comparative figures for England. We might want to look at England on a regional basis to make sure that we have an accurate picture.

[69] **Leighton Andrews:** To add a point in respect of England, they are moving to a

situation where it will become compulsory to remain in education to the age of 18; this year, it is to the age of 17—I think that it is to the age of 18 by 2015. We do not yet know the outcome of that in terms of its impact on figures for young people not in education, employment or training, or whether it has, as an experiment, been successful in its own terms. That is something that we want to keep an eye on and learn from.

[70] **Kenneth Skates:** What will be the Deputy Minister's priorities for action for the youth engagement employment budget in order to decrease the number of NEETs?

[71] **Jeff Cuthbert:** What we do not want that new division to do is to develop new types of projects. We are looking to rationalise and simplify our offer to young people who are in that position. I expect that the priorities to be looked at will include good tracking systems, as I mentioned in answer to a question from Gwyn Price. These will require local authorities and the various learning institutions to provide far more detailed tracking information on the destination and progression of young people, so that we can focus our resources, whether that is through traineeships, Pathways to Apprenticeships and the range of schemes that we have, and, of course Jobs Growth Wales, in the very best direction.

10.00 a.m.

[72] **Leighton Andrews:** What is really important here is that we have a system that, when we have identified at an earlier age young people who are in danger of ending up out of education, employment or training, means that there is one responsible adult, whether in the careers service, the youth service, the education system or elsewhere, who has responsibility. That person might change over time, but they would have a responsibility for tracking the development of the young person and the opportunities open to them and would look very intently at providing them with the support that they need.

[73] **Jeff Cuthbert:** Just to follow up on that, there is plenty of research that shows that you can identify young people who are in danger of becoming NEET as early as the age of seven.

[74] **Nick Ramsay:** As early as the age of seven, really?

[75] **Jeff Cuthbert:** Yes. As early as the age of seven, young people can be identified as being in danger of becoming NEET.

[76] **Nick Ramsay:** We have two supplementary questions. The first is from Alun Ffred Jones and the second from Joyce Watson.

[77] **Alun Ffred Jones:** Hoffwn fynd yn ôl at y ffigurau. Roeddwn yn edrych ar y ffigurau swyddogol ddoe, a'r ffaith amdani, yn yr oed rhwng 19 a 24, yw bod y ffigurau wedi cynyddu yn gyson ers dros ddegawd. Gallwch fynd yn ôl at 2000, ac maent yn dechrau ar 37,000 ac, erbyn hyn, maent yn nes at 50,000. Felly, mae cynnydd wedi bod. Rydych chi wedi dweud heddiw mai eisiau symleiddio'r rhaglenni ar eu cyfer rydych am wneud, er eich bod yn sôn am raglenni newydd yn eich tystiolaeth i ni ar 2 Mai 2012. A oes adnoddau ychwanegol, felly, yn mynd i'r maes arbennig hwn?

Alun Ffred Jones: I would like to go back to the figures. I was looking at the official figures yesterday, and the fact is that, in the 19 to 24 age range, the figures have increased consistently since over a decade. You can go back to 2000 and they start at 37,000 and now they are nearer 50,000. Therefore, there has been an increase. You have said today that you want to simplify the programmes for them, although you mention new programmes in your evidence to us on 2 May 2012. Are there any additional resources, therefore, going into this particular area?

[78] **Leighton Andrews:** I have been working on this policy area since the previous Government, as Alun Ffred will remember. If you look at the figures, the 16 to 18-year-old area has been more successful. Your point about 19 to 25-year-olds is right. The challenge we face is that, whatever the schemes that have been in operation, very few of them have ultimately been productive. You can look at the evidence going back a decade, and what you would have to say is that the real changes that have occurred have been largely due to expansions in the overall economy and changes in the age cohort and its size. I do not think that you could say that specific targeted schemes have been fantastically productive. There have been certain areas of Wales where some things have been done well. There has been considerable co-ordination, for example, in Swansea, which has worked relatively well, and we have discussed that in the predecessor committee to this one in the past, I think.

[79] What we are seeking to do is to look at best practice and, therefore, there are a number of pilot projects that we are looking to support. From that, therefore, we want to move to a model where we have a system that is simple for the young person and gives them the support that they require at different stages. We will put the money into support that. However, I want to stress that it is not simply a question of the money you put in at the point at which young people are out of education, employment or training. Predecessor committees to this one have had evidence from third sector organisations that the money is not the issue. In some respects, there is plenty of money chasing the same group of young people. So, the issue, really, is earlier intervention, prevention, and ensuring that we have literacy and numeracy embedded within the system, and that is what we are seeking to do now through the national literacy and numeracy framework.

[80] **Jeff Cuthbert:** Just to expand upon that, one of the reasons why we formed the new youth engagement and employment division is so that we can focus resources, ideas and the reviewing of projects very keenly on the needs of this particular group of younger people. That is why I am making the point that one of the key issues is improving our tracking information, both of the progression and destination of young people. As the Minister has said, we know that this can start at a much earlier age. We are very concerned that there should be a named person who takes responsibility within local authority areas. There are pilot projects underway, including in my own borough of Caerphilly, with eight others, and we are going to be looking at the outcomes very keenly. This is a matter that we have to keep under constant review. The biggest single influence, of course, on those not in education, employment or training is the state of the economy. We cannot control that in perhaps the way that people might want us to.

[81] However, we have to work on developing interventions so that we can at least minimise some of those problems.

[82] **Nick Ramsay:** Before I bring Joyce Watson in, going back to Alun Ffred's point, the figures for those not in education, employment or training have risen consistently in economically good and bad times. Am I right in saying that?

[83] **Leighton Andrews:** I think that the trend would be different. We could spend quite a lot of time on this, but I think that the trend would be different, depending on the state of the economy. Clearly, there will be more unskilled jobs at a time when the economy is doing well.

[84] **Joyce Watson:** Following on in the same theme, I am really pleased to hear what I have heard so far. However, does the named person with responsibility for individual children follow children that are excluded from school, and is there some follow-through should they find themselves back in school or in another circumstance?

[85] **Leighton Andrews:** We do not have the system that I was talking about yet. It is the

system that we want to move through to.

[86] **Joyce Watson:** No, but when it—

[87] **Leighton Andrews:** It would have to. It would be for all young people in that position. People who are excluded from school are clearly in a category that is likely to end up out of education, employment or training.

[88] **Joyce Watson:** What about the pilot scheme?

[89] **Leighton Andrews:** There are a number of different schemes being looked at.

[90] **Joyce Watson:** Do you want to drop me a note?

[91] **Jeff Cuthbert:** By all means. We had a brief discussion yesterday on those pilot areas. I would be very happy to send you a note.

[92] **Nick Ramsay:** Jenny Rathbone has the next question.

[93] **Jenny Rathbone:** During this committee's inquiry on apprenticeships there were some surprising comments from Careers Wales that it was disappointed about the matching of individuals to apprenticeships in different areas. In some areas there were schemes on offer but individuals had not been taking up those courses. I appreciate all that you said earlier about this being a complex and challenging area. Getting people who have not had a terribly successful career in the school system into work is very difficult. However, can you tell us how the amalgamation of Careers Wales makes it more open to different ways of working, such as the sorts of things that Flying Start does? You have to go back three times if you want to get someone who has not previously engaged to engage. Just sending them a letter is not going to do it. How will the amalgamation of Careers Wales into one organisation enable it to act more like the other initiatives that we have for tackling disadvantage?

[94] **Jeff Cuthbert:** It may be worth reminding ourselves that what happened to Careers Wales, or the careers service, was that, in the 1990s, it was split up into six companies in the private sector. Some people still think that those companies were in the public sector, but they were not. We are bringing them in-house as one company. The six companies have now amalgamated into one company and, next year, they will come in-house as a wholly-owned company. We are now in the process of developing the remit of the careers service, discussing with a number of partners exactly how the careers service will link up to many other providers of information and advice, particularly to young people. The careers service in Wales will be an all-age service, but I think that it is fair to say that we will be focusing on those in greatest need: that is, young people in danger of becoming NEET and those whom we deem may need the greatest support to make transitions and to enter work-based learning or employment routes. Those with additional learning needs, for example, will probably be the focus of the activities of the new careers service. However, those discussions are under way.

[95] You also mentioned the issue of apprenticeships. One of the web-based services that Careers Wales offers is the apprenticeship matching service. There have been comments about how complicated it is, but I am not sure that that is right. I have seen presentations, and it seems to be a reasonably straightforward system, but that is a matter that is under review. The service is certainly looking to see whether it can simplify the approach to the apprenticeship matching service so that young people, and employers looking for young people, can have as easy a route through as possible. That matter is under review.

[96] In terms of the apprenticeship offer, apprenticeships are a success story in Wales. It is

true that the number of young people on apprenticeships has decreased over the last few years, since 2006, but the number successfully completing the full apprenticeship framework has increased. That is as a result of our investment into the quality of apprenticeships. All of these issues must be kept under review and, when we come to the next round, in a couple of years' time, when we are issuing a contract for project secure 4, as it is called, that is, the contractual arrangements with the work-based learning providers for apprenticeships, we will be looking carefully at which apprenticeships are working well, in which occupational routes, and linking that into Pathways for Apprenticeship—the preparatory schemes—to make sure that there is a very good joined-up approach to offering young people skill-enhancing courses. They need to be employed people. Later this month, I will be attending the national apprenticeship awards. Apprenticeships are growing in popularity; the media is now promoting them far better than it used to, and I am pleased to see that.

[97] These are things that we are alert to, and the careers service will remain a crucial part of that offer. It is one of our key partners and it will have an important role.

[98] **Jenny Rathbone:** All of that is heartening, but I want to press you on one further matter, which is how well we are engaging the voluntary and private sectors in jointly taking this forward. It is a huge task; the challenge in the context of the current economic situation means that, whatever money the Government is able to put into this, and however well it is targeted, there is still an awful lot more to be done. I mentioned in Plenary yesterday the Barnardo's scheme that supports vulnerable young people into apprenticeships. A company provides the apprenticeship, and Barnardo's provides the backup support to get those people on the course and to continue successfully on that course.

[99] **Jeff Cuthbert:** Indeed. The employer pays the wages and we pay the training costs; that is the basic principle of foundation, full, and, in due course, higher level apprenticeships. That will not change. The private sector is engaging very well indeed with us on the issue of apprenticeships. We need to keep an eye on that to make sure that apprenticeships are relevant to the needs of the economy and lead to successful careers. We are engaging well with the private sector on that matter. The voluntary sector has a role to play as well, and I welcome the developments with Barnardo's.

[100] **Nick Ramsay:** Deputy Minister, can I stop you there, because we are now into the last 15 minutes of our meeting? We have got the drift of what you are saying. I think that Dave Rees has a few more questions for you.

[101] **David Rees:** I have one quick question on that point. We have seen a decrease of £6 million in the Careers Wales budget, which is a 16% decrease on its previous budget. Are you confident that the reconfiguration savings that you have identified in your paper will still deliver the services that you want?

[102] **Leighton Andrews:** I will let the Deputy Minister answer the detail of that question, but I want to make the point that the budgets that we set and the budgets of Careers Wales have been known since the budget we presented in the autumn of 2010. As a result of cuts imposed on us by the UK Government through the comprehensive spending review, we had to make some clear priorities in terms of what we were doing. We had seen the careers companies' budgets balloon over previous years, and we wanted a more focused careers service and that is what we have moved to. The level of reduction has been very clear to them for some time now.

[103] **Jeff Cuthbert:** The senior management of the careers service has been well aware for some considerable time of the reduction of the budget, and that has focused their minds on making sure that the service is streamlined. The move from six companies to one will, clearly, bring about savings in terms of economies of scale. By focusing on the priority groups and

making full use of modern technology, such as the apprenticeship matching service, we are confident that there will be a quality provision for young people.

[104] **David Rees:** I will not take up any more time on that point, because I am aware of the time. I have a couple of questions on post-16 education. There are currently two reviews under way—the post-16 funding review, which will report this year, and the qualifications review, which will also report this year. In the paper, the Deputy Minister identifies that some issues will have an effect in the long term rather than in this particular budget, but what provision have you looked at in this budget in response to short-term issues that the reviews might identify, and which might require work in the longer term?

10.15 a.m.

[105] **Leighton Andrews:** If I can deal with the review of the national funding and planning system, the Deputy Minister will deal with the qualifications review. I would expect that to report to us in December and for us to have a clearer view then of the way we go forward. We want a simpler system; we do not want a system based around individual units of study, which is highly complicated. There will be a number of factors that we will need to take into account. For example, we need to ensure the quality of Welsh-medium provision across Wales and address issues like deprivation. What we are looking for here is a simple system that people can understand that will give them certainty on, say, a three-year basis.

[106] **Jeff Cuthbert:** One issue here in terms of the Welsh baccalaureate is that there has been additional funding to get it properly embedded. It is now an embedded qualification, although we are still getting centres, we are very pleased to say, registering for it. However, most of the development work has been done in terms of centres getting properly staffed for it, with provision in place. So, there can be some savings there.

[107] In terms of the qualifications review, that will report to me at the end of November; I am not going to second-guess what is in it. Obviously I meet with Huw Evans, the chair of the panel, on a regular basis just to get the general sense of direction, but he has to come to me with its final conclusions. I do not want to second-guess what they may be. I would suspect that it will bring about changes in terms of our offer for young people aged 14 to 19—I would be surprised if that was not the case—and there could be further divergence from England on the basis of evidence that is coming forward, never mind what they are doing on that side of the border. There are always fresh issues to be considered, and that is why futureproofing is a part of that. However, in terms of the next financial year I do not anticipate that there will be much of an impact in terms of further development work. It is more long term than that, and any changes to courses will not come in for perhaps two to three years, so it will be in future financial years that we will be looking for changes in the budget.

[108] **David Rees:** Could I ask a couple of questions on this as well? The FE/HE Bill clearly has a longer-term impact as well; looking at the 2013-14 budget, is there any anticipation that there will be an impact there?

[109] **Leighton Andrews:** The margins will capture it within our current spending. As I said earlier, we are still going through the responses and we have not made all our decisions yet.

[110] **David Rees:** Is the £600,000-plus identified in your budget for FE policy development linked in to FE governance and FE Bill issues?

[111] **Leighton Andrews:** It will have an impact on it, yes.

[112] **David Rees:** I have just one other point. I totally welcome the support for additional

learning needs, particularly the increase. How will you measure its success?

[113] **Leighton Andrews:** That is a very good question. We set up a review of post-16 additional learning needs two and a half years ago, which came forward with recommendations that we sought to implement. Clearly, this is an area where we are planning to legislate in due course; we have a further consultation under way and we would welcome input at that stage.

[114] **Yr Arglwydd Elis-Thomas:** I droi at y llinell gyllideb benodol o bron i £200 miliwn sy'n cefnogi dysgwyr ôl-16 wedi ei weinyddu drwy'r cwmni benthyciadau—a'r hyn sy'n dal i gael ei alw'n grant dysgu'r Cynulliad; a gaf i awgrymu ei bod yn bryd i chi newid yr enw hwnnw, fel Llywodraeth?—ac yna'r lwfans cynhaliaeth addysg, sut ydych yn monitro effeithlonrwydd y gyllideb hon ar hyn o bryd?

Lord Elis-Thomas: Turning to the specific budget line of almost £200 million supporting post-16 learners, administered through the loans company—and what is still called the Assembly learning grant; may I suggest that it is time for you to change that, as a Government?—and then the educational support allowance, how do you monitor the efficiency of this budget at present?

[115] **Leighton Andrews:** I will certainly take back the suggestion that we should rename the grant.

[116] **Lord Elis-Thomas:** You could call it the Leighton Andrews grant.

[117] **Leighton Andrews:** Do not tempt me, Dafydd. I think that, in the early days of the Assembly, it was a very good way of identifying one of the clear benefits that young people received from devolution. It was certainly spoken of in that way by the former First Minister. In terms of the efficiency of the budget, we are taking steps to protect the education maintenance allowance in Wales, which is still available to young people. Clearly, both of these budgets are focused on young people who are in need. They are means-tested budgets and we are satisfied with the take-up. We met with the Student Loans Company this week and we are satisfied with the work that it has been doing for us.

[118] **Yr Arglwydd Elis-Thomas:** A ydych yn fodlon bod dangosydd canran y bobl ifanc o gartrefi incwm isel sy'n derbyn lwfans cynhaliaeth addysg ac sy'n mynd i sefydliadau addysg uwch yn ddangosydd gwirioneddol o lwyddiant y cynllun?

Lord Elis-Thomas: Are you content that the indicator of the percentage of young people from low-income households who receive the education support allowance and go into higher education institutions is a real indicator of the success of the scheme?

[119] **Leighton Andrews:** Broadly speaking, it is. We are definitely seeing more young people staying on in education. We are seeing fewer young people leaving formal education without qualifications. We have put in place, through the fees plans to higher education institutions, strong measures in respect of access, participation, engagement, sustainability and durability of young people staying in those courses. The higher education institutions are clear about what they have to do—the initial fees plans were rejected by HEFCW when they were all drawn up. We had quite a rigorous process of approval. I am content with things as they are at the present time and I have not had any evidence to suggest that they are not working.

[120] **Nick Ramsay:** We have seven minutes left and five or so questions remaining, so please be succinct with questions and answers; that will help the Chair enormously.

[121] **Joyce Watson:** I will be very succinct. The work-based learning budget line shows a

significant decrease to approximately £22 million between this year and the next. How will that decrease in the budget impact on work-based learning provisions and outcomes?

[122] **Jeff Cuthbert:** It is not a decrease; it is a transfer from post-16 receipts and it balances out with the moneys from the European structural funds. Carla, would you like to add anything to that?

[123] **Ms Lyne:** It is purely presentational. There is no actual decrease; it is just how we present the figures so that they are shown in the same line, where they were not shown before. That is just for additional transparency.

[124] **Eluned Parrott:** Minister, you have tidied up the skills development and work-based learning lines and created the employment and skills lines. However, it appears that there is a net decrease of £3.3 million. Which employment-and-skills-related programmes will be most affected by this?

[125] **Jeff Cuthbert:** We are looking at those matters. I will probably need to write you a note on that; we are considering the impact that that may have, but some of it will be dealt with through efficiency savings. As I said before, when I talked about the formation of the new division, we will look to ensure that the provision for tracking those who are not in education, employment or training is done as efficiently as possible, but I will write to you in due course when we have considered that fully.

[126] **Byron Davies:** Last July, when you appeared here, you were asked whether you felt that the availability of resources could impact on your ability to deliver commitments within the portfolio. You answered,

[127] ‘The main challenge is within capital. This relates to the current capital projects that we have and the start of the twenty-first century schools programme.’

[128] Given the overall real-terms reduction to capital over the spending review period, how has this impacted on your portfolio and in setting the current budget plans? What have you done to address this?

[129] **Leighton Andrews:** As Members will be aware, we have had significant reductions in our capital budgets from the UK Government. I announced earlier this year the new arrangements for the twenty-first century schools programme. Clearly, we are expecting local authorities to make a higher contribution of some 50% towards the programme, but we are rolling out from 2014 probably the biggest capital investment in schools, FE and HE that we will be able to undertake. We have also drawn together all of our budgets for capital in the last two years into one single budget. So, we are able to flex the budgets where schemes may have gone backwards. That indicates the seriousness with which we have treated this. We have also been highly successful in winning additional capital from central finance. In paragraph 8 of the budget, we outline a number of areas where we are making a number of significant investments from the centrally retained capital fund.

[130] **Kenneth Skates:** Part of my question has been answered, but how has the Wales infrastructure investment plan impacted on the setting of the budget?

[131] **Leighton Andrews:** We have worked closely with colleagues in finance to advance the projects that matter to us within the programme—the projects that we think are capable of being developed rapidly and brought through. We have focused on major strategic projects throughout, in any case. If you look back over the last couple of years, you will see that the department has been quite successful in attracting support from the Government centrally. We are content with the way in which the investment programme is being developed and we are

always open to alternative sources of finance.

[132] **Gwyn R. Price:** Did you carry out a sustainable development appraisal of your departmental budget as part of the budget planning process? If so, were any changes made as a result?

[133] **Leighton Andrews:** For us, most sustainability issues are related to the capital budget. We have built into the capital budget the ability to ensure that our twenty-first century schools programme takes account of the most modern and renewable technologies. They are being deployed in many of our schools. Although it is not in your constituency, you will be familiar with Greenhill Primary School in my colleague's constituency. They have done some amazing things with sustainability in the development of that building.

[134] **Jeff Cuthbert:** I recently had a meeting with John Griffiths, the Minister for Environment and Sustainable Development, to make sure that there is a good, joined-up approach. In terms of implications for vocational education, competence-based qualifications in particular, we will make sure that the sector skills councils incorporate the requirements of the Welsh Government in that regard into their training programmes.

[135] **David Rees:** Going back to the Assembly learning grants, I want to ask this question because I believe that part-time participation is larger in FE than HE, because we encourage widening access and getting more people into education and learning. What proportion of the Assembly learning grants budget is allocated to part-time support, rather than full-time support?

[136] **Leighton Andrews:** Off hand, I do not know. I will write to you.

[137] **Joyce Watson:** We have already asked about sustainability, but I will ask about it in another form. Did you do an equality impact assessment on your budget, which is about sustainability of people? Did you make any changes as a consequence of that EIA?

[138] **Leighton Andrews:** Over the last couple of years, we have tried to protect certain budgets that have a direct impact on equality—such as the ethnic minority achievement grant and the Gypsy/Traveller grant, which we have supported and given additional resources to as a result of looking at the budget on an equality basis.

[139] **Nick Ramsay:** I thank Leighton Andrews, the Minister for Education and Skills, Jeff Cuthbert, the Deputy Minister for Skills, and their officials, Owen Evans and Carla Lyne, for attending today. It has been very helpful to our line of questioning.

10.29 a.m.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o
Weddill y Cyfarfod
Motion Under Standing Order No. 17.42 to Resolve to Exclude the Public for the
Remainder of the Meeting**

[140] **Nick Ramsay:** I ask a member of the committee to move the motion.

[141] **Byron Davies:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42(vi).

[142] **Nick Ramsay:** I see that the committee is in agreement.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 10.29 a.m.

The public part of the meeting ended at 10.29 a.m.