



Eich cyf/Your ref
Ein cyf/Our ref
Jocelyn Davies AM
Committee Chair
Finance Committee
Cardiff Bay
Cardiff
CF99 1NA

25 June 2013

Dear Jocelyn,

FINANCE COMMITTEE - STAGE 1 SCRUTINY OF THE FURTHER AND HIGHER EDUCATION (GOVERNANCE AND INFORMATION) (WALES) BILL

Following my attendance at the Committee meeting on 12 June 2013 for the scrutiny of the Further and Higher Education (Governance and Information (Wales) Bill, I agreed to provide Members with the following information:

- A note on the changes that the Minister may make to the conditions of funding to FEIs;
- A note on the changes that the Minister may make to the Financial Memorandum; and
- Percentage of funding for FEIs that comes from the Welsh Government.

This is attached at Annex A and I trust that Members will find the clarification helpful.

I would also like to confirm that I am content with the draft of the transcript, as amended, of the Finance Committee meeting on 12 June 2013.

A handwritten signature in black ink that reads "Leighton Andrews". The signature is written in a cursive, flowing style.

Restricted Legislation

Finance Committee 12 June - Action points for the Minister for Education and Skills

Background

1. At the Finance Committee meeting on 12 June, the Minister for Education and Skills agreed to provide the following information:
 - A note on the changes that the Minister may make to the conditions of funding to FEIs;
 - A note on the changes that the Minister may make to the Financial Memorandum; and
 - Percentage of funding for FEIs that comes from the Welsh Government.

Conditions of Funding

2. The conditions of funding which are issued annually are in addition to the terms and conditions set out in the Financial Memorandum between the Welsh Government, Further Education Institutions and Higher Education Institutions providing further education in Wales.
3. The funding allocated by the Welsh Ministers must be expended primarily on the provision of further education in the locality served by the institution. The provision must be consistent with:
 - the Minister's further education planning priorities;
 - the Welsh Government's FE institutional planning guidance; and
 - the institution's strategic and operational plans.
4. This will not change. The conditions of funding will be reviewed to ensure that they reflect the financial memorandum.

Financial Memorandum

5. The Financial Memorandum will be amended to reflect the Further and Higher Education (Governance and Information) (Wales) Bill. It is proposed that the consent requirements detailed in Annex A of the Financial Memorandum will be removed:
 - Any proposal whereby the total of all unsecured borrowing or financial commitments including non cancellable leases, will exceed 5 per cent of the institution's Annual Revenue, or if it wishes to enter into any secured borrowing or financial commitments.
 - To waive the requirements that an annual budget that would result in an operating deficit or a net cash outflow from operating activities can only be approved by the Governing Body if:

Restricted Legislation

- a. the operating deficit or net cash outflow from operating activities is not part of planned investments or strategic decisions set out in the financial strategy and institutional plan or is not fully funded from existing cash reserves; or
 - b. where the forecast level of cash reserves and balances at the end of the Accounting Period in question falls below the level identified in the institution's financial strategy as required to maintain its solvency or represents less than one month's expenditure
- Applications for consent will be in the form of a letter to the Head of Division, Standards Quality and Governance¹ as soon as the deficit budget is known.
 - Transactions affecting the ownership of land or property funded by the Assembly Government or its Predecessor Funding Bodies².
 - Transactions, including but not limited to rebuilding or extending, that alters the use of the land or property by more than 250m².
 - Consent to waive paragraph 45 to allow the retention and investment of the sale proceeds following the disposal of land or buildings or the retention of rent or other consideration³.
 - Consent to leasing any land or property.
6. FEIs will still be subject to financial monitoring and internal and external audit requirements. Financial health monitoring gives each institution a financial health category from A to D with A being the strongest based on key financial ratios and solvency.

Percentage of Welsh Government funding for FEIs

7. On average, the sector receives 79% of its funding from the Welsh Government, through core grant, workbased learning contracts and other specific grants.

¹ Now the Deputy Director, Corporate Services Division

² Upon dissolution, any transfer of property, rights or liabilities can only be made to persons or bodies which are prescribed by the Welsh Ministers and if the transfer is to a body which is not a charity the property can only be transferred on trust to be used for charitable purposes which are exclusively educational.

³ Paragraph 45 - The institution shall inform the Assembly Government of proposed transactions if grant (or any part of it) from the Assembly Government or its Predecessor Funding Bodies has been used by the institution (or any predecessor institution) to acquire an interest in or to develop any land or buildings, to pay rent or to repay debts or to pay interest on any outstanding debt in respect of any land or buildings

