

## Enterprise & Business Committee

**Date:** 16 October 2014

**Time:** 9:30-10:30

**Title:** Education and Skills Draft Budget 2015-16

### Purpose

1. To provide an evidence paper for the Enterprise and Business Committee on the Education and Skills budget, priorities for 2015-16 and updates on specific areas of interest to the Committee.

### Timing

2. The draft budget was published on 30 September 2014.

### The 2015-16 Education and Skills Draft Budget

3. The Draft Budget 2015-16 provides a one year plan for investment in the provision of education and skills in Wales. Table 1 provides an overview of the planned Education and Skills budget or 'Main Expenditure Group' (MEG) together with the changes made to the indicative budget since the publication of Final Budget 2014-15, to reflect recurrent baseline adjustments in First Supplementary Budget 2014-15.

*Table 1: Education and Skills MEG*

	2014-15 Supplementary Budget June 2014 £000	2015-16 Indicative Plans Final Budget December 2013 £000	2015-16 Changes £000	2015-16 New Plans Draft Budget £000
Resource DEL	1,629,443	1,560,094	20,515	1,580,609
Capital DEL	153,834	173,834	0	173,834
<b>Total DEL</b>	<b>1,783,277</b>	<b>1,733,928</b>	<b>20,515</b>	<b>1,754,443</b>
Annually Managed Expenditure	252,082	237,862	62,009	299,871
<b>Total MEG</b>	<b>2,035,359</b>	<b>1,971,790</b>	<b>82,524</b>	<b>2,054,314</b>

4. Compared to the indicative plans published in Final Budget 2014-15, the total Resource DEL allocation for Education and Skills has increased by £20.5m (1.3%) to £1,580.6m in 2015-16. The increase of £20.5m is made up of:

	<b>£000</b>
Recurrent transfer in from Local Government MEG - transfer out of Revenue Support Grant (RSG) for: <ul style="list-style-type: none"> <li>• provision of professional training for Educational Psychologists (£0.54m); and</li> <li>• to support the reformed and modernised service for the administration of student finance (£2.5m)</li> </ul>	3,040
Transfer from reserves for Schools Challenge Cymru	12,100
Net reduction to MEG - amounts transferred back to Reserves	-47,425
Budget agreement <ul style="list-style-type: none"> <li>• Pupil deprivation grant (£44m)</li> <li>• Pupil deprivation grant under 5's (£3.8m)</li> <li>• Apprenticeships (£5m)</li> </ul>	52,800
<b>Resource DEL – net increase</b>	<b>20,515</b>

5. There is no change to the overall capital budget of £173.834m in 2015-16. This includes the additional £30m of capital investment announced at Final Budget 2014-15 to support the 21st Century Schools Capital Programme.
6. The Annually Managed Expenditure (AME) budget is primarily related to student loans which are demand led and sensitive to interest rate and other macro-economic factors and therefore difficult to forecast. This budget is agreed with the Treasury each year and is fully funded. The budget increases by £62.009m in 2015-16 to reflect the latest forecasts.
7. The Action level budget plans for Education and Skills MEG were published on 30 September. To aid transparency a breakdown of changes to the Education and Skills MEG by Budget Expenditure Line (BEL) is provided at Annex 1.

### **Budget Context**

8. This budget is set in the context of the constraints imposed by the UK Government in recent spending reviews, together with the prioritisation of funding within and across portfolios, whilst planning to deliver the commitments made in the Programme for Government and delivering an ambitious legislative programme. All of the decisions that we face are difficult. There are no easy answers and there has been no way that we can shield services from the effect of the UK Government cuts and the implications of prioritising spend.
9. We have undertaken a line by line review of budgets to establish how the reductions of £47.425m can be managed. Whilst difficult decisions have had to be made, the review has been set in the context of continued focus on our Programme for Government commitments and shaped around the three cross-cutting delivery themes of Jobs and

Growth; Educational Attainment and Supporting Children, Families and Deprived Communities.

## **Programme for Government**

10. The Department for Education and Skills has five strategic objectives which support the delivery of outcomes in the Programme for Government:
  - To raise standards of education and training provision, attainment and infrastructure across Wales so everyone can reach their potential;
  - To deliver a skilled workforce with high quality opportunities for all learners contributing to the creation of growth and jobs;
  - To support individuals, families and communities to improve wellbeing by reducing inequality and increasing participation;
  - To see the Welsh Language thrive in Wales; and
  - To be a high performing department and employer of choice.
11. Given the current economic climate and with the reductions currently faced, it is vital that we are clear on our priorities and that spending decisions support our objectives. The Programme for Government (PfG) sets out the outcomes we are working towards, and the decisions taken in this draft budget ensure that our spending plans continue to be aligned, as far as possible, to deliver our commitments. In this Draft Budget, we have endeavoured to protect our Programme for Government commitments from the scale of reductions we have faced. A mapping of our Actions to PfG Sub-Outcomes has been published as part of the Draft Budget document. The latest Programme for Government Annual Report, published in June 2014, provides an update on the actions we are taking to support our priorities. We will continue to monitor performance against PfG commitments as part of the annual reporting process, to ensure associated outcomes are monitored and evaluated to demonstrate value for money.
12. The Department for Education and Skills contributes to a number of areas within the Programme for Government. A summary of draft budget changes by BEL relevant to this Committee is provided below, together with costs and associated impact on Programme for Government commitments. Where further information has been asked for by the committee this has been included under the relevant BEL.

## **Impact Assessment**

13. This year's integrated impact assessment takes account of the positive contribution that our spending decisions can make to a fairer society, and not only covers the equality impact of our spending decisions on the nine protected characteristics but also takes account of the impacts on Welsh Language, Rights of the Child, Tackling Poverty aligned under the

umbrella of well-being, as set out in the Well-being of Future Generations (Wales) Bill. We have ensured that policies and programmes reflect our commitment to sustainability, by considering investment that we can make now to prevent more expensive action in the future.

14. Examples of decisions that have been influenced by the factors in the impact assessment include an extra £3m funding directed to specialist placements for those disabled learners that need specialist provision. We have also directed extra funding to the Welsh Government Learning Grant, as the demand for this means tested maintenance grant is rising.
15. We have allocated additional budget to children and young people which will aid the sustainability of all our policies. This includes allocating £4.5m to support children to develop excellent literacy and numeracy skills which are needed in further learning and the world of work. Additional funding of £2.8m has been provided to support the introduction of new GCSE in English and Welsh Language and Mathematics and Numeracy, this will also support the development of a package of Science Literacy resources. £12.1m has been allocated from reserves to the School Challenge Programme to boost the performance of 40 secondary schools in Wales that are facing the most challenging circumstances.
16. As part of the budget agreement £47.8m has been provided to enhance the Pupil Deprivation Grant and extend it to the under 5's. £5m has also been allocated for Apprenticeships to help mitigate against planned cuts.
17. Where budget reductions have had to be made we will be targeting the resources available so that those in poverty are not adversely affected.

## **Growth and Jobs**

### ***Youth Engagement & Employment BEL***

2014-15 Supplementary Budget June 2014 £000	2015-16 Indicative Plans 2014-15 Final Budget £000	2015-16 Changes £000	2015-16 New Plans Draft Budget £000
18,746	19,746	-4,200	15,546

18. The BEL focusses on our commitment to reduce the number of young people not in education, employment or training and supporting young people into work. Reflecting this, we have tried to keep the budget reductions to a minimum.
19. The BEL funds a number of grants to support statutory and voluntary youth services in Wales and the Jobs Growth Wales programme. The

new National Youth Work Strategy for Wales (2014-2018) was launched on 20 February 2014 and together with the Youth Engagement and Progression Framework creates a new context for additional Welsh Government investment in the youth service, over and above the allocation identified as part of the Revenue Settlement Grant.

20. The budget for Youth Engagement and Employment in 2015-16 has decreased by £4.2m compared to the indicative budget, and by £3.2m compared to 2014-15.
21. The funding allocated to support the Youth Engagement and Progression Framework and National Youth Work Strategy has been reduced by £1m. This will be managed through efficiency savings, re scoping and reprioritisation of investment planned for 2015-16, for example spreading the Enhancing Employer Engagement project over several years.
22. The remainder is a reduction to the Jobs Growth Wales programme to an annual investment of £9.3m. This programme has over delivered to date and we are already very close to our target of providing 16,000 job targets over 4 years, in the third year. We estimate that there will be a reduction in the number of job opportunities delivered and filled in 2015-16 of 15% or 600 opportunities, although original targets will be met. The remaining funding will continue to be supported by match funding from the European Social Fund (ESF).

***Programme for Government:***

23. We have met our commitments to refresh our youth service strategy and create a jobs fund offering employment or training for young people. We also have a commitment to grant funding to at least the levels that we have provided over recent years for youth services. It is intended that the level of grant support to voluntary youth services in Wales is maintained with a grant of £3.8m in 2015-16. Grants are monitored in line with Welsh Government policies to ensure outcomes are monitored and evaluated to demonstrate value for money.

***Preventative Spending:***

24. Investment through this BEL is predominantly preventative: the BEL helps prevent disengagement (via the Youth Engagement and Progression Framework and National Youth work Strategy) and the long-term costs arising from youth unemployment (via Jobs Growth Wales), such as health and wider support services.

***Jobs Growth Wales Policy:***

25. The Jobs Growth Wales programme provides unemployed young people with a job opportunity for a six month period paid at or above the National Minimum Wage for a minimum of 25 hours per week.

Therefore the costs are linked to the minimum wage and the number of hours worked.

26. Outcomes for Jobs Growth Wales are measured on a monthly basis and include number of jobs created, number of jobs filled and progression rates into continued employment or further learning. As this is also an ESF project it is monitored and evaluated by WEFO. An independent evaluation of the programme has recently been published. This included some positive findings and we will consider the report's recommendations to make improvement, where they are needed.
27. Job sustainability is one of the criteria used in quality assuring the support for job opportunities. Provision is also actively sought to meet demand in bilingual/Welsh medium with over 3,000 of the job opportunities to date advertised in Welsh.

***Youth entrepreneurship:***

28. The Youth Entrepreneurship Strategy Action Plan was launched in November 2010 and is a joint strategy between the Department for Economy, Science & Transport and the Department for Education & Skills.
29. There are no specific budgets for youth entrepreneurship in the DfES MEG, however this is supported within a wide range of budgets, including the Youth Engagement and Progression Framework, Jobs Growth Wales, further education and higher education. The Welsh Baccalaureate will include enterprise and entrepreneurship.
30. Jobs Growth Wales also has a bursary strand which has provided funding support for 345 16-24 year olds to date wishing to set up their own businesses.
31. The last update report on the Action Plan was published in December 2013.

***Youth Engagement and Progression Framework:***

32. The Framework requires an integrated approach from all organisations involved in delivering activity for young people, focussing on the needs of the individual. This will be delivered through a systems based approach to early identification of need, co-ordinated brokerage of support and tracking of the young person's progress.
33. At the heart of the Framework there are two new actions, the first is the offer of a lead worker within a relevant organisation who can provide continuity of support and contact for the most at risk young people.
34. The second is the development of a proactive offer of a Youth Guarantee, which is the offer, acceptance and commencement of a suitable place in education or training for a young person making the first

time transition from compulsory education at age 16. We believe this will provide a clear progression route for all young people, linked to effective information, advice and guidance to help them make a more informed choice, and support their progression post 16. This will be funded through existing provision available in schools, further education and work based learning.

35. We have introduced new mechanisms to hold Councils and partners better to account for performance in reducing the number of young people who are NEET (Not in Education, Employment or Training). From January 2014 officials met bi-annually with a senior leader in each Council to discuss the Council's NEET action plan and progress towards achieving targets.
36. We have also created a Youth Engagement and Progression Framework Programme Board which brings together representatives from relevant policy areas to better ensure co-ordination across Welsh Government divisions and branches in delivery of the implementation plan for youth engagement and progression.
37. We have committed to a three year evaluation of the project undertaken in two distinct phases. The Phase 1 formative process evaluation will assess how the framework is being implemented at local and national levels and scope options for the approach to the Phase 2 impact evaluation. The Phase 2 full impact evaluation will identify and quantify the impacts made by the elements of the framework and the projects that it has shaped, upon young people's employment and participation opportunities, and the outcomes for them.

### **Careers Wales BEL**

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans 2014-15 Final Budget	Changes	New Plans Draft Budget
£000	£000	£000	£000
30,500	27,000	-7,000	20,000

38. The Careers Wales budget decreases by £7m compared to the indicative 2015-16 budget. Extra funding was allocated to this budget in 2014-15 including the development of the careerswales.com website to assist with the future year budget reduction.
39. There is a statutory duty on Welsh Ministers to provide Career information Advice and Guidance services which is delivered through the grant funding provided to Careers Choices Dewis Gyfa (CCDG). The further reduction to budget in 2015-16 means that there will need to be a change in the remit for Careers Wales.

40. The main changes are likely to be the cessation of adult service provision (over 25's) and a reduction of circa 50% in face to face services for young people up to the age of 24. The differentiated service model will continue with resources focussed on those with the greatest risk of disengagement. Greater reliance will be placed on web chat, phone and web based services – preferred by young people.

**Programme for Government:**

41. There are no commitments under this budget line. However, Careers Wales is driving focus on outcomes including increasing the proportion of young people engaged in education, employment and training. Careers Wales is a key strategic partner in delivery of the Youth Engagement and Employment Progression Framework which has a central role in meeting the NEET reduction target set out in the Tackling Poverty Action Plan.

**Preventative Spending:**

42. The majority of this budget is preventative spend as the focus on delivery of services to young people supports better informed decision making and successful progression.
43. Careers Wales helps to improve the efficiency and effectiveness of the much larger investment in education and training made by the Welsh Government. Careers advice and guidance can reduce the mismatch of skills to labour market opportunities, reduce drop out from education and training, reduce youth and adult unemployment and support social justice and mobility.

**Work Based Learning BEL**

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans 2014-15 Final Budget	Changes	New Plans Draft Budget
£000	£000	£000	£000
119,308	121,308	-15,000	106,308

44. The budget for Work Based Learning decreases by £15m compared to indicative plans. The budget includes funding for apprenticeships, Young Recruits and employability programmes for non employed learners aged 16-18 (Traineeships) and non employed adults aged 19+(Work Ready).
45. It is expected that the contract value for Traineeships and Work Ready will be maintained at current levels, therefore the budget reduction will impact apprenticeship delivery and support. We are also continuing to invest in the Young Recruits Programme by targeting places for those on shared apprenticeships.

46. The budget will be prioritised to support those who are part way through their programmes at 1 April 2015 and to support as many new young apprentices as possible, as well as those wishing to start a higher level Apprenticeship. We will also be looking to maximise our use of European funding.
47. By prioritising recruitment of 16-24 year olds and on Higher Apprenticeships, a key impact of the reductions will be on level 2 and 3 apprenticeship opportunities for adults. An extra £5m was allocated as part of the Budget Agreement to mitigate this to some extent.
48. Our support for Apprenticeships is also a key intervention in terms of supporting growth. Recent research from the Centre for Economics and Business Research predicts that the average person completing an Apprenticeship increases business productivity by £214 per week. In January 2012, the National Audit Office concluded that individuals with advanced apprenticeships show 18% higher wages, while those with intermediate apprenticeships show 11% higher wages (compared to a person without an apprenticeship, equivalent qualification or a higher qualification). This converts to estimated returns of £21 and £16 respectively for every £1 of public spending.

***Programme for Government:***

49. The Programme for Government (PfG) sets out our commitment to tackle youth unemployment and to deliver more apprenticeship opportunities for young people throughout Wales. Delivery of high quality apprenticeships is a fundamental part of our strategy to improve the skills of workers in Wales and due to budget reductions that we have had to deliver we are concentrating on learners aged 16-25 and unemployed adults.
50. The commitment to introduce a successor to the Skill Build programme that will offer enhanced support, including entry-level “engagement” training for young people facing the worst barriers to employment has been fulfilled, as the successor programme, Traineeships, has been introduced.
51. The Young Recruits programme has been extended over the past three years, supporting the continuation of apprenticeship training during the economic downturn. The programme has exceeded its targets and is being reduced as the economy turns to recovery. The future of this programme for 2015-16 will focus on targeting shared apprenticeships.
52. The commitment to roll out the Apprenticeship Matching Service across Wales has also been completed. This web based service, hosted by Careers Wales, enables potential apprentices to register, search and apply for apprenticeship vacancies. Employers are able to register their companies, link to local training providers and post apprenticeship

vacancies. £100k is allocated to this service for 2015-16 from the FE Policy Development BEL.

***Preventative Spending:***

53. The Work Based Learning BEL's entire budget is considered to be preventative. This is due to apprenticeships providing the skills to compete more effectively in the labour market; giving employers a highly trained workforce and improving the well being of individuals. Success for apprenticeships is measured by the number of individuals who achieve an apprenticeship framework. Traineeship is measured by successful progression into employment or further learning.

***Apprenticeship Policy:***

54. The funding rates for apprenticeships are set using an activity costs model, which was first introduced in August 2011. This was based on costing reviews that took place between 2008 and 2010. It is based on developing an understanding of programme delivery costs and activity levels. Work on reviewing framework costs and setting funding rates for new frameworks is an ongoing process, which continues through each round of work based learning contracts in conjunction with the provider network. In advance of the recent work based learning tender a review of the activity costs assumptions which underpin the Traineeships and Apprenticeship funding model was completed. This concluded that no changes were needed to the apprenticeship funding model, but resulted in a change to the funding methodology for traineeship programmes from 1 April 2015.
55. As work based learning is funded via a competitive tender allocations are made to the providers demonstrating the highest quality provision. Allocations are tailored as far as possible to meet economic demand based on local knowledge and labour market information. The delivery and outcomes are then monitored and evaluated through a series of activities including learner outcome reports, post 16 learner voice survey, apprenticeship pay survey, working with providers to streamline processes and efficiency through a 'lean' approach.
56. We will be consulting on the development of the apprenticeship system this autumn. It is anticipated that this will consider where public investment could be best prioritised in light of the emerging co-investment policy and how changes to apprenticeship design can add value.

## Employment and Skills BEL

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans 2014-15 Final Budget	Changes	New Plans Draft Budget
£000	£000	£000	£000
19,797	24,157	0	24,157

57. The budget for Employment and Skills remains the same as the indicative budget for 2015-16. The BEL funds the development and delivery of programmes which assist people to access and progress at work through skills and training support. It facilitates a direct response to assist the growth of individual businesses through workforce development and provides sector based, employment led solutions to respond to identified skills needs in priority areas which are important for the economy of Wales.
58. This budget also supports the drawdown of a significant amount of ESF funding to support these programmes. A large scale review of European Social Fund funded projects was completed following the reductions to this budget in 2014-15. This included de-committing from some projects which were not performing as highly as others, for example Skills Growth Wales, and reinvesting where required in high performing programmes such as Sector Priorities Fund and ReAct. An increase in intervention rates was also agreed with WEFO, which allowed us to maintain existing delivery levels with reduced programme budgets. The 2014-2020 projects are currently been discussed with WEFO.

### **Programme for Government:**

59. This budget supports a number of Programme for Government commitments including support for anchor companies and specific industry training needs, tackling literacy and numeracy in the workplace, ReAct and the Wales Union Learning Fund.
60. This BEL now supports the work of the Labour Market Intelligence Project which is helping ensure key information on the supply and demand for skills is available to stakeholders (through the Learning and Skills Observatory), to learning providers, and to young people (via careerswales.com). This project delivers the PfG commitment to provide robust labour market intelligence to help individuals make informed choices about education provision.

### **Preventative Spending:**

61. This budget responds to the training needs of individuals and employers to support entry into, and retention and progression within the workplace. As such, it addresses skills and employability issues preventing individuals from accessing, remaining and progressing within the

workplace. Similarly, it addresses skills issues preventing employers from being able to capitalise on growth opportunities or adapt to changing economic circumstances.

**Policy Statement on Skills:**

- 62. The Policy Statement on Skills was made in January 2014 focusing on skills for jobs and growth, skills that respond to local needs, skills that employers value and skills for employment for the next ten years. The Skills Implementation Plan was published in July 2014 with the primary focus of raising productivity, reducing barriers into work and supporting people into sustainable employment.
- 63. In our Skills Implementation Plan, which says how we are going to deliver our Skills Policy, the areas outlined are funded by current budgets such as the Employment and Skills BEL, Work Based Learning BEL and the Further Education Provision BEL. This is not about increasing spend but making better use of the funding that we have, to focus on areas of importance such as STEM subjects.
- 64. From 2015-16 onwards, we have plans for increased levels of co-investment from employers into the programmes that we deliver. This will reduce the pressure on programme budgets. This will also enable us to continue programmes in areas of Wales that are not eligible for funding under 2014-2020 European programmes.
- 65. We have developed a set of Skills Performance Measures that were published at the end of September. The aim of the measures is to drive the commitment to improve the overall skills base of Wales using a range of indicators. The measures will be used as a continual reference point when evaluating Welsh Government policies and programmes. The skills performance measures will also act as a method of assessing our progress towards the long term ambition for the skills system in Wales as presented by the Policy Statement on Skills.

**Higher Education Revenue BEL**

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans 2014-15 Final Budget	Changes	New Plans Draft Budget
£000	£000	£000	£000
330,341	330,173	540	330,713

- 66. The budget for Higher Education Revenue has increased compared to the indicative allocation due to a transfer from the Revenue Support Grant to fund the provision of professional training for Educational Psychologists of £0.540m. The provision to HEFCW remains the same as the indicative allocation.

67. The total income available to the Welsh HE sector continues to increase when compared with the previous funding model as a result of the new tuition fee regime. The average increase in overall funding for HE institutions in Wales was 11.1% in 2013-14. The latest modelling suggests that income to the sector will continue to increase into 2015-16 (academic year) if institutions in Wales are able to continue to attract sufficient numbers of students.
68. HEFCW's spending and operational plan continue to be monitored through quarterly meetings with both officials and Ministers.
69. The Higher Education (Wales) Bill was introduced on 19 May 2014 with the aim of improving the regulatory system for higher education in Wales. The Bill :
  - maintains regulation of higher education in the context of the funding and student support arrangements introduced in September 2012.
  - gives the HEFCW powers to regulate certain institutions and providers without having to rely on terms and conditions of funding
  - ensures the quality of higher education in Wales, that equal access to higher education is prioritised, that fee limits are enforced and that the HEFCW continues to provide assurance about the financial management of higher education providers.
70. We continue to work with the sector to progress the Higher Education Policy Statement. This builds on the strengths of the sector and establishes a clear set of priorities including interacting with businesses to stimulate innovation and economic growth, enhancing the employability of all graduates, collaborating with further education providers to ensure opportunities for progression are available for all learners and developing more flexible models of provision to build a more successful and sustainable future.

***Programme for Government:***

71. We have a commitment to only allow fees at Welsh Universities to rise above £4,000 where institutions are able to demonstrate that they are improving the student experience and widening access. The Student Fees (Amounts) (Wales) Regulations 2011 introduced the relevant controls over fee levels. The cost associated with Tuition Fee Grant to protect Welsh domiciled students from higher debt levels is £236m in 2015-16.
72. There has been substantial reconfiguration in both South West and South East Wales, with the creation of the transformed University of Wales Trinity St David and the University of South Wales. The final report on the review of Higher Education in North Wales has been published and the institutions concerned are considering the report's

recommendations. This has created a smaller number of stronger universities in Wales as committed in Programme for Government.

73. As reported in the 2013-14 Programme for Government report, a number of commitments relating to the governance of higher education institutions have been superseded by the Higher Education (Wales) Bill.

***Preventative Spending:***

74. Support for higher learning is crucial to the future of Wales. Universities contribute £1.3billion a year to the Welsh economy and provide over 16,000 jobs in Wales while generating over £400million per annum in export investments.

***Higher Education Policy – funding for HEFCW:***

75. How HEFCW allocates funding for distribution to the HE sector in areas such as research and postgraduate provision, part time, STEM and other expensive subjects is a matter for the Council not the Welsh Government. However we are aware that the tuition fee reforms and the Welsh Government budget settlement means that the council have some difficult decisions to make.
76. We have to be realistic and acknowledge that this means that HEFCW's relationship with Universities in Wales has and will continue to change. The majority of HEFCW funding is no longer being distributed directly to Universities but is being paid out in tuition fee grants to Welsh domiciled students. However, Universities in Wales are better off under the new regime and there should be an expectation on our institutions to accept that they have a responsibility because the outcomes are important to Wales. This should be the start of a partnership approach to delivering Welsh Government priorities in higher education.
77. Student finance policy is underpinned by a sophisticated financial model which takes into account the current financial provision set aside for higher education in Wales as well as other sources of institutional income such as tuition fees. Forecasts are reviewed regularly as new or more robust data becomes available. Updated forecasts are produced by the analytical team within the Higher Education Division of DfES at regular points during the financial year to ensure that the latest information regarding student behaviour, demographic trends, take-up rates, socio economic factors and other relevant data are taken into account.
78. Wales remains a net importer of students from other parts of the UK. As a result, institutions in Wales receive higher amounts of fee income from those students than HEFCW pays in fee grants to institutions outside Wales. Current forecasts give a net income of £51.7m in 2015-16, increasing to £53.6m in 2016-17.

79. Expenditure forecasts for 2015-16 for the tuition fee grant has increased by £10.7m to £235.5m due to an increase in student numbers of 2,200. This remains within the spending parameters of our original modelling.

### **HEFCW Running Costs BEL**

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans 2014-15 Final Budget	Changes	New Plans Draft Budget
£000	£000	£000	£000
2,768	2,768	0	2,768

80. No changes are proposed to the HEFCW Running costs budget. The budget supports the running costs (staff and operational) for the Higher Education Funding Council for Wales. We have protected HEFCW's running cost budget in order to ensure that the Council has sufficient staff resources to undertake the new functions proposed in the Higher Education (Wales) Bill.

### **For Our Future – Coleg Ffederal and UHOVI BEL**

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans 2014-15 Final Budget	Changes	New Plans Draft Budget
£000	£000	£000	£000
32,304	30,498	0	30,498

81. The budget for For Our Future remains the same as the indicative plans. The budget supports the University of the Heads of the Valleys (UHOVI) provision, the Coleg Cymraeg Cenediaethol and other Welsh Government strategic priorities.

### **Programme for Government:**

82. The Heads of the Valleys Programme has now been completed and the ongoing key projects are integrated with core partner delivery. We have supported the transitional arrangements to ensure the new College Merthyr Tydfil was fully operational by September 2013 with the capacity to offer a wide choice of post 16 academic options. This commitment was not only about bringing HE nearer to those who might benefit the most, it is also about re-generating the heart and soul of the community.
83. We remain committed to supporting the Coleg Cymraeg Cenediaethol, with £8.6m allocated in 2015-16, in its mission to provide independent

oversight, management and development of Welsh medium education across Wales.

### **Targeted Awards BEL**

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans 2014-15 Final Budget	Changes	New Plans Draft Budget
£000	£000	£000	£000
9,376	9,004	-2,000	7,004

84. The budget for Targeted Awards decreases by £2.0m compared to the indicative budget 2015-16. The budget supports Financial Contingency Funds (FCF) to provide support for students in genuine need.
85. For 2015-16 we are protecting the further education financial contingency funds. However we have taken the decision to remove the discretionary higher education contingency fund scheme. The Oldbell3 independent review of financial contingency funds found that those students who could access full statutory support through grants and loans are usually adequately funded. However the FCF allowed institutions to be flexible and accommodate exceptional circumstances. As the income available to HE institutions in Wales is rising with the change in the fee regime, we are working with the HEFCW, the sector and the National Union of Students to identify how universities can support their vulnerable students.

### **SLC/HMRC Administration costs BEL**

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans 2014-15 Final Budget	Changes	New Plans Draft Budget
£000	£000	£000	£000
7,338	5,838	2,500	8,338

86. The budget increases from the indicative plans for 2015-16 as a result of a transfer from the Revenue Support Grant following the modernisation of Student Finance Wales. The Student Loans Company is now providing advice, guidance and the application process for student loans, which was previously carried out by Local Authorities.

## **Supporting Children, Families and Deprived Communities**

### **Welsh Government Learning Grant BEL**

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans 2014-15 Final Budget	Changes	New Plans Draft Budget
£000	£000	£000	£000
196,533	186,870	4,050	190,920

87. The budget for the Assembly Learning Grant has increased from the indicative plans by £4.05m. This budget includes the demand led statutory student support programme accounts for HE and FE. The budget supports Part-Time Grants and Fees, Student Loan Company Targeted Grants, Welsh Government Learning Grant and Education Maintenance Allowance. Grant levels and eligibility thresholds have been frozen for all student finance grants from 2014-15 until 2016-17. The freezing of grant eligibility levels goes some way to ensuring that support will remain affordable within the published plans. However due to the increase in the number of students eligible for the grant and the anticipated impact of the lifting of the student numbers cap in England there is an expected increase in demand, and additional budget has been allocated.
88. The Welsh Government has recognised that living costs are a key consideration for students and at a time of austerity and in line with our programme for Government commitment we have managed to maintain the overall level of support that is on offer to our students. Wales continues to have the most generous maintenance grant system of the UK administrations.
89. The funding for Educational Maintenance Allowances (EMA) will be maintained at £30 per week for eligible students. The Welsh Government has commissioned an independent evaluation to be carried out on EMA, which will look at how effective the scheme has been and whether funding can be better targeted. We expect to publish the report in October and will consider the implications for the delivery of EMA in light of its findings and recommendations.

### ***Programme for Government:***

90. We said in the Programme for Government that we would maintain our commitment to provide financial support to students from the lowest household incomes and we are doing this by maintaining the overall level of support available. There are also other targeted grants

available, including the Out of School Childcare Grant, Adult Dependants' Grant, Parents' Learning Allowance and Disabled Students' Allowance. Forecasts suggest that approximately £17m will be allocated for these grant schemes.

***Preventative Spending:***

- 91. Student support for higher learning in the form of the Welsh Government Learning Grant helps to pay living costs, the Tuition Fee Grant helps to meet the cost of fees and targeted awards such as the Disabled Students Allowance or Childcare Grant create better life chances for individuals. Higher education qualifications open up employment opportunities and evidence remains strong for a “graduate premium” in relation to pay and lifetime earnings potential of graduates.

**Provision for Legislation**

- 92. The budget continues to take account of our current legislative programme. An Annex setting out the costs for 2015-16, of both previously enacted legislation and anticipated costs of draft legislation (where Bills have been introduced into the Assembly), has been published alongside the Draft Budget narrative. A more detailed update on the costs of our legislative programme relevant to the remit of this Committee is provided below.

**Educational Attainment**

***Further Education Provision BEL***

2014-15 Supplementary Budget June 2014  £000	2015-16 Indicative Plans 2014-15 Final Budget  £000	2015-16 Changes  £000	2015-16 New Plans Draft Budget  £000
413,531	414,319	-14,142	400,177

- 93. The budget for Further Education provision decreases in 2015-16 from plans previously published by £14.1m. This includes a recurrent transfer in of £7.5m from the ‘Wellbeing of Children and Young People’ Action, for further education supplementary funding for students with learning difficulties which will now be distributed as part of the post 16 Planning and Funding Framework rather than a separate grant. It also includes a recurrent transfer out of £9.9m relating to Welsh for Adults to the ‘Learning can be accessed through the Welsh Language’ Action.
- 94. This BEL funds local authority sixth form provision, local authority adult community learning provision and further education institutions. Improving the efficiency of delivery in those sectors wherever feasible will minimise the impact on provision as far as possible. We will also

look to utilise the new planning and funding methodology introduced for the 2014/15 academic year, to guide programme delivery in these sectors and provide positive outcomes for learners.

95. In this budget we recognise the importance of further education in the drive to reduce the number of young people not in employment, education or training and in increasing the skill levels of young people before they enter the world of work. However with the prioritisation of provision for 16-18 year olds, the impact of the reductions will predominately fall in part time provision. We will however protect basic skills and English for Speakers of Other Languages (ESOL) courses.
96. Following reductions to this budget for 2014-15 we secured additional funding to offer the Skills Priority Programme in Further Education. In 2014-15 this programme provided £8m to Further education Institutions to offer part time education to employed learners, focussing on up-skilling the current workforce. We are looking to increase this in 2015-16 and also match fund it in the 2014-2020 European Structural Funding round.

***Programme for Government:***

97. The commitment for having funding arrangements that allow for better strategic planning has been completed. The planning and funding guidance, following the final report of the Post 16 Planning and Funding Review, was published in October 2013. We have been working with colleges on the changes of funding by Learning Programme. We are unable to give three year funding arrangements at present due to the short term budget allocation that the Welsh Government has itself.
98. We have also achieved, in partnership with ColegauCymru and trade unions, an all wales contract for further education lecturers. It is expected that this will apply to all lecturing staff by September 2016.
99. Our Transformation policy has stimulated and supported a number of further education institution (FEI) mergers across Wales. Mergers completed in 2014 resulted in the reduction from 20 in 2009 to 9 institutions (excluding designated universities and those that have become subsidiaries of HE institutions) delivering on our Programme for Government commitment to encourage further mergers of FE colleges.
100. Mergers are a key policy driver and a means of ensuring greater strategic effectiveness and cost efficiency. Efficiency gains arising from mergers are expected to be significant and DfES expects the institutions to re-invest these sums to the benefit of learners, businesses and the local community. However initial costs of merger can be substantial due to reorganisation, merging systems, staffing and marketing.

### ***Preventative Spending:***

101. Provision of post compulsory education, for those aged 16-18, accounts for approximately three quarters of the Further Education Provision BEL and is considered to be preventative as young people raise their skill levels and improve their employment chances, reducing the dependency on welfare benefits.

### ***FE Policy Development BEL***

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans 2014-15 Final Budget	Changes	New Plans Draft Budget
£000	£000	£000	£000
1,066	1,066	0	1,066

102. The budget for FE Policy Development has been maintained for 2015-16. The budget supports strategic projects and quality improvement activities designed to improve the delivery of post 16 learning in Wales, including Learner Voice Wales, grant funding to NIACE Cymru and a data matching and analysis project. It will also support the delivery of a new programme of research into sixth form efficiency and effectiveness.

### ***Programme for Government:***

103. This budget supports the commitment to ensure that learner voice is central to strategic decision making in FE colleges. A cost of £0.160m in 2015-16 is associated with the commitment.

### ***Legislation***

#### *Education (Wales) Act 2014*

104. The Education (Wales) Act which received Royal Assent on 12 May 2014, renames and reforms the existing registration body, the General Teaching Council for Wales (GTCW) to create the Education Workforce Council (EWC), extends the registration, qualification and training requirements of the education workforce, and makes provision for the determination of school term and holiday dates in Wales.
105. The intention is for a phased approach for the registration of the wider education workforce, with the EWC becoming operational from 1 April 2015. The consultation on Registration fees for the education workforce in Wales runs until 7 November 2014. The regulations will allow for a transitional year in 2015-16, with the final fee model to be in place for registration in April 2016.

106. From 1 April 2015, Further Education (FE) teachers will be required to register with the EWC. In the first year only, a subsidy for FE teachers has been proposed which will require an additional £0.180m in 2015-16, with costs being met from the Teaching and Leadership Action. The new EWC will continue to be a self financing body.
107. The final element of the Bill is the standardisation of school term dates, which has an estimated minimal staff cost impact of £0.031m over two years (until 2015-16), which will be met from the DfES running costs budget.

*Further and Higher Education (Governance and Information) (Wales) Act 2014*

108. The Further and Higher Education (Governance and Information) (Wales) Act 2014 received Royal Assent on 27 January 2014. The Act removes a number of restrictions and controls on further education institutions. There are not expected to be any costs to the Welsh Government in 2015-16 in order to implement the new provisions. Changes required to guidance, including updating the Audit Code of Practice and Financial Memorandum will be managed by officials within the DfES and will therefore be met from the existing departmental running costs budget.

*Higher Education (Wales) Bill*

109. The Regulatory Impact Assessment (RIA) for the Higher Education (Wales) Bill was published on 19 May 2014 and outlined additional costs to the Welsh Government of the preferred option to reform the functions of HEFCW to enable effective regulation. The RIA set out additional costs for Welsh Government of £0.172m in 2015-16. However the majority of costs relate to staff costs, which will fall to the departmental running costs budget, leaving additional programme costs of £0.035m.
110. This additional funding will need to be absorbed from the existing provision within the Higher Education Action. As a result there are no reductions proposed against this Action for 2015-16.

*Financial Education and Inclusion (Wales) Bill*

111. The Welsh Government does not support the Financial Education and Inclusion Bill. The RIA to the Bill currently contains very rough costs of implementing the Bill to the Welsh Government and wider public sector. The Welsh Government believes that the RIA would benefit from more detail around some of the cost calculations to improve the robustness of financial information supplied. Notwithstanding this, the Welsh Government's budget remains fully committed at this time and therefore if the Bill were to become law these costs would have to be reprioritised from existing budgets.

### *UK Legislation*

112. We are also involved in monitoring a number of UK Bills, which as a Department we have a specific interest in or may impact on our remit indirectly. These include; the Deregulation Bill; Small Business, Enterprise and Employment Bill; Education (Information Sharing) Bill; Consumer Rights Bill; Childcare Payments Bill and the Crime Justice and Courts Bill. We will continue to work with Whitehall to understand the implications to the Department, including the full budgetary impact, if any. However, at this stage, it is anticipated that any additional costs if there are any will be minimal and can met from within the MEG if necessary.

### *Subordinate legislation and previous Measures*

113. There are no significant cost implications for the Education and Skills MEG in 2015-16 as a result of subordinate legislation, with any costs of implementation being met from the existing departmental running costs budget. There is no direct impact on the portfolio as a result of the Learning and Skills Wales (Measure) 2009. Currently all schools and FE colleges are meeting the requirements of the Measure. Earlier this year the Learning and Skills Wales Regulations were amended, reducing the choices for KS4 learners from 30 to 25 choices with the vocational number within this figure reducing from 5 to 3 - this change was effective from September 2014.

### **Summary**

114. The Education and Skills Draft Budget for 2015-16 is presented to the committee for consideration.

EDUCATION AND SKILLS MAIN EXPENDITURE GROUP (MEG)						
RESOURCE BUDGET - Departmental Expenditure Limit						
SPA	Actions	Budget Expenditure Line (BEL)	2014-15 Supplementary Budget June 2014 £000	2015-16 Indicative Plans Final Budget December 2013 £000	2015-16 Changes £000	2015-16 New Plans Draft Budget £000
Education & Training Standards	Literacy & Numeracy	Literacy & Numeracy	7,036	6,197	-1,685	4,512
		<b>ACTION Total</b>	<b>7,036</b>	<b>6,197</b>	<b>-1,685</b>	<b>4,512</b>
	Curriculum	14-19 Learning in Wales	10,241	8,000	-8,000	0
		Foundation Phase	99,751	99,751	-97,900	1,851
		Curriculum & Assessment	24,276	8,305	17,750	26,055
		<b>ACTION Total</b>	<b>134,268</b>	<b>116,056</b>	<b>-88,150</b>	<b>27,906</b>
	Teaching & Leadership	Teacher Development and Support	17,849	17,849	-7,462	10,387
		Initial Teacher Training (new)	0	0	5,569	5,569
		<b>ACTION Total</b>	<b>17,849</b>	<b>17,849</b>	<b>-1,893</b>	<b>15,956</b>
	Qualifications	Qualifications inc Welsh Bacc	5,045	5,603	2,300	7,903
		<b>ACTION Total</b>	<b>5,045</b>	<b>5,603</b>	<b>2,300</b>	<b>7,903</b>
	Post- 16 Education	Further Education Provision	413,531	414,319	-14,142	400,177
		Work Based Learning	119,308	121,308	-15,000	106,308
		FE Policy Development	1,066	1,066	0	1,066
		<b>ACTION Total</b>	<b>533,905</b>	<b>536,693</b>	<b>-29,142</b>	<b>507,551</b>
	Higher Education	HEFCW-Running Costs	2,768	2,768	0	2,768
		Higher Education Revenue	330,341	330,173	540	330,713
		Higher Education Receipts	-2,798	-2,798	0	-2,798
		For Our Future - Coleg Ffederal & UHOVI	32,304	30,498	0	30,498
		HEFCW Depreciation	82	82	0	82
	<b>ACTION Total</b>	<b>362,697</b>	<b>360,723</b>	<b>540</b>	<b>361,263</b>	
	Education Structures	Transformation	250	0	0	0
		<b>ACTION Total</b>	<b>250</b>	<b>0</b>	<b>0</b>	<b>0</b>
	Education Standards	School Governance (was School Effectiveness Grant)	30,567	32,067	-30,329	1,738
		School Standards Support	2,194	2,194	-830	1,364
		School Improvement Grant (new)	0	0	141,021	141,021
		<b>ACTION Total</b>	<b>32,761</b>	<b>34,261</b>	<b>109,862</b>	<b>144,123</b>
	Pupil Deprivation Grant	Pupil Deprivation Grant	71,246	34,246	47,800	82,046
		<b>ACTION Total</b>	<b>71,246</b>	<b>34,246</b>	<b>47,800</b>	<b>82,046</b>
	ICT & Information Management Systems	ICT & IMS Programme	12,981	6,951	-16	6,935
<b>ACTION Total</b>		<b>12,981</b>	<b>6,951</b>	<b>-16</b>	<b>6,935</b>	
		<b>SPA Total</b>	<b>1,178,038</b>	<b>1,118,579</b>	<b>39,616</b>	<b>1,158,195</b>

SPA	Actions	Budget Expenditure Line (BEL)	2014-15 Supplementary Budget June 2014 £000	2015-16 Indicative Plans Final Budget December 2013 £000	2015-16 Changes £000	2015-16 New Plans Draft Budget £000
Skilled Workforce	Employment & Skills	Employment & Skills	19,797	24,157	0	24,157
		<b>ACTION Total</b>	<b>19,797</b>	<b>24,157</b>	<b>0</b>	<b>24,157</b>
	Youth Engagement & Employment	Youth Engagement & Employment	18,746	19,746	-4,200	15,546
		<b>ACTION Total</b>	<b>18,746</b>	<b>19,746</b>	<b>-4,200</b>	<b>15,546</b>
	Educational & Careers Choice	Careers Wales	30,500	27,000	-7,000	20,000
		<b>ACTION Total</b>	<b>30,500</b>	<b>27,000</b>	<b>-7,000</b>	<b>20,000</b>
		<b>SPA Total</b>	<b>69,043</b>	<b>70,903</b>	<b>-11,200</b>	<b>59,703</b>
Improving Wellbeing, Reducing Inequality & Increasing Participation	Wellbeing of Children & Young People	Spec. Placements/Students with Learning Difficulties FEIs	16,002	16,002	-4,521	11,481
		School Based Counselling	500	500	-420	80
		Food & Drink in Schools	3,185	3,185	0	3,185
		Additional Learning Needs	2,796	3,046	-800	2,246
		<b>ACTION Total</b>	<b>22,483</b>	<b>22,733</b>	<b>-5,741</b>	<b>16,992</b>
	Post-16 Learner Support	Welsh Government Learning Grant (was Assembly Learning Grant)	196,533	186,870	4,050	190,920
		SLC/HMRC Administration Costs	7,338	5,838	2,500	8,338
		Maintenance Loans Res Budget Prov	106,849	106,849	0	106,849
		Targeted Awards	9,376	9,004	-2,000	7,004
		<b>ACTION Total</b>	<b>320,096</b>	<b>308,561</b>	<b>4,550</b>	<b>313,111</b>
	Pupil Engagement	Tackling Disaffection	1,158	1,158	-500	658
		Grants for the education of travellers children	1,100	1,100	-1,100	0
		Minority Ethnic Achievement Grant	10,000	10,500	-10,500	0
		<b>ACTION Total</b>	<b>12,258</b>	<b>12,758</b>	<b>-12,100</b>	<b>658</b>
			<b>SPA Total</b>	<b>354,837</b>	<b>344,052</b>	<b>-13,291</b>
Welsh Language	Welsh in Education	Welsh in Education	15,462	14,462	4,137	18,599
		<b>ACTION Total</b>	<b>15,462</b>	<b>14,462</b>	<b>4,137</b>	<b>18,599</b>
	Welsh Language	Welsh Language	8,914	9,049	-3,790	5,259
		Welsh Language Commissioner	0	0	3,390	3,390
	<b>ACTION Total</b>	<b>8,914</b>	<b>9,049</b>	<b>-400</b>	<b>8,649</b>	
		<b>SPA Total</b>	<b>24,376</b>	<b>23,511</b>	<b>3,737</b>	<b>27,248</b>
Delivery Support	Delivery Support	Strategic Communications	1,483	1,483	1,489	2,972
		Education Research & Services	1,666	1,566	164	1,730
		<b>ACTION Total</b>	<b>3,149</b>	<b>3,049</b>	<b>1,653</b>	<b>4,702</b>
		<b>SPA Total</b>	<b>3,149</b>	<b>3,049</b>	<b>1,653</b>	<b>4,702</b>
<b>Education &amp; Skills Resource DEL</b>			<b>1,629,443</b>	<b>1,560,094</b>	<b>20,515</b>	<b>1,580,609</b>

SPA	Actions	Budget Expenditure Line (BEL)	2014-15 Supplementary Budget June 2014 £000	2015-16 Indicative Plans Final Budget December 2013 £000	2015-16 Changes £000	2015-16 New Plans Draft Budget £000
<b>CAPITAL BUDGET - Departmental Expenditure Limit</b>						
Education & Training Standards	Estate & IT Provision	General Support	43,021	43,021	0	43,021
		Strategic Investment	110,813	130,813	0	130,813
		<b>ACTION TOTAL</b>	<b>153,834</b>	<b>173,834</b>	<b>0</b>	<b>173,834</b>
		<b>SPA Total</b>	<b>153,834</b>	<b>173,834</b>	<b>0</b>	<b>173,834</b>
<b>Education &amp; Skills Capital DEL</b>			<b>153,834</b>	<b>173,834</b>	<b>0</b>	<b>173,834</b>
<b>RESOURCE &amp; CAPITAL BUDGET - Annually Managed Expenditure</b>						
Economic & Social Wellbeing & Reducing Inequality	Post-16 Learner Support	Student Loans Capital AME	338,322	361,489	43,960	405,449
		Student Loans Revenue AME	-92,240	-129,627	18,049	-111,578
		<b>ACTION Total</b>	<b>246,082</b>	<b>231,862</b>	<b>62,009</b>	<b>293,871</b>
		<b>SPA Total</b>	<b>246,082</b>	<b>231,862</b>	<b>62,009</b>	<b>293,871</b>
Skilled Workforce	Educational & Careers Choice	Careers Wales	6,000	6,000	0	6,000
		<b>ACTION Total</b>	<b>6,000</b>	<b>6,000</b>	<b>0</b>	<b>6,000</b>
		<b>SPA Total</b>	<b>6,000</b>	<b>6,000</b>	<b>0</b>	<b>6,000</b>
<b>Education &amp; Skills AME</b>			<b>252,082</b>	<b>237,862</b>	<b>62,009</b>	<b>299,871</b>
<b>Education &amp; Skills MEG - SUMMARY</b>						
Resource DEL			1,629,443	1,560,094	20,515	1,580,609
Capital DEL			153,834	173,834	0	173,834
<b>Total DEL</b>			<b>1,783,277</b>	<b>1,733,928</b>	<b>20,515</b>	<b>1,754,443</b>
Annually Managed Expenditure			252,082	237,862	62,009	299,871
<b>Education &amp; Skills</b>			<b>2,035,359</b>	<b>1,971,790</b>	<b>82,524</b>	<b>2,054,314</b>