

## Enterprise & Business Committee

**Date:** 14 January 2016

**Time:** 11.00-12:00

**Title:** Education and Skills Draft Budget 2016-17

### Purpose

1. This paper provides information to the Enterprise and Business Committee on the Education and Skills proposals outlined in Draft Budget 2016-17, published on 8 December 2015. It also provides an update on specific areas of interest to the Committee.

### Background

2. Draft Budget 2016-17 provides a one year plan for investment in the provision of education and skills in Wales. The table below provides an overview of the planned Education and Skills Main Expenditure Group (MEG).

#### *Education and Skills MEG*

	2015-16 Baseline £000	2015-16 Budget changes and reprioritisation £000	2016-17 Indicative Draft Budget Plans £000
Resource DEL	1,579,609	1,201	1,580,810
Capital DEL	143,834	21,934	165,768
<b>Total DEL</b>	<b>1,723,443</b>	<b>23,135</b>	<b>1,746,578</b>
<b>Annually Managed Expenditure</b>	<b>370,199</b>	<b>0</b>	<b>370,199</b>
<b>Total MEG</b>	<b>2,093,642</b>	<b>23,135</b>	<b>2,116,777</b>

3. The baseline budget figures for 2015-16 have been revised, taking out any one off allocations as part of the first supplementary budget or previous budgets, to enable a like for like comparison of the 2015-16 budgets with the 2016-17 draft budget.

4. The following table shows a reconciliation from the published First Supplementary budget 2015-16 to the revised baseline budget.

<b>Revenue DEL</b>	<b>£000</b>
Published First Supplementary Budget 2015-16	1,589,009
Allocation from the 2015 Autumn Statement consequential – Schools Challenge Cymru	(3,500)
Allocation from the 2014 Autumn Statement consequential – Review of curriculum implementation	(2,000)
Allocation from the 2014 Autumn Statement consequential – Apprenticeships	(500)
Allocation from the 2014 Autumn Statement consequential – Flexible Skills project	(2,400)
Increased contribution to the Local Government Borrowing Initiative	(1,000)
<b>Revised 2015-16 baseline</b>	<b>1,579,609</b>
<b>Capital DEL</b>	
Published First Supplementary Budget 2015-16	<b>173,834</b>
Allocation from centrally retained capital funds to accelerate delivery of the 21st Century Schools Capital Programme in 2014-15 final budget.	(30,000)
<b>Revised 2015-16 baseline</b>	<b>143,834</b>
<b>Annually Managed Expenditure</b>	
Published First Supplementary Budget 2015-16	<b>338,804</b>
Adjustment to bring in line with forecasts submitted to OBR in September 2015 for student loans	31,395
<b>Revised 2015-16 baseline</b>	<b>370,199</b>

5. Compared to the revised baseline for 2015-16, the total Resource DEL allocation for Education and Skills has increased by £1.201m (1.1%). The movements are set out in detail under the relevant Budget Expenditure Lines (BEL) below. In summary the movements are:

	<b>£000</b>
Schools Challenge Cymru – transfer from Reserves to make the total available to £15m.	2,900
2015-16 Budget Agreement – Pupil Deprivation Grant (PDG) by increasing grant to £1,150 per pupil.	7,200
Additional allocation from reserves to give cash flat funding in the Education and Skills MEG to schools	2,000
2015-16 Budget Agreement – Apprenticeships	5,000
Additional allocation from reserves for Apprenticeships	5,000
Net amount transferred back to Reserves	(20,899)
<b>Resource DEL – net increase</b>	<b>1,201</b>

6. There is an increase from the revised 2015-16 baseline of £21.934m for the capital budget for four specific further education projects and to boost the 21st Century Schools Capital Programme.
7. 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.
8. The Action Level Budget plans for Education and Skills MEG were published on 8 December. To aid transparency, and as requested by the committee a breakdown of changes to the Education and Skills MEG by Budget Expenditure Line (BEL) is provided at Annex 1.

### **Budget Context**

9. This budget is again set in the context of the constraints imposed by the UK Government, as a result of the recent spending review announcement, together with the prioritisation of funding within and across portfolios, whilst planning to deliver the remaining 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.
10. We have undertaken a continual line by line review of budgets to establish how further reductions can be managed whilst continuing to reflect our priorities. Whilst difficult decisions have had to be made, our priorities for education in Wales remain unchanged and our published spending plans reflect this.
11. In recognition of the importance that education delivers to addressing inequality to employment and skills we are protecting budget provision for post 16 education in 2016-17 from cash reductions, this includes Further Education and Work Based Learning (not Higher Education). In addition, as part of the 2015-16 budget agreement and priorities for 2016-17 £10m extra funding is being made available for Apprenticeships through our work based learning network. The plans for apprenticeships include a focussed drive on increasing the number of sixteen to eighteen year olds, a keener emphasis on higher skilled apprenticeships, particularly in the Science, Technology, Engineering and Mathematics (STEM) sector and better links between Further Education programmes and Apprenticeships.
12. In light of the growing financial pressures, we commissioned Professor Ian Diamond to undertake an independent review of higher education funding and student finance arrangements in 2014. A key priority of the review is to consider the long-term financial sustainability of the Higher Education system. The findings of this review will be published in 2016

and will help inform the next steps for higher education funding in Wales. In the interim, we are allocating an additional £10m in recognition of the pressures on student support for 2016-17. This will enable the continued delivery of our tuition fees commitment.

### **Programme for Government**

13. In preparing for future financial restraints, we have sought to target investment to maintain the focus of our spending plans on our main priorities of: health and health services; growth and jobs; educational attainment; and supporting children, families and deprived communities. The Education and Skills portfolio contributes to all of these, but predominantly, in terms of direct spend, to the latter three.
14. Despite the challenges presented by the late timing of the UK Spending Review, we have used planning for the Draft Budget 2016-17 as an opportunity to look ahead to target investment in sustainable outcomes and adopt the five key ways of working established by the Well-being of Future Generations Act. The Act provides public bodies with a shared purpose through the establishment of seven well-being goals for Wales, and the five key ways of working ensure that public bodies take a long-term perspective when making decisions; that they consider what actions are required to prevent problems arising in future, or to prevent current problems from getting worse; that they take an integrated and collaborative approach to decision making; and that they involve users in the planning and delivery of services.
15. There are seven strategic objectives for Education and Skills policy development and delivery, which are aligned to our spending. These objectives supported the delivery of outcomes in the Programme for Government and are taken forward into 2016-17, to support any remaining commitments and to move towards the goals of the Future Generations Act. The objectives are:
  - An excellent professional workforce with strong pedagogy based on an understanding of what works.
  - A curriculum which is engaging and attractive to children and young people and which develops within them an independent ability to apply knowledge and skills.
  - The qualifications young people achieve are nationally and internationally respected and act as a credible passport to their future learning and employment.
  - Leaders of education at every level working together in a self-improving system, providing mutual support and challenge to raise standards in all schools.

- To deliver a skilled and employable workforce to stimulate innovation and economic growth at a local and national level, with high quality and valued opportunities for all learners.
  - To support individuals, families and communities in improving economic and social wellbeing and reducing inequality through education and training.
  - To see the Welsh Language thrive in Wales.
16. The final Programme for Government Annual Report, published in June 2015, provides an update on the achievement of our commitments and progress against performance measures. The performance measures outlined in the Qualified for Life plan and other strategic plans substantially mirror indicators that were set out in the Programme for Government and this is how we continue to monitor our outcomes.
17. Further commitments have been completed in 2015-16 and there is only one commitment left to deliver in 2016-17, the related funding required is included within this budget as follows:

<b>Commitment</b>	<b>Description</b>	<b>Funding</b>
3/030	Continue our support for the development of community and adult learning.	We are reviewing the provision of the newly merged WEA YMCA Community College Cymru. A revised policy on adult education will be published in 2016. The funding for this area of work is within the Further Education Provision BEL.

18. A summary of draft budget changes by Budget Expenditure Lines (BEL) relevant to this Committee is provided below, together with costs, the delivery of the policy, associated outcomes and associated impact on any remaining Programme for Government commitments

## **Jobs and Growth**

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

<b>2015-16 Baseline</b>	<b>2015-16 Budget changes and reprioritisation</b>	<b>2016-17 Draft Budget Plans</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>
15,813	1,401	17,214

19. The Youth Engagement & Employment BEL focusses on our commitment to reduce the number of young people not in education, employment or training (NEET) and supporting young people into work.

This BEL is integral to the continued successful delivery of the Youth Engagement and Progression Framework.

20. The Youth Engagement & Employment BEL funds a number of grants to support statutory and voluntary youth services in Wales and the Jobs Growth Wales programme. The budget increases in 2016-17 compared to the baseline by £1.401m. This is mainly as a result of three elements.
21. Firstly, £0.307m transfer in from Qualifications Wales BEL within the 'Qualifications' action to Youth Engagement and Employment BEL for various policy elements that remain within Welsh Government.
22. Secondly, there has been a further transfer in of £0.099m from Employment and Skills BEL within the 'Employment and Skills' action to Youth Engagement and Employment BEL for skills policy.
23. Finally, there has been an increase of £0.995m from reallocation of budget within the Education and Skills Main Expenditure Group (MEG) to enable continued delivery of activity to embed the Youth Engagement Progression Framework across Wales and mitigate expected cuts to linked services as a result of budget pressures on Local Authority (LA) spending.
24. We are committed to continue to push forward actions which will embed the good practice identified to date and support young people to make successful transition into further learning or employment when they leave school.

***Preventative Spending:***

25. Reducing the inequality of educational outcomes between different groups is one of the main objectives we need to achieve in order, in the medium to long term, to lift children and young people out of poverty, reduce the likelihood of them becoming not in employment, education or training (NEET) or entering the criminal justice system and to give them the best opportunity to have improved health and life outcomes. The Youth Engagement and Progression Framework, funded from the Youth Engagement and Employment Action, is built around the needs of young people and the accountability of different agencies, thereby strengthening and delivering better outcomes for young people.

***Support to help people; particularly young people, into work including Jobs Growth Wales and Traineeships***

26. Support to help people into work is primarily provided through the Welsh Government's adult employability programme, Work Ready, which will be replaced by a successor all-age employability programme, Skills for Employment Wales, in April 2016. Further targeted support is available for specific groups such as redundant workers through the ReAct programme and job-ready young people through the Jobs Growth Wales programme.

27. Jobs Growth Wales 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. Outcomes for Jobs Growth Wales are measured on a quarterly basis and include number of jobs created, number of jobs filled and progression rates into continued employment or further learning. As this is also a European Structural Funds Project (ESF) it is monitored and evaluated by Welsh European Funding Office (WEFO).

***Traineeships:***

28. Investment in the Traineeship pathway is vital to increasing uptake of Traineeships for young people aged 16-18 years of age. It is currently the only mainstream programme which offers the flexibility to re-engage young people aged 16-18 in learning and training at any point in the academic year, thereby preventing prolonged spells of inactivity.
29. The Traineeships programme has been designed to provide a tailored programme of learning enabling young people to improve their skills and qualification at a pace suitable to them. The Engagement strand of the programme is designed to support young people to overcome barriers to learning and helps move them closer to the labour market.
30. Young people receive valuable work experience, usually with a dedicated employer or through a simulated work environment, depending on the level of support the young person requires. They also have direct access to apply for any Jobs Growth Wales opportunity – providing a streamlined pathway through our youth focused employability programmes.
31. The Traineeship Programme's progression rates have improved year on year since it began in 2011/12. 68% of learners now progress positively from the programme which compares similarly (and in some cases more favourably) with comparable programmes operating across UK.
32. Building on its success to date, the Youth Engagement & Employment BEL will support the continued marketing of Traineeship opportunities to ensure they are visible and understood. The budget will also support our ability to respond to the recent Traineeship review to ensure that the programme is fit for purpose and responding to the needs of young people and providers.
33. Increased recruitment into the programme is likely to have a positive impact on ESF income.
34. The effectiveness of the marketing and review of Traineeships will be reflected in an increase of uptake and decrease in drop out rates.
35. The budget fully takes into account support for delivery against goals set out within the Future Generations (Wales) 2015 Act, Sustainability, Equality, Rights of Children and Young People's (Wales) Measure and

the Welsh Language. The Traineeship programme supports a focus on high quality sustainable job opportunities and employer contributions to the wider community and educational engagement. It supports young people to reach their potential; to deliver a skilled workforce; to improve wellbeing and reduce inequality by providing skills and progress on opportunities for young people.

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

36. The Youth Engagement and Progression Framework (YEPF) budget line supports the ongoing implementation of the YEPF to ensure that it is embedded and sustained at a local level.
37. YEPF is a collaborative approach and supports Local Authorities to achieve the social, economic, environmental and cultural well-being of Wales.
38. We will monitor the success of the YEPF through better use of Careers Wales 5 tier data, a measure of the level of engagement of young people 16-18 in education, training and employment (ETE), to ensure that more young people are making a positive progression through the tiers and are remaining engaged.
39. We will also monitor implementation through a formative evaluation that will look at the effectiveness of the strategic leadership and accountability and systems and processes established within LAs as a direct result of the YEPF.
40. There is increasing evidence that identification of those at risk of disengaging from ETE must start at an early age, especially given the accuracy of predicting future disengagement through the use of key indicators. The funding supports the role of the LA Engagement and Progression Co-ordinator which is critical in the early identification of young people at risk and putting in place specific support for them to remain engaged in ETE.
41. The evidence is clear that a failure to attain at certain levels by certain ages, when considered alongside other indicators such as Specialist Educational Needs (SEN) or a young person's behaviour and attendance at school, can lead to significantly increased chances of a young person dropping out of the education and training system or failing to secure employment. The associated costs of the losses to the economy and to individuals and their families as a result of young people NEET have been estimated to be into the billions.

### ***Youth Entrepreneurship:***

42. The Youth Entrepreneurship Strategy (YES) Action Plan for Wales was launched in November 2010 and is a joint strategy between the Department for Economy, Science & Transport and the Department for Education & Skills.

43. There are no specific budgets for youth entrepreneurship; however it is supported within a wide range of budgets, including the Youth Engagement and Progression Framework, further education and higher education. The Welsh Baccalaureate will also include enterprise and entrepreneurship.
44. The YES Action Plan Is now in it's fifth and final year. Welsh Government is reflecting on the achievements of the Action Plan and considering future plans under the development of the Regional Entrepreneurship Accelerator Programme (REAP).

**Careers Wales BEL:**

2015-16 Baseline	2015-16 Budget changes and reprioritisation	2016-17 Draft Budget Plans
£000	£000	£000
20,000	-2,000	18,000

45. The budget decreases in 2016-17 compared to the baseline by £2m.
46. Reducing the core budget will impact primarily on the quantity of face-to-face guidance services available to young people in schools and colleges, support to young people who are NEET (16-18) and unemployed adults 18-24. However, the company is attempting to mitigate these by transforming the service delivery model to embrace a 'digital first' approach with the intention of reducing pressure on face-to-face services. However, the capacity of the company to invest in developing new delivery models will be limited by the need to resource staff restructuring.
47. The remit of Careers Choices Dewis Gyrfa (which trades as Careers Wales / Gyrfa Cymru) is the delivery of careers information, advice and guidance (CIAG) services to young people and adults in response to an annual remit letter from Welsh Ministers. Careers Wales also delivers a number of strategic projects, including the Welsh Government Individual Skills Gateway for unemployed adults aged 25 plus and ReAct, redundancy support for individuals which are funded from sources outside the Careers Wales BEL. Careers Wales provides Quarterly Performance Review reports to the Welsh Government. Performance is deemed to be good against the performance indicators set for the organisation. An external assessment of the value-for-money provided by Careers Wales is necessary for State Aid purposes. This work is currently being procured and will be completed before next summer. It will advise on whether Welsh Government is over or under compensating Careers Wales for the services it provides.

### **Preventative Spending:**

48. 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. Careers Wales directly support work in YEPF which is key to preventing young people from disengaging from ETE and putting in place the support they need to remain engaged in the longer term.
49. Careers Wales has a focus on assisting young people and adults towards employment in high quality sustainable job opportunities and works with employers on aspects of educational engagement e.g. education / business links, the new Enhanced Employer Engagement project.
50. Better informed and skilled individuals can make more effective career choices and are supported towards higher skilled, higher salaried jobs thus helping to narrow the wealth gap in some communities / geographic locations.

### **Work Based Learning BEL**

<b>2015-16 Baseline</b>	<b>2015-16 Budget changes and reprioritisation</b>	<b>2016-17 Draft Budget Plans</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>
106,308	5,000	111,308

51. The budget increased by £5m compared to the baseline. The increases include the extra £5m allocated to apprenticeships as noted in paragraph para 5.
52. The Work Based Learning BEL includes funding that supports the cost of delivery of Apprenticeship and employability programmes for non-employed learners aged 16-18 (Traineeships).
53. In addition, the BEL supports the funding of Young Recruits Programme and pilot projects aimed at supporting the promotion of apprenticeships (Inspiring Skills Excellence in Wales).
54. It is expected that the contract value available for the delivery of Traineeships will be maintained at current levels; and that contract values for apprenticeships will increase by £5 million. Whilst the additional funding will not be ring fenced, the aim will be to increase the numbers of starts at level three or above.
55. The cost of delivering the Traineeship programme has been determined on the basis of anticipated demand (based on historical patterns of

delivery supplemented by information from referral agencies where relevant). It is expected that this level of demand is required to ensure that we meet our statutory requirement to provide proper provision for learners aged 16-18. The apprenticeship contract has been set at the highest possible level to maximise apprenticeship starts in Wales.

56. The costs of both the Traineeship and Apprenticeship programmes have been determined using robust cost analysis from across Work Based Learning networks. This analysis has been challenged where appropriate in order to ensure that costs are reflective of the time and resource required to deliver the programme.
57. The outcomes of this programme will be measured in terms of:
  - success rate targets for young persons' delivery, Welsh medium provision and equality and diversity delivery embed the specification for the provision and is monitored and reviewed regularly;
  - the successful progression of non-employed learners into higher level learning or employment education (for Traineeships); and
  - the numbers of learners who successfully achieve their apprenticeships:
  - Welsh Government produce statistics that includes sector subject area split, divisionally produced analysis and includes equality and diversity and Welsh language provision.

***Preventative Spending:***

58. The Work Based Learning BEL's entire budget is considered to be preventative. This is due to the aim of the BEL to provide learning opportunities to enable people to raise their skill levels and, thereby, gain employment or improve their employment chances. The programme helps to keep unemployment at a low rate, thus reducing dependency on welfare benefits.
59. Research indicates that those people who achieve a Level 3 qualification (or higher) improve their life prospects and increase individual aspirations.

***Apprenticeship Policy:***

60. Earlier this year we consulted extensively on aligning our model with the needs of the economy and published our response in June. We have delayed publishing our implementation plan so we have the opportunity to properly consider the impact of the UK Government plans to introduce an Apprenticeship Levy across the whole of the UK.
61. Our priorities for apprenticeships are to strengthen the delivery of higher level skills – skills our economy needs and to support young people to make the transition into sustainable employment. In order to achieve this the Work Based Learning will continue to:

- support all employers;
- develop our quality performance indicators and listen to feedback from employers and apprentices;
- encourage participation in skills competitions as it is a mechanism to benchmark Wales against other countries;
- improve employer engagement through the Regional Skills Partnerships; and
- adapt Apprenticeships Frameworks and Further Education Learning Programmes in order to support employers skills needs.

### **Employment and Skills BEL**

2015-16 Baseline	2015-16 Budget changes and reprioritisation	2016-17 Draft Budget Plans
£000	£000	£000
23,890	-1,042	22,848

62. The budget for Employment and Skills BEL has decreased compared to the baseline budget for 2015-16 by £1.042m. The decrease is mainly due to savings of £0.439m from cessation of programmes, such as Investors in People and Education Leadership and Management Skills (ELMS) and a transfer of £0.099m out of the Employment and Skills BEL into the Youth Engagement and Employment BEL for skills policy.
63. There has been an additional cut of £0.504m against the Skills Priorities Programme (SPP), as from April 2016 the SPP will be delivered through a regional approach, aligned with the three Regional Skills Partnerships. This will enable SPP activity to be incorporated within the emerging regional higher level skills projects being developed across the Further Education (FE) sector. The level of funding required to operate the programme is dependant on forecast of need and ESF income. Forecast expenditure has reduced by £0.500m per annum. This will reduce the amount of match funding available to regional higher level skills programmes.
64. The aim of the Employment and Skills BEL is the development and delivery of strategies, policies and programmes which assist people to access, return to, remain in, and progress at work through skills and training support. Programmes include: ReAct; Work Ready and its successor programme Skills for Employment Wales; pilot activity to inform future employability approaches; Skills Priorities Programme; Flexible Skills Programme; Offender Learning support; core funding to Chwarae Teg and Wales TUC; Wales Union Learning Fund; and the Skills Gateway.

65. In addition to ESF match funding for a number of the programmes listed above, the BEL also provides match funding for a number of externally-led regional ESF programmes delivering essential and higher level skills support to employed individuals.
66. Outcomes expected of individual programmes will be managed and monitored by project specific teams through close contract management and performance reviews. These target outcomes are still in the process of being agreed but are likely to include:
- Number of individuals participating in learning activities
  - Number of individuals into employment (full and part)
  - Number of qualifications achieved (full and part)
  - Number of jobs created / opportunities provided
  - Number of employers supported
67. All major programmes are subject to independent evaluations which will consider value for money as a matter of course. In addition, quality assurance processes are in place to ensure that value for money is considered during contracting processes, regular monitoring meetings and through existing administration systems. In some instances, panels will be set up to ensure that an assessment for value for money has been carried out and is acceptable against the requirements of the programme/project.
68. When establishing new funding models and mechanisms, recommendations from previous evaluations will be considered along with the experience and lessons learnt from existing programmes.

***Preventative Spending:***

69. This budget aims to address skills and employability issues with the aim of helping individuals access, remain in and progress within the workplace, and provide employers with the required advice and support not only to expand and grow their businesses but also to sustain their current turnover and profit margins.
70. Those programmes targeted at unemployed individuals have a significant impact on preventative spend, as for each individual gaining employment and leaving the unemployment register there is an exchequer net gain. In addition, once employment has been secured there will be a reduction in the demand for subsidiary benefits.

***Details of European Funding for the above policies:***

71. Education and Skills led on 23 projects under the 2007-2013 ESF Programmes. The total approved ESF funding is just over £336m over the lifetime of the 2007-2013 ESF programmes with match funding of just over £427m. This represents gross investments of just over £763m.

72. In comparison, nine Education and Skills projects have been approved by WEFO under the new 2014-2020 round to date, with an additional four projects in development. The total approved ESF funding stands at just over £188m to date, with match funding of just over £166m, representing gross investment of just over £354m. In order for the Education and Skills portfolio to maximise the ESF available, programme budgets need to remain consistent with the approved values in the Project Business Plans to WEFO.
73. This reduced number of ESF programmes aligns with the Education and Skills vision to move to a more streamlined portfolio of programmes to deliver Ministerial priorities under the 2014-2020 programme round as articulated in the Education and Skills Footprint for ESF Delivery. This approach aims to address the duplication/competition that has been identified during the 2007-13 ESF programmes, where projects have overlapped with each other in terms of the type of support offered to similar groups of individuals and businesses. The aim is to establish a more integrated portfolio of projects delivering against clearly identified, shared outcomes in line with the commitment made within the Skills Policy Statement to create a more simple and streamlined offer to individuals and businesses. The Education and Skills portfolio will deliver a much smaller number of national strategic programmes and will work with the Regional Skills Partnerships to develop a suite of complementary programmes to address key skills and employability barriers.

***Skills development, Sector Priorities Funding and funding related to the Policy Statement on Skills (including promotion and support of STEM skills):***

74. Building on activity delivered in 2014/15 and 2015/16 through the SPP, work is underway with regional partners to influence the delivery of higher level skills activity within the suite of regional ESF skills projects being developed by the FE sector, supported by match funding from the Employment and Skills BEL. This higher level skills activity will be aligned with regional employer demand and guided by the work of Regional Skills Partnerships and will be complemented by a similar approach to delivery of workplace essential skills activity, thereby enabling a seamless progression for individuals and employers accessing support from essential through to higher level skills.
75. This regional approach reflects the desire to avoid duplication across the wider portfolio of ESF programmes whilst also ensuring alignment of activity with Welsh Government policy objectives. This approach builds on discussions with partners through the Education and Skills Footprint for ESF Delivery, which signalled a shift away from direct delivery of ESF activity by the departments towards a more strategic commissioning role, thereby resulting in a smaller number of national, Welsh Government-led programmes.

76. In 2015/16, the budget covering this activity also supported the quality assurance, dissemination, analysis and procurement of Labour Market Intelligence to support youth and adult skills development; delivery of the employer focussed Flexible Skills Programme; support of the Wales Employment and Skills Board including remuneration of the UKCES Wales Commissioner; the promotion of key messages and benefits behind the introduction of the Framework for Co-investment in Skills Framework and Skills Performance Measures; and the Welsh Government's 'Grant in Aid' contribution to Business, Innovation and Science (BIS) for development/maintenance of National Occupational Standards.
77. In September 2014, the Deputy Minister for Skills and Technology published the Skills Performance Measures. These measures provide a mechanism for driving up skills levels in Wales and to establish a unified commitment across all stakeholders in supporting our aspirations for a more highly skilled society and to ensure the investments being made in skills development were aligned with the increase in high-skilled jobs projected in the future. These measures also provide a measure of the Welsh labour market, in particular the areas that the Skills Implementation Plan targets.
78. Part of the Skills Performance Measures include measures on equality and equity, financial sustainability, and Welsh language skills.
79. The Skills Performance Measures directly align to some of the well-being goals set out in the Well-being of Future Generations (Wales) Act. As draft indicators are confirmed, we will work to ensure Skills Performance Measures complement and, where possible, align with indicators linked to the Act. Activities under the Skills Implementation Plan budget are intended to be steered by the Skills Performance Measures, with the overall aim of driving up skills levels in Wales.
80. In line with the new Welsh language standards, future Labour Market Intelligence reports will be required to be published bilingually. This will influence budget and time allocated to each project.

### **Higher Education**

#### **Higher Education Revenue BEL:**

<b>2015-16 Baseline</b>	<b>2015-16 Budget changes and reprioritisation</b>	<b>2016-17 Draft Budget Plans</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>
98,610	-41,100	57,510

81. The budget for Higher Education Revenue BEL has decreased compared to the baseline budget for 2015-16 by £41.100m, which is made up of two elements.
82. Firstly, £21.1m transfer to the Post 16 Learner Support Action for the final element of the tuition fee grant transfer. The responsibility and associated resources for the payment of the tuition fee grant to students, via the Student Loans Company, moved from HEFCW to Welsh Government for 2015-16. The majority of the funding was transferred in the First Supplementary Budget of 2015-16, however, the inclusion of another cohort of students (those studying courses longer than four years), an increase in the number of Welsh students attending university and an increasing average fee level means that an additional amount will be transferred from HEFCW to Welsh Government. These increases are in line with expectations and are within the parameters of the original estimated costs of the tuition fee grant. This additional expenditure would have been top sliced from the HEFCW budgets regardless of where responsibility for the payment of the tuition fee grant lies.
83. The second element is a £20m reduction to HEFCW programme budgets, which provide funding for the implementation of the Welsh Government priorities. In the past, this has been allocated by HEFCW to cover Quality Research, Part time and expensive subjects. It is ultimately for HEFCW to determine how it allocates its resources in line with Ministerial priorities which will be outlined in a ministerial remit letter issued early in 2016.

***Preventative Spending:***

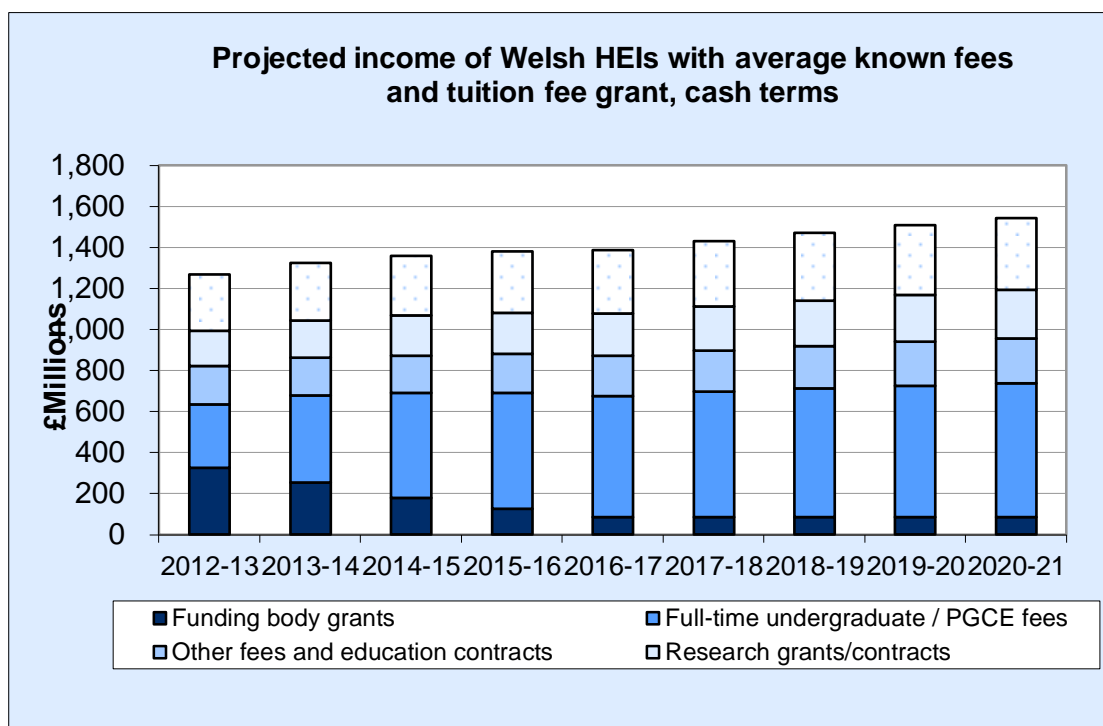
84. Support for higher learning is crucial to the future of Wales. Universities contribute £1.3billion a year to the Welsh economy and provide over 16,000 jobs in Wales while generating over £400m per annum in export investments.

***Income available to the sector***

85. The following information is the latest forecasts (prior to the publication of the draft budget) for income to the HE sector in Wales.

Projected income of Welsh HEIs, with average known fees and tuition fee grant, cash terms (Financial Year)						
£Million	10-11	11-12	12-13	13-14	14-15	15-16
Funding body grants	428	405	324	253	177	126
Full-time undergraduate / PGCE fees	225	235	308	425	513	565
<i>previous level of fees</i>	225	235	242	247	255	262
<i>higher additional fee income</i>	0	0	38	100	147	173
<i>English contribution</i>	0	0	29	77	111	129
Other fees and education contracts	167	186	188	182	182	188
Research grants/contracts	163	167	173	183	195	201
Other income	249	266	275	278	290	299
<b>Total</b>	<b>1,231</b>	<b>1,260</b>	<b>1,268</b>	<b>1,321</b>	<b>1,356</b>	<b>1,379</b>
£Million	16-17	17-18	18-19	19-20	20-21	
Funding body grants	85	85	85	85	85	
Full-time undergraduate / PGCE fees	590	611	627	640	651	
<i>previous level of fees</i>	272	281	288	294	299	
<i>higher additional fee income</i>	181	188	192	194	196	
<i>English contribution</i>	137	142	147	152	157	
Other fees and education contracts	194	201	207	214	221	
Research grants/contracts	208	215	221	229	236	
Other income	309	319	329	340	351	
<b>Total</b>	<b>1,386</b>	<b>1,430</b>	<b>1,469</b>	<b>1,506</b>	<b>1,543</b>	

Source: WG forecasts, HESA finance record and student numbers projected forward



86. The tables demonstrate that income to the HE sector continues to increase despite a sustained period of austerity. This financial position confirms the findings of reports undertaken by the Wales audit office and the National Assembly for Wales Finance Committee.
87. In addition, recruitment to Welsh Universities continues to increase and student debt in Wales is substantially lower than for students in other UK countries.
88. Wales is a net importer of students. The latest forecasts show that in 2015-16, £50m more funding will come into the Welsh system than went out in tuition fee grant to institutions outside Wales and this trend is forecast to continue for the foreseeable future.
89. However, despite the increases in overall income to the HE sector, any additional income from non-Welsh students will flow directly to the HEIs and not through HEFCW. This means that as more of what was HEFCW's core funding is now used to cover the cost of higher tuition fees for Welsh domiciled students, HEFCW has less money to distribute to institutions. This change in funding methodology has required a fundamental change to the way in which HEFCW funds the HE sector. Rather than the Funding Council being responsible for distributing around 30% of the sector's funding, this amount will reduce to around 10% in 2015/16.

**HEFCW Running Costs:**

2015-16 Baseline	2015-16 Budget changes and reprioritisation	2016-17 Draft Budget Plans
£000	£000	£000
2,768	-277	2,491

90. The budget for HEFCW running costs has decreased compared to the baseline budget for 2015-16 by £0.277m. The budget supports the running costs (staff and operational) for the Higher Education Funding Council for Wales.
91. HEFCW have been protected in the past few years from any reduction in running cost budget due to the changing nature of their purpose, from a funding body to overseeing the new regulatory framework introduced in the Higher Education (Wales) Act 2015. Now that the transitional period to the full implementation of the framework in the 2017/18 academic year has begun, HEFCW is in a position to make the efficiencies seen across the public sector in previous years.

92. The change in funding methodology, so that Higher Education income now flows from students rather than HEFCW, means that its role has fundamentally changed. As part of this change we expect HEFCW to make efficiency savings. It is our understanding that HEFCW have significant reserves in their running costs budgets and therefore we do not expect that the reduction will have an impact on their ability to carry out their functions.

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

2015-16 Baseline	2015-16 Budget changes and reprioritisation	2016-17 Draft Budget Plans
£000	£000	£000
30,498	0	30,498

93. The budget supported the University of the Heads of the Valleys (UHOVI) provision, the Coleg Cymraeg Cenedlaethol (the Coleg) and other Welsh Government strategic priorities. As UHOVI has been mainstreamed (following the HE reforms in 2012) the majority of this allocation will be available to funding the activities of the Coleg and for the continuation of projects to fund other Welsh Government priorities.
94. The operation of the Coleg was reviewed at the end of 2014-15. This exercise will be repeated to ensure that the Coleg continues to deliver on its objectives and provides value for money.

***Targeted Awards BEL:***

2015-16 Baseline	2015-16 Budget changes and reprioritisation	2016-17 Draft Budget Plans
£000	£000	£000
7,004	-707	6,297

95. This BEL supports the implementation of targeted awards and Financial Contingency Funds (FCF's) to provide support for students in genuine need. The budget decreases by £0.707m in 2016-17.
96. Historically, the FCF budget has not been fully spent each year. The FCF allowed institutions to be flexible and accommodate exceptional circumstances for students in need. The reduction will mean a higher level of prioritisation is needed of those students who get support. A small reduction in the annual budget should help to ensure full take up and better value for money in the context of an increasingly challenging financial settlement for Wales.

**SLC/HMRC Administration costs BEL:**

2015-16 Baseline	2015-16 Budget changes and reprioritisation	2016-17 Draft Budget Plans
£000	£000	£000
8,338	-94	8,244

97. The budget decreases by £0.094m in 2016-17, as a result of MEG transfer to the Invest-to-Save Fund Repayment following the recovery of investments on a transformation programme of the Student Loans Company (SLC) IT systems. The initial investment of £2m will be recovered over a 5 year period and will be funded through efficiency savings in the Company. 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:**

2015-16 Baseline	2015-16 Budget changes and reprioritisation	2016-17 Draft Budget Plans
£000	£000	£000
422,483	31,100	453,583

98. The Welsh Government Learning Grant BEL, has increased from the baseline budget by £31.1m to £453,583m.
99. A £21.1m transfer in from the Higher Education Revenue BEL, as detailed in paragraph 82.
100. An extra £10m has been provided as part of the budget to meet the increased demands for student support grants from increases in the numbers of students and those that are eligible for support. We have maintained our commitment to provide financial support to students from the lowest household incomes in 2016-17 by retaining the overall level of support available to students.
101. Education Maintenance Allowance (EMA) has a budget allocated for 2016-17 of £23m.
102. This BEL includes 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 EMA.

103. 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 increase the total amount of support that is on offer to our students. However, within the context of the constraints imposed on us by the UK Government in recent spending reviews, the increase has been solely to the amount of maintenance loan that is available.

***Preventative Spending:***

104. 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 life-time earning potential of graduates.

***Latest modelling of the costs, affordability and value for money of the Tuition Fee Grant (TFG):***

105. The following table illustrates the actual expenditure for the tuition fee grant since 2012-13, 13-14 and 14-15 and the latest forecasts for 2015-16 and 2016-17.

	<b>2012-13 £m</b>	<b>2013-14 £m</b>	<b>2014-15 £m</b>	<b>2015-16 £m</b>	<b>2016-17 £m</b>
TFG paid to Welsh Institutions	46.4	84.3	118.5	152.0	162.4
TFG paid to UK institutions	£.5	47.7	75.8	89.0	94.4
<b>Total TFG payments</b>	<b>62.8</b>	<b>132.0</b>	<b>194.3</b>	<b>241.0</b>	<b>256.8</b>

106. The forecasts are in line with expectations and are within the parameters of the original estimated costs of the scheme. In addition, the tables at para 85 demonstrate that income to the HE sector also continues to increase.

## **Affordability**

107. Reports undertaken by the WAO and the National Assembly for Wales Finance committee have confirmed that the current system is sustainable for the lifetime of this Government. The latest information supports our view that despite austerity, income to the sector has and will continue to increase, recruitment to Welsh Universities continues to increase and student debt in Wales is substantially lower than for students in other UK countries.
108. The Welsh Government has fulfilled its pledge to mitigate the increases in tuition fees forced on Wales by the UK Government.

### ***.Support for the Widening Access policy:***

109. Our aim continues to be that access to higher education should be on the basis of the individuals' ability to benefit and not on the basis of what they can afford to pay.
110. Our student support package remains the best in the UK. The non-means tested tuition fee grant encourages participation and ensures that Welsh students are protected from increasing levels of debt. As a result of the policy the debt level of students who live in Wales will be considerably lower than their counterparts in England (estimated debt for Welsh students will be around £17,000 less than their English counterparts).
111. The Welsh Government policy on tuition fees recognises that the choice of institution and course should be driven by individual circumstances not the cost of fees.
112. Reaching Wider is a HEFCW-funded all age long term strategic intervention to social inclusion and widen access to HE that encourages participation from targeted communities and groups in Wales. The Reaching Wider partnerships create new study opportunities and learning pathways to higher education.
113. The Review of Higher Education Funding and Student Finance Arrangements in Wales, chaired by Professor Sir Ian Diamond, commenced in April 2014. In line with the agreed timescales, Professor Diamond has produced an interim report that provides a factual summary of the evidence he and the Review Panel have collected as part of their work. Welsh Government priorities for the Review include widening access – ensuring that any future system has widening access as its core objective, is progressive and equitable.

## **Educational Attainment**

### ***Further Education Provision BEL:***

<b>2015-16 Baseline</b>	<b>2015-16 Budget changes and reprioritisation</b>	<b>2016-17 Draft Budget Plans</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>
400,177	0	400,177

114. This BEL includes funding for local authority sixth form provision, Adult community learning (ACL) provision and support for delivery in Further Education intuitions (FEI). We have recognised the contributions to cost savings that the Further Education (FE) sector have achieved in the past few years, including the considerable transformation that they have undertaken.

115. We are therefore protecting FE budgets cash flat within this budget.

### ***The impact of prioritising provision for 16-19 year olds***

116. With the prioritisation of provision for learners aged 16-19 (extending above our statutory obligation to 16-18 year olds to account for learners that move from a year of academic study in school before moving to a two year further education course) the impact of budget reductions in 2014-15 and 2015-16 predominately fell in part time provision which is predominantly older learners. However, there was also protection for basic skills and English for Speakers of Other Languages (ESOL) courses.

### ***The impact on part-time adult learning in further education colleges***

117. Adult Community Learning (ACL) providers received a reduction of 37.5% in their funding allocations for 2014/15, and a further 2.6% reduction in 2015/16 academic year. As a consequence, ACL providers have been asked to focus their government funded provision on the delivery of adult numeracy, adult literacy, ESOL and digital literacy.

### ***The impact on further education colleges of their 2014-15 and 2015-16 allocations***

118. The 2015/16 academic year provision plans have been received and reviewed for each further education college. This gives a better idea of how the provision in Wales is affected by reductions to funding allocations to the 2015/16 levels.

119. The number of planned full time learners in Wales is expected to drop by over 2,000 learners (4.57 per cent) from the 2014/15 to 2015/16 academic year. However this is in line with an expected drop from the demographic trend of number of young people aged 16-19.

120. As expected the impact of the reduction in funding for part time students is much higher. The number of part time hours is set to reduce by around 800,000 hours (21.88 per cent). If the average part time course is around 100 hours per learner, this equates to 8,000 learners, although it's expected that the majority of part time courses ceased will be the shorter courses and hence this number will rise.
121. Information shared by the chair of ColegauCymru Finance Directors shows that the sector is expecting redundancies of around 850 people as a result of reduced budgets for this academic year.

***Engagement that has taken place with the sector to discuss their 2016-17 allocations***

122. A small working group was convened by officials with the Further Education (FE) Sector to discuss the challenges faced following the announcement of the 2015/16 allocations. The membership of the working group consisted of a mixture of Principals, Finance Directors and Senior Curriculum Managers. Following this, a letter was sent to the sector outlining proposals to help manage those challenges.
123. The Deputy Minister for Skills met all FE Principals and Chairs of Governors on the 6 July 2015 to discuss the challenges FE colleges in Wales. Following this meeting ColegauCymru formed a Creative Solutions Working Group to take forward work to ensure that colleges can respond to these challenges with the active support of Welsh Government.
124. The working group has presented a paper as a basis for further discussion with officials. These measures are intended to create efficiencies while maintaining or improving the experience of students. Officials will review the recommendations and discuss these further with ColegauCymru before offering further advice on each individual recommendation.
125. Welsh Government, through the planning and funding framework engaged with FE Institutions to discuss their plans to ensure the breadth of choice and the quality of learning do not diminish and that providers deliver to Ministerial priorities.
126. Colleges have been encouraged, through Principal and Finance Director networks, that are attended by Welsh Government officials, to complete scenario planning for 2016-17 before the outcome of the spending review was known. A cash flat protection to further education budgets has been applied for the 2016-17 financial year. However colleges still face, and have been planning for, pressures from national insurance and employer pension contributions and general staff pay inflation. The 2016/17 academic year allocations will be calculated and communicated to colleges as soon as possible.

127. Welsh Government officials monitor the financial health of each college at three points each year, including assessing the capacity of institutions to manage cuts, which is reviewed alongside the funding allocations. Each institution is analysed on key profitability and liquidity indicators. Where issues are identified these are discussed with the funding team and the individual colleges. Recovery plans are put in place by the college if required.

***Preventative Spending:***

128. 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 and Apprenticeship Policy BEL:**

2015-16 Baseline	2015-16 Budget changes and reprioritisation	2016-17 Draft Budget Plans
£000	£000	£000
1,066	0	1,066

129. The budget for FE Policy Development has been maintained for 2016-17. The budget supports strategic projects and quality improvement activities designed to improve the delivery of post 16 learning in Wales. For 2016-17, it will continue to support 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 as well as pilot programmes in the area of apprenticeships.

***Preventative Spending:***

130. A number of the activities funded through this BEL have a preventative purpose, including Investing in Quality projects designed to improve the quality of delivery to learners and build capacity in the post-16 sector. The BEL is the only source of funding available to support the post-16 sector in the implementation of government policy (for example, the new Home Office anti-extremism duty on FE institutions, the development of a Governance Code to underpin the Further and Higher Education (Governance and Information) (Wales) Act 2014). It also funds research such as a current programme to look at the efficiency of sixth form delivery and inform options for future reform.

## **Legislation**

131. The budget continues to take account of our current legislative programme. A table setting out the costs for 2016-17, of both previously enacted legislation and anticipated costs of Bills at published RIA stage or enactment, has been published alongside the Draft Budget narrative, Annex D. A more detailed update on the costs of our legislative programme relevant to the remit of this Committee is provided below.

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

132. 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 FE institutions. There are not expected to be any costs to the Welsh Government in 2016-17 in order to implement the new provisions.

### ***Higher Education (Wales) Act 2015***

133. The Higher Education (Wales) Act 2015 (“the 2015 Act”) establishes a revised regulatory framework for higher education in Wales. The new arrangements do not rely on HEFCW providing financial support to institutions under Part 2 of the Further and Higher Education Act 1992 or Part 3 of the Education Act 2005. The new regulatory system will not be fully implemented until the 2017/18 academic year.

134. The 2015 Act makes provision for a transitional period which started on 1 August 2015 and ends on 31 August 2017. Under the transitional arrangements, institutions with fee plans approved under the Higher Education Act 2004 (“the 2004 Act”) will be treated, for limited purposes, as regulated institutions under the 2015 Act during the transitional period.

### **Implications for institutions during 2016-17**

135. The transitional arrangements should not result in new implications for institutions unless they fail to comply with fee limits set out in their approved plans or HEFCW considers the quality of their education to be inadequate or at risk of becoming inadequate.

### **Implications for HEFCW during 2016-17**

136. Certain of HEFCW’s functions have been brought into force ahead of full implementation of the new regulatory system. During the transitional period, the Welsh Ministers will be able to direct HEFCW to provide them with reports on institutions’ compliance with fee limits (either generally or by a particular institution) and/or the quality of education provided by or on behalf of regulated institutions (again, either generally or in relation to a particular regulated institution).

## The costs and financial implications likely to impact in 2016-17

137. In many respects, the regulatory system established by the 2015 Act provides for continuity with the regulatory regime established under the Further and Higher Education Act 1992, the Higher Education Act 2004 and the Education Act 2005. Consequently some of the costs of implementing the new regulatory system would have been incurred under the previous arrangements.

138. The implications resulting from the new system of regulatory controls established by the 2015 Act were set out in the Regulatory Impact Assessment prepared for the Higher Education (Wales) Bill at its introduction to the Assembly in May 2014. Current estimates for the costs of implementing the new regime are:

	2016-17 £m
Fee and access plan approval	0.331
Fee and access plan monitoring and evaluation	0.366
Quality assessment	0.434
Financial assurance	0.574
Subordinate legislation	0
Development, training, oversight	0.099
TOTAL	1.804

139. And the incidence:

	2016-17 £m
Welsh Government	0.064
HEFCW	0.199
Institutions	1.541
TOTAL	1.804

### **UK Legislation**

140. 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 be met from within the MEG if necessary.

### ***Subordinate legislation***

141. There are no significant cost implications for the Education and Skills in 2015-16 as a result of subordinate legislation, with any costs of implementation being met from the existing departmental running costs budget.

### **Impact Assessments**

142. An Integrated Impact Assessment (IIA) is attached at Annex 2 to this evidence paper.

143. The assessment covers the equality impact of our spending decisions on the protected characteristics together with 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) Act 2015. 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.

### **Wellbeing of Future Generations(Wales) Act 2015**

144. The Future Generations (Wales) Act 2015, introduced in April 2015, puts in place seven well being goals:

- A prosperous Wales;
- A more equal Wales;
- A healthier Wales;
- A Wales of cohesive communities;
- A globally responsible Wales;
- A Wales of vibrant culture and thriving Welsh language; and,
- A resilient Wales.

145. Budgets throughout the Education and Skills MEG have been allocated in terms of maximising their contribution to the well-being goals.

146. Research has shown that people who participate in learning, achieve high levels of education or are in employment are more likely to be engaged in community activities and civil society. It has also been proven that those in work are healthier than those out of work.

147. Providing people with the opportunities to achieve good educational standards and workplace skills supports the creation and sustainability of high quality jobs and employment. This improves the national and international profile of Wales and thus impacts on its prosperity.

148. Furthermore, support continues to be provided to increase the number and percentage of Welsh speakers and increase their confidence, fluency and usage by delivering apprenticeships and higher education through the medium of Welsh or bilingually.

### **Summary**

149. The Education and Skills Draft Budget for 2016-17 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 Outturn £000	2015-16 Forecast outturn as at Period 8 £000	2015-16 Supplementary Budget June 2015 £000	2015-16 Revised baseline £000	2016-17 Draft budget £000	
Education & Training Standards	Literacy & Numeracy	Literacy & Numeracy	8,203	4,776	4,512	4,512	4,456	
		<b>ACTION Total</b>	<b>8,203</b>	<b>4,776</b>	<b>4,512</b>	<b>4,512</b>	<b>4,456</b>	
	Curriculum	Foundation Phase	Foundation Phase	99,080	1,851	1,851	1,851	1,851
		Curriculum & Assessment	Curriculum & Assessment	27,975	22,917	31,555	26,055	10,299
		14-19 Learning in Wales	14-19 Learning in Wales	10,240	-184	0	0	0
		Curriculum Review and Schools Challenge Cymru	Curriculum Review and Schools Challenge Cymru	0	0	0	0	20,400
			<b>ACTION Total</b>	<b>137,295</b>	<b>24,584</b>	<b>33,406</b>	<b>27,906</b>	<b>32,550</b>
	Teaching & Leadership	Teacher Development and Support	Teacher Development and Support	10,772	16,868	15,956	15,956	21,221
		Initial Teacher training	Initial Teacher training	4,685	0	0	0	0
			<b>ACTION Total</b>	<b>15,457</b>	<b>16,868</b>	<b>15,956</b>	<b>15,956</b>	<b>21,221</b>
	Qualifications	Qualifications inc Welsh Bacc	Qualifications inc Welsh Bacc	5,194	7,256	7,903	7,903	8,169
		Qualifications Wales depreciation	Qualifications Wales depreciation	0	44	0	0	0
			<b>ACTION Total</b>	<b>5,194</b>	<b>7,300</b>	<b>7,903</b>	<b>7,903</b>	<b>8,169</b>
	Post- 16 Education	Further Education Provision	Further Education Provision	415,263	400,177	400,177	400,177	400,177
		Work Based Learning	Work Based Learning	93,761	106,808	106,808	106,308	111,308
		Mergers and collaboration	Mergers and collaboration	219	0	0	0	0
		FE Policy Development	FE Policy Development	944	1,066	1,066	1,066	1,066
			<b>ACTION Total</b>	<b>510,187</b>	<b>508,051</b>	<b>508,051</b>	<b>507,551</b>	<b>512,551</b>
	Higher Education	HEFCW-Running Costs	HEFCW-Running Costs	2,768	2,768	2,768	2,768	2,491
		Higher Education Revenue	Higher Education Revenue	330,595	94,473	98,610	98,610	57,510
		Higher Education Receipts	Higher Education Receipts	-2,820	-2,798	-2,798	-2,798	-2,798
		For Our Future - Coleg Ffederal & UHOVI	For Our Future - Coleg Ffederal & UHOVI	32,304	30,498	30,498	30,498	30,498
		HEFCW Depreciation	HEFCW Depreciation	82	82	82	82	82
		<b>ACTION Total</b>	<b>362,929</b>	<b>125,023</b>	<b>129,160</b>	<b>129,160</b>	<b>87,783</b>	
	Education Standards	School Governance	School Governance	0	1,376	1,738	1,738	1,353
		School Standards Support	School Standards Support	2,108	1,362	1,364	1,364	1,394
		School Effectiveness Grant	School Effectiveness Grant	28,275	0	0	0	0
School Improvement Grant		School Improvement Grant	0	142,594	141,021	141,021	134,782	
	<b>ACTION Total</b>	<b>30,383</b>	<b>145,332</b>	<b>144,123</b>	<b>144,123</b>	<b>137,529</b>		
Pupil Deprivation Grant	Pupil Deprivation Grant	69,122	81,902	82,046	82,046	89,246		
	<b>ACTION Total</b>	<b>69,122</b>	<b>81,902</b>	<b>82,046</b>	<b>82,046</b>	<b>89,246</b>		
ICT & Information Management Systems	ICT & IMS Programme	ICT & IMS Programme	10,505	6,810	6,935	6,935	6,935	
	<b>ACTION Total</b>	<b>10,505</b>	<b>6,810</b>	<b>6,935</b>	<b>6,935</b>	<b>6,935</b>		

SPA	Actions	Budget Expenditure Line (BEL)	2014-15 Outturn £000	2015-16 Forecast outturn as at Period 8 £000	2015-16 Supplementary Budget June 2015 £000	2015-16 Revised baseline £000	2016-17 Draft budget £000
		SPA Total	1,149,275	920,646	932,092	926,092	900,440

SPA	Actions	Budget Expenditure Line (BEL)	2014-15 Outturn £000	2015-16 Forecast outturn as at Period 8 £000	2015-16 Supplementary Budget June 2015 £000	2015-16 Revised baseline £000	2016-17 Draft budget £000
Skilled Workforce	Employment & Skills	Employment & Skills	28,209	26,053	26,290	23,890	22,848
		<b>ACTION Total</b>	<b>28,209</b>	<b>26,053</b>	<b>26,290</b>	<b>23,890</b>	<b>22,848</b>
	Youth Engagement & Employment	Youth Engagement & Employment	18,822	15,960	15,813	15,813	17,214
		<b>ACTION Total</b>	<b>18,822</b>	<b>15,960</b>	<b>15,813</b>	<b>15,813</b>	<b>17,214</b>
	Educational & Careers Choice	Careers Wales	28,300	21,400	20,000	20,000	18,000
		<b>ACTION Total</b>	<b>28,300</b>	<b>21,400</b>	<b>20,000</b>	<b>20,000</b>	<b>18,000</b>
		<b>SPA Total</b>	<b>75,331</b>	<b>63,413</b>	<b>62,103</b>	<b>59,703</b>	<b>58,062</b>
Improving Wellbeing, Reducing Inequality & Increasing Participation	Wellbeing of Children & Young People	Spec. Placements/Students with Learning Difficulties FEIs	11,080	12,010	11,481	11,481	11,481
		School Based Counselling	6	18	80	80	0
		Food & Drink in Schools	3,119	3,070	3,185	3,185	3,230
		Additional Learning Needs	793	1,836	2,786	2,786	2,786
		<b>ACTION Total</b>	<b>14,998</b>	<b>16,934</b>	<b>17,532</b>	<b>17,532</b>	<b>17,497</b>
	Post-16 Learner Support	Welsh Government Learning Grant (was Assembly Learning Grant)	195,778	432,980	422,483	422,483	453,583
		SLC/HMRC Administration Costs	13,731	12,491	8,338	8,338	8,244
		Maintenance Loans Res Budget Prov	106,787	8,616	106,849	106,849	106,849
		Targeted Awards	9,009	7,760	7,004	7,004	6,297
		<b>ACTION Total</b>	<b>325,305</b>	<b>461,847</b>	<b>544,674</b>	<b>544,674</b>	<b>574,973</b>
	Pupil Engagement	Tackling Disaffection	151	320	658	658	658
		Grants for the education of Travellers children	1,044	0	0	0	0
		Minority Ethnic Achievement Grant	9,216	-389	0	0	0
		<b>ACTION Total</b>	<b>10,411</b>	<b>-69</b>	<b>658</b>	<b>658</b>	<b>658</b>
		<b>SPA Total</b>	<b>350,714</b>	<b>478,712</b>	<b>562,864</b>	<b>562,864</b>	<b>593,128</b>
Welsh Language	Welsh in Education	Welsh in Education	21,047	18,549	18,599	18,599	18,681
		<b>ACTION Total</b>	<b>21,047</b>	<b>18,549</b>	<b>18,599</b>	<b>18,599</b>	<b>18,681</b>
	Welsh Language	Welsh Language	5,688	5,125	5,259	5,259	3,964
		Welsh Language Commissioner	3,690	3,690	3,390	3,390	3,000
	<b>ACTION Total</b>	<b>9,378</b>	<b>8,815</b>	<b>8,649</b>	<b>8,649</b>	<b>6,964</b>	
	<b>SPA Total</b>	<b>30,425</b>	<b>27,364</b>	<b>27,248</b>	<b>27,248</b>	<b>25,645</b>	
Delivery Support	Delivery Support	Strategic Communications	-170	3,212	2,972	1,972	2,585
		Education Research & Services	2,013	1,494	1,730	1,730	950
		<b>ACTION Total</b>	<b>1,843</b>	<b>4,706</b>	<b>4,702</b>	<b>3,702</b>	<b>3,535</b>
		<b>SPA Total</b>	<b>1,843</b>	<b>4,706</b>	<b>4,702</b>	<b>3,702</b>	<b>3,535</b>
<b>Education &amp; Skills Resource DEL</b>			<b>1,607,588</b>	<b>1,494,841</b>	<b>1,589,009</b>	<b>1,579,609</b>	<b>1,580,810</b>

SPA	Actions	Budget Expenditure Line (BEL)	2014-15	2015-16	2015-16	2015-16	2016-17
			Outturn	Forecast outturn as at Period 8	Supplementary Budget June 2015	Revised baseline	Draft budget
			£000	£000	£000	£000	£000
<b>CAPITAL BUDGET - Departmental Expenditure Limit</b>							
Education & Training Standards	Estate & IT Provision	General Support	43,021	43,021	43,021	43,021	43,021
		Strategic Investment	110,809	133,513	130,813	100,813	122,747
		<b>ACTION TOTAL</b>	<b>153,830</b>	<b>176,534</b>	<b>173,834</b>	<b>143,834</b>	<b>165,768</b>
	<b>SPA Total</b>	<b>153,830</b>	<b>176,534</b>	<b>173,834</b>	<b>143,834</b>	<b>165,768</b>	
<b>Education &amp; Skills Capital DEL</b>			<b>153,830</b>	<b>176,534</b>	<b>173,834</b>	<b>143,834</b>	<b>165,768</b>
<b>RESOURCE &amp; CAPITAL BUDGET - Annually Managed Expenditure</b>							
Economic & Social Wellbeing & Reducing Inequality	Post-16 Learner Support	Student Loans Capital AME	356,951	412,726	421,248	449,575	449,575
		Student Loans Revenue AME	-81,317	-315,257	-88,444	-85,376	-85,376
		<b>ACTION Total</b>	<b>275,634</b>	<b>97,469</b>	<b>332,804</b>	<b>364,199</b>	<b>364,199</b>
	<b>SPA Total</b>	<b>275,634</b>	<b>97,469</b>	<b>332,804</b>	<b>364,199</b>	<b>364,199</b>	
Skilled Workforce	Educational & Careers Choice	Careers Wales	12,438	6,000	6,000	6,000	6,000
		<b>ACTION Total</b>	<b>12,438</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>
		<b>SPA Total</b>	<b>12,438</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>
<b>Education &amp; Skills AME</b>			<b>288,072</b>	<b>103,469</b>	<b>338,804</b>	<b>370,199</b>	<b>370,199</b>
<b>Education &amp; Skills MEG - SUMMARY</b>							
Resource DEL			1,607,588	1,494,841	1,589,009	1,579,609	1,580,810
Capital DEL			153,830	176,534	173,834	143,834	165,768
<b>Total DEL</b>			<b>1,761,418</b>	<b>1,671,375</b>	<b>1,762,843</b>	<b>1,723,443</b>	<b>1,746,578</b>
Annually Managed Expenditure			288,072	103,469	338,804	370,199	370,199
<b>Education &amp; Skills</b>			<b>2,049,490</b>	<b>1,774,844</b>	<b>2,101,647</b>	<b>2,093,642</b>	<b>2,116,777</b>

## Annex 2

### **Departmental Template: Integrated Impact Assessment (IIA) on the Budget 2016-17**

#### OVERVIEW OF THE PORTFOLIO

The Education and Skills portfolio supports the Minister for Education and Skills, Deputy Minister for Skills and Technology and the First Minister to raise standards and performance in education and skills, and to secure the future of the Welsh Language.

We have taken a holistic approach to education funding. With a projected growth in young people over the medium term, we have recognised the importance of education in raising educational attainment and skills at all levels as being fundamental in contributing to breaking the cycle of disadvantage and inequality and nurturing the future of a thriving Welsh language. We have also recognised that changes to the population coupled with technological and sectoral change requires us to also consider the important role of education in the context of supporting the future of the Welsh economy.

Our vision for the future of education in Wales is that learners in Wales will enjoy teaching and learning that inspires them, in an education community that works co-operatively and aspires to be great, where the achievements of every child and young person are actively promoted.

The achievement of the following strategic objectives will support the realisation of this vision:

- The qualifications young people achieve are nationally and internationally respected and act as a credible passport to their future learning and employment;
- A skilled and employable workforce which stimulates innovation and economic growth at a local and national level, with high quality and valued opportunities for all learners;
- Individuals, families and communities are supported in improving economic and social wellbeing and reducing inequality through education and training.

## **SPEND PROFILE- RESOURCE DEL**

<b>SPA</b>	<b>2015-16 Baseline £'000</b>	<b>Budget changes and reprioritisation £'000</b>	<b>2016-17 Draft Budget Plans £'000</b>
Education and Training Standards	926,092	(25,652)	900,440
Skilled Workforce	59,703	(1,641)	58,062
Improving Wellbeing, Reducing Inequality and Increasing Participation	456,015	30,264	486,279
Welsh Language	27,248	(1,603)	25,645
Delivery Support	3,702	(167)	3,535

There is an overall increase to the Resource DEL of £1.2m. A line by line review of what we spend has been completed as part of the preparations for this budget, including looking at where we can make changes to delivery to be more efficient or effective, and mitigate the impact of budget reductions where they occur.

### **KEY CHANGES TO SPEND (RELEVANT TO THE ENTERPRISE AND BUSINESS COMMITTEE)**

- Higher Education Action – decrease of £41.377m
- Post-16 Education Action – Increase of £5m
- Educational and Careers Choice Action – decrease of £2m
- Post-16 Learner Support Action – increase of £30.299m
- Maintained budgets for further education as cash flat

### **IMPACTS**

Achieving our vision for education and skills will make a major contribution to the Government's ambitions for Wales and the cross cutting themes of Growth and Jobs, Educational Attainment, Tackling Poverty, Supporting Children, Families and Deprived Communities and Health and Well-Being. Underpinning our approach is the central principle of sustainable development, which is defined by long term thinking, prevention, collaboration, integration and involvement. Raising educational attainment and skills at all levels is fundamental in contributing to breaking the cycle of disadvantage and inequality and nurturing the future of a thriving Welsh language.

High quality, accessible education and training is key to ensuring we have the skills and opportunities for current and future generations.

### ***Higher Education Action***

Funding for learners in higher education (HE) contributes to the well-being goals and tackling poverty agenda by supporting the creation and sustainability of high quality jobs and employment, encouraging equality of opportunity and encouraging higher levels of effective participation in society. Support for Welsh medium HE is provided through Coleg Cymraeg Cenedlaethol.

The reductions to the budget will be implemented from 1 April 2016. Whilst responsibility for the distribution of the Higher Education Funding Council Wales' (HEFCW) resources lies with the Council, the Minister for Education and Skills will issue an annual remit letter outlining Government priorities. This is expected to retain the focus on strengthening jobs and growth in Wales, requiring institutions to work harder to further improve equality and equity in widening access to HE (and thereby make an important contribution to tackling poverty and improving the outcomes of those living in low income households) and to ensuring a sustainable and successful long-term future for HE in Wales.

We will seek a collaborative approach to mitigate consequences and are also making significant additional investments in the research capacity of HE sector through Sêr Cymru, making use of EU programme and structural funds. This recognises the role of science in innovation and technology development linked to economic growth and creating jobs. Despite the reduction in HEFCW's overall budget this will be balanced by an increase in the student support budget within the Welsh Government.

Overall, income to the HE sector in Wales is forecast to increase as the full impact of the tuition fee reforms continue to be phased in. Since 2015-16 there has been an expectation that institutions will use some of this additional fee income to support vulnerable students, including those living in deprived communities and low income households. In their remit letter for 2015-16 HEFCW have been asked to monitor and provide assistance to institutions as they develop their plans.

It is possible that the proposed budget reductions could have an adverse impact on some protected groups, including those from disadvantaged backgrounds. We have been very clear that our tuition fee policy is an investment in the young person and that the choice of institution and course should be driven by individual circumstances not by the cost of fees. This will impact positively on people no matter their ethnicity, gender or background, providing a route out of poverty.

HEFCW undertakes its own impact assessments of funding proposals and the methodology for distributing the funds available. However, institutions may argue that reductions in the funding provided by HEFCW may impact their ability to implement programmes to support vulnerable students.

The majority of university students are female and the impact of any cuts would therefore be felt disproportionately by this protected group. In particular any adverse impacts felt by the Open University would have a particular impact on women, given their predominance in part time study. Whilst a Ministerial remit letter will confirm that part time learning remains a priority for the Welsh Government, the allocation of the funding available is a matter for HEFCW. In line with previous independent reports, income to the HE sector overall is forecast to remain buoyant despite reductions in direct HEFCW grant funding.

Welsh Government has had informal discussions with stakeholders to assess the possible impact of these cuts on people with protected characteristics and those living in poverty. These include discussions with HEFCW and with the Vice Chancellors of all institutions in Wales.

Welsh Government will continue to work collaboratively with partners to improve the way we deliver and monitor the outcomes of policies to minimise the impact of budget cuts on education and skills services in Wales.

#### Evidence – for transfer

Student finance modelling is monitored, scrutinised and agreed at the Student Support Forecasting Users Group (SSFUG) which is made up of HE policy leads, HE statisticians, and HEFCW officers. SSFUG meets every other month or more frequently if need arises. Student finance models are informed by recognised data sources used by both WG and HEFCW - HESA and UCAS statistical releases as well as trends analysis provided by the Student Loans Company. SLC data is scrutinised by the joint WG/SLC Challenge Group.

In arriving at the level of tuition fee grant to be transferred, the Welsh Government meets regularly with HEFCW to scrutinise and challenge their respective assumptions on future demand. In determining other policy changes which might impact student finance modelling policy leads conduct a stakeholder engagement exercise which forms part of the legislative process. The Student Finance Wales Information Notice, containing details of the proposals, is published for comment on the internet and sent to a wide range of interested parties and stakeholders.

Assumptions on future student numbers, eligibility and demand are based on recognised data sources used across government and the HE sector, as mentioned above. The possible impact on institutional income has also been considered. Latest forecasts for income have been derived from WAO forecasts, HESA Finance Record and student numbers forecasts. HESA data shows a small but steady increase in the number of students entering higher education with a net increase in the numbers studying at institutions in Wales.

Income to the sector in Wales from all sources is forecast to increase steadily until 2020.

Eligibility for student support is determined through regulations which are made annually. The student support package available to students in the academic year 2016-17 has been dealt with via a separate legislative process and a separate EIA has been produced.

### ***Post-16 Education Action***

Evidence shows that those who participate in learning are more likely to be engaged in community activities and civil society. Promoting and supporting post 16 has a direct impact on health and well-being and encourages equality of opportunity for those groups who may otherwise have faced barriers to engagement.

In recognition of the importance raised by BAGE that education delivers to addressing inequality to employment and skills and tackling poverty we have increased protected post 16 education and through our 2014 budget agreement we are allocating £5m to enable continued support for around 2,500 apprenticeships. We have gone further and committed an additional £5m to fund a new cohort of 2,500 apprenticeships in recognition of the value of this work based learning as identified by BAGE.

Through our decision to provide a cash flat settlement for post 16 education, we have recognised the impacts on tackling poverty and socio-economic disadvantage and committed to realising our ambition of seeing as many learners as possible, including those from protected groups, able to get the skills they need for the workplace. Part of the budget includes provision for Welsh medium education.

Post 16 education makes a significant contribution to tackling poverty by increasing the skill levels of the Welsh workforce. Post 16 education and training such as apprenticeships are important in meeting the challenge of reducing NEETS, and reducing the number of NEETs is central to our Tackling Poverty Action Plan.

### ***Educational and Careers Choice Action***

Careers Wales provides a bilingual and impartial careers information advice and guidance service, on an all Wales, all age annual service remit. It provides services to young people who are at risk of disengagement from education and training, thereby helping to prevent them from becoming NEET.

It is important that we strike a balance between provision of post 16 education and the opportunity for access to higher education. Certain black and minority ethnic (BME) young people and disadvantaged young people are more likely to end up in poverty if they are not in employment, education or training

(NEET). Post 16 education and training such as apprenticeships are important in meeting the challenge of reducing NEETS, and reducing the number of NEETs is central to our Tackling Poverty Action Plan

The reduction to the funding for Careers Wales will have a number of potential impacts, meaning that there will need to be a change to the Annual Remit for 2016-17. Statutory service provision of Careers Information Advice and Guidance (CIAG) to school children and those in Further Education Institutions will remain core provision.

The affected client group is all users of Careers Wales services. Young people aged up to 18 years are the primary client group for Careers Wales service provision. The potential negative impact on the 18 – 24 client group is identified, as this particular age group does not benefit from other Welsh Government programme funding as per unemployed adults aged 25 plus, or those clients who are redundant.

All areas other than those identified as core statutory delivery ie services to young people in schools and FE colleges / unemployed 16 and 17 year olds, will be under increased financial pressure and potential reduction in services. Individuals with protected characteristics will continue to be provided with Careers Wales services and support as required under legislation. There is not expected to be a disproportionate impact on people with other protected characteristics.

In order to mitigate the impact of budget reductions a key focus will continue to be on improving and enhancing the delivery of core services via the website, telephone advice line, web chat and social media channels which are available to all, although this may have a disproportionate impact on poorer or disabled people with less access to IT. There is no impact on Children's Rights as careers advice and guidance will still be available to all, albeit in a different format.

Reducing the core budget will require Careers Wales to further reduce the staffing levels within the organisation. This will impact primarily on the quantity of face to face guidance services delivered to young people in schools and colleges, and to adults.

Careers advice encourages people into work; this has a positive impact on the economy and on well-being. Certain black and minority ethnic (BME) young people and disadvantaged young people are more likely to be not in employment, education or training (NEET), therefore there is a potential impact on these groups.

Careers Wales will continue to provide a bilingual service, therefore there is no impact on the Welsh language. Advice is given on Welsh language provision and local labour market needs, including jobs where there are opportunities to use the Welsh Language.

Discussions have been held around the range, extent and depth of provision provided by Careers Wales to its core and other client groups as part of the regular contact with the senior management team, to ensure suitable and quality performance delivery.

Welsh Government remains committed to safeguarding the delivery of a national, impartial careers service for young people and adults across Wales.

#### Evidence

The evidence base consists of the ongoing performance reviews of the activities delivered in the current financial year, as identified in the annual remit letter to Careers Wales from Welsh Government. This also includes the annual business plan for 2015-16.

Providers of careers services are required to have equality and diversity policies and to demonstrate, through self assessment and supporting evidence, that they are implementing the policies, monitoring participation by and support for minority groups, and evaluating their own responsiveness. Careers Wales has its own Equality and Diversity Policy and Action Plan which will need to be reviewed and updated to take account of the proposed budget reduction for 2016-17.

#### ***Post-16 Learner Support Action***

Students at higher education institutions have access to a range of support including grants and loans. We are continuing to provide tuition fee loans and means tested living cost grants. An increase in the budget for student grants has been made due to an expected rise in demand as student numbers increase and in some areas households incomes are falling, so more are below the threshold levels for grant support. The provision of grants and loans supports all learners but has a disproportionately positive impact on those from deprived backgrounds as some grants are means tested.

In light of the growing financial pressures, we commissioned Professor Ian Diamond to undertake an independent review of higher education funding and student finance arrangements in 2014. A key priority of the review is to consider the long-term financial sustainability of the Higher Education system. The findings of this review will be published in 2016 and will help inform the next steps for higher education funding in Wales. In the interim, we are allocating an additional £10m in recognition of the pressures on student support for 2016-17. This will enable the continued delivery of our tuition fees commitment.

#### **CONTINUOUS IMPROVEMENT**

We are committed to ensuring that all budget decisions are made with reference to the strategic integrated impact assessment of the Draft Budget. Preparation for both the 2014-15, 2015-16 and 2016-17 budget rounds has enabled us to give full consideration to socio-economic disadvantage, children's rights, Welsh language and sustainable development, in addition to

the focus on equality and tackling poverty This will be used to inform future decisions on budgets throughout the year and for the first budget of the next assembly term.

Integrated impact assessments are considered as part of all relevant ministerial decisions. The department will be strengthening its guidance on impact assessments and their relevance to different types of advice that is submitted to Ministers through ministerial advice in line with developments from Welsh Government central teams.