

Jocelyn Davies AM
Chair
Finance Committee
National Assembly for Wales

18 January 2016

Dear Jocelyn,

Draft Budget Scrutiny 2016-17

On 14 January 2015, The Enterprise and Business Committee took evidence from Julie James, Deputy Minister for Skills and Technology, and officials from the Department of Education, both on her own portfolio, and that of the Minister for Education and Skills.

The committee wished to highlight three areas of concerns arising from our scrutiny of the education and skills parts of our remit.

Impact of reductions to budgets for the Higher Education Funding Council for Wales (HEFCW) Revenue and Running Costs budgets

The Committee was most concerned by the proposed changes to the funding for the higher education sector, and will be seeking further opportunities to scrutinise:

- the £20m reduction to the HEFCW revenue; and
- the £0.277m (-10%) reduction to HEFCW's running costs.

The size of these cuts brings in to question whether the funding council will be able deliver its objectives.

In respect of the proposed reductions to the higher education revenue budget, the committee found it difficult to assess the potential impact of cuts without some indication of the priorities that the Minister will set out in his annual remit letter



to HEFCW. We were told that HEFCW will discuss the situation on Friday 22 January, and the committee will be seeking further information in due course.

The Committee understands the independent role of the Funding Council but the Welsh Government must have undertaken some impact/risk assessment before proposing such a significant reduction to HEFCW's funding for the sector. Therefore the Committee would have expected the Deputy Minister to be able to give a clearer indication, of Welsh Government priorities. (Prioritisation)

The Committee will be asking the Minister to provide an update on the priorities he wishes HEFCW to address.

The evidence from the sector warns that there is a critical risk that funding cuts will disproportionately affect the provision for those on part-time courses, research and expensive subjects.

The Committee welcomes the Deputy Minister's response about prioritisation for part-time provision. Although we note that the First Minister gave reassurances to CELG that the Coleg Cymraeg Cenedlaethol was a priority the previous day. Given the reduction in size of the overall pot, it seems unlikely that HEFCW can fully protect multiple priorities.

The evidence from the HE sector highlights particular concerns from an equalities perspective, that reductions to part-time HE provision will have a detrimental effect on female and older learners.

The Committee also noted concerns (affordability) about the impact that cuts will have on funding for:

- Research (QR) and any potential damage to the Welsh HE sector's ability to compete for external research funding; and
- Funding for expensive subjects (medicine, dentistry and Conservatoire courses) and the potential impact on STEM courses generally.
- Risk that reductions in funding will reduce the standing of Welsh HEIs in league tables, making it harder to attract students and their accompanying tuition fees.

The Committee are also concerned about the impact of the reductions (10%) to HEFCW's running costs. We understand that the *Higher Education (Wales) Act 2015* established a new governance framework for HEFCW to implement. However the recommendations of Professor Sir Ian Diamond's review (due to be published later this year) and the next Welsh Government's response to these recommendations have the potential to be very far reaching, and could change HEFCW's role and remit once again.



Career Wales

The Committee notes with concern the further reduction to the funding for Careers Wales. We remain anxious that reliance on digital delivery means that independent careers advice may not reach young people who are disadvantaged or not in education, employment or training (NEET). (Prioritisation)

Apprenticeships

The Committee welcomes additional funding for apprenticeships (both from reserves and as a result of the budget agreement with the Welsh Liberal Democrats). We also welcome the Deputy Minister's assurances that there will be sufficient funding to ensure that new starters and those already in apprenticeships will be able to complete their programmes. (Prioritisation)

The Committee acknowledged and shared the Deputy Minister's concern that the lack of clarity to date around the UK Government's proposals for an apprenticeship levy have delayed the Welsh Government developing its own plans for apprentices and trainees.

Kind Regards,



William Graham AM

Chair



