

Enterprise and Business Committee

Meeting Venue:
Committee Room 3 – Senedd

Meeting date:
17 October 2012

Meeting time:
09:00

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

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Agenda

- 1 Informal briefing on the Draft Budget (9.00 – 9.30)**
- 2 Introductions, apologies and substitutions**
- 3 Welsh Government draft budget proposals for 2013–14:
Ministerial Scrutiny Session (9.30 – 10.30)** (Pages 1 – 22)
Leighton Andrews, Minister for Education and Skills
Jeff Cuthbert, Deputy Minister for Skills
Carla Lyne – Deputy Director Finance and Corporate Services
Owen Evans – Director Skills, Higher Education and Lifelong Learning
- 4 Motion under Standing Order 17.42 to resolve to exclude the
public for the remainder of the meeting (10.30)**
- 5 Consideration of evidence and budget report (10.30 – 11.00)**

Agenda Item 3

Enterprise & Business Committee

Date: 17 October 2012

Time: 9:30-10:30

Venue: Senedd

Title: Education and Skills Draft Budget 2013-14

Purpose

1. To provide an evidence paper for the Enterprise and Business Committee on the Education and Skills budget, priorities for 2013-14 and updates on specific areas of interest to the Committee.

Timing

2. The draft budget was published on 2 October 2012.

The 2013-14 Education and Skills Draft Budget

3. The 2013-14 Draft Budget provides a two year plan for investment in the provision of education and skills in Wales. Table 1 provides an overview of the planned Education and Skills budget or 'main expenditure group' (MEG) together with the changes made to the indicative budget since the publication of the last Supplementary Budget in June 2012.

Table 1: Education and Skills MEG

	2012-13	2013-14	2013-14	2013-14	2014-15	2014-15	2014-15
	Supplementary Budget June 2012	Indicative Plans Final Budget	Changes	New Plans Draft Budget	Indicative Plans Final Budget	Changes	New Plans Draft Budget
	£000	£000	£000	£000	£000	£000	£000
Revenue DEL	1,676,529	1,694,824	-21,025	1,673,799	1,702,459	-20,825	1,681,634
Capital DEL	178,293	143,834	33,300	177,134	143,834	10,000	153,834
Total DEL	1,854,822	1,838,658	12,275	1,850,933	1,846,293	-10,825	1,835,468
Annually Managed Expenditure	178,309	161,285	15,584	176,869	153,310	29,839	183,149
Education & Skills	2,033,131	1,999,943	27,859	2,027,802	1,999,603	19,014	2,018,617

4. Revenue funding for 2012-13 decreases by £21m compared with the indicative budget published in the Final Budget in November 2011 which equates to 1.2%. The indicative budget for 2014-15 also decreases by £20.8m (1.2%) compared to published indicative plans. The decrease in revenue budget is the result of transfers of funding to other portfolios rather than a budget cut. The School Standards and Organisation (Wales) Bill will transfer responsibility of the funding for the Free School Breakfast Initiative, Appetite for Life and School Counselling budgets into the local authority Revenue Support Grant. That results in a recurrent transfer to the Local Government and Communities MEG in 2013-14 of £21.8m.

5. The capital budget increases by £33.3m to £177.1m in 2013-14 and £10m in 2014-15 compared to published indicative plans.
6. The Annually Managed Expenditure (AME) budget is wholly related to student loans which are demand led and sensitive to interest rate and other macro-economic factors and therefore difficult to forecast. This budget is agreed with the Treasury each year and is fully funded. The budget increases £15.6m in 2013-14 and £29.8m in 2014-15.
7. The Education and Skills MEG was re-aligned in the last budget round to match resources to departmental strategic outcomes and improve the transparency of budgets. The Action level budget plans were published on 2 October. A BEL table is provided at Annex 1 which provides more detail.

Budget Context

8. This budget is set in the context of the constraints imposed by the UK Government in the last spending review, whilst planning to deliver the commitments made in the Programme for Government and delivering an ambitious legislative programme. No new revenue funding is available and so this budget rolls forward unchanged many of the indicative budgets approved by the Assembly in February. However, the Education and Skills MEG has secured additional capital allocations totalling £33.3m in 2013-14 (£10m in 2014-15) to support delivery of the priorities in the Wales Infrastructure Investment Plan for Growth and Jobs and for specific projects from the Centrally Retained Capital Fund:
 - Investment in **21st Century Schools**: £15m in 2013-14 and 2014-15;
 - the extension, refurbishment and **new build of secondary schools in the Dinefwr region** in Carmarthenshire: £7m in 2013-14;
 - **Gateway to the Valleys project** to build a new school in the Tondu area of Bridgend: £2.1m in 2013-14;
 - **Merthyr Learning Quarter project** bringing sixth forms in Merthyr Tydfil together with Merthyr College, University of Glamorgan and the University of the Heads of the Valleys Institute: £3m in 2013-14;
 - **Ysgol y Bont project in Anglesey** to support the construction of a new state of the art green school: £4.7m in 2013-14; and
 - **New North Wales Welsh Medium School in Wrexham**: £1.5m.
9. A further £1.3m will transfer out of Welsh Language to the Central Services and Administration MEG to cover administration costs of the former Welsh Language Board which was abolished earlier in the year.

10. Conversely, funding of £2.1m (£2.3m in 2014-15) will transfer into Education and Skills from the Health, Social Services and Children MEG to cover payments to Cardiff University to support medical and dental training.
11. As part of the budget setting exercise a review of budgets identified £5.7m in potential savings which have been re-prioritised to other commitments such as support for students with learning difficulties in FE colleges and extending the entitlement to the Pupil Deprivation Grant to looked after children.
12. In preparing for the Final Budget 2012-13, we undertook an alignment exercise to ensure that spending plans were matched to our strategic objectives which encompass the commitments made in the Programme for Government (PfG). In this budget we undertook a comprehensive review of budgets which examined whether key commitments, including those in the PfG, were adequately funded. This has resulted in a number of changes to spending proposals including those described in paragraphs 26 and 27 which aim to focus resources on reducing the number of young people not in employment or training. We are confident that the commitments made in the Programme for Government are adequately resourced by this budget. A mapping of our Actions to PfG Sub-Outcomes has been published in the Draft Budget document. We will continue to monitor performance against PfG commitments as part of the annual reporting process.
13. This budget takes account of our legislative programme. In terms of the School Standards and Organisation (Wales) Bill, we have made provision in this budget to transfer a total of £21.8m to the Revenue Support Grant in 2013-14. Any further costs in association with the development and implementation of the Further and Higher Education (Wales) Bill and the Education (Wales) Bill will be met from within these plans. However, it is not anticipated that there will be any significant costs associated with this legislation.
14. Equality considerations have been central to the development of our spending plans, and, as in previous years, the funding changes arising from this budget have been assessed against their impact on people with protected characteristics. We have also been mindful of our commitments under the Welsh Government's Strategic Equality Plan, specifically with regards reducing the number of young people not in education, employment or training.

Summary of Draft Budget Changes

15. A summary of draft budget changes for each Action level budget is provided below together with updates on specific areas of interest as identified.

Education and Training Standards: “To raise the standards of education and training provision, attainment and infrastructure across Wales so that everyone can reach their potential.”

**Literacy and Numeracy:
2013-14 Budget £7.5m**

16.No changes to the literacy and numeracy budget are proposed in this budget round. However the 2013-14 budget increases by £2m compared to the 2012-13 final budget.

2012-13	2013-14	2014-15
Supplementary Budget June 2012	Draft Budget	Indicative Budget
£000	£000	£000
1,166,961	1,184,252	1,189,052

Curriculum: 2013-14 Budget £125.1m

17.The budget increases in net terms compared to 2012-13 by £2.4m. The budget includes 14-19 Learning and the Foundation Phase. We plan to reduce the budget by £0.9m compared to indicative plans already published. Recurrent savings of £0.2m have been identified against the 14-19 Learning budget from our review of budgets. A further £0.7m has been transferred recurrently to the Education Research and Evaluation Services budget in Delivery Support. This is as a result of a consolidation exercise where international research and evaluation budgets were brought together to create a single programme. The foundation phase budget increases by £3.9m when compared to 2012-13.

Teaching & Leadership: 2013-14 Budget £19.8m

18.The budget decreases in net terms compared to 2012-13 by £0.1m. We plan to reduce the budget by £0.1m compared to indicative plans already published. An amount of £0.1m has been transferred recurrently to the Education Research and Evaluation Services budget in Delivery Support. This is as a result of a consolidation exercise as mentioned in paragraph 17.

Qualifications: 2013-14 Budget £5m

19.The budget decreases in net terms compared to 2012-13 by £3.8m. We plan to transfer £4.7m to Post-16 Education to enable further education colleges to deliver the Welsh Baccalaureate. This transfer was already reflected in the 2012-13 budget. In addition, recurrent savings of £3.8m have been identified from our review of budgets.

Post-16 Education: 2013-14 Budget £563m

20.The budget increases in net terms compared to 2012-13 by £7.1m. The budget includes mainstream funding for school sixth forms, further education colleges, work based learning (including ESF funding received) and adult community learning. In this budget round we plan to increase the budget by £4.6m (net). This includes a recurrent transfer in of £4.7m from Qualifications to enable further education colleges to deliver the Welsh Baccalaureate (already reflected in the 2012-13 budget). Also included is a recurrent transfer of £0.1m to Education Research and Evaluation Services budget in Delivery Support. This is as a result of a consolidation exercise as mentioned in paragraph 17.

Higher Education: 2013-14 Budget £382.3m

21. The budget decreases in net terms compared to 2012-13 by £0.1m. In this budget we have included transfers in of £2.1m in 2013-14 and £2.3m in 2014-15 from the Health, Social Services and Children's MEG to cover payments to Cardiff University to support medical and dental training. An equivalent transfer of £2m is already included in the 2012-13 budget.

Education Structures: 2013-14 Budget £2.9m

22. The budget decreases in net terms compared to 2012-13 by £1m. This budget relates to the transformation agenda in further education. We plan to reduce the budget by £1m from recurrent savings that have been identified from our review of budgets.

Education Standards: 2013-14 Budget £34.4m

23. The budget increases in net terms compared to 2012-13 by £6.6m. No significant changes are planned in this budget. However, increases of £6.6m in 2013-14 and £2.9m in 2014-15 are included from previous budget rounds which were identified through efficiencies.

Pupil Deprivation Grant: 2013-14 Budget £36.8m

24. The budget increases in net terms compared to 2012-13 by £4.7m. An increase of £3.3m was included in previous budgets. A further £1.4m increase is included in this budget and will allow us to provide vital funding for looked after children of school age.

ICT & Information Management Systems: 2013-14 Budget £7.4m

25. The budget decreases in net terms compared to 2012-13 by £0.1m. The reduction relates to efficiency savings identified in previous budgets. No changes are proposed in this budget.

Skilled Workforce: *"To deliver a suitably skilled workforce with high quality opportunities for all learners."*

Employment and Skills: 2013-14 Budget £31.7m

26. The budget decreases in net terms compared to 2012-13 by £3.3m. The former Skills Development and Workplace Learning and Employability budgets have been reorganised to better align with the Programme for Government. As a result the Skills Development and Workplace Learning BEL becomes Employment and Skills with £3.7m transferred in from the Employability budget. In last years final budget additional one-off funding of £7.2m was found for the Young Recruits Programme and Skills Growth Wales as part of the economic stimulus package which is not included in future budgets. An amount of £0.2m has been transferred recurrently to the Education Research and Evaluation Services budget in Delivery Support. This is as a result of a consolidation exercise as mentioned in paragraph 17.

2012-13	2013-14	2014-15
Supplementary Budget June 2012	Draft Budget	Indicative Budget
£000	£000	£000
89,649	81,403	81,403

Youth Engagement & Employment: 2013-14 Budget £19.7m

27. The budget increases in net terms compared to 2012-13 by £1.1m. This budget focussing on our commitment to reduce the number of young people not in education, employment or training. We have also created a new Youth Engagement and Employment Division to take forward this important agenda. As a result the former Supporting Young People budget of £5m has been transferred in and £3.7m of this budget has been transferred to Employment and Skills. There is also a reduction of £0.2m from previous published plans due to transfer of international activities to Education Research & Services as part of streamlining exercise.

Educational & Careers Choice: 2013-14 Budget £30m

28. The budget decreases in net terms compared to 2012-13 by £6m. The decreases relate wholly to changes made in previous budgets where savings will be delivered through reconfiguration of the delivery method of the Careers Service.

Economic & Social Wellbeing & Reducing Inequality: "To support individuals, families, communities and businesses in improving economic and social wellbeing and reducing inequality through education and training."

Wellbeing of Children & Young People: 2013-14 Budget £47.3m

29. The budget decreases in net terms compared to 2012-13 by £15.3m. This budget includes funding for Placements for Students with Learning Difficulties in FEIs, Post 16 SEN, Additional Learning Needs and School Milk. Responsibility for funding of £21.8m for Free School Meals, the Appetite for Life Programme and School Based Counselling has been transferred to Local Government and Communities MEG recurrently. The budget benefits from an increase of £4.2m to meet demand led pressures on the Placements for Students with Learning Difficulties in FEIs budget which was identified in the review of budgets and is funded from efficiency savings across the MEG. Increases of £2.3m were included in previous budgets.

2012-13	2013-14	2014-15
Supplementary Budget June 2012	Draft Budget	Indicative Budget
£000	£000	£000
390,752	379,019	382,054

Post-16 Learner Support: 2013-14 Budget £319m

30. The budget increases in net terms compared to 2012-13 by £8m which was included in previous budgets. The budget supports student finance and includes the Assembly Learning Grant, Education Maintenance Allowance, Targeted Awards and the non-cash element of student loans.

Pupil Engagement: 2013-14 Budget £12.8m

31. The budget increases in net terms compared to 2012-13 by £0.6m which was included in previous budgets. The budget includes the Minority Ethnic Achievement Grant, Grants for the Education of Travellers' Children and Tackling Disaffection.

Welsh Language: *“To see the Welsh language thrive in Wales.”*

**Welsh in Education:
2013-14 Budget £16.2m**

32. The budget decreases in net terms compared to 2012-13 by £0.2m which was included in previous budgets. The budget supports the ongoing delivery of the Welsh Medium Education Strategy which is a key commitment in our Programme for Government.

2012-13	2013-14	2014-15
Supplementary Budget June 2012	Draft Budget	Indicative Budget
£000	£000	£000
24,976	25,076	25,076

Welsh Language: 2013-14 Budget £8.9m

33. The budget decreases in net terms compared to 2012-13 by £0.3m which was included in previous budgets.

Delivery Support: *“Resources are managed and support the delivery of outcomes.”*

**Strategic Communications:
2013-14 Budget £1.5m**

34. No significant changes are proposed are proposed to this budget.

2012-13	2013-14	2014-15
Supplementary Budget June 2012	Draft Budget	Indicative Budget
£000	£000	£000
4,191	4,049	4,049

Education Research & Services: 2013-14 Budget £2.6m

35. The indicative budget is increased by £1m from previous published plans due to transfer in of international activities to Education Research & Services as part of streamlining exercise. However, the change is already reflected in the 2012-13 budget.

Capital

36. The budget decreases in net terms compared to 2012-13 by £1.1m. However, the budget benefits from an additional £33.3m in new money (£10m in 2014-15).

2012-13	2013-14	2014-15
Supplementary Budget June 2012	Draft Budget	Indicative Budget
£000	£000	£000
178,293	177,134	153,834

37. Funding of £15m to enable acceleration of a number of schemes under the 21st Century Schools programme in line with the investment priority to ‘Improve the quality of the educational estate’ as set out in the Wales Infrastructure Investment Plan for Growth and Jobs.

38. An additional £18.3m from the Centrally Retained Capital Fund for specific projects as described in paragraph 8.

Summary

39. The Education and Skills Draft Budget for 2013-14 is presented to the committee for consideration.

EDUCATION & SKILLS MEG - DRAFT BUDGET 2013-14

REVENUE BUDGET - DEPARTMENTAL EXPENDITURE LIMIT (DEL)

Budget Expenditure Line (BEL)	2012-13	2013-14			2014-15		
	Supplementary Budget June 2012	Indicative Plans Final Budget Nov 2011	Planned Changes	New Plans Draft Budget Oct 12	Indicative Plans Final Budget Nov 2011	Planned Changes	New Plans Draft Budget Oct 12
	£000	£000	£000	£000	£000	£000	£000
Literacy & Numeracy	5,512	7,512		7,512	7,512		7,512
Literacy & Numeracy	5,512	7,512	0	7,512	7,512	0	7,512
14-19 Learning in Wales	17,252	16,009	-250	15,759	16,009	-250	15,759
Foundation Phase	97,151	101,051		101,051	101,051		101,051
Curriculum & Assessment	8,250	8,943	-693	8,250	8,943	-693	8,250
Curriculum	122,653	126,003	-943	125,060	126,003	-943	125,060
Teacher Development and Support	19,982	19,915	-66	19,849	20,115	-66	20,049
Teaching & Leadership	19,982	19,915	-66	19,849	20,115	-66	20,049
Qualifications inc Welsh Baccalaureate	8,868	13,568	-8,523	5,045	13,568	-8,523	5,045
Qualifications	8,868	13,568	-8,523	5,045	13,568	-8,523	5,045
Further Education Provision	449,891	451,032	4,700	455,732	451,032	4,700	455,732
Work Based Learning	128,710	130,000	-23,392	106,608	130,000	-23,392	106,608
FE Policy Development	666	736	-70	666	736	-70	666
Post-16 Receipts	-23,392	-23,392	23,392	0	-23,392	23,392	0
Post-16 Education	555,875	558,376	4,630	563,006	558,376	4,630	563,006
HEFCW-Running Costs	2,908	2,768		2,768	2,768		2,768
Higher Education Revenue	358,083	348,732	2,100	350,832	348,732	2,300	351,032
Higher Education Receipts	-2,798	-2,798		-2,798	-2,798		-2,798
For Our Future Projects	24,100	31,500	-100	31,400	31,500	-100	31,400
HEFCW Depreciation	82	82		82	82		82
Higher Education	382,375	380,284	2,000	382,284	380,284	2,200	382,484
Transformation	3,943	3,943	-1,000	2,943	3,943	-1,000	2,943
Education Structures	3,943	3,943	-1,000	2,943	3,943	-1,000	2,943
School Effectiveness Grant	25,533	32,101		32,101	35,035		35,035
School Standards Support	2,249	2,279	-30	2,249	2,279	-30	2,249
Education Standards	27,782	34,380	-30	34,350	37,314	-30	37,284
Pupil Deprivation Grant	32,433	35,315	1,465	36,780	36,781	1,465	38,246
Pupil Deprivation Grant	32,433	35,315	1,465	36,780	36,781	1,465	38,246
ICT & IMS Programme	7,538	7,423		7,423	7,423		7,423
ICT & Information Management Systems	7,538	7,423	0	7,423	7,423	0	7,423
Education and Training Standards	1,166,961	1,186,719	-2,467	1,184,252	1,191,319	-2,267	1,189,052
Skills Development and Workplace Learning Employment & Skills	34,986	28,356	3,301	31,657	28,356	3,301	31,657
Skills in the Workplace Employment & Skills	34,986	28,356	3,301	31,657	28,356	3,301	31,657
Employability Youth Engagement & Employment	18,663	18,683	1,063	19,746	18,683	1,063	19,746
Employability Youth Engagement & Employment	18,663	18,683	1,063	19,746	18,683	1,063	19,746
Careers Wales	36,000	30,000		30,000	30,000		30,000
Educational & Careers Choice	36,000	30,000	0	30,000	30,000	0	30,000
Skilled Workforce	89,649	77,039	4,364	81,403	77,039	4,364	81,403
Supporting Young People	4,984	4,994	-4,994	0	4,994	-4,994	0
Access Opportunities	4,984	4,994	-4,994	0	4,994	-4,994	0
Spec. Placements/Students with Learning Difficulties FEIs	12,294	12,294	3,708	16,002	12,294	3,708	16,002
School Based Counselling	4,750	5,000	-4,500	500	5,000	-4,500	500
Food & Nutrition in Schools	17,850	19,850	-16,800	3,050	19,985	-16,800	3,185
Additional Learning Needs	3,296	3,296		3,296	3,296		3,296
Post 16 Inclusion & Support for Learning SEN	24,440	24,440	0	24,440	24,440	0	24,440
Wellbeing of Children & Young People	62,630	64,880	-17,592	47,288	65,015	-17,592	47,423
Assembly Learning Grant	196,323	198,232		198,232	198,232		198,232
SLC/HMRC Administration Costs	7,985	7,469		7,469	7,469		7,469
Student Loans RAB Charge	97,218	103,818		103,818	106,718		106,718
Targeted Awards	9,454	9,454		9,454	9,454		9,454
Post-16 Learner Support	310,980	318,973	0	318,973	321,873	0	321,873
Tackling Disaffection	1,158	1,158		1,158	1,158		1,158
Grants for the Education of Travellers Children	1,000	1,100		1,100	1,100		1,100
Minority Ethnic Achievement Grant	10,000	10,500		10,500	10,500		10,500
Pupil Engagement	12,158	12,758	0	12,758	12,758	0	12,758
Economic & Social Wellbeing & Reducing Inequality	390,752	401,605	-22,586	379,019	404,640	-22,586	382,054

	2012-13	2013-14	2014-15
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Budget Expenditure Line (BEL)	Supplementary Budget June 2012 £000	Indicative Plans Final Budget Nov 2011 £000	Planned Changes £000	New Plans Draft Budget Oct 12 £000	Indicative Plans Final Budget Nov 2011 £000	Planned Changes £000	New Plans Draft Budget Oct 12 £000
Welsh in Education	16,412	12,377	3,835	16,212	12,377	3,835	16,212
Welsh in Education	16,412	12,377	3,835	16,212	12,377	3,835	16,212
Welsh Language	8,564	14,078	-5,214	8,864	14,078	-5,214	8,864
Welsh Language	8,564	14,078	-5,214	8,864	14,078	-5,214	8,864
Welsh Language	24,976	26,455	-1,379	25,076	26,455	-1,379	25,076
Strategic Communications	1,544	1,483		1,483	1,483		1,483
Education Research & Evaluation Services	2,647	1,523	1,043	2,566	1,523	1,043	2,566
Delivery Support	4,191	3,006	1,043	4,049	3,006	1,043	4,049
E&S Revenue (including non-cash) DEL	1,676,529	1,694,824	-21,025	1,673,799	1,702,459	-20,825	1,681,634

CAPITAL BUDGET - CAPITAL DEL

Budget Expenditure Line (BEL)	2012-13 Supplementary Budget June £000	2013-14 Indicative Plans Final Budget £000	2013-14 Planned Changes £000	2013-14 New Plans Draft Budget Oct 12 £000	2014-15 Indicative Plans Final Budget £000	2014-15 Planned Changes £000	2014-15 New Plans Draft Budget Oct 12 £000
General Support	48,278	43,021		43,021	43,021		43,021
Strategic Investment	130,015	100,713	33,400	134,113	100,713	10,100	110,813
Estate & IT Provision	178,293	143,734	33,400	177,134	143,734	10,100	153,834
Education and Training Standards	178,293	143,734	33,400	177,134	143,734	10,100	153,834
Bilingual Wales Fund - Capital	0	100	-100	0	100	-100	0
Welsh Language	0	100	-100	0	100	-100	0
E&S Capital DEL	178,293	143,834	33,300	177,134	143,834	10,000	153,834

ANNUALLY MANAGED EXPENDITURE (AME)

Budget Expenditure Line (BEL)	2012-13 Supplementary Budget June 2012 £000	2013-14 Indicative Plans Final Budget Nov 2011 £000	2013-14 Planned Changes £000	2013-14 New Plans Draft Budget Oct 12 £000	2014-15 Indicative Plans Final Budget Nov 2011 £000	2014-15 Planned Changes £000	2014-15 New Plans Draft Budget Oct 12 £000
Student Loans Capital AME	267,342	269,740	-5,610	264,130	279,284	6,418	285,702
Student Loans Resource AME	-89,033	-108,455	21,194	-87,261	-125,974	23,421	-102,553
Post-16 Learner Support	178,309	161,285	15,584	176,869	153,310	29,839	183,149
Economic & Social Wellbeing & Reducing Inequality	178,309	161,285	15,584	176,869	153,310	29,839	183,149
E&S AME	178,309	161,285	15,584	176,869	153,310	29,839	183,149

EDUCATION & SKILLS MEG - SUMMARY

Budget Expenditure Line (BEL)	2012-13 Supplementary Budget June 2012 £000	2013-14 Indicative Plans Final Budget Nov 2011 £000	2013-14 Planned Changes £000	2013-14 New Plans Draft Budget Oct 12 £000	2014-15 Indicative Plans Final Budget Nov 2011 £000	2014-15 Planned Changes £000	2014-15 New Plans Draft Budget Oct 12 £000
Revenue DEL	1,676,529	1,694,824	-21,025	1,673,799	1,702,459	-20,825	1,681,634
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Education & Skills	2,033,131	1,999,943	27,859	2,027,802	1,999,603	19,014	2,018,617

Leighton Andrews AC / AM
Y Gweinidog Addysg a Sgiliau
Minister for Education and Skills



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MB/LA/2442/13

Nick Ramsay AM
Chair
Enterprise and Business
Committee

Nicholas.Ramsay@Wales.gov.uk

23 May 2013

Dear Nick,

At the Enterprise and Business Scrutiny Committee in October 2012, I agreed to make available to the Committee revised financial forecasts in respect of the higher education Tuition Fee Grant, together with an explanation for any major adjustments that have been made to the financial model since 2010.

I attach a detailed report for the Committee's information.

Yours sincerely,

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

Leighton Andrews AC / AM
Y Gweinidog Addysg a Sgiliau
Minister for Education and Skills

Bae Caerdydd • Cardiff Bay
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Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)

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Higher Education Tuition Fee Grant (TFG) – Financial Modelling Update for the Enterprise and Business Scrutiny Committee

1. Purpose

- 1.1 Further to my appearance in October 2012, I agreed to ensure that revised forecasts for the tuition fee grant are made available to the Enterprise and Business Committee, alongside an explanation of any major adjustments that have been made to the model since 2010.

2. Background

- 2.1 In 2010, I announced the Welsh Government's response to the UK Government's decision to significantly increase tuition fees in England. I announced that the basic tuition fee in Wales would increase to £6,000 (since revised to £4,000) per annum from academic year 2012/2013 and higher education institutions (HEIs) should be able to charge tuition fees up to £9,000 per annum, providing they can demonstrate a commitment to widening access and other strategic objectives through fee plans approved by the Higher Education Funding Council for Wales (HEFCW). Welsh students would be eligible for a tuition fee grant to cover any real-terms increase in fees.

Governance and control

- 2.2 Student Finance policy is underpinned by a sophisticated financial model which takes into account the current financial provision set aside for higher education in Wales as well as other sources of institutional income such as tuition fees. Forecasts are reviewed regularly as new or more robust data becomes available. Updated forecasts are produced by the Knowledge and Analytical Services Department at regular points during the financial year to ensure that the latest information regarding student behaviour, demographic trends, take-up rates, socio economic factors and other relevant data are taken into account.
- 2.3 The decision to amend the assumptions contained in the model is taken by a Student Support Forecasting User Group (SSFUG) of officials which includes representatives from Higher Education Division, Knowledge and Analytical Services, Corporate Services Division and HEFCW.
- 2.4 In addition to discussions at the SSFUG, the high-level modelling assumptions are discussed at the Higher Education Funding and Student Finance Project Board and the Higher Education Delivery Programme Board. These Boards are made up of Welsh Government officials and



key delivery partners including the Student Loans Company, HEFCW, Higher Education Wales and the Welsh Local Government Association.

- 2.5 The revised assumptions, data and macro economic factors are entered into the student loan repayment model, which produces future forecasts.

3. Original tuition fee grant (TFG) financial modelling (2010/11)

- 3.1 To support the HE policy changes introduced in 2010, detailed financial modelling was carried out on the impact of increased tuition fees at universities and the additional funding that would be provided to Welsh domiciled full-time undergraduate students to cover any increase in fees.
- 3.2 In order to complete the initial modelling, a number of assumptions were made regarding expected student numbers, loan take up and a number of other factors. These assumptions were based on previous years' trend data as well as future estimates about student and institutional behaviour.
- 3.3 The original modelling for the TFG was carried out in autumn 2010 and various scenarios were modelled. The models have been released following Freedom of Information requests in February (ref Ed33) and March (ref Ed53) 2011. The modelling scenarios included maximum tuition fees of £7,000 and £9,000. The information can be found via the following link:
<http://wales.gov.uk/publications/accessinfo/disclogs/dr2011/addysg/?lang=en>
- 3.4 The policy announced in November 2010 was based on the following assumptions for academic year (AY) 2012/13:
- a maximum variable tuition fee of £7,000 per annum (pa) at Welsh and English HEIs;
 - a fee of £3,500 pa for Northern Irish HEIs; and a tuition fee of £2,190 pa at Scottish HEIs (2011/12 fee increased by inflation of 2.7%);
 - 100% of students taking up tuition fee grants;
 - financial year split: 51.5% previous AY and 48.5% current AY;
 - future years' forecasts were based on tuition fees, both loan and grant elements, increasing by inflation each year. Inflation was forecasted as 2.7% for 2012/13 onwards;
 - continuing students would not be eligible for the new support and would be subject to the existing package; and
 - table 3.1 shows the student numbers that would be eligible for support.



Table 3.1 Student numbers by Academic Year

Student number projections (thousands)	2012/13	2013/14	2014/15	2015/16	2016/17
Welsh in Welsh HEIs full fee-loans	11.991	21.982	30.433	32.837	34.182
Welsh in other UK HEIs full fee-loans	5.043	9.243	12.795	13.806	14.371
EU students	0.803	1.485	2.061	2.225	2.316
UK (non-Welsh) students in Wales	8.679	16.055	22.288	24.063	25.049

Table 3.2: Forecasts for financial year 2012-13 to 2016-17 (Based on above assumptions)

Grant/Loan (Millions)	2012-13	2013-14	2014-15	2015-16	2016-17
Tuition Fee Loans	145.2	161.6	169.7	174.7	179.2
New Fee Grant	31.5	92.7	147.3	182.9	198.9
TFL@RAB*	47.0	53.4	58.0	61.4	62.9

* RAB – Resource Accounting Budget

3.5 The assumptions contained in the modelling were revised when institutions in Wales submitted their fee plans (to HEFCW) containing estimated fee levels. Whilst at that stage it was not possible to confirm the exact average fee level in Wales, it was decided that the modelling should take a prudent approach and assume an average fee of £9,000 pa. The revised modelling can be found in Table 3.3.

Table 3.3 Forecasts for financial Year 2012-13 – 2016-17

Grant/Loan (Millions)	2012-13	2013-14	2014-15	2015-16	2016-17
Tuition Fee Loans	141.6	157.8	166.0	171.3	175.9
New Fee Grant	51.8	150.4	236.1	292.5	314.3
TFL@RAB	44.5	47.5	48.2	49.5	50.3

4. Tuition fee grant financial modelling (2012/13)

4.1 The final forecasts prior to academic year 2012/13 were produced in July 2012. The following assumptions were agreed:

- a maximum variable tuition fee of £9,000 pa;
- 100% of students taking up a tuition fee grant;
- financial year split: 51.5% previous AY and 48.5% current AY;
- future years' forecasts are based on tuition fees, both loan and grant elements, increasing by inflation each year. Inflation was forecast at 3.22% in 2013/14, 3.3% in 2014/15 and 3.3% in 2015/16; and
- table 4.1 shows the student numbers that would be eligible for support.



Table 4.1 Student numbers by Academic Year

Student number projections (thousands)	2012/13	2013/14	2014/15	2015/16	2016/17
Welsh in Welsh HEIs full fee-loans	11.908	21.183	29.128	31.366	31.895
Welsh in other UK HEIs full fee-loans	6.149	11.148	15.397	16.580	16.860
EU students	1.079	1.962	2.730	2.948	3.000
UK (non-Welsh) students in Wales	10.614	18.753	25.601	27.501	27.953

Table 4.2: Forecasts for financial year 2012-13 to 2016-17 (as of July 2012)

Grant/Loan (Millions)	2012-13	2013-14	2014-15	2015-16	2016-17
Tuition Fee Loans	138.9	155.3	164.3	170.8	176.1
New Fee Grant (a)	51.8	150.8	238.0	296.4	319.5
TFL@RAB	43.6	46.7	47.7	49.4	50.3

(a) £5,535 from 12/13 – difference between current fees and £9k

5. Current tuition fee grant financial modelling (2013/14)

5.1 Using up-to-date information provided by the Student Loans Company (SLC), HEFCW, UCAS and HESA and taking account of the Ministerial statement on the 13 September 2012, the following changes to the assumptions contained in the student finance model were agreed (at SSFUG meeting on 18 February 2013):

For 2012/13:

- a tuition fee of £8,680 pa for Welsh students at Welsh HEIs (HEFCW average);
- a tuition fee of £8,385 pa at English HEIs (OFFA average);
- a tuition fee of £9,000 pa at Scottish and Northern Irish HEIs;
- a tuition fee of £8,902 pa for other UK students at Welsh HEIs (HEFCW average);
- 98% of students taking up a tuition fee grant; and
- financial year split: 51.5% previous AY and 48.5% current AY.

5.2 Future years' forecasts are based on;

- a tuition fee of £8,291 pa for Welsh students at Welsh HEIs in 2013/14 (HEFCW average), 2014/15 and 2015/16;
- a tuition fee of £8,507 pa at English HEIs in 2013/14 (OFFA average) and frozen for a further year;
- a tuition fee of £9,000 pa at Scottish and Northern Irish HEIs in 2013/14;
- a tuition fee of £8,718 pa for other UK students at Welsh HEIs in 2013/14 (HEFCW average);



- for Welsh domiciled students, the tuition fee loan would increase by inflation in 2013/14, 2014/15 and 2015/16, and the tuition fee grant element of fee support would decrease accordingly. Inflation was forecasted as 3.22% in 2013/14, 3.1% in 2014/15 and 3.2% in 2015/16;
- a tuition fee grant take-up rate of 98%;
- a financial year split: 51.5% previous AY and 48.5% current AY; and
- table 5.1 shows the number of students eligible for support.

Table 5.1

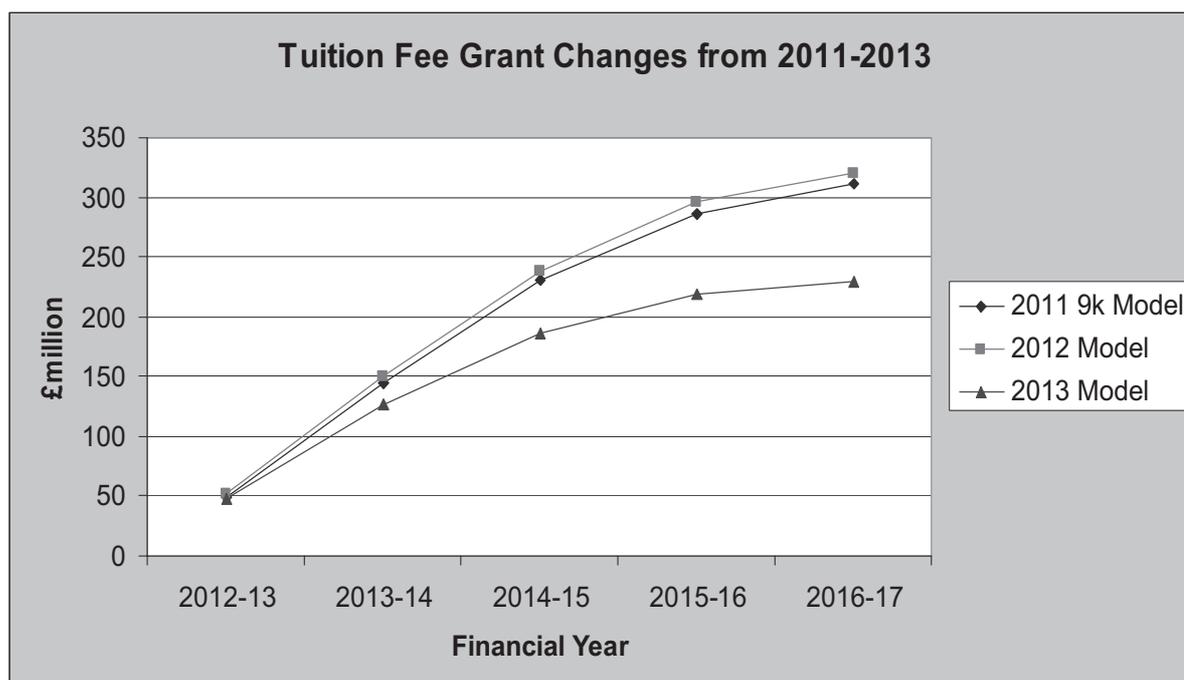
Student number projections (thousands)	2012/13	2013/14	2014/15	2015/16	2016/17
Welsh in Welsh HEIs full fee-loans	11.821	21.198	29.196	31.447	31.978
Welsh in other UK HEIs full fee-loans	6.056	11.058	15.294	16.473	16.751
EU students	1.006	1.835	2.554	2.760	2.808
UK (non-Welsh) students in Wales	11.006	19.606	26.297	28.117	28.537

Table 5.2: Forecasts for 2012-13 to 2016-17

Grant/Loan (Millions)	2012-13	2013-14	2014-15	2015-16	2016-17
Tuition Fee Loans	139.8	155.6	164.4	171.4	176.7
New Fee Grant (a)	47.2	127.2	185.7	219.3	229.7
TFL@RAB	43.9	46.8	47.6	49.5	50.5

6. Differences in the modelling from 2011 – 2013

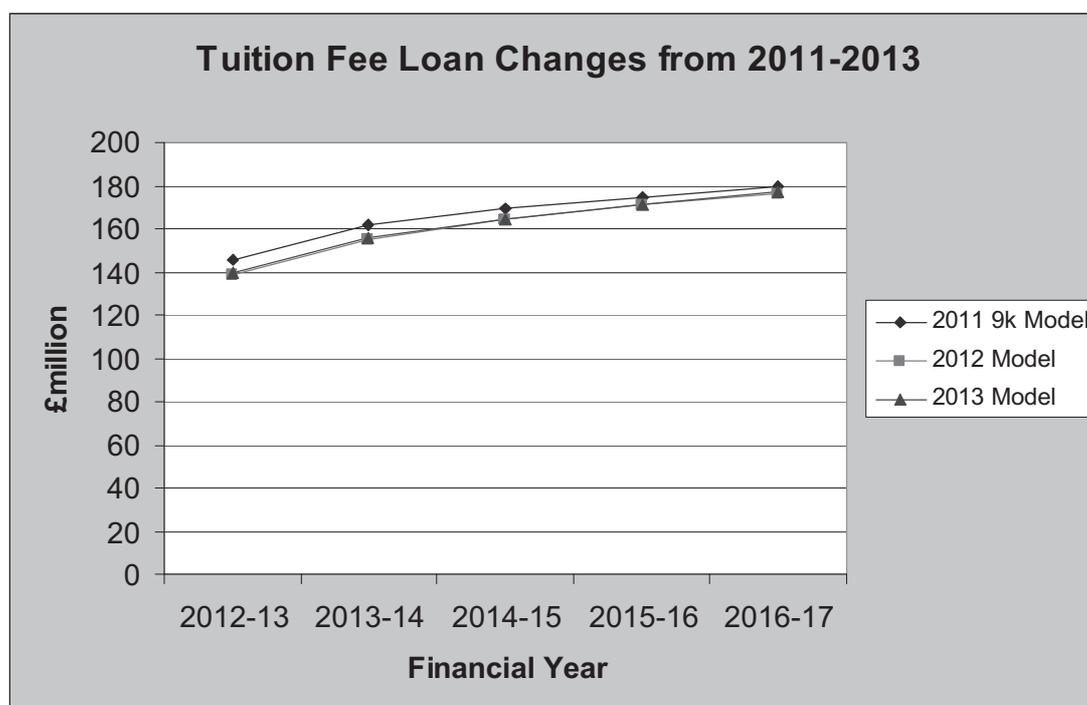
Chart 6.1





- 6.1 Since the initial forecasts the expected cost of the tuition fee grant (during the lifetime of this Government) has decreased from £1.2 billion over five years to £809 million.
- 6.2 One of the main reasons for the decrease in the forecast cost of the tuition fee grant is that the average tuition fee for Welsh students has reduced from £9,000 pa to £8,680 pa for 2012-13 and from £9,000 pa to £8,291 pa for future years.

Chart 6.2



- 6.3 There has been a slight reduction in the expected cost of the tuition fee loan, with the costs dropping from £830 million over five years to £808 million over the same period, this reflects a change in the expected take-up rate from 100% to 98% (from AY 2013/14).

7. Additional Income into HEIs

- 7.1 In addition to the tuition fee grant provided by the Welsh Government, HEIs also receive income from other sources, for example tuition fee income from non Welsh domiciled students studying in Wales and funding for research.



7.2 The following assumptions are contained in the modelling for tables 7.1 and 7.2 which assumes that:

- the Welsh Government's allocation to HEFCW will be flat lined from 2015-16 but that tuition fees increase in line with inflation; and
- current levels of cross-border flows and student recruitment continue at current levels.

However, these figures will be dependent on the outcome of the next spending review and its impact on Welsh Government funding.

Table 7.1: forecasted additional income for HEIs in cash-terms (financial year)

£millions	2012-13	2013-14	2014-15	2015-16	2016-17
Funding body grants	269	221	180	160	160
Full-time undergraduate / PGCE fees:					
<i>Current level of fees</i>	<i>240</i>	<i>239</i>	<i>240</i>	<i>245</i>	<i>252</i>
<i>Higher additional fee income</i>	<i>37</i>	<i>101</i>	<i>148</i>	<i>175</i>	<i>183</i>
<i>English contribution</i>	<i>27</i>	<i>74</i>	<i>107</i>	<i>124</i>	<i>130</i>
Other fees and education contracts	196	202	208	215	221
Research grants/ contracts	170	173	178	184	189
Other income	278	283	291	301	309
Total	1,217	1,292	1,352	1,403	1,444



Chart 7.1

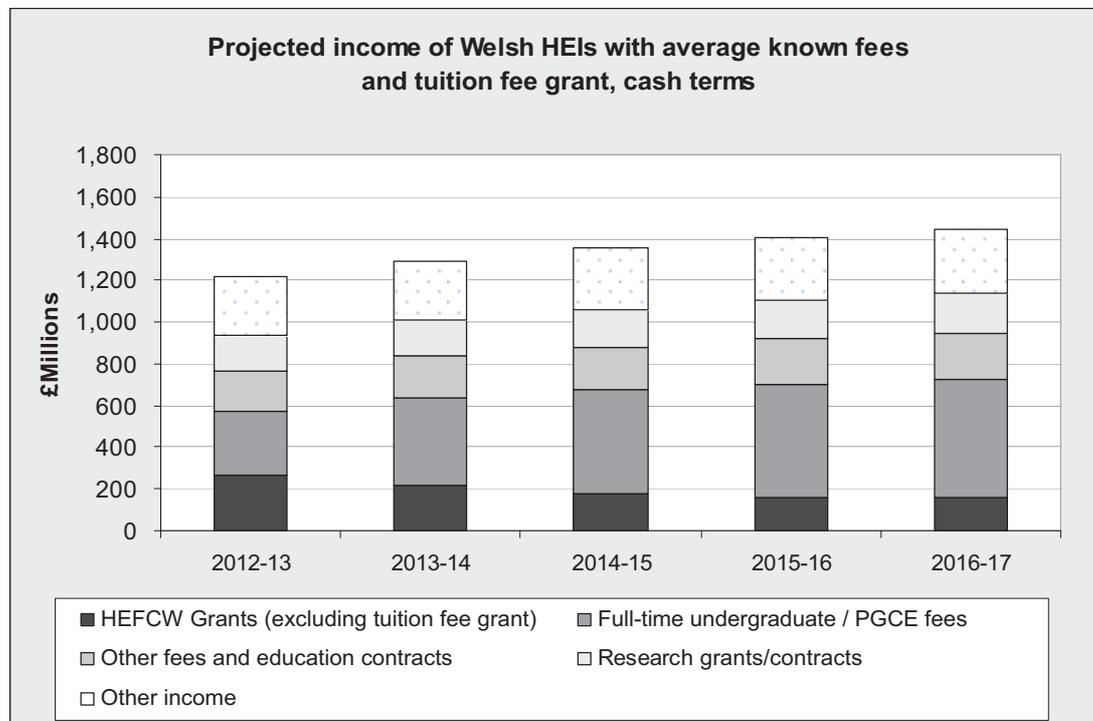
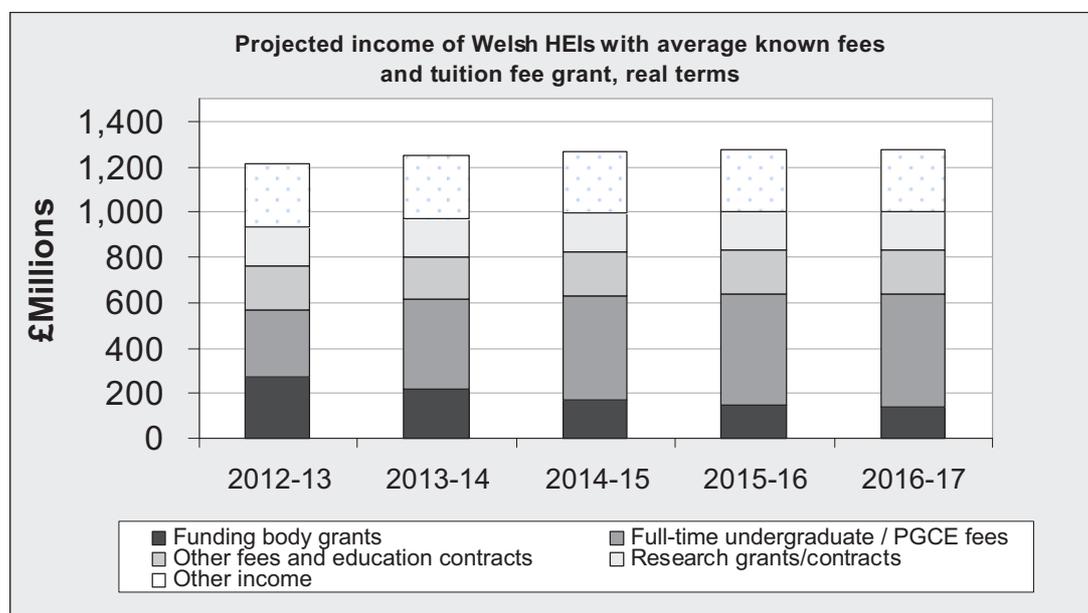


Table 7.2: forecasted additional income for HEIs in real-terms (financial year)

	2012-13	2013-14	2014-15	2015-16	2016-17
Funding body grants	269	214	169	145	142
Full-time undergraduate / PGCE fees:					
<i>Current level of fees</i>	237	230	223	221	220
<i>Higher additional fee income</i>	36	96	137	158	160
<i>English contribution</i>	27	71	99	112	113
Other fees and education contracts	193	193	193	193	193
Research grants/contracts	170	170	170	170	170
Other income	278	278	278	278	278
Total	1,209	1,252	1,270	1,277	1,277



Chart 7.2



- 7.3 In real-terms, income to Welsh HEIs is projected to increase over the next five financial years.
- 7.4 Income from funding body grants is projected to decrease over the next few years. However, the contribution from non Welsh domiciled students' fees is expected to increase. All other sources of income are likely to remain at a relatively similar level.

8. Cross-border flows

- 8.1 Wales is a net importer of students from other parts of the UK, and as a result institutions in Wales receive far more fee income from those students than HEFCW pays in fee grant to institutions outside Wales.
- 8.2 Chart 8.1 shows the value of fees projected to be paid by HEFCW to HEIs outside Wales and the value of fees projected to be received by Welsh HEIs from outside Wales.



Chart 8.1

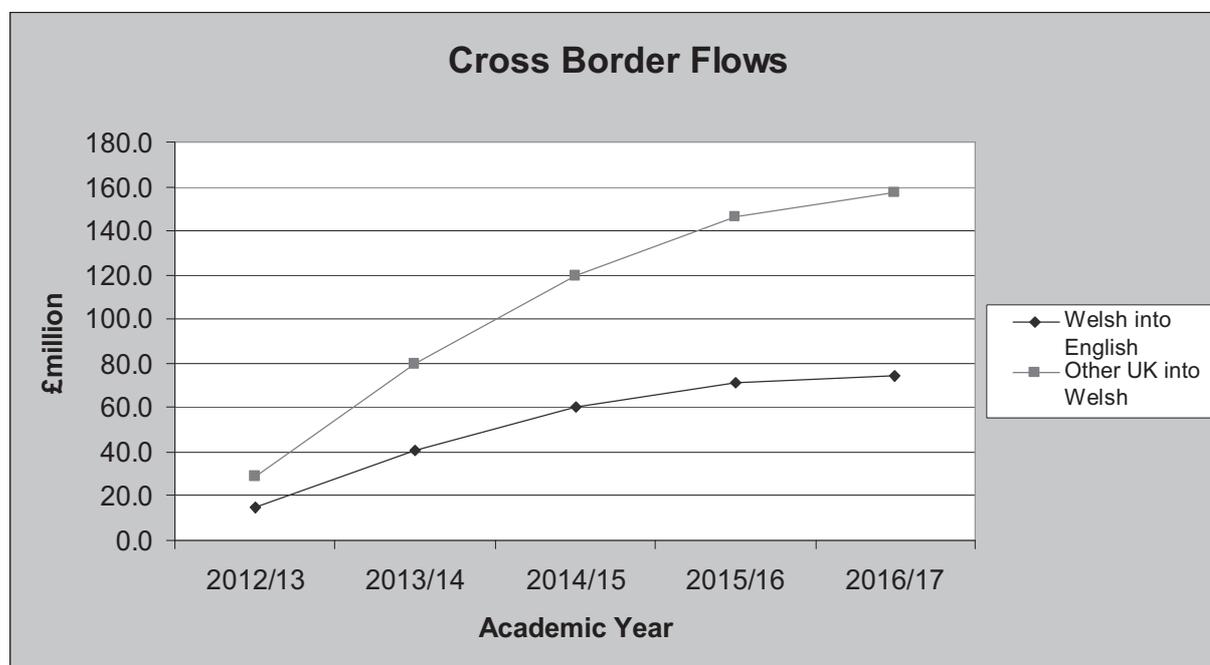


Table 8.1 Student numbers by academic year

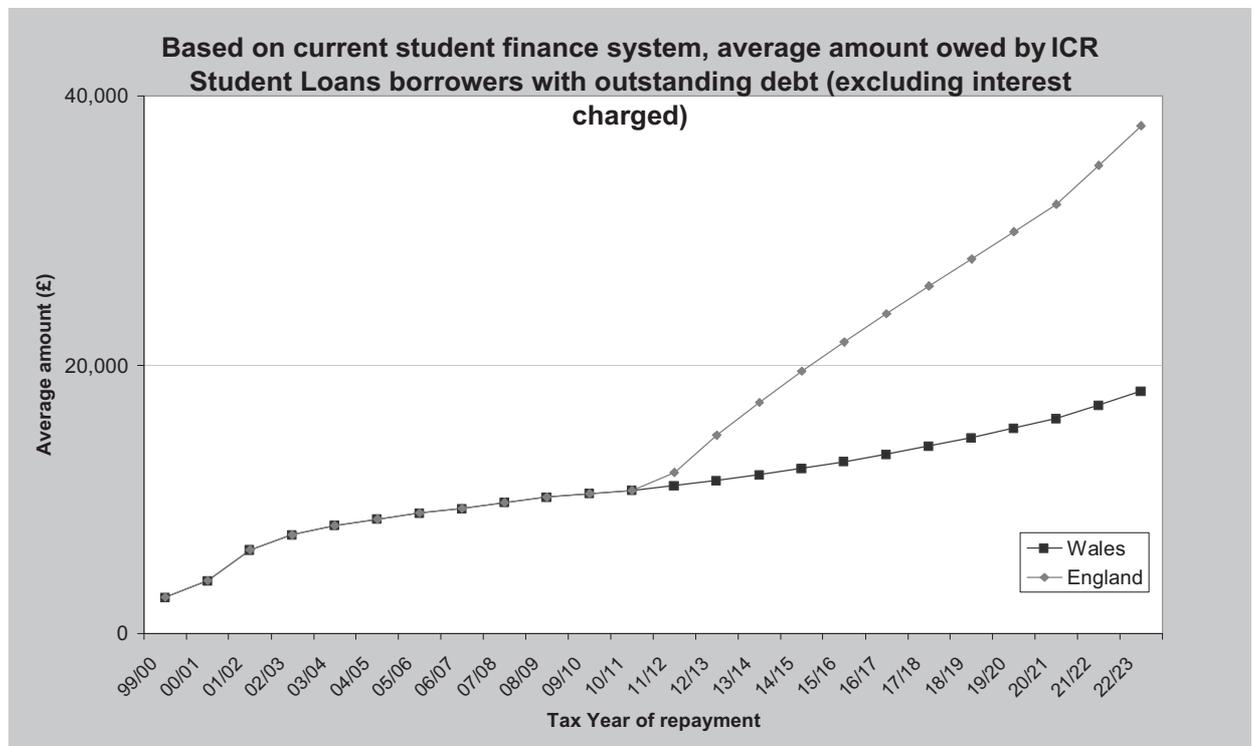
£million	2012/13	2013/14	2014/15	2015/16	2016/17
Welsh into English	15.1	41.1	60.3	71.3	74.7
Other UK into Welsh	29.0	79.7	119.5	146.4	157.0

9. Student Debt

- 9.1 The Programme for Government commitment (and in its predecessor “One Wales”) to students to mitigate the cost of any increase in tuition fees introduced by the UK Government has been driven by our belief that that access to higher education in Wales should be on an individuals ability not what they can afford to pay.
- 9.2 Chart 9.1 forecasts the projected debt level for Welsh domiciled students when compared to their English counterparts during the next 10 years (based on the current student finance systems in both countries, excluding interest charges). It demonstrates the impact that the tuition fee grant and the partial cancellation of maintenance loans policies have had on Welsh students.



Chart 9.1



Notes:

- For illustrative purposes only. Exact figures for projections should not be used.
- Historic data up to present (including 2011/12 totals) is based on Student Loan Company data on numbers of borrowers and total amount owed.
- Projections based on most recent 4 year average of changes in numbers of borrowers and amount owed.

10. Conclusion

- 10.1 The tuition fee policy introduced in 2012/13 will remain in place for the term of this Government. The policy has been fully costed and remains sustainable.
- 10.2 Even in the current economic climate and with significant pressures on government funding, income to the HE sector in Wales remains strong and is forecast to increase over time without significantly increasing debt on the part of Welsh domiciled students.
- 10.3 The financial model that supports this policy is reviewed on a monthly basis by officials and updated when new information is obtained.