

## Enterprise & Business Committee

**Date:** 17 October 2013

**Time:** 13:30-14:30

**Venue:** Senedd

**Title:** Education and Skills Draft Budget 2014-15

### Purpose

1. To provide an evidence paper for the Enterprise and Business Committee on the Education and Skills budget, priorities for 2014-15 and updates on specific areas of interest to the Committee.

### Timing

2. The draft budget was published on 8 October 2013.

### The 2014-15 Education and Skills Draft Budget

3. The Draft Budget 2014-15 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 Final Budget 2013-14, to reflect recurrent baseline adjustments in First Supplementary Budget 2013-14.

*Table 1: Education and Skills MEG*

	2013-14	2014-15	2014-15	2014-15	2015-16
	Supplementary Budget June 2013	Indicative Plans Final Budget (Restated)	Changes	New Plans Draft Budget	New Plans Draft Budget
	£000	£000	£000	£000	£000
Resource DEL	1,658,658	1,696,489	-77,565	1,618,924	1,564,094
Capital DEL	202,134	153,834	0	153,834	143,834
<b>Total DEL</b>	<b>1,860,792</b>	<b>1,850,323</b>	<b>-77,565</b>	<b>1,772,758</b>	<b>1,707,928</b>
Annually Managed Expenditure	176,869	183,149	30,935	214,084	237,862
<b>Education &amp; Skills</b>	<b>2,037,661</b>	<b>2,033,472</b>	<b>-46,630</b>	<b>1,986,842</b>	<b>1,945,790</b>

4. Compared to the restated indicative plans published in Final Budget 2013-14, the total Resource DEL allocation for Education and Skills has decreased by £77.6m or 4.6%. This decrease includes a recurrent transfer of £28.6m to the Revenue and Support Grant (RSG) within the Local Government MEG, for post-16 SEN provision in mainstream schools (£4.2m), and post-16 special schools and SEN out of county placements (£24.4m). The indicative plan for the 2015-16 Resource DEL which is published for the first time is £1,564.1m.

5. There is no change to the capital budget from previous plans published in Final Budget 2013-14, of £153.8m in 2014-15. This includes the additional £10m announced in the Final Budget 2013-14 to support the delivery of the new post-16 Further Education campus in Cardiff. The indicative capital budget for 2015-16 is £143.8m.
6. The Annually Managed Expenditure (AME) budget is primarily related to student loans which are demand led and sensitive to interest rate and other macro-economic factors and therefore difficult to forecast. This budget is agreed with the Treasury each year and is fully funded. The budget increases by £24.9m in 2014-15, with an indicative budget of £231.9m for 2015-16. There is a further £6m addition to AME in 2014-15 and 2015-16 in respect of pensions for Careers Wales, which became a wholly owned subsidiary of the Welsh Government from 1 April 2013.
7. The Action level budget plans for Education and Skills MEG were published on 8 October. To aid transparency a breakdown of changes to the Education and Skills MEG by Budget Expenditure Line (BEL) is provided at Annex 1.

## **Budget Context**

8. This budget is set in the context of the constraints imposed by the UK Government in recent spending reviews, together with the prioritisation of funding across portfolios, whilst planning to deliver the commitments made in the Programme for Government and delivering an ambitious legislative programme. All of the decisions that we face are difficult. There are no easy answers and there has been no way that we can shield services from the effect of the UK Government cuts and the implications of prioritising spend.
9. We have undertaken a line by line review of budgets to establish how the reductions of £83.9m in 2014-15 and £103.9m in 2015-16 can be managed. Whilst difficult decisions have had to be made, the review has been set in the context of continued focus on our Programme for Government commitments and shaped around the three cross-cutting delivery themes of Jobs and Growth; Educational Attainment and Supporting Children, Families and Deprived Communities.
10. 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.
11. Our spending plans have also had regard to the impact on poverty, welsh language, Children's rights in line with the UNCRC and economic, social and environmental sustainability of projects and programmes. 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.

## **Programme for Government**

12. The Department for Education and Skills has five strategic objectives which support the delivery of outcomes in the Programme for Government:
  - To raise standards of education and training provision, attainment and infrastructure across Wales so everyone can reach their potential;
  - To deliver a skilled workforce with high quality opportunities for all learners contributing to the creation of growth and jobs;
  - To support individuals, families and communities to improve wellbeing by reducing inequality and increasing participation;
  - To see the Welsh Language thrive in Wales; and
  - To be a high performing department and employer of choice.
13. Given the current economic climate and with the reductions currently faced, it is vital that we are clear on our priorities and that spending decisions support our objectives. The Programme for Government (PfG) sets out the outcomes we are working towards, and the decisions taken in this draft budget ensure that our spending plans continue to be aligned to deliver our commitments. A mapping of our Actions to PfG Sub-Outcomes has been published as part of the Draft Budget documentation. The latest Programme for Government Annual Report, published in June 2013, provides an update on the actions we are taking to support our priorities. We will continue to monitor performance against PfG commitments as part of the annual reporting process, to ensure associated outcomes are monitored and evaluated to demonstrate value for money.
14. The Department for Education and Skills contributes to a number of areas within the Programme for Government, but predominantly to Growth and Sustainable Jobs (chapter 1), Education (chapter 3) and the Culture and Heritage of Wales (chapter 12). A summary of draft budget changes by Action relevant to this Committee is provided below, together with costs and associated impact on Programme for Government commitments.

## **Growth and Jobs**

15. Education and skills development are important to people's job prospects and indeed to overall wellbeing. We remain committed to doing everything we can to ensure people in Wales are provided with the education and training opportunities to maximise their employment prospects in the future. Jobs Growth Wales, Traineeships and Apprenticeships are a major means of encouraging skills development in young people and adults and these programmes are also key in terms of

our commitment to reduce the number of young people not in education, employment or training (NEET).

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

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Restated Final Budget	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
19,746	19,746	(1,000)	18,746	19,746

16. The budget for Youth Engagement and Employment in 2014-15 has decreased in net terms by £1m compared to 2013-14. Savings have been achieved by reprioritising investment on key delivery commitments.
17. The BEL focusses on our commitment to reduce the number of young people not in education, employment or training and supporting young people into work. Reflecting this, priority has been given to protecting spend on Jobs Growth Wales the delivery of the Programme for Government and Tackling Poverty Action plan and commitments to tackle NEET's through the new Youth Engagement and Progression Framework.
18. New pressures arising from the development and implementation of the **Youth Engagement and Progression Framework** have been accommodated by achieving further efficiency savings in expenditure on the Labour Market Intelligence Project and the planned close of specific small short term projects.
19. The Youth Engagement and Progression Framework builds on the success of the Youth Engagement and Employment Action Plan by bringing key elements of effective NEET reduction together in one place. A two year implementation plan for the framework was presented via an Oral Statement to Plenary on 1 October.
20. The **Jobs Growth Wales programme** is one of our Five for a Fairer Future pledges and a key intervention in the Tackling Poverty Action plan. In recognition of the importance we place on this programme we have protected funding at the current levels. A total of £12.5m is committed in both 2014-15 and 2015-16. This funding will be supported by match funding from the European Social Fund (ESF).
21. In its first year Jobs Growth Wales exceeded its target of 4,000 opportunities for 16 to 24 year olds, with nearly 6,000 job opportunities created by over 3,000 employers, with 4,042 young people employed. The programme is performing well and early indications show 76% (as at July 2013) of young people who complete their 6 month job opportunity are sustaining employment or progressing into an apprenticeship. Jobs

Growth Wales is working and is making a real difference to young people's lives. Our absolute priority in these on-going challenging economic times is to stand up for the people of Wales, creating jobs and enabling growth.

22. The BEL funds a number of grants to support statutory and voluntary youth services in Wales. This additional funding was aligned to enable delivery of the 2007-2010 National Youth Service strategy. That strategy is now being replaced and associated revised funding levels are as defined in proposed budgets to facilitate delivery of the new National Youth Work strategy (for publication Nov/Dec 2013) going forward. The new strategy and the wider development of the Youth Engagement and Progression Framework creates a new context for additional Welsh Government investment in the youth service over and above the allocation identified as part of the Revenue Settlement Grant.

***Programme for Government:***

23. We have a commitment to refresh our youth service strategy and maintain our commitment to grant funding to at least the levels that we have provided over recent years. In light of the production of a new strategy and against evidence that Local Authorities fully could rationalise their Revenue Settlement Grant allocations in support of youth service delivery, a revised budget for youth service grants of £3.23m is associated with this commitment for 2014-15. It is intended that the level of grant support to voluntary youth services in Wales is maintained. Grants are monitored in line with Welsh Government policies to ensure outcomes are monitored and evaluated to demonstrate value for money.
24. The BEL continues to support the work of the Labour Market Intelligence Project which is helping ensure key information on the supply and demand for skills is available to stakeholders (through the Learning and Skills Observatory), to learning providers, and to young people (via Careers Wales.com). This project delivers the PfG commitment to provide robust labour market intelligence to help individuals make informed choices about education provision.

***Preventative Spending:***

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

## Careers Wales BEL:

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Restated Final Budget	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
30,000	30,000	500	30,500	27,000

26. The Careers Wales budget increases in net terms compared to 2013-14 by £0.500m in 2014-15 and decreases by £3m in 2015-16. The extra funding allocated to this budget in 2014-15 has included the development of the Careers Wales.com website to deliver a 21<sup>st</sup> century careers service and provided additional support for the Youth Engagement and Progression Framework implementation plan.
27. There is a statutory duty on Welsh Ministers to provide Career information Advice and Guidance services. This duty is delivered through the grant funding provided to Careers Choices Dewis Gyfa (CCDG). The priorities for 2014-15 remain largely unchanged with further refining and embedding of the new differentiated service (including Careers Wales role in facilitating employer engagement in schools). The differentiated service delivery model provides CCDG with greater scope to operate.
28. To meet the proposed budget reduction in 2015-16 the remit for CCDG will need to be significantly reviewed. The first priority is to ensure that statutory career services to young people in school and further education is maintained. A review of the adult service will help inform decisions on service priorities in 2015-16. The scale of the saving extends beyond that which can be achieved by efficiency savings and will require a further redefinition of services to certain client groups (e.g. adults) beyond that introduced within the 2013 remit.

### **Programme for Government:**

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

### **Preventative Spending:**

30. £25m of this budget is allocated to preventative spending measures. The current remit letter and priorities for CCDG require the organisation to focus on delivery of services to young people. This represents “preventative” spending since investments in Careers Information

Advice and Guidance services support better informed decision making and successful progressions.

31. CCDG provides quarterly performance reports to the Welsh Government and the Chair is directly responsible to Welsh Ministers for the effective and efficient delivery of the Careers Service in Wales.

### **Work Based Learning BEL**

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Restated Final Budget	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
126,608	126,608	(7,300)	119,308	121,308

32. The budget for Work Based Learning decreases in net terms compared to 2013-14 by £7.3m in 2014-15 and £5.3m in 2015-16. The budget includes funding for all age apprenticeships the young recruits programme and traineeships for young people. The reductions are attributed to the cessation of the Work Ready programme from April 2014 which is to be superseded through initiatives being developed and funded through the Employment and Skills BEL. Furthermore, the budget reductions will result in a decrease in the number of traineeship opportunities and a decrease in the number of apprenticeship opportunities in non priority sectors. There is also a reduction of £0.3m from previously published plans due to the transfer of funding to support NIACE activity to the FE policy Development BEL. Some PfG commitments will be impacted e.g. improving skills for employment, supporting the economy and business. Although, traineeships is an important programme to support learning for young people at risk of becoming NEET, a PfG priority, availability will be constrained.

### **Apprenticeships**

33. In the Final Budget 2013-14, we announced an additional investment of £20m in both 2013-14, 2014-15 and extend this commitment to 2015-16 to support apprenticeships in Wales. The additional allocations build on our commitment to see progression at all levels of apprenticeships, including an increased number of places at level 2 and 3 (c.£7.1m in 2014-15), a significantly enhanced emphasis on higher apprenticeships (c.£6.9m in 2014-15), Young Recruits (c.£10.7m in 2014-15) and Welsh Language apprenticeships (estimated at £1.3m in 2014-15). This emphasises the importance placed on apprenticeship programmes in Wales
34. Our support for Apprenticeships is also a key intervention in terms of supporting growth. Recent research from the Centre for Economics and Business Research predicts that the average person completing an Apprenticeship increases business productivity by £214 per week. In January 2012, the National Audit Office concluded that individuals with

advanced apprenticeships show 18% higher wages, while those with intermediate apprenticeships show 11% higher wages (compared to a person without an apprenticeship, equivalent qualification or a higher qualification). This converts to estimated returns of £21 and £16 respectively for every £1 of public spending.

35. The Welsh Government believes in, and supports Apprenticeships in Wales as they fuel the future essential skills base of our nation. Apprenticeships in Wales help to inspire success in the individual and bring huge benefits to the workplace.
36. Apprenticeship policy is founded on supporting businesses that want to take on apprentices because the investment leads to a skilled workforce that can contribute to economic growth through increased productivity and greater employability.

***Programme for Government:***

37. The Programme for Government (PfG) sets out our commitment to tackle youth unemployment and to deliver more apprenticeship opportunities for young people throughout Wales. Delivery of high quality apprenticeships is a fundamental part of our strategy to improve the skills of workers in Wales of all ages. In Final Budget 2013-14, an additional investment of £20m for 2014-15 was announced to support apprenticeships in Wales.
38. Introducing a successor to the Skill Build programme that will offer enhanced support, including entry-level “engagement” training for young people facing the worst barriers to employment is one of the commitments that has been fulfilled under this budget, as the successor programme has been introduced.
39. This budget is committed to extending the Young Recruits’ programme to respond to continued demand from employers and young people and it is hoped that 2700 young people will see the benefit over the next year. A cost of £10.7m in 2014-15 is associated with this commitment. The outcome of this PfG commitment is monitored by framework completions for all apprentices who are supported under the Young Recruits’ Programme.
40. We are committed to the roll out of the Apprenticeship Matching Service across Wales later this year. This web based service will enable potential apprentices to register, search and apply for apprenticeship vacancies. Employers will be able to register their companies, link to local training providers and post apprenticeship vacancies. A cost of £0.08m in 2014-15 and £0.085m in 2015-16 is associated with this commitment. The usage of the Apprenticeship Matching Service is monitored on a monthly basis and figures collected on areas such as the number of advertised vacancies, number of hits on the AMS website and number of job applications etc.

### **Preventative Spending:**

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

### **Employment and Skills BEL**

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Restated Final Budget	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
25,157	26,512	(6,715)	19,797	24,157

42. The budget for Employment and Skills decreases in net terms compared to 2013-14 by £6.7m in 2014-15 and £1m in 2015-16. Despite these reductions, funding is being invested in **training programmes** with the aim of *improving Welsh skills for employment*, designed to support progression and adaptability within the workforce. Additional income from ESF will enable the level of activity to remain consistent with previous years. We are currently developing our plans for delivery of employment and skills support from 2014, maximising the use of ESF wherever possible. This will build on the success of current programmes such as ReAct and the Workforce Development Programme. Whilst the budget cuts will be associated, in part, with programmes listed within Programme for Government, this is part of a wider programme of changes to adult employment and skills delivery and should therefore be considered within a broader policy context. However, greater prioritisation of employment and skills support will be needed to accommodate these reductions, with an increased emphasis on jobs and growth, as opposed to softer employability outcomes. There will also be a need to facilitate greater co-investment in workforce skills provision. The Welsh Government will be setting out its basis for prioritisation of skills investment in a Policy Statement on Skills in December 2013.
43. The changes being made to adult employment and skills delivery will enable more local targeting of provision where required and these reductions will therefore not have a negative impact on the poverty agenda as it relates to jobs and growth outcomes.

### **Programme for Government:**

44. This budget supports Programme for Government commitments in relation to support for anchor companies and specific industry training

needs, tackling literacy and numeracy in the workplace, ReAct and the Wales Union Learning Fund.

***Preventative Spending:***

45. This budget responds to the training needs of individuals and employers to support entry into, and retention and progression within, the workplace. As such, it addresses skills and employability issues preventing individuals from accessing, remaining and progressing within, the workplace. Similarly, it addresses skills issues preventing employers from being able to capitalise on growth opportunities or adapt to changing economic circumstances.

**Educational Attainment**

***Further Education Provision BEL:***

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Restated Final Budget	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
451,531	455,732	(42,201)	413,531	414,319

46. The budget for Further Education provision decreases in 2014-15 from plans previously published by £42.2m. Of this reduction, £4.2m relates to the transfer to RSG for post-16 SEN provision in mainstream schools summarised in paragraph 4. We have prioritised provision for 16-18 year olds, which will be protected. Therefore the impact of the remaining reductions will predominately be felt in post-19 provision, which is primarily delivered at Further Education Institutions and Welsh for Adults Centres. Post 19 provision accounts for approximately £160m of the total budget, therefore a £37m reduction is equivalent to a reduction in post-19 provision of 23%.
47. In this budget we recognise the importance of further education in the drive to reduce the number of young people not in employment, education or training and in increasing the skill levels of young people before they enter the world of work. Welsh Government officials will work closely with the sector to evaluate available options and to minimise the impact of any reductions on learning.

***Programme for Government:***

48. Continued support for the development of community and adult learning including through the Wales Union Learning Fund, and improved progression routes by requiring effective regional collaboration between FE and HE institutions is a commitment of this budget. There is no separate cost associated with this commitment, but we expect effective

regional collaboration between FE and HE institutions to be achieved through the Transformation agenda.

**Preventative Spending:**

49. Provision of post compulsory education, for those aged 16-18, accounts for approximately £300m of the Further Education Provision BEL and is considered to be preventative. Though not planned, any significant reductions in this allocation could lead to an increase in NEET statistics that would have a direct impact on the success of the Youth Engagement and Progression Framework Implementation Plan.

**FE Policy Development BEL:**

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Restated Final Budget	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
666	666	400	1,066	1,066

50. The budget for FE Policy Development increases in net terms compared to 2013-14 by £0.400m. The increase relates to a transfer in £0.300m from the Work Based Learning BEL to fund NIACE activity and a transfer in of £0.100m for skills development as a result of structural changes within the MEG. The budget supports investing in quality, consultancy and administrative costs associated with the Post-16 Planning and Funding Review, FE policy development funding and NIACE Dysgu Cymru grant funding.

**Programme for Government:**

51. This budget has a commitment to ensure that learner voice is central to strategic decision making in FE colleges. A cost of £0.128m in 2014-15 and £0.024m in 2015-16 is associated with the commitment. Outcomes are evaluated against the stated aims and objectives of the project in conjunction with the contractors, project team, steering group and feedback from providers, learners and other stakeholders.

**Higher Education**

**Preventative Spending:**

52. Support for higher learning is crucial to the future of Wales. Universities contribute £1.3billion a year to the Welsh economy and provide over 16,000 jobs in Wales while generating over £400million per annum in export investments. Student support for higher learning in the form of the Welsh Government Learning Grant helps to pay living costs, the Tuition Fee Grant helps to meet the cost of fees and targeted awards such as the Disabled Students Allowance or Childcare Grant create better life

chances for individuals. Higher education qualifications open up employment opportunities and evidence remains strong for a “graduate premium” in relation to pay and lifetime earnings potential of graduates.

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

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Restated Final Budget	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
350,832	351,032	(20,859)	330,173	330,173

53. The budget for Higher Education Revenue decreases in net terms compared to 2013-14 by £20.9m in 2014-15 and then remains unchanged from 2014-15 levels in 2015-16. The decrease relates wholly to the reduction of support to higher education through the Higher Education Funding Council for Wales (HEFCW). Whilst this is a reduction compared to previously published plans this needs to be considered from a sector-wide perspective, taking into account the beneficial impact of the new higher education and student finance funding scheme implemented in 2012 and the significant additional resources available to Higher Education Institutions as a result of the new funding regime.
54. The total income available to the Welsh HE sector will increase when compared with the previous funding model as a result of the new tuition fee regime. HEFCW’s recent funding circular confirms that the average increase in funding for HE institutions in Wales is 13.8% in 2013-14. The latest modelling suggests that income to the sector will continue to increase in 2014-15 and 2015-16 (academic years) if institutions in Wales are able to continue to attract sufficient numbers of students.
55. It will be for the Funding Council to manage the recurrent reductions of £20.9m and deliver the requirements of the annual Ministerial remit letter on the basis of a reduced baseline. The impact on HEFCW’s spending and operational plan will be monitored closely through quarterly meetings with both officials and Ministers.
56. A technical consultation was undertaken over the summer on proposed legislative changes which will amend the Council’s regulatory functions to reflect the changing funding position. The Government will bring forward legislation next year to ensure HEFCW has appropriate powers to continue to fulfil its duties in relation to financial assurance, quality assurance and tuition fee controls. Any changes to HEFCW’s functions will not be in place until academic year 15-16 at the earliest.
57. A new policy statement for Higher Education in Wales was published in June. This builds on the strengths of the sector and established a clear set of priorities including interacting with businesses to stimulate

innovation and economic growth, enhancing the employability of all graduates, collaborating with further education providers to ensure opportunities for progression are available for all learners and developing more flexible models of provision to build a more successful and sustainable future.

### **Reconfiguration**

58. We have made substantial progress against our commitment to fewer stronger universities; which are more sustainable and better equipped to meet the needs of both learners and the Welsh economy. It is now time to build on the successes of recent years and the strengths of Welsh higher education. This means moving on from the reconfiguration agenda which has dominated policy for the last decade. The report of the NE Wales has been recently published. Officials are giving further consideration to the report's recommendations and we will announce our response in due course.

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

59. We have a commitment to only allow fees at Welsh Universities to rise above £4,000 where institutions are able to demonstrate that they are improving the student experience and widening access. The Student Fees (Amounts) (Wales) Regulations 2011 introduced the relevant controls over fee levels. The cost associated with Tuition Fee Grant to protect Welsh domiciled students from higher debt levels is £188m in 2014-15 and £224m in 2015-16. An update on the number of students who receive support for tuition fees is received and analysed regularly. A technical statistical user group meet monthly to consider the latest information on student support and its impact on budgets.

### ***HEFCW Running Costs:***

2013-14	2014-15	2014-15	2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2013	Indicative Plans Restated Final Budget	Changes	New Plans Draft Budget	Indicative Plans Draft Budget	Changes	New Plans Draft Budget
£000	£000	£000	£000	£000	£000	£000
2,768	2,768	0	2,768	2,768	0	2,768

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

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

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Restated Final Budget	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
31,400	31,400	904	32,304	30,498

61. The budget for For Our Future increases in net terms compared to 2013-14 by £0.904m in 2014-15 and decreases in 2015-16 by £0.902m. The budget supports the University of the Heads of the Valleys initiative (UHOVI), the Coleg Cymraeg Cenediaethol and the cost of HE mergers including the newly created University of South Wales. HEFCW continues to support the development of the Coleg and will monitor and assess the development of the new entity to ensure the merger delivers maximum value for learners and the economy in the region.

**Programme for Government:**

62. We remain focussed on delivering our commitment to bring HE to some of our most disadvantaged communities by ensuring the establishment of the University of the Heads of the Valley's initiative. This commitment is not only about bringing HE nearer to those who might benefit the most, it is also about re-generating the heart and soul of the community. A cost of £2.5m for 2014-15 is associated with this commitment. In addition to the above we remain committed to continue our support for the Coleg Cymraeg Cenediaethol, in its mission to provide independent oversight, management and development of Welsh medium education across Wales. HEFCW will discuss outcomes and value for money for both programmes.

**Targeted Awards BEL:**

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Restated Final Budget	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
9,454	9,454	(78)	9,376	9,004

63. The budget for Targeted Awards decreases in net terms compared to 2013-14 by £0.078m in 2014-15 and £0.450m in 2015-16. The budget supports Financial Contingency Funds and other small expenditure items including Coleg Harlech Bursaries which will be ending in 2015-16 following the recommendations of the Hancock Report (2010). The

Financial Contingency Fund budget will remain at 2013 levels for 2014-15 and 2015-16 to provide support for students in genuine need.

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

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Restated Final Budget	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
7,338	7,338	0	7,338	5,838

64. No significant changes are proposed to this budget in 2014-15. The budget decreases in net terms compared to 2013-14 by £1.5m in 2015-16. The budget funds the administration fee paid to the Student Loans Company, HMRC and Open University to deliver the statutory HE and FE student support for Wales. We will work with the SLC to ensure there is no negative impact on the services they provide to students. Funding for the modernisation of Student Finance Wales will remain unaffected and the new service based in Llandudno Junction will be implemented in March 2014. Full evaluation of the implications will be undertaken with the SLC once the budgets have been confirmed.
65. Contained within the budget plans is a specific budget for maintenance loans resource. This budget contains the non cash – Resource Budget Provision for Maintenance and Fee Loans. This is the Government subsidy for the provision on student loans.

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

#### **Assembly Learning Grant BEL:**

2013-14	2014-15	2014-15	2014-15	2015-16
Supplementary Budget June 2013	Indicative Plans Restated Final Budget	Changes	New Plans Draft Budget	New Plans Draft Budget
£000	£000	£000	£000	£000
198,232	198,232	(1,699)	196,533	186,870

66. The budget for the Assembly Learning Grant decreases in net terms compared to 2013-14 by £1.7m in 2014-15 and £11.4m in 2015-16. This budget includes the demand led statutory student support programme accounts for HE and FE. The budget supports Part-Time Grants and Fees, Student Loan Company Targeted Grants, Assembly Learning Grant and Education Maintenance Allowance. Grant levels and eligibility thresholds will be frozen for all student finance grants from 2014-15 until 2016-17. The freezing of grant levels means that this support will remain affordable within the published plans. This assumes that the Education

Maintenance Allowance (EMA) remains at £30 a week. Loans will be increased in line with proposed levels in England.

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

67. We said in the Programme for Government that we would maintain our commitment to **provide financial support to students** from the lowest household incomes and we are doing this by retaining the current levels of support available, with a budget of £196.5m in 2014-15 and £186.9m in 2015-16 from the Post 16 learner support Action. We provide financial means-tested support to help young people through our Education Maintenance Allowance with an estimated cost of £26m per annum and the Assembly Learning Grants for Higher and Further Education estimated at £128m per annum. The Education Maintenance Allowance (EMA) Wales Scheme addresses the link between low income and low participation by providing a weekly financial incentive (of £30 per week) to encourage young people, aged 16-19, from low-income households to remain in full-time education beyond the compulsory school age. There are also other targeted grants available, including the Out of School Childcare Grant, Adult Dependents' Grant, Parents' Learning Allowance and Disabled Students' Allowance with a total investment of £6m in 2014-15 and 2015-16 across these schemes and a further £9m for Financial Contingency Funds in each year.

### **Provision for Legislation**

68. ***The Further and Higher Education {Governance and Information} {Wales} Bill*** is expected to receive Royal Assent in January 2014. The Bill transfers specific powers from the Welsh Ministers to further education institutions. This includes the power for institutions to dissolve themselves and to borrow funds, without Ministerial approval. The Bill also has provisions to establish a data sharing link with the HMRC for the verification of household income used to assess applications for loans and grants.
69. The Bill is estimated to have financial implications of £77k per annum between Welsh Government and Further Education Institutions, which will be met from current Welsh Government running costs budgets and current funding for FEI's in the Post 16 Education Action.
70. The Office for National Statistics reclassified Further Education Institutions as being part of central government and we are seeking to reverse this decision through this Bill. If the decision is not reversed there is a significant impact on Welsh Government and Further Education budgets, which prevents the carry forward of any surpluses and on average reduces the amount of capital funding available by £20m.
71. A proposed ***Higher Education {Wales} Bill*** is expected to be introduced in early 2014. The Bill will provide the Higher Education Funding Council for Wales (HEFCW) with a robust regulatory framework within which to

operate to ensure quality of higher education and provide assurance about the financial health and governance of higher education providers and the quality of their provision. It will also enforce fee controls and safeguard equality of opportunity for those accessing or intending to access higher education.

72. The intention is to implement the proposals for the 2015-16 academic year. The costs of the Bill are all related to administrative costs within HEFCW and will be met from within the budgets allocated from the Higher Education Action. Due to the changes that will be implemented, reprioritisation of work will be needed by HEFCW and we have protected the HEFCW running costs budget within the Action to support these adjustments.
73. The *Learning and Skills Wales (Measure) 2009* received Royal approval on 13 May 2009. This was a Measure of the National Assembly for Wales to make provision about the entitlement to education of children in the last two years of compulsory schooling and young persons who have not attained the age of nineteen; to make provision by maintained schools and institutions within the further education sector of services related to education; to make provision for the disclosure of curriculum information; and for connected purposes.
74. There is no direct or indirect impact on the education and skills aspects of the portfolio as a result of the Learning and Skills Wales (Measure) 2009. The development and implementation of the Youth Engagement and Progression Framework will strengthen the provision in the 2009 measure.

### UK Legislation

75. We are also involved in monitoring a number of UK Bills, which as a department, we have a specific interest in. These include; the Deregulation Bill; Education (Information Sharing) Bill; Consumer Rights Bill; Anti-Social behaviour, Crime and Policing Bill; and the Children and Families Bill. We 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

### Summary

76. The Education and Skills Draft Budget for 2014-15 is presented to the committee for consideration.

EDUCATION AND SKILLS MAIN EXPENDITURE GROUP (MEG)								
REVENUE BUDGET - Departmental Expenditure Limit								
SPA	Actions	Budget Expenditure Line (BEL)	2013-14 Supplementary Budget June 2013 £000	2014-15 Indicative Plans Final Budget (Restated) £000	2014-15 Changes £000	2014-15 New Plans Draft Budget £000	2015-16 New Plans Draft Budget £000	
Education & Training Standards	Literacy & Numeracy	Literacy & Numeracy	7,512	7,512	-476	7,036	6,197	
		<b>ACTION Total</b>	<b>7,512</b>	<b>7,512</b>	<b>-476</b>	<b>7,036</b>	<b>6,197</b>	
	Curriculum	14-19 Learning in Wales		15,759	15,759	-5,518	10,241	8,000
		Foundation Phase		101,051	101,051	-1,300	99,751	99,751
		Curriculum & Assessment		8,250	8,250	3,925	12,175	8,305
		<b>ACTION Total</b>		<b>125,060</b>	<b>125,060</b>	<b>-2,893</b>	<b>122,167</b>	<b>116,056</b>
	Teaching & Leadership	Teacher Development and Support		19,849	20,049	-2,200	17,849	17,849
		<b>ACTION Total</b>		<b>19,849</b>	<b>20,049</b>	<b>-2,200</b>	<b>17,849</b>	<b>17,849</b>
	Qualifications	Qualifications inc Welsh Bacc		5,045	5,045	0	5,045	5,603
		<b>ACTION Total</b>		<b>5,045</b>	<b>5,045</b>	<b>0</b>	<b>5,045</b>	<b>5,603</b>
	Post- 16 Education	Further Education Provision		451,531	455,732	-42,201	413,531	414,319
		Work Based Learning		126,608	126,608	-7,300	119,308	121,308
		FE Policy Development		666	666	400	1,066	1,066
		<b>ACTION Total</b>		<b>578,805</b>	<b>583,006</b>	<b>-49,101</b>	<b>533,905</b>	<b>536,693</b>
	Higher Education	HEFCW-Running Costs		2,768	2,768	0	2,768	2,768
		Higher Education Revenue		350,832	351,032	-20,859	330,173	330,173
		Higher Education Receipts		-2,798	-2,798	0	-2,798	-2,798
		For Our Future - Coleg Ffederal & UHOVI		31,400	31,400	904	32,304	30,498
		HEFCW Depreciation		82	82	0	82	82
		<b>ACTION Total</b>		<b>382,284</b>	<b>382,484</b>	<b>-19,955</b>	<b>362,529</b>	<b>360,723</b>
	Education Structures	Transformation		2,943	2,943	-2,693	250	0
		<b>ACTION Total</b>		<b>2,943</b>	<b>2,943</b>	<b>-2,693</b>	<b>250</b>	<b>0</b>
	Education Standards	School Effectiveness Grant		32,101	35,035	-4,468	30,567	32,067
		School Standards Support		2,249	2,249	-55	2,194	2,194
		<b>ACTION Total</b>		<b>34,350</b>	<b>37,284</b>	<b>-4,523</b>	<b>32,761</b>	<b>34,261</b>
	Pupil Deprivation Grant	Pupil Deprivation Grant		36,780	38,246	33,000	71,246	34,246
		<b>ACTION Total</b>		<b>36,780</b>	<b>38,246</b>	<b>33,000</b>	<b>71,246</b>	<b>34,246</b>
	ICT & Information Management Systems	ICT & IMS Programme		7,423	7,423	5,558	12,981	6,951
		<b>ACTION Total</b>		<b>7,423</b>	<b>7,423</b>	<b>5,558</b>	<b>12,981</b>	<b>6,951</b>
	Estate & IT Provision	Strategic Investment		0	0	1,750	1,750	4,000
	<b>ACTION Total</b>		<b>0</b>	<b>0</b>	<b>1,750</b>	<b>1,750</b>	<b>4,000</b>	
	<b>SPA Total</b>		<b>1,200,051</b>	<b>1,209,052</b>	<b>-41,533</b>	<b>1,167,519</b>	<b>1,122,579</b>	

SPA	Actions	Budget Expenditure Line (BEL)	2013-14	2014-15	2014-15	2014-15	2015-16	
			Supplementary Budget June 2013 £000	Indicative Plans Final Budget (Restated) £000	Changes £000	New Plans Draft Budget £000	New Plans Draft Budget £000	
Skilled Workforce	Employment & Skills	Employment & Skills	25,157	26,512	-6,715	19,797	24,157	
		<b>ACTION Total</b>	<b>25,157</b>	<b>26,512</b>	<b>-6,715</b>	<b>19,797</b>	<b>24,157</b>	
	Youth Engagement & Employment	Youth Engagement & Employment	19,746	19,746	-1,000	18,746	19,746	
		<b>ACTION Total</b>	<b>19,746</b>	<b>19,746</b>	<b>-1,000</b>	<b>18,746</b>	<b>19,746</b>	
	Educational & Careers Choice	Careers Wales	30,000	30,000	500	30,500	27,000	
		<b>ACTION Total</b>	<b>30,000</b>	<b>30,000</b>	<b>500</b>	<b>30,500</b>	<b>27,000</b>	
		<b>SPA Total</b>	<b>74,903</b>	<b>76,258</b>	<b>-7,215</b>	<b>69,043</b>	<b>70,903</b>	
Improving Wellbeing, Reducing Inequality & Increasing Participation	Wellbeing of Children & Young People	Spec. Placements/Students with Learning Difficulties FEIs	16,002	16,002	0	16,002	16,002	
		School Based Counselling	500	500	0	500	500	
		Food & Drink in Schools	3,050	3,185	0	3,185	3,185	
		Additional Learning Needs	3,296	3,296	-500	2,796	3,046	
		Post 16 Inclusion & Supp for Learning SEN	0	24,440	-24,440	0	0	
			<b>ACTION Total</b>	<b>22,848</b>	<b>47,423</b>	<b>-24,940</b>	<b>22,483</b>	<b>22,733</b>
	Post-16 Learner Support	Assembly Learning Grant	198,232	198,232	-1,699	196,533	186,870	
		SLC/HMRC Administration Costs	7,338	7,338	0	7,338	5,838	
		Maintenance Loans Res Budget Prov	103,949	106,849	0	106,849	106,849	
		Targeted Awards	9,454	9,454	-78	9,376	9,004	
			<b>ACTION Total</b>	<b>318,973</b>	<b>321,873</b>	<b>-1,777</b>	<b>320,096</b>	<b>308,561</b>
	Pupil Engagement	Tackling Disaffection	1,158	1,158	0	1,158	1,158	
		Grants for the education of travellers children	1,100	1,100	0	1,100	1,100	
		Minority Ethnic Achievement Grant	10,500	10,500	-500	10,000	10,500	
			<b>ACTION Total</b>	<b>12,758</b>	<b>12,758</b>	<b>-500</b>	<b>12,258</b>	<b>12,758</b>
		<b>SPA Total</b>	<b>354,579</b>	<b>382,054</b>	<b>-27,217</b>	<b>354,837</b>	<b>344,052</b>	
Welsh Language	Welsh in Education	Welsh Language Development Unit	16,212	16,212	-750	15,462	14,462	
		<b>ACTION Total</b>	<b>16,212</b>	<b>16,212</b>	<b>-750</b>	<b>15,462</b>	<b>14,462</b>	
	Welsh Language	Welsh Language	8,864	8,864	50	8,914	9,049	
		<b>ACTION Total</b>	<b>8,864</b>	<b>8,864</b>	<b>50</b>	<b>8,914</b>	<b>9,049</b>	
		<b>SPA Total</b>	<b>25,076</b>	<b>25,076</b>	<b>-700</b>	<b>24,376</b>	<b>23,511</b>	
Delivery Support	Delivery Support	Strategic Communications	1,483	1,483	0	1,483	1,483	
		Education Research & Services	2,566	2,566	-900	1,666	1,566	
			<b>ACTION Total</b>	<b>4,049</b>	<b>4,049</b>	<b>-900</b>	<b>3,149</b>	<b>3,049</b>
		<b>SPA Total</b>	<b>4,049</b>	<b>4,049</b>	<b>-900</b>	<b>3,149</b>	<b>3,049</b>	
<b>Education &amp; Skills Revenue (including non-cash) DEL</b>			<b>1,658,658</b>	<b>1,696,489</b>	<b>-77,565</b>	<b>1,618,924</b>	<b>1,564,094</b>	

SPA	Actions	Budget Expenditure Line (BEL)	2013-14 Supplementary Budget June 2013 £000	2014-15 Indicative Plans Final Budget (Restated) £000	2014-15 Changes £000	2014-15 New Plans Draft Budget £000	2015-16 New Plans Draft Budget £000
<b>CAPITAL BUDGET - Departmental Expenditure Limit</b>							
Education & Training Standards	Estate & IT Provision	General Support	43,021	43,021	0	43,021	43,021
		Strategic Investment	159,113	110,813	0	110,813	100,813
		<b>ACTION TOTAL</b>	<b>202,134</b>	<b>153,834</b>	<b>0</b>	<b>153,834</b>	<b>143,834</b>
		<b>SPA Total</b>	<b>202,134</b>	<b>153,834</b>	<b>0</b>	<b>153,834</b>	<b>143,834</b>
<b>Education &amp; Skills Capital DEL</b>			<b>202,134</b>	<b>153,834</b>	<b>0</b>	<b>153,834</b>	<b>143,834</b>

<b>REVENUE &amp; CAPITAL BUDGET - Annually Managed Expenditure</b>							
Economic & Social Wellbeing & Reducing Inequality	Post-16 Learner Support	Student Loans Capital AME	264,130	285,702	30,936	316,638	361,489
		Student Loans Revenue AME	-87,261	-102,553	-6,001	-108,554	-129,627
		<b>ACTION Total</b>	<b>176,869</b>	<b>183,149</b>	<b>24,935</b>	<b>208,084</b>	<b>231,862</b>
		<b>SPA Total</b>	<b>176,869</b>	<b>183,149</b>	<b>24,935</b>	<b>208,084</b>	<b>231,862</b>
Skilled Workforce	Educational & Careers Choice	Careers Wales	0	0	6,000	6,000	6,000
		<b>ACTION Total</b>	<b>0</b>	<b>0</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>
		<b>SPA Total</b>	<b>0</b>	<b>0</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>
<b>Education &amp; Skills AME</b>			<b>176,869</b>	<b>183,149</b>	<b>30,935</b>	<b>214,084</b>	<b>237,862</b>

<b>Education &amp; Skills MEG - SUMMARY</b>						
Revenue DEL	1,658,658	1,696,489	-77,565	1,618,924	1,564,094	
Capital DEL	202,134	153,834	0	153,834	143,834	
<b>Total DEL</b>	<b>1,860,792</b>	<b>1,850,323</b>	<b>-77,565</b>	<b>1,772,758</b>	<b>1,707,928</b>	
Annually Managed Expenditure	176,869	183,149	30,935	214,084	237,862	
<b>Education &amp; Skills</b>	<b>2,037,661</b>	<b>2,033,472</b>	<b>-46,630</b>	<b>1,986,842</b>	<b>1,945,790</b>	

Resource tables – The baseline used for Resource DEL in 2014-15 is as at Final Budget 2013-14, restated to reflect Ministerial portfolio changes as announced by the First Minister in March and adjusted to reflect recurrent baseline adjustments included in the First Supplementary Budget 2013-14. These baseline adjustments are set out in Annex D of the Draft Budget narrative.

Capital tables – The baseline used for Capital DEL in 2014-15 is as at Final Budget 2013-14, restated to reflect Ministerial portfolio changes as announced by the First Minister in March.