

CYPE(5)-20-19- Paper to note 3

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Y Gweinidog Addysg
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Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA/P/KW/2085/19

Lynne Neagle AM
Chair
Children, Young People and Education Committee

19 June 2019

Dear Lynne

Thank you for your letter of 21 May, regarding implementation of the Diamond reforms. I am pleased to provide the committee with the information requested.

1. Progress on implementation

- *Welsh Government had previously accepted the Diamond review recommendation that HEFCW collect and potentially publish the price of an annual “basket of goods”. HEFCW subsequently consulted on this and stated it would provide an annual report to Welsh Government but not publish its findings. In relation to this recommendation, can you confirm:*
 - *Do these reports show any evidence of an increase in other costs to students?*
 - *What do the reports show more widely?*

HEFCW’s circular W17/39HE, issued in December 2017, published the outcomes of their consultation on the collection of data for the basket of goods, the process by which the data would be compiled and the action required of institutions. HEFCW submitted its first report, for the 2017/18 AY, to the Welsh Government in August last year. The report, being the first in response to this task, reported on the detail of the activity undertaken during the year and provided information on HEFCW’s intentions in relation to the future compilation and monitoring of the ‘basket of goods’.

The returns made in 2017/18, and verified by institutions, have established a baseline position against which future years will be monitored. The data will be used by HEFCW to monitor any irregularities in respect of increases to essential costs for students, in light of the Diamond Review recommendations. HEFCW’s next report is due to be submitted imminently and will report on the first year of monitoring. It will compare the 2017/18 baseline figures with those collected for 2018/19 and will be the first year that a direct comparison can be made.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

- *What the basis is for the agreement with HEFCW not to publish this information?*
- *Will the decision not to publish this information be reviewed?*

The information has been shared with Welsh Government in confidence. It was agreed between the Welsh Government, HEFCW and the NUS (Wales) that the data will not be published in the first instance. However, HEFCW has informed institutions that they have reserved the right to publish data should they find evidence to demonstrate that costs have disproportionately increased as a result of the Diamond recommendations.

Once I have considered the contents of the second report, I will discuss the decision about publication with the NUS and HEFCW.

- *Can you update the Committee on the work with stakeholders to map out in detail the statistics and research work required to evaluate the operation and impact of changes and reforms, and any findings or evaluations that may already have begun or been concluded?*

Following a peer review and the publication of review of a draft evaluation plan on 28 February 2019 (accessible at <https://gov.wales/peer-review-proposals-evaluation-diamond-student-support-reforms-0>) the reforms will be evaluated in three stages, as follows:

1. A preparation phase (2019-2021) devoted to ensuring that systems for generating and using information are developed appropriately to facilitate robust mid-term and final impact evaluations. This will include continuation of the Student Income and Expenditure Survey series and the securing of relevant administrative datasets.
2. A mid-term evaluation phase (2022-24) focused on measuring outputs and emerging outcomes, principally focusing on the analysis of the survey and administrative data to which access has been secured in the preparation phase, with additional qualitative work.
3. A final impact evaluation phase (2026-29), to measure outcomes and emerging impacts, again based mainly on analysis of datasets previously secured and qualitative work.

The peer review notes the external influences impacting on student participation in higher education, and the challenges of identifying the difference made by the financial support we provide. The review recommends adding to existing datasets and planned surveys by developing further studies to better understand student choices and experiences in higher education. The review findings were presented to and welcomed by the Diamond Stakeholder Group in January 2019. We are currently in phase one of the evaluation approach.

- *Can you update the Committee on the progress made on work with the Student Loans Company to implement a system of monthly maintenance payments and on the Welsh Government's assessment of the implications?*

Following consultation with NUS Wales and after reviewing developments in other parts of the UK, alongside responses to the consultation exercise, any move to monthly payments has been placed on hold. I have agreed with the NUS that I will review the situation at regular intervals.

- *Welsh Government has stated that: “we will work with Universities Wales and HEFCW to consider how and when [a Welsh Postgraduate Research Scholarship Scheme] could be implemented and administered”. Can you update the Committee on the progress made on this?*

In the early phase of the development of the Welsh Government response to Diamond, I have concentrated resources on ensuring that the main student finance reforms have been implemented at the earliest opportunity. This includes regulations that allow research students access to additional loan support on the same basis as the support that is on offer in England.

Access to support for doctoral study will ensure that finance is much less of a barrier, allowing students to pursue their studies to the very highest level that can be achieved. High level skills contribute to the economy in a way which provides value for money for the taxpayer and contributes to economic growth. Employers want and place value on a highly skilled workforce and it is widely recognised that highly qualified and skilled researchers play a key role in developing the knowledge needed to underpin new approaches, techniques, products and services in academia and beyond.

Legislation was introduced in 2018 to provide loan support for students ordinarily resident in Wales and the EU who were undertaking a designated postgraduate doctoral degree course which began on or after 1 August 2018. Eligible students were able to access up to £25,000 of loan as a contribution towards the cost of their study. The legislation was amended for students beginning courses on or after 1 August 2019 to enable eligible students to access an inflationary uplift from £25,000 to £25,700.

Now that the student finance regulations have been implemented resources will be directed towards the next phase of the delivery of the Welsh Government response to Diamond. This will include discussions on the development of the Research Scholarship Scheme.

- *Can you provide an update on the work conducted regarding the timeliness of Student Loans Company support for Welsh Government student finance reforms and if assurances have now been gained from the Student Loans Company on future reform delivery?*

The Welsh Government continues to work closely with the SLC and the other devolved administrations to ensure that our interests are represented and our policy reforms are effectively and efficiently implemented.

Following last year's joined up approach to policy commissioning across the shareholders of the SLC, the Welsh Government is currently taking part in a full review of the policy commissioning cycle. This review is considering how we can agree an approach that ensures that shareholders' policy requirements are addressed in a consistent and timely manner.

In addition, this review is taking place in conjunction with a large transformation programme, which is looking to enhance the digital capacity (e.g. IT infrastructure) and people capacity (e.g. improved recruitment and retention) within the SLC. This major improvement programme should further improve SLC's ability to respond to the policy reforms of its shareholders in the future.

2. Impact on student well-being

- *Has Welsh Government made any early assessment of the impact that focussing support on living costs has had on the well-being of the September 2018 cohort as it approaches the end of the academic year? If so, what were the findings?*

It is too early to assess the impact that the reforms are having on students or their behaviour (please see the timetable for evaluation plan). However, at this early stage, anecdotal evidence suggest that increasing support for living costs has been received positively by students.

3. Forecasts and assumptions made

- *Has the take-up of student financial support by the 2018/19 cohort been in-line with Welsh Government modelling, particularly with regard to the take-up and size of the maintenance grant awards?*

At this stage in the academic cycle, full information about the costs for a full academic year is not available. However, initial information about the financial out turn for the 2018-19 financial year suggests that our initial modelling was accurate. The following table outlines the difference and projects the impact of any subsequent changes over the next three years (although it should be noted that non cash and AME contains external factors that are not relevant to these reforms for example, repayment threshold changes).

	<i>Forecasts of financial year costs</i>				
	2017-18	2018-19	2019-20	2020-21	2021-22
Previous modelling shared with CYPE					
Near-cash	£449m	£437m	£402m	£371m	£354m
Annually Managed Expenditure	£506m	£599m	£711m	£811m	£875m
Non-cash	£138m	£202m	£244m	£276m	£322m
Latest forecast					
Near-cash	£449m	£432m	£399m	£366m	£348m
Annually Managed Expenditure	£506m	£597m	£699m	£795m	£858m
Non-cash	£120m	£196m	£270m	£326m	£356m
Difference					
Near-cash		£5m	£3m	£5m	£6m
Annually Managed Expenditure		£2m	£12m	£16m	£17m
Non-cash		£6m	-£26m	-£49m	-£34m

Source: Higher Education Division internal analysis, Welsh Government

- *The likely increase in part-time and post-graduate numbers is positive for the sector, and welcome. Can you confirm how this increase has impacted costs and the future revenue planning assumptions you shared with the Committee in your letter of 05 December 2018?*

Although final academic year information is not available, I am very pleased that there is evidence of significant increases in the number of applications and enrolments for part-time and postgraduate courses at Welsh institutions. This clearly demonstrates that our innovative and unique student finance reforms are having a positive impact, and that, we are we are starting to reach students who would not have previously entered higher education. This has had an impact on the expected out turn in 2018-19 and we have had to

make adjustments to the expected out turn for future years as a result of the increased take up.

The following table highlights the projected changes that have been made to the forecasts:

Change from previous forecast	Forecasts of financial year costs			
	2018-19	2019-20	2020-21	2021-22
Part-time undergraduate				
Maintenance Grant	£1m	£2m	£2m	£2m
Maintenance Loan outlay	£0m	£0m	£0m	£1m
Maintenance Loan at RAB	£0m	£0m	£0m	£0m
Tuition Fee Loan outlay	-£1m	-£1m	-£1m	-£1m
Tuition Fee Loan at RAB	£0m	£0m	£0m	£0m
Postgraduate Masters				
Contribution Grant [1]	£0m	£1m	£2m	£2m
Contribution Loan	-£3m	-£1m	£0m	£0m
Contribution Loan at RAB	£0m	£0m	£0m	£0m
Postgraduate doctoral				
Doctoral loan	£0m	£1m	£2m	£2m
Doctoral loan at RAB	£0m	£0m	£0m	£1m

Source: Higher Education Division internal analysis, Welsh Government

[1] Excludes funding provided to HEFCW to operate an interim bursary scheme for new students in the 2018/19 academic year, prior to the implementation of the Welsh Government response to the Diamond Review from 2019/20.

However, the increases for part-time and postgraduate students should be considered in the context of the amount of part-time and postgraduate support as a proportion of the overall student support budget (including all full-time undergraduate support).

For 2019-20 part-time and post graduate support (including grants and loans) as a percentage of full-time undergraduate support are forecast to be 3% and 6% respectively. On this basis I can confirm that changes in forecasts for both part-time and post graduate forecasts can be covered from within existing resources.

- *What assessment has Welsh Government made of the impact the change in the student loan repayment threshold from April 2018 has had on the affordability of the reforms?*

When the change in Repayment threshold was announced by the UK Government in October 2017, the Welsh Government undertook a full analysis of the impact of the proposed change before it agreed to implement it in Wales. This included the impact on the percentage of student loans expected to be written off.

I can confirm that based on our analysis and prior to implementation, HM Treasury provided written confirmation that the costs of the reforms to the repayment threshold would be covered in full (a copy of the letter has previously been provided to the committee). On this basis the change to the repayment threshold had no impact on the affordability of the Welsh Government's response to Diamond.

- *The additional funding provided to HEFCW in 2018-19 for research and innovation funding does not appear to be recurrent funding and is intended to be spent across two academic years. Can you confirm:*
 - *What is the source of this funding?*
 - *What is the rationale for hypothecating it for research rather than allowing HEFCW to determine its allocation?*

I was pleased to be able to provide the additional funding for research via HEFCW for the 2018-19 financial year. This funding was not recurrent and was allocated from within existing resources in the Education budget.

Whilst the distribution of funding will be a matter for the Council, I explained in my revised 2018-19 remit letter that I expect it to be distributed through a model that is consistent with recommendation 2 of the Reid Review. Adopting this approach will help strengthen the current Welsh research base by enabling Welsh researchers to compete for a greater share of new UK Research and Innovation (UKRI) funding, as suggested by Professor Graeme Reid.

I have asked the Council to report back to me on progress on the distribution and impact of this funding in its annual report to me on remit letter activity.

4. Living costs support and the National Living Wage

- *Sir Ian Diamond recommended that the maintenance grant / loan support available to a student should be equivalent to the National Living Wage. The total support available to students for 19/20 has been uprated in-line with the increase in the National Living Wage, which is welcome, but this has been done by increasing the loan amount only and not the maintenance grant which remains at £8,100. If this were a consistent future policy the value of the maintenance grant will of course be eroded. Can you confirm:*
 - *What are the Welsh Government's future intentions and policy with regard to uprating the maintenance grant?*
 - *Why has Welsh Government chosen to only uprate the loan amount and not proportion the uprating across the loan and the maintenance grant for 19/20?*
 - *Why has Welsh Government not also uprated the universal base grant for 19/20 which remains at £1,000?*
 - *What assumptions do Welsh Government's financial forecasts include regarding uprating the maintenance grant?*

The decision to uprate the loan support to cover any increase in the cost of the National Living Wage was taken to ensure the sustainability of the reforms in the early years of implementation - when the cost of operating a dual system was at its highest. As I have outlined previously, in order to protect students, we are operating a dual system of support (i.e. the old system for students who started their studies before the start of 2018/19 and the new system of support for those who started in 2018/19). This means that, factoring in the costs of administration, the new system will be more expensive to operate for the first two years than the previous system would have been.

On this basis, given the size of the budget, the unknown variables, the potential risks and the implications of any overspend, I decided that it would be sensible and prudent to fix the costs of the maintenance and baseline grant for the lifetime of this Government. I have not taken any decision on the future of support after this date, but I can confirm that the assumptions contained in the modelling suggest that all grants will increase thereafter –

although of course that will be a decision that will be taken by the next Government in light of the outcome of the next budgeting round.

5. Post-16 Education Action Allocation 2019-20 – budget follow-up

- *The final 19-20 allocations within the Post-16 Education Action including FE, ACL, 6th Forms and other material allocations as stated in your letter to the Committee of 5 December 2018*

The table below shows the breakdown of the FE Provision BEL as requested. The second column gives an update for additional funding such as support for pension contributions and period dignity, plus transfers in and out such as the transfer of Skills Priority budget into the Further Education line and the transfer out of Careers and Policy Sponsorship.

Funded Programme Description	2019-20 Final Budget £000s	2019-20 Revised Budget (2nd Sup) £000s
Investing In Quality	466	466
FE Gov & HE Strat	30	30
NIACE	450	450
Careers Policy & Sponsorship	210	0
Community Learning	4,419	4,419
Further Education	324,026	333,011
Sixth Forms	90,728	93,752
Personal Learning Accounts	2,000	2,000
JISC	1,591	1,591
Erasmus	220	220
Seren Network	942	942
Total	425,082	436,881

- *An update on the outcome of the FE pay award negotiations [...] and details of the settlement made including if the settlement is multi-annual and includes provision for pensions; and*
- *Details of any commitments Welsh Government have made in relation to future FE pay beyond 19/20 if any*

FE Pay Award

I and the Minister for Welsh Language and Lifelong Learning agreed to award £7.971m to support FE pay in 2018-19 and 2019-20, £3.2m in 2018-19 and £4.771m in 2019-20.

The funding provided has enabled further education staff to be awarded a pay deal in 2018/19, consolidated into the 2019/20 allocations, which is commensurate to that received by school teachers.

FEIs are funded on an academic year basis. The £3.2m for 2018-19 financial year has been pro-rated according to the size of each college's allocation (before uplifts) and the full amount was included within each college's mainstream payment in March 2019. This

covers the first two terms of the 2018/19 academic year. Of the £4.771m agreed for 2019-20 financial year, one third of this was paid in April 2019 to cover the remaining term of the 2018/19 academic year.

FE Institution	2018-19 Allocation for FE Pay Award to be paid in march 2019 (for Aug 18 to Mar 19)	2019-20 Allocation for FE Pay Award to be paid in April 2019 (for Apr 19 to Jul 19)
Bridgend College	£176,811.62	£87,871.69
Coleg Sir Gar	£210,923.40	£104,824.53
Coleg Cambria	£425,149.40	£211,290.39
Cardiff and Vale College	£317,922.70	£158,000.96
Coleg Gwent	£450,396.32	£223,837.59
Merthyr Tydfil College	£96,742.84	£48,079.17
Pembrokeshire College	£116,758.77	£58,026.68
Coleg y Cymoedd	£318,842.31	£158,457.99
St David's Catholic Sixth Form College	£64,842.33	£32,225.29
Gower College Swansea	£265,212.52	£131,805.10
Adult Learning Wales	£49,494.32	£24,597.64
Grwp NPTC Group	£274,869.40	£136,604.37
Grwp Llandrillo Menai	£432,034.08	£214,711.94
Total	£3,200,000.00	£1,590,333.33

The remainder of the £4.771m (£3.181m) was used for the 2019/20 academic year but was built into each college's baseline mainstream allocation as part of the 2019/20 allocations process by means of an increase in the unit rate of funding.

The Welsh Government has not made any commitments to support FE Pay increases beyond the 2019/20 academic year.

FE Pensions

I recently announced an additional £5.6 million to support pension increases faced by the FE sector in 2019-20. Officials are working to communicate individual allocations to Colleges (and Local Authorities) as soon as possible. Colleges receive their allocations on an academic year basis which means this announcement covers two terms of their delivery.

- *Information regarding how the deprivation, sparsity and Welsh medium uplifts / allowance are calculated for 19/20*

Deprivation uplift

The aim of this uplift, currently £14.1m across all colleges, is to provide additional resource to support learners from educationally-deprived backgrounds. The uplift was originally based upon the Educational sub-domain of the Welsh Index of Multiple Deprivation (WIMD) with learners qualifying for additional funding of between 5 and 40 percent depending on their position in the index. For 2019/20 the uplift was statted at the same levels as in 2018/19 pending further work to evidence how this additional budget is used within each college.

Sparsity uplift

For 2018/19, sparsity funding totalled £3.671 million applying to six colleges. For 2019/20, the uplift has been reviewed and a learner entitlement model has been derived to ensure that learners from sparse areas have equal access to a broad curriculum by making an allowance for small class sizes in areas of low population density.

Viable class sizes have been calculated at 15 for the purposes of this modelling. This revised methodology results in sparsity funding totalling £6.564m.

Whilst the sparsity uplift for 2019/20 reflects a learner entitlement model, the time allowed for the review has meant officials used the curriculum offer 'as is' as the entitlement for rural learners. During the coming years officials will build on this by externally commissioning a piece of work to identify the optimum curriculum entitlement to support skills growth in rural economies. The outcome of this will give learners in these areas the best possible chance of success.

Welsh medium uplift

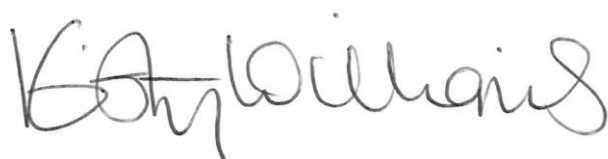
The Welsh medium uplift is based on the provision in the colleges and the take-up of the provision by the learners. Colleges are categorised according to the range of their Welsh medium or bilingual vocational provision and the number of learners that complete their learning and assessments either entirely through the medium of Welsh, or bilingually when more than 50% of their learning and assessments are through the medium of Welsh within their chosen learning activities.

The Welsh medium uplift has remained at the same levels since 2016/17, due to annual variances that did not create stability for some colleges. As a result our intention is to review the Welsh medium uplift for the future.

6. FE institutions: funding allocations

Please find attached at Annex A, which was shared with the colleges along with their allocations. The table identifies the breakdown of the 2019/20 Academic Year FE allocations, including a breakdown of uplifts.

Yours sincerely



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Minister for Education

Annex B: Final 2019/20 allocation including a 2.6% increase in the unit rate of funding.

	2018/19 Total allocation (exc Top Up for Supp Funding) £	Full Time Allocation inc 2.6% increase to unit rate £	Part Time Allocation inc 2.6% increase to unit rate £	Part Time Allowance £	Deprivation Uplift £	Sparsity Uplift £	Welsh Medium Allowance £	5% Maintenance Allowance £	Total 2019/20 allocation inc 2.6% increase £	Transition for change to Funding model	Total 2019/20 allocation including transition £	Variation from 2018/19 to 2019/20 £	Variation from 2018/19 to 2019/20 %
Bridgend College	15,338,330	11,478,631	2,190,230	438,046	671,625	0	30,000	683,443	15,491,976	67,775	15,559,751	221,421	1.44%
Cardiff & Vale College	28,414,998	22,794,990	6,239,477	1,247,895	2,132,834	0	30,000	1,451,723	33,896,920	-805,396	33,091,524	4,676,527	16.46%
Coleg Cambria	36,800,099	27,142,343	5,150,657	1,030,131	1,296,296	733,136	115,000	1,614,650	37,082,213	235,248	37,317,461	517,362	1.41%
Coleg Gwent	39,907,102	31,340,049	5,534,486	1,106,897	2,226,040	0	230,000	1,843,727	42,281,199	0	42,281,199	2,374,096	5.95%
Coleg Sir Gar	19,337,932	14,505,765	2,315,854	463,171	454,275	575,850	1,061,250	841,081	20,217,246	0	20,217,246	879,314	4.55%
Coleg y Cymoedd	28,717,413	21,463,068	3,623,231	724,646	2,206,480	0	29,756	1,254,315	29,301,496	0	29,301,496	584,084	2.03%
Gower College Swansea	23,449,610	18,576,764	2,692,869	538,574	1,384,961	0	115,000	1,063,482	24,371,649	0	24,371,649	922,040	3.93%
Grwp Llandrillo Menai	40,655,963	27,733,534	4,474,651	894,930	1,381,599	2,441,719	2,156,250	1,610,409	40,693,092	435,992	41,129,084	473,120	1.16%
Grwp NPTC Group	24,367,604	16,038,856	3,567,887	713,577	936,079	2,456,260	30,000	980,337	24,722,995	0	24,722,995	355,391	1.46%
Merthyr Tydfil College	8,630,888	7,798,588	645,288	129,058	682,814	0	30,000	422,194	9,707,942	0	9,707,942	1,077,054	12.48%
Pembrokeshire College	10,521,351	8,463,239	1,315,818	263,164	211,774	356,812	30,000	488,953	11,129,760	0	11,129,760	608,409	5.78%
St David's Catholic Sixth Form College	5,686,784	4,840,862	160,208	32,042	399,251	0	15,000	250,053	5,697,416	66,382	5,763,798	77,014	1.35%
Adult Learning Wales	5,746,526	0	3,618,684	723,737	214,937	0	30,243	180,934	4,768,535	1,092,618	5,861,153	114,627	1.99%
	287,574,600	212,176,689	41,529,341	8,305,868	14,198,965	6,563,777	3,902,499	12,685,302	299,362,441	1,092,618	300,455,059	12,880,459	4.48%