

Enterprise and Business Committee

Date **18 July 2012**

Venue **Senedd**

Title **In year financial scrutiny session**

Purpose

1. To provide an evidence paper for the Enterprise and Business Committee that gives:
 - a) an up to date commentary on progress made against Programme for Government Commitments for the areas within the Committee's portfolio (higher education; skills and lifelong learning; young people not in education, employment and training).
 - b) An update to the concerns numbered 2, 3 and 4 raised in the Chair's letter to the Minister for Education and Skills dated 26 October 2011 following his appearance before the Committee 12 October 2011.
 - c) A summary of the 2012-13 first supplementary budget.

Timing

2. This is an in-year financial scrutiny session on the 2012-13 final budget.

Progress against Programme for Government Commitments

3. The Programme for Government sets out what we are going to do to improve the lives of the people of Wales and how we are going to measure our progress. The first progress report, published in May 2012, documents our performance action-by-action.
4. The report contains a full set of updates on progress made on the commitments set out in our Programme. It also includes all the available data for the indicators that measure the delivery of our programmes and for the indicators of the key outcomes. Much of the data is annual and there is therefore a natural lag in many indicators' ability to show the impact of the Government.
5. The Department for Education and Skills contributes to a number of areas of the Programme for Government, but predominately to Growth and Sustainable Jobs, Education, Poverty and the Culture and Heritage of Wales.

6. Since 1999 the percentage of working age adults qualified to level 2 and above and the to level 3 and above, have both increased faster in Wales than any of the other UK countries. But Wales was starting from a low base and the percentage qualified to both these levels is still lower than England and Scotland. The percentage of 16-18 and 19-24 year olds who are not in education, employment or training also continues to be a stubborn challenge.
7. In the last year we have successfully piloted Jobs Growth Wales, launching the programme in April 2012. Skills Growth Wales, a programme to help growing businesses, in key priority sectors, up-skill their workforce and support the creation of new employment opportunities was extended in January 2012. The Young Recruits Programme has been extended and the original target of 1,000 has been almost doubled with 1,995 direct employer applications for support. The Traineeships Programme and Steps to Employment Programme aimed at young people and adults were both implemented in August 2011. Help for adults to gain basic skills has been remodelled with the launch of Essential Skills in the Workplace in February 2012. We are implementing the 2011-15 Engagement and Employment Action Plan to help young people engage with learning and the Review of Qualifications is well underway with a vision of having qualifications that meet the needs of our young people and the Welsh economy.
8. In Further Education four institutions have merged creating two larger organisations and more mergers are being progressed. Post 16 staying on rates are increasing and the rising success rates in Further education will help lift attainment at age 19.
9. In higher education no student is facing increased tuition fees and all Welsh universities have plans for widening access and improving the student experience. Reform of the HE sector is underway.
10. The committee stated that they would be particularly interested in those commitments highlighted as priorities at the time of the Government's Draft Budget 2012-13. The priorities within the Education and Skills MEG and relevant to the Committee are set out below. Updates against all of the Programme for Government commitments within the Committee's portfolio are at Annex 1.

Jobs Growth Wales

11. The Welsh Government announced the creation of 'Jobs Growth Wales' in October 2011 and the initial pilot created 110 jobs. The full Jobs Growth Wales programme was launched on 3rd April 2012 and it is planned to create 4,000 job opportunities annually for unemployed young people across Wales, aged 16-24, giving them work experience for a 6-month period.

ReAct / Adapt

12. The ReAct package of support has been proven to significantly improve the chances of a redundant worker returning to work quickly. A destination survey of ReAct leavers confirms this and shows that around 76% of programme participants are in new employment at the time surveyed.
13. Adapt activity at the start of the year remains low despite several awareness raising events. Many public sector redundancies to date have been done on a voluntary basis and the training package has not been required.

Pathways to Apprenticeships

14. During 2011-2012, Welsh Government commissioned 2,000 places on Pathways to Apprenticeship (37% South Wales, 33% North Wales and 30% South West and Mid Wales). The number of learners who completed the Pathways to Apprenticeship programme and entered a full apprenticeship programme will be available later in the year when the relevant data is available.

Reform of post 16 governance and funding

15. The Minister for Education and Skills accepted 40 of the 41 recommendations in the Humphreys report to reform Further Education Governance in Wales. Recommendations from this review included the establishment of Membership Bodies for each college made up of a range of stakeholders from across the community to challenge the governing bodies. Welsh Government is continuing to work in partnership with ColegauCymru, the sector representative body, to promote governance reforms.
16. The Welsh Government has put three year indicative funding allocations in place for 2011/12 to 2013/14. The frequency of future funding allocations has been incorporated into the Post-16 Planning and Funding Review, which is expected to provide an interim report to the Welsh Government Minister for Education and Skills during November 2012 to help inform future funding arrangements.

Reform of higher education governance and structure

17. A staged approach to HE reforms will be implemented with an initial consultation focussing on the necessary legislative change to ensure appropriate regulatory oversight of higher education provision in Wales under new funding arrangements. Governance reforms will be reconsidered at a later date and will be taken forward as part of a separate consultation exercise in 2013/14.

18. The Education and Skills Minister's response to Higher Education Funding Council for Wales' reconfiguration proposals, set out in its report "Future Structure of Universities in Wales", was announced in November 2011. A Welsh Government panel has been established to review the pattern of Higher Education provision in North East Wales, with a view to reporting, with recommendations, to the Minister by April 2013. The Minister has held discussions with the institutions affected by HEFCW's proposals for reconfiguration in South East Wales. Full achievement of this target is dependent on the implementation of the reconfiguration agenda over the next 2 years.

Maintaining levels of financial support from low income households.

19. All eligible applicants for Assembly Learning Grants have received appropriate support in the year.
20. Welsh Government Educational maintenance allowances have been maintained throughout 2011-12.

Update on Higher Education Fees

21. 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. The model is based on a range of fee levels, all of which are affordable. There remain several uncertainties, such as potential changes in cross-border flows, but officials are continuing to monitor the situation carefully. Appropriate adequate contingency planning is in place.
22. At the present time, it is not possible to provide a further update on the position. UCAS data shows only the number of university applications, not the actual number of enrolments at each institution. Information on cross-border flows, fee levels and student behaviour will become much more robust from September when the new academic year starts and data about actual enrolments becomes available. Once this information is available officials will be undertaking a review of the assumptions and estimates of the financial modelling for the HE sector and its impact upon Welsh Government budgets.
23. The Welsh Government believes that part-time modes of study provide flexibility for students to engage with higher learning who might otherwise not be able to take advantage of such opportunity. Our ambition to widen access to higher education and increase opportunity for all depends in no small way on part-time delivery for success and we are keen to incentivise part-time learning as a preferred mode of study.
24. It has been confirmed to the Chair of the Higher Education Funding Council for Wales in a letter dated 31 May 2012, that part-time higher

education in Wales continues to be a priority for the Welsh Government and that we expect the Funding Council to develop an action plan for part-time provision in Wales.

25. In particular, the Funding Council has been asked to explore innovative approaches to the following issues:
- how to incentivise part-time study for post graduates, employer-led courses and bite-size provision;
 - how to promote part-time study to exploit opportunities that arise from the new part-time support package;
 - alternative models for the provision of part-time study;
 - providing clarity on HEFCW's future funding intentions for part-time provision in Wales and communicating those arrangements to stakeholders;
 - promotion of best practice.
26. The student support provisions that have been announced will mean that some part-time provision will fall outside the scope of the statutory support system. A working group has been formed to take forward implementation of the changes to the part-time student support system and to consider any further developments which may be required to maintain a strong part-time HE sector in line with For Our Future. Specifically the group are considering the consultation responses on the part-time student support changes and any alternative means of providing funding for part-time HE courses studied at less than 25% intensity.
27. There have been no further assessments made of the financial implications for the Welsh Government of European students studying in Wales and in other parts of the UK. The Committee will be kept informed of any future assessments.

2012-13 Supplementary budget

28. The National Assembly for Wales approved the Welsh Government's Final Budget for 2012-13 on 06 December 2011. The Government of Wales Act requires the Welsh Government to reflect changes made since the last approved budget by means of a Supplementary Budget.
29. It is anticipated that two supplementary budgets will be published in 2012-13. The first was laid on the 26 June and the second is expected towards the end of the financial year.
30. The first Supplementary Budget mainly reflects adjustments to budgets which are in line with previous announcements made by the Welsh Government. It is mainly technical in nature but also includes a number of allocations from Reserves. The changes for the Education and Skills MEG are shown in table 1 below.

Table 1: Education and Skill Main Expenditure Group

DEL	£000s			£000s		
	2012-13 Resource			2012-13 Capital		
	Budget ¹	Changes	Revised Budget	Budget ¹	Changes	Revised Budget
Education and Training Standards	1,165,476	1,485	1,166,961	161,243	17,050	178,293
Skilled Workforce	89,669	-20	89,649	0	0	0
Economic and Social Wellbeing and Reducing Inequality	390,762	-10	390,752	0	0	0
Welsh Language	26,355	-1,379	24,976	100	-100	0
Delivery Support	3,148	1,043	4,191	0	0	0
Total DEL	1,675,410	1,119	1,676,529	161,343	16,950	178,293
AME						
Economic and Social Wellbeing and Reducing Inequality	-99,893	10,860	-89,033	250,418	16,924	267,342
Total Managed Expenditure (TME)	1,575,517	11,979	1,587,496	411,761	33,874	445,635

31. Overall there has been a net increase in Education and Skills DEL of £18,069k, comprising an increase in resource of £1,119k (0.07%) and an increase in capital of £16,950k (10.5%).
32. The AME budget has increased by £27,784k, representing an increase in capital of £16,924k and an increase in resource of £10,860k, to reflect latest forecasts in respect of Student Loans.
33. The Action level 2012-13 supplementary budget is provided at Annex 2, together with the detailed Budget Expenditure Line budget analysis at Annex 3.
34. A summary of the changes within the first 2012-13 Supplementary Budget at an Action level is provided below.

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

Resource changes within Enterprise and Business Committee Portfolio

¹ Budget figures as per Final Budget Motion approved December 2011.

Higher Education Action – MEG to MEG

35. £2,051k has been transferred from the 'Support Education and Training of NHS Workforce' Action in the Health, Social Services and Children MEG to cover payments to Cardiff University to support medical and dental training, as the students have transferred to the Graduate Entry programme at Swansea University, which is funded via HEFCW.

Qualifications Action / Post 16 Education Action – within MEG

36. A transfer of £4,700k from the Qualifications Action to the 'Post-16 Education' Action for Work Based Learning Welsh Baccalaureate delivery, an administrative transfer which will be consolidated into the Post – 16 Education Action from 2013-14 onwards.

Capital Changes within Enterprise and Business Committee PortfolioEstate and IT Provision Action

37. The department has received £8,000k from reserves as part of the capital investment package to promote growth and jobs announced in May. This comprises £5,000k for the acceleration of transitional projects for 21st Century Schools and £3,000k for the Cardiff City Centre Post 16 Campus of Cardiff and the Vale College.

Resource changes within other Committee PortfoliosPupil Deprivation Grant Action - from reserves

38. There has been a transfer from Reserves of £393k into the 'Pupil Deprivation Grant' Action to include eligible children in special schools under the arrangements for the Pupil Deprivation Grant. This is in addition to the £20m transferred in the 2012-13 final budget.

Curriculum Action – within MEG

39. £693k to the 'Delivery Support' Action for the International Education Programme in respect of CILT, the National Centre for Languages.

Capital Changes within other Committee Portfolios

40. The department has successfully bid for £8,950k of Centrally Retained Capital Funding from reserves. This comprises £1,950k for the Gateway to the Valleys project which will establish a new school in Tondy and rationalise the provision of secondary education in the area, and £7,000k for the rationalisation of the secondary school estate in Carmarthenshire.

Skilled Workforce – To deliver a suitably skilled workforce with high quality opportunities for all learners

41. There have been no significant transfers to or from this Spending Programme Area.

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

AME Changes within Enterprise and Skills Committee portfolio

Post 16 learner Support Action Capital and Revenue

42. The AME (Annually Managed Expenditure) budget has increased by £27,784k representing an increase in capital of £16,924k and an increase in resource of £10,860k, to reflect the latest forecasts in respect of student loan issues. This budget is demand led and sensitive to interest rate and other macro-economic factors.

Welsh Language – To see the Welsh language thrive in Wales

Resource Changes within other committee portfolios

Welsh Language Action (previously Welsh Language Board) – MEG to MEG

43. £1,325k has been transferred to the Central Services and Administration MEG to meet the salary and associated costs of staff that transferred into the Welsh Government on 1 April 2012 following the abolition of the Welsh Language Board.

Welsh in Education Action / Welsh Language Action – within MEG

44. The Welsh in Education Unit is now managing the Mudiad Meithrin, National Day Nurseries Association and Anthrawon Bro grants and £4,035k has been transferred from the 'Welsh Language' Action.

Delivery Support – To be a high performing department and employer of choice.

Resource Changes within Enterprise and Business Committee Portfolio

Delivery Support Action – within MEG

45. There has been a total transfer in of £1,043k from various Actions following the consolidation of all our international work into one International Education Programme. The largest of which is £693k from the 'Curriculum' Action in respect of CILT, the National Centre for Languages.

2013-14 Budget

46. The Draft Budget 2013-14 will be published in October and the Final Budget 2013-14 in November. We are currently preparing for this budget by reviewing our commitments and reprioritising funding from within the MEG, where necessary, to ensure that the Department's spending plans continue to be aligned to deliver the Programme for Government.

Summary

47. A commentary on the Education and Skills Programme for Government commitments, an update on concerns raised regarding Higher Education tuition fees and the Education and Skills first 2012-13 Supplementary Budget is presented to the Committee for consideration.