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Minister for Education and Skills
Welsh Government
Cardiff Bay

19 January 2016

Draft Budget 2016–17

Dear Minister

Thank you for attending the Children, Young People and Education Committee's meeting on 13 January to discuss the draft Budget and for your comprehensive paper.

Prioritisation and aligning objectives with spending

Your priorities are clearly set out in your submission and you emphasised them during your appearance before the Committee. However, the Committee is concerned that there is a lack of transparency about how decisions relating to funding allocations are made. As a consequence, it is difficult to ascertain whether the Welsh Government is approaching budget setting in a strategic way.

For example, over recent years, the Further Education (FE) sector's funding has been cut significantly whereas the Higher Education (HE) sector has been protected. This year, the FE sector has been largely protected, while the HE sector faces significant cuts. Welsh Government could have achieved the same level of reductions in a number of ways, for example, through more gradual reductions across both sectors over several years. The rationale for the Government's chosen approach has not been fully explained and this lack of transparency means that it is often unclear whether the Government is prioritising in a strategic way or simply managing shortfalls from year to year. The Committee is also concerned that the apparent absence of a strategic approach, as demonstrated in



the example above, could have a significant impact on whole sectors' abilities to plan for the future.

In relation to the absence of indicative budget allocations for future years, the Committee notes the reasons given by Welsh Government. However, given the precarious financial circumstances of many organisations, such uncertainty will make it particularly difficult for organisations to plan for the future and, if necessary, prepare for funding reductions.

The Committee firmly believes that Welsh Government budgets must be outcome-focused and should be underpinned by robust monitoring systems. The Minister referred to examples of independent evaluations of Welsh Government policies, including the Pupil Deprivation Grant and work being undertaken by Estyn. However, the Committee believes that embedding monitoring in the implementation of policies is vital. External evaluations of policies are useful and are welcomed, but they should be in addition to robust internal monitoring undertaken by the Welsh Government.

The Committee is also concerned that Welsh Government's financial planning for policy implementation is not sufficiently robust. For example, during last year's budget process, you said you anticipated that changes to teachers' continuing professional development could be met within existing resources. However, for the 2016-17 draft Budget, an additional £5.65 million increase has been allocated for the New Deal.

The Committee notes that your paper includes projected outturns for 2015-16. The projected outturn, as at period 8, is for a £94 million (5.9%) underspend in Resource DEL in 2015-16. We would be grateful for further information on this issue, including the reasons for the projected underspend, details of actions being taken to address this, and an explanation as to what would happen to any unspent funds.

Targeting funds at deprivation and/or low achievement

The Committee notes that Welsh Government has again this year sought to prioritise budgets that focus on breaking the link between deprivation and attainment. The main funding levers are the Pupil Deprivation Grant (PDG) and Schools Challenge Cymru (SCC) initiatives.



PDG

The Committee recognises that it is difficult to attribute specific outcomes to the PDG as it is one of a number of interventions in this policy area. However, we remain concerned that Welsh Government cannot fully assess the value for money of this programme and, consequently, is unable to ensure that eligible pupils are getting the best outcomes from the significant funding allocated to the programme.

The Committee welcomes the initiative to ensure that details of PDG expenditure by each school will be publicly available and believes that the additional external scrutiny this will provide could lead to improved value for money and impact. However, there remains concern that the purpose of the PDG and, indeed, how it can be used to best effect, is not fully understood in schools. This was emphasised by the external evaluation of the PDG, which concluded:

“A clearer message on whether the PDG is aimed to help close the attainment gap or to help all pupils fulfil their potential – and, as such, whether the PDG should be focused on the entire eFSM cohort, or just those whose attainment is poor – may be of value.”

In relation to the use of a pupil’s eligibility for free school meals to determine allocation of PDG, the Committee remains concerned about the impact the introduction of Universal Credit by the UK Government will have. We note the Minister’s comments about discussions between officials, but urge Welsh Government to continue to liaise with the UK Government to understand when the new system will be introduced and what the implications will be. We also note that Welsh Government has undertaken modelling of alternative mechanisms for determining PDG eligibility and call on the Welsh Government to publish further information as soon as is appropriate.

The Committee notes the different level of PDG for children in the Reception year (age 4 at start of school year). In England, such children attract the ‘school’ rate of £1,320, whereas in Wales they are covered by the Early Years PDG, which pays schools £300 per eligible child. We note the Minister’s comments that there are other differences, such as the higher rate of PDG for secondary school pupils in Wales in comparison to England. However, we believe that there is considerable



potential for targeted interventions to have a positive effect for pupils in Reception year. The Committee believes that Welsh Government has still not given a satisfactory explanation about how the sum of £300 was reached and, furthermore, Welsh Government should explain its rationale for including Reception year in the Early Years PDG, given its stated emphasis on early intervention.

Schools Challenge Cymru

The Committee notes your commitment that the Schools Challenge Cymru programme will continue into a third academic year in 2016/17. We welcome your statement that the responsible Minister will need to pause and assess progress at the end of that year before committing more funds. The Committee believes this is a prudent approach. However, given that you have pointed to international evidence suggesting that sustainable system level reform requires a minimum of at least five years and schools are therefore “very much at the early stages of their improvement journey”, the Committee is concerned there is a risk that insufficient funding allocations will be available to realise the full impact of the programme and which will mean that the full value of the investment will not be realised.

“Tripartite Programme of Reform”

Curriculum review

The Committee notes your statement that certain projects have been ‘tapered down’ for 2016–17 to enable the redirection of £2 million towards the curriculum review, with particular reference to the work of Sport Wales and Techniquist in relation to PE subjects and STEM respectively. You have explained that these are areas the Welsh Government is seeking to embed into the new curriculum. The Committee is, however, concerned that this may create gaps in provision during the transition to the new curriculum. Welsh Government should ensure that no pupils are disadvantaged during the transitional period due to these funding reductions and explain the actions that are being taken to mitigate their impact.

The Committee notes your comments in [Plenary on 30 June 2015](#) about the future level of investment required for the new curriculum:



“[...] £3 million is a down payment, really, for this year, in terms of getting our work off the ground. He's quite right that investment of that order, or greater, would be necessary in each of the seven or eight years that we're undertaking this work. That's true, and we'll have to take on that budgetary responsibility.”

Further, the Committee notes your comments in Committee that funding of £8 million and £10 million is anticipated to be required for the following two years. These sums are significantly higher than those you referred to in Plenary. The Committee recognises that the implementation of a new curriculum will require funding, but questions whether the assumptions being made and the projections of financial requirements are sufficiently robust. The Welsh Government should set out its best estimate of future costs and explain what they are for, in particular, given that funding may need to be redirected from other projects to resource the transition.

Continuous Professional Development for teachers (the New Deal)

An additional £5.65 million has been allocated in the 2016–17 draft Budget for the New Deal. However, during scrutiny of last year's draft Budget, in reference to teachers' CPD, you said that “a cultural shift” was needed which “does not in itself require additional funding” but relies on “more effective use being made of existing funding”.

The Committee would be grateful for an explanation as to why your thinking on this issue has changed during the last year. It is apparent that the assessment of the intervention needed and the financial resource required to support it, was incorrect and that significant additional funding is required.

In relation to the Education Workforce Council, the Committee notes your commitment to cover any shortfall between the Council's income from registration fees and the amount it requires to carry out its core functions.

You told Committee you do not anticipate a shortfall but that if there is one, this would require a “re-profiling of the CPD support”.

The Committee seeks reassurances from you that you have conducted a rigorous assessment of the potential impact of this commitment and that any redirection of



funding will have a minimal impact on other projects funded from the Teaching Development and Support BEL.

Initial Teacher Training

The Committee notes that there is no specific budget allocation in 2016–17 for Initial Teacher Training. In your paper, you say “most of the reform agenda set out by Professor Furlong affects the quality of delivery of programmes and so can be met from the existing funding provision.”

The reference to “most” of the reform agenda being delivered from existing funding provision suggests that some of the agenda will require investment. The Committee seeks reassurance from you that the assumptions and financial projections relating to these reforms are robust, given that similar statements were made in relation to the New Deal, which has now required significant investment in the next Budget.

Education Improvement Grant

The Committee notes that 2016–17 is the second year of the Education Improvement Grant (EIG) which was introduced in 2015–16 as a means of rationalising a number of previous ring-fenced grants to local authorities into a single grant. The grants merged into the new EIG in 2015–16 were:

- 14–19 Learning Pathways grant;
- Foundation Phase grant;
- Minority Ethnic Achievement grant;
- Gypsy Traveller grant;
- Welsh in Education grant; and
- School Effectiveness grant.

The EIG has been reduced by £7.5 million before the transfer in of £1 million for the Literacy and Numeracy programmes. Since 2014–15, the allocation has reduced by £19.1 million to £135 million in the 2016–17 draft Budget.

During discussions on last year’s budget, you reassured the Committee that “the objectives of the original grants will be given appropriate consideration under the new simplified grant system”. You added that the focus on flexibility “does not



mean that we will not hold schools, local authorities and consortia to account on the agreed objectives and performance measures of the grant". However, it is clear to the Committee that Welsh Government cannot ensure that the objectives of the original grants are being delivered. We would be grateful for more information on the monitoring arrangements for the total grant, with focussed information on the objectives of each grant that was merged into the EIG.

In reference to Gypsy and Traveller children, the Committee notes the comments in the Education and Skills Integrated Impact Assessment that:

"There is a decrease in the overall quantum of this grant which could reduce the positive impact on the protected characteristic of race and those below 16, however there is not expected to be a noticeable impact on any other protected characteristic. There is a strong correlation between socio economic background and attainment, for example Gypsy and Traveller children are three times more likely to receive free school meals than the national average. Therefore impact will be mitigated by the extra funding that is given through the pupil deprivation grant and the overall work to improve literacy and numeracy in schools."

The Committee is concerned at the suggestion that funding streams which are intended to be additional, such as the PDG, could be used to compensate for the EIG being insufficiently funded to fulfil any of its core purposes.

Welsh language

The 'Welsh in Education' BEL has been reduced by £740,000 (after a transfer in for new responsibilities is accounted for) to £18.7 million. The Committee notes that an evaluation of the Welsh-medium education strategy is expected to be published in March 2016. The Committee believes that the timing of this is unfortunate and would be grateful for confirmation of whether the Welsh Government will consider redirecting funding in-year, depending on its response to the evaluation.

Further education

The Committee notes that Welsh Government has protected the post-16 budget by applying flat-cash protection to the 'Further Education Provision' BEL which funds allocations to colleges and school sixth forms. It therefore remains at £400 million.



The reductions in funding for FE over recent years has had an impact on the sector that should not be underestimated. As you recognise, the impact on part-time students in particular has been significant:

“As expected the impact of the reduction in funding for part time students is much higher [than for full-time]. The number of part time hours is set to reduce by around 800,000 hours (21.88 per cent) in 2015/16. If the average part time course is around 100 hours per learner, this equates to 8,000 learners, although it’s expected that the majority of part time courses ceased will be the shorter courses and hence this number could rise significantly. Information shared by the chair of ColegauCymru Finance Directors shows that the sector is expecting redundancies of around 850 people as a result of reduced budgets by 2015/16.”

The landscape for part-time learning has completely changed as a result of the reductions in funding over recent years. We would be grateful for further information about the actions you are taking to ensure that the cuts endured by the sector do not have a lasting detrimental effect on learners.

The Committee also notes that the financial contingency fund has been reduced by 10%. The Minister should monitor the impact of this decision and the Committee would be grateful if you could provide it with details about the most recent evaluation of the scheme.

Higher Education

The Committee notes the £20 million reduction to HEFCW programme budgets, which provide funding for the implementation of Welsh Government priorities in the fields of Quality Research, part-time and expensive subjects. Whilst funding for the Coleg Cymraeg Cenedlaethol comes out of a separate BEL, it is also provided via HEFCW and the impact on the Coleg Cymraeg Cenedlaethol is unclear. You have said it is ultimately for HEFCW to determine how it allocates its resources in line with Ministerial priorities.

The Committee believes that it is very difficult to assess the potential impact of cuts without understanding what Welsh Government’s priorities will be. We would have expected you to be able to give a better indication to the Committee and the sector of Welsh Government priorities. We note that you told this Committee you



would be prioritising part-time courses; the First Minister told the Communities, Equalities and Local Government Committee that Coleg Cymraeg Cenedlaethol would be a priority. Clarity is needed as soon as possible to enable the sector to prepare for the future.

The Committee notes what you said about the trend of increasing income to the higher education sector in a time of austerity and the information provided in your paper. This is largely due to tuition fees. The Committee is concerned about provision which relies on grant funding via HEFCW, instead of, or in addition to, tuition fee income. The Committee is therefore concerned that there are risks that the reduction in funding will disproportionately affect certain organisations who specialise in provision of part-time courses, research and expensive subjects such as medicine, dentistry and performing arts. Further, it is likely to have a disproportionate detrimental effect on female and older learners, who access the type of part-time provision likely to be reduced.

The Committee would be grateful for more information on your priorities for HEFCW and on how you believe the impact of these reductions can be mitigated.

Impact Assessments

The Committee notes that Welsh Government has again this year prepared an integrated impact assessment. We would be grateful if you could inform the Committee whether a Welsh language impact assessment has been carried out specifically in relation to Education and Skills and, if not, how the Department's draft Budget sufficiently protects and progresses the Welsh language.

We would also be grateful for further information on how you have given 'due regard' to children's rights during the draft Budget setting process, and how sustainable development impacts and the approach of the *Well-being of Future Generations Act 2015* have been considered in the Education and Skills draft Budget.



Ann Jones AC / AM
Cadeirydd / Chair

