

## Education and Lifelong Learning Committee

**Date: 10 November 2004**

**Venue: Committee Room TBC, National Assembly, Cardiff Bay**

**Title: Draft Budget 2005-06 to 2007-08**

### **Purpose**

1. To provide an opportunity for the Committee to comment on the draft Budget for 2005-06 (attached at Annex 1) in accordance with Standing Order 21.3 and also to note proposed Final Budget changes at Annex 2.
2. Standing Order 21.3 provides that each Assembly Minister who is a member of a Subject Committee shall seek its views on the draft budget and convey them to the Finance Minister.

### **Recommendation**

3. That the Committee notes the information provided and comments on the draft budget (attached at Annex 1).

### **Timing**

4. For discussion on the 10 November. The Finance Minister, having taken account of the comments arising from this round of subject committee consideration, will table the final budget on 22 November.

### **Background**

5. On 19 May 2004 the Committee was consulted on its budget priorities within the portfolio of the Minister for Education and Lifelong Learning in accordance with Standing Order 21.2. The Committee's priorities were outlined via a letter from the Committee Chair and these views informed discussions with the Finance Minister regarding the draft budget.
6. In the light of the outcome of the UK Treasury spending review, this budget round covers the financial year 2005-06 and indicative plans for 2006-07 and 2007-08.
7. The Assembly Government has been conducting a detailed review of all expenditure to ensure that the structure of the budgets meets the strategic priorities of 'Wales: A Better Country'. The

Assembly Government's spending review has examined existing programmes and evaluated their contribution to the overall priorities.

## Summary

This budget is delivering an additional investment of £531 million for Education and Lifelong Learning in Wales across the three years. (includes AME for EMAs)

(£92m/£180m/£259m)

Notably this includes additional funding over 3 years of ;

- £67m for Early Years,
- £38m for 14-19,
- £56m for the HEFCW and
- £126m for post 16 education and training through ELWa

## Performance against WAG objectives within the portfolio.

Wales: A Better Country commitments:

- Variable fees ruled out during lifetime of this Assembly
- Introduce School Breakfasts
- Invest £560m to improve school buildings
- Contribute to the £100m Crime Fighting Fund
- Worst performing schools to catch up with best
- An Individual Learning Account for Wales
- Extend the Welsh Baccalaureate to intermediate and foundation stage
- Reform the 14-19 age range curriculum
- By end decade, no pupil to leave school without qualification
- Schools to be community resource
- Introduce a new 3-7 curriculum
- Have available a nursery place for all 3 year olds
- Reform early years Welsh medium education
- Invest to tackle problems of small and rural schools
- Cut junior class sizes
- Eliminate the basic skills gap
- Pilot free skills training for adults to NVQ level 3

## How we will use this money to deliver our commitments:

We will continue to invest in Early Years through a targeted programme. Our commitment to providing

School Breakfasts will be informed by the outcome of current pilot studies. The number of nursery places for 3 year olds will grow and the introduction of a new curriculum for 3-7 year olds will provide the necessary range of life skills for a secure future.

We will continue to provide funding to deliver junior classes of 30 pupils or less; to help improve outcomes in low performing schools and to encourage innovation in small and rural schools but some changes are proposed in the way the funding will be delivered to local authorities. We are also increasing our investment in enhanced provision for 14-19 year olds, continuing the piloting and development of the Welsh Baccalaurate and investing in the modernisation of the examination system. Our new Learning Pathways agenda will provide all 14-19 year olds with access to individual learning pathways with a strong emphasis on employability and progression.

We will extend our support for the Teacher's Workload Agreement ensuring our teaching professionals can concentrate on being excellent teachers. We will also meet the commitment on the pay of teachers in Further Education. We are committing more funding to take forward a strategy to improve speech and language services for children and young people, working with the HE institutions across Wales. The number of training places will increase threefold.

Our increased funding for Basic Skills will improve basic skills interventions in early years, at school level and for adults.

Ministerial Priorities for 2005-06 and future years

### **Better Early Years Provision:**

We want to give every child a flying start - to lay firm foundations for personal and social development and well-being and to create positive attitudes to learning later in life. Early years is one of the key areas where we are creating a distinctive Welsh approach and this budget has confirmed the Assembly government's commitment to Early Years provision.

### **14-19**

Implementation of Learning Pathways will continue, the foundations to be laid down in 05-06 and plans developed for full roll out in year three where there are significant additional resources.

### **Post 16 education and learning**

ELWa's increased baseline will enable it to further develop core provision in line with learner's needs linked to the roll out of its new planning and funding system and to address the remaining areas of disparity in FE pay. The increase in capital funding in years 2 and 3 will enable the development of a learning infrastructure that is fit for purpose for all adult learners

## Higher Education

The substantial additional investment in higher education means that core funding for the HE sector increases. This budget maintains our commitment to Reaching Higher and provides a firm base for the sector's core activities. Approval has been given for a Welsh medium bid to Reconfiguration Fund for a programme of Teaching Fellowships and Research Scholarships. The programme is costed at £2.9 million and will extend to 2011-12.

## Basic Skills

We are committing an extra £9m over the next 3 years to continue to build on the improvements in literacy and numeracy of the population of Wales.

## School Buildings

I remain firmly committed to providing our pupils and teachers with the best possible environment for teaching and learning. The significant increase in investment in school buildings is being maintained. Funding is set to increase from £107m in the current financial year to £139m in 2005-06 and each year thereafter.

## Welsh Medium Education

This budget ensures that we have the funding in place to meet and in some cases exceed our commitments for supporting the development of Welsh medium education as set out in Iaith Pawb.

## Committee Priorities for 2005-06

I am pleased that the budget for 2005-06 and the indicative budget for the following two years allow me to address the key priorities of the Committee set out in Peter Black's letter to me of 2 June (copy at Annex 3)

- Teachers' continuing professional development (CPD), particularly in relation to performance management;

£1.5 m was made available for teacher's professional development in 2004-05; this budget will increase this to £2m in 2005-06 rising to £3m by 2007-08

- Provision for implementation of recommendations stemming from the Committee's policy review report of special educational needs (SEN);

I will respond formally to the recommendations contained within the committee report following the

plenary debate, which is scheduled for 24<sup>th</sup> November. I have allocated £3m over the next three years to the development of pilot projects to establish joint commissioning and pooled budget arrangements under the Health Act 1999 for the delivery of speech and language services to children and young people across health and education. This is very much in line with our policy on Making the Connections: Delivering Better Services for Wales.

- **Iaith Pawb** - the supply and development of teaching staff able to teach through the medium of Welsh;

The provision in this budget will enable us to meet our Iaith Pawb commitment. There will be £1m per annum from 2005-06 to support teachers to extend their Welsh skills through sabbaticals or other training, a further £1m per annum to maximise the number of FE and other practitioners, £400k per annum to develop suitable classroom materials and over £2m to provide training for over 150 early years practitioners. This is more likely to be in the region of 450 on delivery.

- **Post-16 provision, including sixth form provision;**

Significant increase in provision for ELWa, to ensure the effective implementation of the National Planning and Funding System 14-19 investment', the third phase of the FE pay initiative and improvement to the FE estate in order to comply with the requirements of the Disability Discrimination Act.

- **Higher Education, with particular regard to reconfiguration within the sector; medical expansion etc**

Our support for Reaching Higher will be sustained and additional provision for medical expansion is in the baseline. Funding for Welsh medium has been approved for a Teaching Fellowship and Research Scholarship programme from Reaching Higher, in advance of the strategy to be submitted by the National Steering Group chaired by Andrew Green.

- **Early years provision;**

Significant increased investment in Early Years of £67m over the three years. This new money will be for a variety of initiatives that I will take forward working with my colleague Jane Hutt, building on what we have both achieved in early years education, Sure Start and childcare. This includes the provision of early years places for 3 year olds, the introduction of the Foundation Phase and the establishment of Integrated Centres.

#### Impact of Draft Budget Proposals on Identified Priorities

The draft budget tables at Annex 1 include the funding increases as described below:

Funding for Education and Lifelong Learning - £1,374m in 05-06, an increase of £145m over 2004-05, rises to £1,462m in 06-07 and £1,541m in 07-08.

### **Training and Enterprise Support SEG:**

**Funding - £15.657m an increase of £1m on 2004-05 [Indicative plans for years 2 and 3 of £17.657m and £19-.657m]**

Within this SEG we are funding our Basic Skills Strategy and supporting the Wales Union Learning Fund, Future Skills Wales and Chwarae Teg. Over the three year period of this budget an additional £9m has been allocated to Basic Skills.

### **Careers Wales SEG:**

**Funding - £35.875m– increase over 2004-05 zero [Indicative plans for years 2 and 3 of £36.772m and £37.691m]**

For this SEG there is no apparent change over 2004-05 because the baseline transfer of £2.2m from the National Council ELWa SEG to fund Careers Wales to deliver the Education Business Links Programme previously delivered by ELWa is not shown in the draft budget. I intend to make this transfer in the final budget.

This SEG will then show an increase of 2.5% in each of the three years to help address cost pressures, including expected increases in employers' pensions contributions.

### **National Council ELWa SEG:**

**Funding - £546.323m an increase of £27.461m over 2004-05 [Indicative plans for years 2 and 3 of £566.445m and £578.076m]**

Provision for post 16 education and learning will see an increased investment of £126m over the three years of this BPR. The increase of around 5% in 05-06 will enable ELWa to further develop core provision in line with learners' needs linked to the roll out of the new planning and funding system. The indicative plans rises by a further 6% over the following two years which underscores our commitment to business continuity in the run up to and beyond the merger.

We have identified a capital expenditure line and have made a significant increase to this of £30m in years 2 and 3 to enable ELWa to develop its pathfinder projects, to prioritise institutions to meet their obligations under the DDA and enable further investment in the FE Estate. Provision overall will also enable ELWa to finish the Assembly government's commitment to bring FE pay into line with that in schools.

The Current Expenditure BEL includes £1m in each year to meet our Iaith Pawb commitment to maximise the number of FE and other practitioners to teach through the medium of Welsh

I will be making some changes to the ELWa baseline in the final budget to provide for:

Transfer to Careers Wales SEG in respect of EBL - £2.2m/£2.2m/2.2m

Transfer to Other Learning Support in respect of Employment Zones - £0.375m/£0.375m/£0.375m

Increase to Receipts to reflect WBL ESF - -£10.553m/-£10.553m/-£10.553m and an increase to Current Expenditure as a result

Transfer from Current Expenditure to Running Costs to reflect intention in remit letter - £2.507m/£2.507m/£2.507m

Higher Education Funding Council for Wales SEG:

Funding - £382.827m an increase of £20.928m over 2004-05 [Indicative plans for years 2 and 3 of £395.495m and £404.724m]

The increase provides for an annual increase of 2.5% on recurrent funding and it returns the capital allocations for 2005-06 to above historic levels. Because of the long lead in times associated with reconfiguration and collaboration projects and because of pressures elsewhere, £1m of the Reaching Higher revenue in 05-06 has been reprofiled into 06-07.

The increase in the current expenditure line, as well as ensuring a firm base for the sector's core activities, will provide a sufficient baseline for meeting the education costs associated with the Assembly's wider agenda on the expansion of medical training expansion (baseline increased by £0.2m, £1.2m and £2.0m respectively) and for strengthening other Reaching Higher priorities.

Consideration will also be given to supporting elements of the strategy for Welsh medium in the higher education sector. Approval has already been given to a collaborative Welsh bid, submitted to HEFCW's Reconfiguration Fund by the University of Wales Welsh medium Development Board on behalf of the sector. The scheme is for Teaching Fellowships and the support of Research Scholarships. Together the two schemes will result in an immediate increase in both teaching capacity and resource materials in the sector.

Student Access Funds:

Funding - £59.051m an increase of £16.150m over 2004-05 [Indicative plans for years 2 and 3 of £70.601m and £73.351m]

This SEG now includes provision for Educational Maintenance Allowances which is an annually managed expenditure (AME) currently forecast as £20.150m in year 1, £27.750m in year 2 and £29.950m in year 3.

The remainder of the SEG is to provide for Student Support Funds which includes financial contingency funds, the Further Education teacher training incentive for Post Graduate Certificate of Education - PGCE (FE), the Assembly Learning Grant and for future provision for devolution of student support.

The demand led ALG programme is not forecasting a full spend in 03-04 and 04-05 thus I have reprofiled £4.5m of the Student Support BEL in year 1 and £500k in year 2 to fund other pressures across the MEG.

This budget has made no specific provision in the ELL MEG for the costs associated with the devolution of student support. Following agreement, between Welsh and UK Ministers, of the principles underpinning the financial transfer we are now in discussion on the calculation of the financial transfer. Subject to the financial transfer being agreed by the Assembly Cabinet we will take responsibility for student support from academic year 2006/07.

I have previously made it clear that higher education in Wales will not be disadvantaged by this Government's commitment not to introduce variable fees in the lifetime of this Assembly. That commitment remains. The resources to deliver a supplementary income stream for the HE sector are contingent on the wider discussions surrounding the financial transfer for student support. The Assembly Government has sufficient reserves to ensure that the costs of this commitment will be met.

#### Youth Initiatives SEG

Funding - £5.532m an increase of £500k over 04-05 [Indicative plans for years 2 and 3 of £12.032 and £36.032]

This SEG includes provision for Extending Entitlement and 14-19 Learning Pathways. There is increased investment of £38m over the 3 years. A phased approach to implementing Learning Pathways allows for initial planning and preparation in the first year followed by piloting and limited roll out in the second year and full implementation in the third year.

For the final budget I intend to transfer the 'Disaffection' account from the Early Years and Pupil support BEL into this SEG as it is more relevant to this policy area. This will result in the transfer of a £500k existing baseline and an additional £2m capital allocation in each of the 3 years as a result of the BPR. This additional capital will be used to introduce or enhance existing electronic registration in schools thereby enabling early intervention to tackle problems of absenteeism.

#### Teaching Restructuring SEG



Funding - £43.190m an increase of £26.565m over 04-05 [Indicative plans for years 2 and 3 of £55.729m and £56.269m]

The significant increase in this SEG includes provision of an additional £25m in year 1 rising to £37m in each of years 2 and 3 for Teachers Workload. This is in addition to the £33m already provided for in the Revenue Support Grant (RSG). At final budget the provision in the teacher workload BEL will transfer out of the ELL MEG into the RSG.

In this SEG the General Teaching council BEL has increased by £1.541m in year 1, £2.080m in year 2 and £2.620m in year 3. This increase will provide £1m in each year to fulfil the Iaith Pawb commitment to provide Welsh language sabbaticals for teachers. The remainder will increase the baseline for teacher's professional development.

### Schools Capital SEG and Education – General Capital Funding SEG

Total funding for these 2 SEGs £139.124m an increase of £32m over 2004-05 [Indicative plans for years 2 and 3 of £139.124m for each year]

These two SEGs provide for the Assembly Government's investment in school buildings. Funding is set to increase from £107m in the current financial year to £139m in 2005-06 and each year thereafter.

This significant increase will provide every local authority with an additional lump sum grant of £9m in the period from 2005 to 2010 to undertake large projects.

### GEST (Grants for Education Support and Training) SEG

Funding - £60.460m an increase of £750k over 2004-05 [Indicative plans for years 2 and 3 of £60.460m for each year]

This SEG provides funds for:

Additional School Revenue - £35m which provides funding to LEAs to support low performing schools, reduce junior class sizes to 30 pupils or less, improve attainment at key stage 3 and support innovation in rural and small schools. £750k per annum has been added to this BEL to fund a school uniform grant scheme to assist parents on low incomes with the cost of school uniforms.

Further information on the scheme will follow in due course.

Provision for Grants for the education of traveller's children and Grants for Education Support and Training, now renamed the Better School Fund remain unchanged.

## ACCAC SEG

Funding - £16.452m an increase of £3.655m over 2004-05 [Indicative plans for years 2 and 3 of £19.323m and £17.696m]

There has been a cost of living increase of 2.5% factored into the running cost BEL across the 3 years.

In the current expenditure BEL increased provision has been made to fund the modernisation of the examination system an increase of £1.5m in year 1, £4m in year 2 and £3m in year 3. Provision of Welsh medium classroom materials (Iaith Pawb commitment for £400k in each year) and to fund the development and implementation of changes to assessment arrangements. (£1m in each year)

In addition, a capital allocation of £500k in 05-06 and £750k in 06-07 has been made available to support the technology changes in the modernisation of the examination system.

## Other Education SEG

Funding of £53.993m an increase of £16.155m over 2004-05 [Indicative plans for years 2 and 3 of £72.938m and £102.438m]

The following BELs have had changes as a result of the BPR:

Curriculum Support BEL – the baseline has seen an increase in 05-06 of £500k, in 06-07 of £1m and in 07-08 of £1.5 m which will enable us to extend the pilot for the Welsh Baccalaureate and to develop and pilot it at foundation level. Additional provision of £300k will also be made available in the BEL to support the implementation in every local authority area of the PE and School Sport Initiative. There is also an additional £2.6m in 2007-08, which is to be used for the education input into the Assembly's Health Challenge Wales agenda.

In the final budget this provision will be split between:

Early Years and Pupil Support BEL with £1.4 million to be invested in action which links into the healthy schools initiative and the Curriculum Support BEL with the remaining £1.2 million to be invested in action linked to the Food and Fitness initiative.

Education IT Strategy BEL – the baseline increase of £805k in 05-06 is an additional allocation of capital for the Individual Learner Data programme.

In the final budget I intend to reprofile revenue funding of £800k out of this BEL as the project costs have not been as high as originally expected. £300k will be used to increase the baseline for PE and School support within the Curriculum Support BEL and £500k will introduce the baseline for Youth training in the extending entitlement BEL (previously funded through the Better Schools Fund).

## Early Years and Pupil Support BEL

This BEL has a substantial increase across the three years (£9.650m/£28.6m/£55.m). This includes £50m as a result of the Spending Review Exercise (£15m in 06-07 and £35m in 07-08) where I am discussing with Jane Hutt the distribution of funds across our two Early Years portfolios.

The increased funding will provide for the following policy areas:

School Breakfasts - £3.5m is in the baseline for 05-06 and 06-07 and this increases to £8.5m in 07-08. When we have the evidence from future evaluations and costs we will be able to revisit the funding levels.

Early Years nursery provision has an increase to its baseline of £5m in each of years 05-06 and 06-07 with additional funding from the Spending Review to be determined.

Foundation Phase an increase of £1m/£2m/£3m with additional funding from the Spending Review to be determined

Early Years Iaith Pawb an additional £750k in 05-06 and £600k in 06-07 to add to the £2m baseline

Special Educational Needs – an additional £900k in 05-06, £4.m in 06-07 and £10m in 07-08.

Included in this BEL but to be transferred to 14-19 as previously indicated is a baseline of £500k and an additional Capital of £2m each year for ‘Tackling Disaffection’

I have also agreed to the transfer in from Environment Planning and Countryside MEG to this BEL of the budget for School Milk at £1.6m. This does not show as an increase over 2004-05 as for fair comparisons this amount is shown in the 04-05 ELL MEG

## Estyn SEG

Funding of £15.719m an increase of £1.144m over 2004-05 [Indicative plans for years 2 and 3 of £15.298m and £15.593m]

These increases are as a result of a cost of living increase over the three years to meet staff costs and an increase in programme expenditure in 2005-06 and 2006-07. Provision for 2005-06 also includes an increase in capital of £800k to meet costs related to the replacement of Estyn's inspection database system.

## Cross Cutting Themes

The following cross cutting themes are funded, planned and delivered in collaboration with other Departments.

Health Challenge Wales

Early years

Iaith Pawb

Crime fighting Fund

Knowledge Economy

Medical Education

Speech and Language Therapy

Contact point

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## **Annex 1.**

Annex 1 provides a breakdown at MEG level, of the draft budget proposals, further broken down by SEG and BEL, showing:

- 2004-05 budget at the supplementary budget stage;
- Changes between 2004-05 and 2005-06;
- 2005-06 draft budget;
- 2006-07 indicative plans;
- 2007-08 indicative plans.

## **Annex 2.**

Annex 2 shows proposed Final Budget changes.

The following should be read in conjunction with the transfer from Additional School Revenue.

In accordance with the normal requirement to review grant schemes periodically the Assembly Government has reviewed the grant schemes in the additional revenue funding BEL. There are currently two. One totalling £31.5m in 2004-05 is given for reducing junior class sizes; improving attainment at key stage 3 and supporting low performing schools. The other totalling £3.5m is given to support innovation in small and rural schools.

It has been concluded that the additional revenue grant for junior class size reduction and for low performing schools should continue in 2005-06. It is proposed to retain grant of £19m for junior classes and £3m for low performing schools in accordance with the amounts of grant being used for these purposes by local authorities in 2004-05. It has also been concluded that £9.5m grant funding for improving performance at KS3 would be more appropriately placed in the Better Schools Fund (BSF) (formerly GEST). BSF grant is provided at the rate of 60% so the £9.5m will be split £5.7m into BSF and £3.8m into revenue support grant to provide local authorities with the match funding they will need to provide. Within BSF the funding would continue to be available for KS3 improvement.

Grant for innovation in rural and small schools can be used for 3 purposes - innovative schemes to enable schools to work together, to promote community use of schools and to provide administrative support for heads with significant teaching commitments. Local authorities report that in 2004-05 they are using £1.5m for schools to work together, £1m for development of community focus and £1m for administrative support. It has been concluded that the grant would be better focused if it were added to the main sources of funding for these purposes. Accordingly it is proposed to add £1.5m for innovative working together schemes to the BSF (split 60%/40% as above, £900,000 for BSF grant and £600,000 for RSG). For 2005-06 the funding will be ring-fenced within BSF for small schools. £1m will be added to the funding within RSG for teacher workload restructuring (local authorities are able within their local funding formula for schools to take account of any additional needs of small schools.) £1m will be added to provision of £2m elsewhere in the Assembly budget for a grant scheme for community focused schools. The arrangements for the scheme have yet to be developed but will recognise the case for assisting small and rural schools to develop a community focus.

In total £13m is being removed from additional revenue funding grant. £6.6m will be added to the Better Schools Fund; £5.4 to revenue support grant for the local government revenue settlement; and £1m to community focused schools grant.

The WLGA are being consulted on the proposals and have been asked to respond by 15 November. Unless they identify fundamental difficulties with the proposals the changes in funding arrangements will be included in the final budget for Assembly approval.

### **Annex 3.**

Annex 3 provides a copy of the letter from the Chair of the subject Committee to the Minister, outlining the priorities expressed during the May/June phase of the BPR.

## **Annex 4.**

Committee Members have requested the inclusion of Education Indicator Based Assessments (IBAs) and Education Budgets 2004-05 so that they can scrutinise the Education element of the Local Government budget. These figures are at Annex 4.

## **Annex 5.**

This annex provides an explanation of the Assembly Government's Spending Review exercise and the summary of findings of the review of the Education and Lifelong Learning programmes.