



Eich cyf/Your ref
Ein cyf/Our ref

Nick Ramsey AM
Chair, Enterprise and Business Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

20 November 2012

Dear Nick,

Thank you for your letter of 22 October regarding the Welsh Government Draft Budget Proposals 2013-14. I have responded to your recommendations and questions below.

Work-based learning budget

There has not been a change in the amount of funding for work based learning in the 2013-14 budget and subsequently there are no changes to the expected outcomes. The changes in the presentation of the budget lines are a result of the ability to now profile income and expenditure on the Welsh Government finance system. This enables budget holders to see the overall position of their budgets more clearly by showing expenditure, European Structural Fund income and the net impact on Welsh Government spend in one place. It also means that for in year management under or overspends are reflective of the actual activity. This was shown in the BEL tables presented to the committee :

	2012-13 budget (Supplementary budget June 2012) £'000	2013-14 budget £'000
WBL programme budget	128,710	130,000
WBL European income	(23,392)	(23,392)
Net position	105,318	106,608

Accountability

I would be happy to appear before the committee to discuss the 2011-12 or 2012-13 budget. You will be aware that in-year data is not available for all outcome indicators and therefore I would be able to provide fuller information for 2012-13 if this discussion takes place following year end. The Welsh Government financial statements and Programme for

Government annual report also give information on expenditure and achievements for each year.

Further and Higher Education Bill

The explanatory memorandum for the Further and Higher education (Wales) Bill will include an assessment of the impact that the new legislation will have on all key stakeholders. In this instance this will include the Higher Education Funding Council for Wales. I will consider any financial implications for the Council as part of this legislative process.

Tuition fee support

I have confirmed that I will make available revised forecasts and assumptions, alongside an explanation of any major adjustments to the student finance model. This will be made available to the Committee in due course.

I am not expecting there to be adjustments to Welsh Government budgets as a result of the tuition fee grant. As I have made clear on a number of occasions, I expect HEFCW to manage funding needs between different elements of the higher education and student finance resource budget going forward. As part of this they will need to balance overall expenditure on student finance against the total quantum of funding that is available to the HE sector in Wales when deciding how to allocate the council's budget to other priorities. I have been clear in my view that we must ensure that we take a whole systems approach to the way in which we consider the funding of the HE sector following the changes that I have announced.

Higher Education mergers

It is difficult to give specific figures demonstrating 'savings' arising from HE mergers, which may take a number of years to achieve harmonisation of systems following initial investment. However, one example of the potential financial benefits is the 2004 merger between Cardiff University and the University of Wales College of Medicine (UWCM). An independent evaluation of this merger undertaken in 2010 noted that the merged institution provided the potential for greatly enhanced research capabilities, with a planned increase in research funding, particularly in the health-related areas. This offered an opportunity for increased collaboration and administrative efficiency savings, leading to a more stable financial position overall. Prior to merger UWCM had an operating deficit for several years. In the five years post-merger, the merged institution has operated at an average surplus of 2.92% of income – just below the HEFCW recommended 3%.

In terms of future higher education mergers, we cannot say precisely what the cash savings would be. These would depend upon precisely what changes the institutions themselves decided to implement in the event of a decision to merge, for example merging backroom costs, pooling resources, etc. All mergers will be supported by a business case which will set out the financial implications.

Prioritisation

The changes to the Employment and Skills budget were explained in my letter of 14 November responding to the Committee's initial questions.

Young people not in education, employment or training (NEET)

The Youth Engagement and Employment Division is developing a more coherent routeway into work for young unemployed people by joining up our training and employment offers.

Jobs Growth Wales is scheduled to run through to March 2015 and aims to create 4,000 additional job opportunities per year for young unemployed people aged between 16 and 24. We will be undertaking a robust evaluation of the programme which will help us to understand the impact of this type of intervention on the employment prospects for this age group. This will take into account the different strands of the project that we are currently delivering; working with private sector and third sector employers, providing specific support for graduates and business start up opportunities. The results of the evaluation will help inform our thinking and policies in terms of the types of interventions we plan in the future and how we will endeavour to improve the effectiveness of the programme. The current budget for Jobs Growth Wales is £75m over three years supported by a combination of Welsh Government and ESF funding. The evaluation will ensure that resources are targeted appropriately to ensure value for money is achieved.

The Traineeship programme, for 16-18 year olds, will support the development of young people by building confidence, improving employment skills and offering work experience with a view to the individual entering sustained employment. A review of the former employability programme Skill Build was undertaken to look at ways of simplifying delivery and making the programme more effective. As a result of that review, changes were incorporated into the new employability programme - Traineeship - for contracts for 2014-17. One important change involved preventing young people from repeating the same level of learning without progressing into employment or learning at a higher level. The Traineeship programme is now more focussed on helping young people identify their chosen career path at the earliest opportunity and endeavours to ensure they gain their qualification and work experience within their chosen occupational field, progressing into employment or learning at a higher level, at the earliest opportunity appropriate to learners' needs. The programme is continuously monitored and evaluated in order to improve delivery and make the programme more effective. Spend on the programme is monitored and any underspend identified re-allocated to target other skills priorities as appropriate.

The Welsh Government is also currently working to finalise a remit for Careers Choices Dewis Gyrfa (CCDG) to be operational from 1st April 2013. The revised remit for CCDG is another way Government is simplifying and improving the effectiveness of programmes for young people.

Alongside this work the Division has recently commenced a series of trials with eight Local Authorities across Wales. These seek to establish best practice in Wales and, through collaborative approaches, deliver more effective and co-ordinated arrangements for the support and progression of young people in order to effect decreases in levels of young people recorded statistically as NEET. The approach is based on developing a young person centric approach, in which better availability of comparable data enables the young person and where appropriate their parent or carer to act as a more powerful consumer in the system and in which the accountability for delivering better outcomes for young people is strengthened, working with Local Authorities.

Careers Wales

I wish to see a refreshed careers service that builds on the recommendations within the independent report, 'Future Ambitions: Developing Careers Services in Wales'. Future Ambitions outlined a modernisation agenda of a service that meets the needs of those that require specialist careers guidance services whilst providing more cost-effective resources for those with the skills to help themselves. The remit for the careers service will be based on the following principles:

- Greater emphasis on prevention and earlier intervention to increase the proportion of young people engaged in education, training and employment;
- A personalised service that includes greater use of web-based services and clear prioritisation;
- Effective and efficient partnership working to support vulnerable young people; and
- Demonstrating value for money and positive impact and outcomes.

I want to see a move away from measuring performance against output targets, and to focus on impact and outcome measures. To this end, we will pilot a small number of key performance indicators next year. These indicators will focus on:

- the sustained progression of young people through education and into employment or further education or training;
- reductions in the number of young people who are outside the education, employment and training system; and
- An effective programme of employer engagement which is shown to improve the learning outcomes from schools' delivery of Careers and the World of Work Curriculum framework.

Budgetary process

You requested quarterly reports detailing expenditure within my Department and achievements to date. As explained previously however, in-year data is not available for many outcome indicators and I would suggest that progress reports provided on a six monthly basis would be more helpful to the Committee.

The latest figures on the number of people who are not in education, employment or training, and also compare them with the figures in English Regions

In my earlier letter (14 November) in response to your initial requests for information I said I would further consider the data that is available on NEETS by English region. The following information details the data by region but I would draw you attention to the differences in the calculation methods.

Estimated Young people not in education, employment or training, age 16-18: Wales and England (per cent)

	Year End 2010	Year end 2011 (p)
Wales	11.1	12.0
England	7.5	8.1

Source: ONS, HESA, Welsh Government, APS

(p) data are provisional.

Please note that the definitive source for estimates of the proportion of young people who are NEET in Wales are the estimates produced in the annual Statistical First Release (SFR), published on 25 July 2012 Participation of young people in education and the labour market. The table above contains this data for Wales and comparison data for England. It should also be noted that the English estimates are produced by the Department for Education (DFE) using similar methodology to the Welsh estimates on an annual basis.

To provide estimates for the English regions data has been produced from the Annual Population Survey (APS) only (as it is not possible to do so from the definitive source). The table below includes data for the latest year to June 2012.

The key difference between this source and the definitive estimates is that the data are more timely but less statistically robust (or of lower quality). More quality information is given below.

Young people not in education, employment or training, by Country and English Region, Year to June 2012

	16-18 year olds		19-24 year olds	
	Number	Per cent	Number	Per cent
North East	10,200	10.6	60,200	25.6
North West	33,600	12.7	126,500	21.7
Yorkshire & Humberside	25,000	12.5	105,800	21.9
East Midlands	15,500	9.3	64,100	17.3
West Midlands	24,400	12.1	100,100	23.2
Eastern	23,100	11.2	73,300	18
London	23,200	10.1	105,800	16.6
South East	21,400	6.8	89,900	14.4
South West	17,700	9.7	63,100	16
Wales	14,600	12.9	57,600	23.3
Scotland	22,600	12.2	73,300	17.5
Northern Ireland	7,800	11.4	28,300	21.3
<i>England</i>	<i>194,200</i>	<i>10.4</i>	<i>788,800</i>	<i>18.9</i>
All	239,300	10.7	948,000	19.1

Source: Annual Population Survey (APS), ONS

For comparison also see below the previous year to June 2011.

Young people not in education, employment or training, by Country and English Region, Year to June 2011

	16-18 year olds		19-24 year olds	
	Number	Per cent	Number	Per cent
North East	13,600	13.3	53,400	22.9
North West	30,700	11.3	124,500	21.1
Yorkshire & Humberside	25,400	12.3	102,600	21.4
East Midlands	14,500	8.8	68,200	18.1
West Midlands	25,000	12.2	98,200	23
Eastern	17,800	8.5	76,400	19.2
London	27,700	11.8	105,100	17.3
South East	29,900	9.5	105,100	17.2
South West	14,600	7.5	67,000	17.2
Wales	15,400	12.9	58,000	23.6
Scotland	24,200	12.6	76,500	18.1
Northern Ireland	4,900	6.8	27,400	19
<i>England</i>	<i>199,200</i>	<i>10.5</i>	<i>800,400</i>	<i>19.5</i>
All	243,600	10.7	962,300	19.5

Source: Annual Population Survey (APS), ONS

As stated earlier the key difference between the use of the APS and the definitive estimates are that the data are more timely but less statistically robust (or of lower quality). As such, the tables below give estimates of the quality of the APS based estimates in the form of confidence intervals. The footnote provides an example of the interpretation of these statistics. It should also be noted that England produce Labour Force Survey (LFS) based NEETS estimates for the English regions. As the APS is in effect a boosted version of the LFS the estimates shown here will differ from the English LFS based estimates. However, as the APS is a boosted survey it will be less volatile than the English LFS NEETS estimates for the English regions, albeit less timely.

Confidence Intervals¹ of the estimates of young people not in education, employment or training, by Country and English Region, Year to June 2012

	16-18 year olds	19-24 year olds
	Per cent	Per cent
North East	+/- 2.3	+/- 2.3
North West	+/- 0.6	+/- 0.6
Yorkshire & Hl	+/- 3.5	+/- 3.4
East Midlands	+/- 2.2	+/- 2.0
West Midlands	+/- 2.5	+/- 2.3
Eastern	+/- 2.1	+/- 2.1
London	+/- 2.4	+/- 2.3
South East	+/- 1.9	+/- 1.7
South West	+/- 1.4	+/- 1.5
Wales	+/- 2.0	+/- 2.0
Scotland	+/- 1.9	+/- 1.8
Northern Ireland	+/- 1.7	+/- 1.5
<i>England</i>	+/- 3.8	+/- 3.9
All	+/- 0.7	+/- 0.6

Source: Annual Population Survey (APS), ONS

¹All estimates should be viewed in conjunction with their Confidence Intervals.

Confidence Intervals indicate how accurate an estimate is. For example, a 95% CI of +/- 2.3 per cent means that the true value is between 2.3 percentage points above the estimate and 2.3 percentage points below the estimate, for 95% of estimates.

Confidence Intervals¹ of the estimates of young people not in education, employment or training, by Country and English Region, Year to June 2011

	16-18 year olds	19-24 year olds
	Per cent	Per cent
North East	+/- 2.5	+/- 2.2
North West	+/- 0.6	+/- 0.6
Yorkshire & Hl	+/- 3.1	+/- 3.3
East Midlands	+/- 2.1	+/- 2.0
West Midlands	+/- 2.4	+/- 2.3
Eastern	+/- 2.1	+/- 2.1
London	+/- 2.0	+/- 2.3
South East	+/- 2.1	+/- 1.8
South West	+/- 1.7	+/- 1.7
Wales	+/- 1.9	+/- 2.1
Scotland	+/- 1.9	+/- 1.9
Northern Ireland	+/- 1.7	+/- 1.5
<i>England</i>	+/- 2.9	+/- 3.6
All	+/- 0.7	+/- 0.7

Source: Annual Population Survey (APS), ONS

¹All estimates should be viewed in conjunction with their Confidence Intervals.

Confidence Intervals indicate how accurate an estimate is. For example, a 95% CI of +/- 2.3 per cent means that the true value is between 2.3 percentage points above the estimate and 2.3 percentage points below the estimate, for 95% of estimates.

I trust that this response is sufficient to answer your questions.

Yours sincerely,

Leighton Adams

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