



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Menter a Busnes
The Enterprise and Business Committee**

**Dydd Iau, 16 October 2014
Thursday, 16 October 2014**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal,
cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, a transcription of the simultaneous interpretation is included.

**Aelodau'r pwyllgor yn bresennol
Committee members in attendance**

Mick Antoniw	Llafur Labour
Rhun ap Iorwerth	Plaid Cymru The Party of Wales
Jeff Cuthbert	Llafur Labour
Byron Davies	Ceidwadwyr Cymreig Welsh Conservatives
Keith Davies	Llafur Labour

Yr Arglwydd/Lord Elis-Thomas	Plaid Cymru The Party of Wales
William Graham	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Gwenda Thomas	Llafur Labour
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Andrew Clark	Dirprwy Gyfarwyddwr, yr Is-adran Addysg Bellach a Phrentisiaethau, Llywodraeth Cymru Deputy Director, FE and Apprenticeships Division, Welsh Government
Julie James	Aelod Cynulliad, Llafur (Y Dirprwy Weinidog Sgiliau a Thechnoleg) Assembly Member, Labour (The Deputy Minister for Skills and Technology)
Chris Jones	Pennaeth Rheoli Perfformiad, Cyllid Myfyrwyr a Pholis Cyllido, Is-adran Addysg Uwch, Llywodraeth Cymru Head of Performance Management, Student Finance and Funding Policy, Higher Education Division, Welsh Government
Huw Lewis	Aelod Cynulliad, Llafur (Y Gweinidog Addysg a Sgiliau) Assembly Member, Labour (The Minister for Education and Skills)
Huw Morris	Cyfarwyddwr Grŵp, Sgiliau, Addysg Uwch a Dysgu Gydol Oes, Llywodraeth Cymru Group Director, Skills, Higher Education and Lifelong Learning, Welsh Government

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Michael Lewis	Dirprwy Glerc Deputy Clerk
Claire Morris	Clerc Clerk
Michael Dauncey	Gwasanaeth Ymchwil Research Service

Dechreuodd y cyfarfod am 09:29.

The meeting began at 09:29.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **William Graham:** Good morning, and welcome. I should explain that the meeting is bilingual. Headphones can be used to hear a simultaneous translation from Welsh to English on channel 1 or for amplification on channel 0. The meeting is being broadcast, and a

transcript of proceedings will be published later. I remind Members and witnesses that there is no need to touch the microphones. In the event of a fire alarm, please follow directions from the ushers.

09:30

Craffu ar Gyllideb Ddrafft Llywodraeth Cymru ar gyfer 2015-16: Addysg a Sgiliau
Scrutiny of Welsh Government Draft Budget for 2015-16: Education and Skills

[2] **William Graham:** We are pleased today to have with us the Minister, the Deputy Minister and their officials. May I ask you to give your names and titles for the Record?

[3] **The Minister for Education and Skills (Huw Lewis):** Okay, my name is Huw Lewis, and I am the Minister for Education and Skills.

[4] **The Deputy Minister for Skills and Technology (Julie James):** I am Julie James, and I am the Deputy Minister for Skills and Technology.

[5] **Mr Jones:** I am Chris Jones, head of performance management, student finance and funding policy in the higher education division.

[6] **Mr Morris:** I am Huw Morris, director of skills in higher education.

[7] **Mr Clark:** I am Andrew Clark, deputy director of the further education and apprenticeships division.

[8] **William Graham:** I thank the Minister, the Deputy Minister and the officials for responding to the request made and for the contents of their evidence paper today. I gather that the Minister would like to make a short introduction.

[9] **Huw Lewis:** Yes. A short introduction may be useful in terms of setting this budget into context for Members and in consideration of the implications of the wider Welsh Government budget as a whole.

[10] By 2015-16, the overall Welsh Government budget will be 10% lower in real terms than it was in 2010-11. So, this is a budget that is very much about prioritisation across Government, and it is the fruit of having had to take some very difficult decisions, although we have, I hope, been completely open about the reality of that situation.

[11] In my budget, I have continued to focus on jobs and growth, educational attainment, supporting children, families and deprived communities, and improving health and wellbeing. A sum of £44 million has been agreed to raise the pupil deprivation grant to over £1,000 per eligible pupil. A further £3.8 million has been allocated to extend that grant to the under-fives, as well as £5 million being allocated to mitigate the effect of reductions in apprenticeships. Young people will also benefit from £5 million for a youth concessionary fares scheme.

[12] It is clear, though, as Members who have studied these budget lines will know, that not all programmes contributing to our budget themes can be protected. However, I have throughout been mindful of the impact on equality, the rights of the child, poverty and the Welsh language in drawing up and making these difficult decisions. That has fed into the Welsh Government's integrated impact assessment.

[13] My priorities for education in Wales remain unchanged: strengthening literacy and numeracy, and breaking the link between disadvantage and educational attainment. We also remain committed to protecting schools' funding by 1% above the changes to the Welsh departmental expenditure limit.

[14] **William Graham:** Thank you very much, Minister. Our first question is from Mick Antoniw.

[15] **Mick Antoniw:** Thank you for that statement, Minister. In terms of the amounts that are being removed from the budget—and I understand the difficult circumstances that exist and welcome the increase in capital expenditure—what approach has been adopted by your department, in terms of how to implement those reductions in budgets? What are the key criteria that have been applied?

[16] **Huw Lewis:** I thank Mick Antoniw for that question. It goes back, I suppose, to those key elements that I mentioned during my statement: the focus on jobs and growth, on educational attainment, supporting children and families in deprived communities, and improving health and wellbeing. Prioritisation within those headings has really been the guiding philosophy behind the product that you see before you. It has, of course, been extraordinarily difficult to make some of the difficult decisions that that has entailed, and there are implications, as you will know now, for further education in particular, for Careers Wales, and for adult learning. However, within that, young people, and deprived young people in particular, have been protected, and indeed, wherever possible, provision for them has been enhanced through this budget.

[17] **Mick Antoniw:** A number of areas of expenditure are partly dependent on European funding, and are sort of partnership arrangements where European funding is supplemented by Welsh Government funding. I wonder whether you could perhaps explain two things. First, how is it that we are now able to increase the budget for capital expenditure, which is very welcome, and, secondly, to what extent are we making use of European funding, or is European funding maintaining some of the programmes that might otherwise have been affected?

[18] **Huw Lewis:** Yes. As a general point, Chair, I think it is important to underscore that nothing could underline the importance of EU structural funds to Wales's wellbeing more than our financial pressures at the moment in terms of devolved government. EU structural funds have, perhaps, never been so important. However, they cannot be used as a substitute for declining domestic budgets. There has to be a demonstrable additional benefit, in addition to the activities of the Government. So, we are working with the Welsh European Funding Office on activities that would complement the implementation plan in areas where we can enhance the delivery of the core elements of the plan. It might be helpful if I pass you over to Julie for some of the detail that that general comment entails.

[19] **Julie James:** Thank you, Minister. The two biggest parts of the budget that have European social fund contributions are Jobs Growth Wales and employment and skills support in general. They are obviously match funded by our budget, so the difficulty is that, as we reduce our budgets, the amount of match funding that we can lever in diminishes. So, for Jobs Growth Wales, it is very hard to predict how much that will be, because it depends on the number of jobs that we are able to secure. For employment and skills, we are expecting it to be around £25 million for 2015-16.

[20] **Jeff Cuthbert:** I want to open up the area of youth engagement and the skills agenda more generally. We just spoke about the structural funds. I understand, of course, the environment in which this budget is being set. I understand that clearly. However, in terms of the reductions and the role of the structural funds, has there been any work done, perhaps

through WEFO, to see whether there is any scope for changing the intervention rates, so that more moneys can come in from European structural funds? I appreciate the issues of additionality, but nevertheless, it has been possible in the past to vary intervention rates when we are in difficult times. I just wonder whether that has been explored.

[21] On the other issues, the reductions in work-based learning are, naturally, to be regretted, of course. I am a great fan and believer in the value of apprenticeships in raising skill levels, particularly for young people in helping to enhance their futures. I am aware of the comments of the National Training Federation Wales—and you might want to respond to some of its comments. However, it is not just an issue of reducing moneys, as there is also the issue of value for money. So, one of my questions is this. In terms of looking at the allocation of money for apprenticeships, I am very pleased that an additional £5 million has been found for next year, thereby reducing the overall cut, but in terms of value for money, what work is being undertaken to ensure that what investment there is is going into apprenticeships to the very best effect, in terms of those that would benefit young people and the Welsh economy, and joint work, undoubtedly, with the national training federation? I will pause at that point.

[22] **Julie James:** Thank you for that question, Jeff. I think it falls within my area of the budget. I will take the last bit first. In terms of apprenticeships, we are obviously very delighted to have been able to put back some £5 million into the apprenticeship budget. There have been no easy choices in making these budget decisions, as I am sure Members will appreciate. So, we have targeted that resource very much, as the Minister has already outlined, at those people who most need it, such as youngsters under 19 who are coming out of school-based education systems for higher-level apprenticeships. Members will know that we have been trying very hard to raise the profile and status of apprenticeships for some time. Indeed, when I was a member of this committee, it was one of the pieces of work that I was very proud of, in terms of what we were looking to do for apprenticeships.

[23] In furthering that priority, we have concentrated this money on our statutory obligations for under 19-year-olds, but also on higher-level apprenticeships so that we can raise both the status and quality of the apprenticeship offer.

[24] So, as a result, we have protected—. I should also emphasise, sorry, that we have protected the cohort of people who have already started their apprenticeships; so, nobody who has started an apprenticeship will suffer because of any budget cut, but it will, of course, impact on the number of new starts that we have. The new starts will be concentrated on those below 19 and those doing higher-level apprenticeships.

[25] In terms of the detail of some of the evaluations, you will all know that I am very new in office; my last appearance in this committee was as a committee member. So, I think that, on that point, I will just hand you over to the official who has been dealing with it, if that is all right, Minister.

[26] **Mr Clark:** Is that on the evaluation or the European social fund?

[27] **Julie James:** On the evaluation.

[28] **Mr Clark:** We are in the process of evaluating the previous round of the work-based learning programme. We published a report on 19 March, which was the first stage of that evaluation. That was quite promising in terms of effectiveness and the numbers of young people who stayed in jobs after they had finished their apprenticeships and the like, and the effectiveness of the traineeship programme as well. The full evaluation is yet to be published; it is incomplete at the moment.

[29] **Jeff Cuthbert:** Thank you very much. I think that the last time that we were both in

the same room, talking about this, our roles were reversed.

[30] **Julie James:** Indeed.

[31] **Jeff Cuthbert:** There we go; that is life.

[32] **Lord Elis-Thomas:** That is politics. [*Laughter.*]

[33] **Jeff Cuthbert:** Yes, indeed; that is part of life. In terms of Jobs Growth Wales, I appreciate that there has been a reduction there, but I note the comments that you still expect to be on target over the four years to achieve 16,000 places. In terms of the profiling, when you say ‘exceed 16,000’, is there any view, on the basis of current support, on what the finished programme might be and, of course, on the ongoing evaluation to measure exactly how it is helping to strengthen the Welsh economy?

[34] **Julie James:** Thank you for that question. We are very close to providing our target of 16,000 jobs, which was over four years, while we are in the third year of the programme. So, we are absolutely delighted with that. Again, while there have been no easy choices, it is important to emphasise that Jobs Growth Wales has been incredibly successful, and we are already at, more or less, the four-year target during year 3. We estimate that there will be a reduction in the number of job opportunities delivered. When you take into account the European social fund element of that—because, obviously, we do not lever in as much match funding when we reduce the amount of money that we put in—we believe that the in-year cuts will cause around 1,000 fewer starts and around 600 otherwise; so, around 1,500 or 1,600. It is an average, Chair, so it is very difficult to be specific. However, on average, we think that there will be around 1,000 to 1,500 fewer starts as a result of the budget cut.

[35] I just want to go back to the question that you asked earlier on the intervention rates, as I am aware that we did not quite cover that. We have had discussions with the Welsh European Funding Office about the importance of this leverage and what we can negotiate with it. We have done a large-scale review of European social fund projects, which was completed in 2014-15. That has resulted in us de-committing—if that is a word—from some projects that were not performing as highly as others. So, we have stopped going on—. We are, for example, pulling out of Skills Growth Wales and reinvesting where required in other programmes—sector priorities funds and ReAct, for example. An increase in intervention rates has also been agreed with WEFO; so, our money will lever in more money from Europe than was otherwise the case. That is on the basis that we have been able to show additionality. So, we have been able to show that its money is additional; it is not substituting for our budget cuts. That piece of work has been undertaken by officials over some period of time.

[36] **Jeff Cuthbert:** I wonder, Chair, whether we could have details of the improvement in intervention rates because, as far as I can recall, they were not in the paper.

[37] **Julie James:** Again, I have to pass you over to officials for details.

[38] **Jeff Cuthbert:** Perhaps you could provide them in writing; it does not have to be now.

[39] **William Graham:** We would be quite happy to have a paper later, if that would be easier. Thank you very much. Time is always against us; therefore, I am going to move on, if I may, to Careers Wales. I call Joyce Watson.

[40] **Joyce Watson:** Thank you. There has been, Minister or Ministers, a decrease in the budget of Careers Wales. What effect do you think that that will have on its remit and its offer?

[41] **Huw Lewis:** I will hand over to the Deputy Minister, who has direct responsibility for Careers Wales. I would just say this: the remit has to change. Budgetary changes of this scale would demand it, but, secondly, it is true to say that a remodelling in terms of how Careers Wales delivers for the people of Wales is a necessary thing in any case. I will hand over to Julie.

09:45

[42] **Julie James:** Thank you, Minister, and thank you for the question, Joyce. Again, Careers Wales is taking quite a significant budget hit, and Members will be aware that it has only just been reorganised from the previous arrangement of a number of different Careers Wales companies across Wales to an internal Government organisation that is unified. Actually, I think that we can make a virtue out of a necessity, and it is a necessity; it is not something that we are happy to have done. It gives us the opportunity, since there is such a newly formed organisation, to refocus completely what its work will be, as the Minister has already said. That refocus will very much concentrate on online and web-based systems. Again, when I was a member of this committee, we were very unhappy, I think, about some of the web-based activity that had been going on, and in my first month as a Deputy Minister, I have had long discussions with Careers Wales about what we can do in terms of this refocus.

[43] So, what we will be doing is protecting the one-to-one service for the hardest-to-reach youngsters and those in danger of being not in education, employment or training. We have a new programme of targeting those youngsters as soon as we become aware of them in our school system. A named worker will be allocated to those young people—it might be a schoolteacher, a Careers Wales adviser or some other person in the education environment—and that person will track that young person all of the way through, making sure that the one-to-one appointments are still available to them from Careers Wales under its new remit. One-to-one appointments will drop by about 50%, we anticipate, but those that remain will be targeted at those youngsters who need that one-to-one intervention the most.

[44] The rest will be an enhanced web service. We are in the process of renegotiating the web arrangements. We will be doing a lot of work on online chat. We know from surveys of young people that webchat, as it is called, is a very popular way of doing it. Young people, as we all know, do not do much on the phone these days; they do everything online. So, we are going to have webchats and web rooms, where people can discuss particular areas of interest to them, and they will be able to request a one-to-one interview, but it will not be a matter of course.

[45] A large part of the budget for Careers Wales is for people, as you can imagine, but we are in the process of asking for voluntary severance, and we remain hopeful that we will not have compulsory redundancies as a result of this. However, I think that we can genuinely say that this is a positive move forward, moving Careers Wales into a real twenty-first century service, away from a system that, perhaps, was not quite as fit for purpose.

[46] If you will indulge me, Chair, I have one last remark. I will say that we have done a couple of stakeholder evaluations of Careers Wales, which I am quite happy to send to the committee. They show that Careers Wales is very much appreciated by the young people who currently access it, and, in particular, a large number of the staff come in for individual praise for their hard work and dedication. I just want to put that on record.

[47] **Joyce Watson:** Thanks for your answer. I am sure that we will all be concerned, as you will be, about the access to this newly configured online service, especially in these most challenging times. So, how are you going to ensure that those people who need access to this

new all-encompassing, web-based service will actually be able to acquire access to it?

[48] **Julie James:** Again, we are very aware of the digital exclusion difficulties, which I am sure is what you are referring to, Joyce. In areas where that is the case, a service will be available through the schools' internet services and through publicly available services—public libraries and so on. However, sadly, those people who are the most digitally excluded also fall into the hard-to-reach category and so on, so they will be offered more one-to-one services or face-to-face services than would otherwise be the case. So, we are very aware of that as an issue.

[49] I also just want to reassure Members that, even with these cuts, we fund Careers Wales at a very good level compared with the rest of the UK. So, for example, it is broadly comparable to the funding that is available in England and Scotland, although it is very hard to make that comparison, because the service is so difficult to—. You are comparing apples to pears, but, broadly, the funding level is not dissimilar, even after these cuts, to that available in the rest of the UK. Also, this does not cut us to the statutory service. So, the remit letter for 2015-16, which we are currently working on, will not, we anticipate, outline solely a statutory service. It will provide delivery for the new individual skills gateway projects that we are so proud of, for example, and for a range of other services that are essential, such as, for example, the tracking of youngsters in danger of not being in education, employment or training. We have not cut it to the bone, so I do not want to give that impression. It is still a very valued service, and it provides a lot extra to its core service activities, which we are very proud of.

[50] **Rhun ap Iorwerth:** There has been a piece of work done by Beaufort Research on attitudes towards online access to careers advice. Is that publicly available?

[51] **Julie James:** To be honest, I am not absolutely certain of that. I will have to get back to the Member.

[52] **Rhun ap Iorwerth:** I assume that some of the decisions that you have taken are as a result of the real concerns.

[53] **Julie James:** I am not sure whether the research brief itself is publicly available. I will check for the committee.

[54] **Rhun ap Iorwerth:** I think that that report said that there is no effective substitute for face-to-face contact when it comes to careers advice. Obviously, there was a focus on digital exclusion, but it went much wider than that, in that young people much preferred face-to-face contact. I wonder what contingency plans you have in place for the real possibility, as envisaged in that report, that many more than the numbers that you are talking about will ask for continued face-to-face contact.

[55] **Julie James:** As I say, there are no easy choices in this budget round, so, we are anticipating at the moment that we will be able to satisfy a specific need, because we are allowing individuals to ask for a face-to-face interview, if that is what they want.

[56] **Rhun ap Iorwerth:** However, you are not guaranteeing that they will get it.

[57] **Julie James:** Well, we are anticipating that we would be able to guarantee it where it is required, but, obviously, it is an estimate for the future. What we are doing is putting in place group discussions, online discussions, and so on, which we think will satisfy a large number of those needs. So, for example, a careers adviser will talk to a group of people who are interested in a science, technology, engineering and mathematics career, or a particular area of work, not on a one-to-one basis, but in a small group. We are making efficiencies of

that sort, and if an individual then goes on to ask for a one-to-one interview, we still think that we will be able to do that. Again, we will have to take that on advisement, and, as the service rolls out, we will be able to see what the requirement is. However, rest assured, we are putting in place group discussions, online discussions and in-school discussions, and we are working with schools as well, to get that advice in the classroom at an early stage. Members will, I know, remember the conversations that we were having in this committee when I was a member of it on the need to get early intervention to make sure that people make the right curriculum choices, for example, and Careers Wales will be working very hard with schools to make sure that that kind of advice is available, both to groups of young people and to individuals.

[58] **Rhun ap Iorwerth:** I asked about a contingency. Will you look again, in-year if necessary, at addressing any shortcomings?

[59] **Julie James:** Yes.

[60] **Rhun ap Iorwerth:** What about if the fears in that report do actually come to fruition?

[61] **Julie James:** With any reorganisation, you have to give it time to bed in and to have a look at it. We are necessarily working on an anticipated result. We will have evaluation methods in place to make sure that that is the result that we get and to have a review-and-report-back mechanism. At the moment, we are doing it on the basis of our good estimates of what we think will happen, based on previous experience, but, of course, we will keep it under review as the service rolls out.

[62] **William Graham:** Jeff, were you going to ask again about work-based learning?

[63] **Jeff Cuthbert:** Well, I am satisfied with the issues that I raised earlier, and I feel that, as time is going on, the other areas—

[64] **William Graham:** Thank you very much. Joyce, on apprenticeships, did you want to make a point?

[65] **Joyce Watson:** Thank you, Chair. I would like to explore a little the apprenticeship scheme that will affect those who are 25 years old and over. I am particularly moved to ask about the gender split, and the effect on males and females of that cut and change in that apprenticeship programme, and whether you have done some work to see whether there is disparity for, or a disproportionately negative effect on, females as opposed to males.

[66] **Julie James:** Thank you for that question, Joyce. You know that it is a particular hobby horse of mine as well. We have done the equality impact assessments on the revised apprenticeship scheme arrangements. The figures show, at the highest level, that equal numbers, more or less, of males and females enter apprenticeship schemes. It varies a little bit, but it is around the 48%/52% mark—at that high level. However, as we all know, once you go below those high-level figures, you get a different picture; it is still quite gender segregated. We have much more movement of males into traditionally female areas than we have of females into traditionally male areas. So, we have some gender equalisation in some areas, but it is males moving in to care work, nursing and so on, it is not females moving into engineering and hard apprenticeships. We are not surprised to see that; we know that that is happening. We are putting a lot of work into getting more of a gender balance into science, technology, engineering and mathematics-related subjects in a wide range of areas, which I am sure the Minister can talk about in terms of schools as well.

[67] The target areas, so, under-19s and higher-level apprenticeships, which are not aged

based—higher-level apprenticeships are available to people of any age who have the qualifications necessary to get in—are still showing those kinds of gender-neutral outcomes, but the cohort that is most affected by these cuts are women in part-time employment who are not in one of the target areas. There is no disguising that. So, women in the care sector or in some of the other areas that are not priority areas, such as hairdressing and leisure, are affected by this change.

[68] On that basis, we are looking for what we are calling ‘co-investment’, because most of those people are in employment already. They are in part-time employment, perhaps—or, in some cases, it is full time—but they are in employment. So, we are looking to our employers to step up to the plate and to take some of the cost of paying for the training and apprenticeship schemes of their own staff. I think you will find that the Minister for Health and Social Services issued a written statement about investing in the social care workforce, for example, very recently. So, we are aware of that. It is not something that I would have chosen to do, I have to say, but we have prioritised the areas that need to be prioritised in my opinion, and we are asking employers to step into the breach. So, we are not yet able to say what the outcome of that co-investment scheme will be in terms of the numbers of people, but we are hoping that we will be able to fill some of that gap with employer investment.

[69] **Gwenda Thomas:** On the point about the social care workforce, and considering the lower age restriction on employment in the social care sector, I feel that there is a real and urgent need to identify the 16 to 18 age group and perhaps identify young people of that age who would be attracted to work in the social care sector. If we do not, how will we grow people into the sector? Care Forum Wales has set up a skills academy, which is achieving quite a lot of success. Will you consider working with Care Forum Wales and the academy in order to try to bridge that very important gap that exists for 16 to 18-year-olds in that sector?

[70] **Julie James:** Yes, I can say that I most certainly will. We are very aware of that as an issue. We have been in discussion with colleagues in health over the issues about the changes in apprenticeship schemes just over the last week or so, and I think I can say happily to the Member that I am more than happy to commit to continuing to develop that discussion as time goes on, as I share her concerns entirely about the need to develop that workforce.

[71] **Rhun ap Iorwerth:** On prioritisation within the apprenticeships programme, prioritisation is often equated with protecting. Can I have your thoughts on the comments made by the National Training Federation Wales back at the end of August, when it pointed out that it thought that 3,500 fewer opportunities would arise within the priority areas of 16 to 24-year-olds and higher apprenticeships between August and March. It does not feel like prioritisation.

[72] **Julie James:** Well, those remarks were made before the budget announcement, and so it did not have the full picture at that time. After the budget announcement, those figures changed considerably. So, we have prioritised, in fact. The budget announcement has changed that picture quite considerably. So, the figures in that are not accurate any longer. I can give you some of the figures that we are expecting.

10:00

[73] **Rhun ap Iorwerth:** That is my next question.

[74] **Julie James:** We have protected the cohort that is already in apprenticeships, so that is the most important thing. So, the idea that anybody who is already in an apprenticeship would lose that apprenticeship is not right. There will be some difficulties in making sure that—. For some providers, for example, the recent announcements have meant that some of the courses that they provide are not going to be viable, but we have a set of officials—and I

am sure that my official here can give you much more detail of this—who work very hard to make sure that a seamless transfer between providers is available for an apprentice who is in that position. I know that we have a team of people who work very hard to make sure that that happens. So, that cohort is protected.

[75] What we are talking about here is new starts, really. So—

[76] **Rhun ap Iorwerth:** What would the equivalent figures be?

[77] **Julie James:** Let me tell you. In the 2012-13 contract year, the number of starts peaked at 28,000. In that financial year the budget was £128 million. In 2013-14, the budget was £126 million, which included the then budget agreement. So, the number of starts will fall from that peak to somewhere between 17,500 and 19,500. As the budget falls, the number of starts stops. However, I think that the official can probably give you a lot more detail underneath those statistics than I can.

[78] **Mr Clark:** It is very difficult to relate a financial year budget to the number of starts, because we tend to contract on an academic year basis anyway. There is also a lag between when people start and the effective budget that funds that start. In years gone by, we have averaged at around 17,000 to 19,000 or maybe 20,000 starts in a year. In some years it is a little bit less, but usually it is around about that mark. The significant additional money that was provided in 2013-14 and 2014-15 bumped that up to the extraordinary level of the 28,000 starts that the Deputy Minister has just mentioned. Wales had never seen that number before. That in itself creates more people in learning as at contract end date, and they have to be taken account of first, as the Deputy Minister said. You then see a decrease in starts because there is less money available for them. However, the £5 million additional moneys in the budget settlement should allow us to bring the number of our starts back to around about 17,000 to 19,000 level, where we are always at, for 2015-16 onwards.

[79] **Rhun ap Iorwerth:** Next year, however, it is down from 28,000 for the equivalent period last year to around 19,000, which is precisely what National Training Federation Wales was saying would happen.

[80] **Mr Clark:** Its figures were in the right ballpark. I would argue that they are a little bit high, but not exceedingly high. However, it is the 28,000 which is the exceptional figure. If you track back over the last four, five or six years, it sits generally around that 17,000 to 19,000 mark, and that is what we will go back to.

[81] **Rhun ap Iorwerth:** We can talk about whether 28,000 was unrealistically high; I would argue that it was a good thing for the Welsh economy and for Welsh education. However, there is clearly a feeling among the providers that they are not seeing prioritisation. Whatever managed to happen as a result of budget deals, we are not back to anywhere near to where we were before. What do you think the outcome will be of that for the overall apprenticeship programme?

[82] **Julie James:** We have only just announced to the providers the actual levels of apprenticeship starts that we expect to support in each particular area of work. So, they have only had that information for the last—. A written statement was put out—. Sorry, because we were not here yesterday, I have lost track of time a bit this week, but it was earlier this week, anyway. So, they have only just had that information. They would not have been in a position to see the prioritisation. They will be after that announcement. That prioritisation does show cuts, as we have just been discussing, in particular sectors of employment because we are concentrating on the priority areas that we have been discussing all the way through this evidence session. I think that that will become apparent in the next week or so as the providers get their heads around what the announcements have been and what their contracts

will look like for the upcoming academic years.

[83] **William Graham:** Deputy Minister, you touched obliquely on leisure. When this committee was in north Wales taking evidence on tourism in particular, some of the leisure operators and some of those employed in the leisure industry felt that they were not particularly valued. How does your budget reflect those aspirations both in terms of apprenticeships and higher education?

[84] **Julie James:** Again, what we are doing is concentrating on youngsters who need an apprenticeship coming out of formal, full-time education, and higher-level apprenticeships, because we are trying to value the offer that an apprenticeship badge gives to people. What we are not trying to do is use the label 'apprenticeship' for in-work training of about level 2 or level 3. I think that those sectors fall into that category. So, that is not to say that we will not support them, but they might not be badged as apprenticeships in that way; they will be traineeships or other work-based learning schemes. Again, we are also looking for co-investment from some of the employers because, as you say, Chair, those people are in employment already whereas these programmes are being targeted at people who are not.

[85] **William Graham:** Thank you very much. Keith is next on higher education.

[86] **Keith Davies:** I will just follow that, I think, Julie. In a sense, the question that I am asking is about where there is an increase in budget. So, what activities do you see—. You talked about work-based learning, for example. What other additional activities do see with this extra funding that is in this particular category for employment and skills?

[87] **Julie James:** I can assure you that it is extra funding. What we have done is we have protected some funding—

[88] **Keith Davies:** No; it was reduced in 2014-15. It has gone back up now with an extra £4 million.

[89] **Julie James:** Oh, I see what you mean. Again, we are just targeting the money that we have, as I said, on the particular areas. So, what we are looking to do as well with higher-level apprenticeships is make sure that those people who are in work are being supported by their companies. Keith, you will be very well aware of a large number of major employers that do that very well indeed and we have been having discussions with some of them about being exemplar employers to show the value of that investment to other employers who perhaps do not see the upfront investment as a priority just at the moment.

[90] **Keith Davies:** You talked about ReAct and WEFO earlier. Will this lead to increases from employers, let us say, as well as from WEFO?

[91] **Julie James:** That is what we hope. For example, if you look at the Jobs Growth Wales scheme, we always concentrate our remarks on the benefits to the young people who are actually in the scheme, but a number of people over the past month or so have been making remarks about the effect on the wider economy. So, for example, I met with James Taylor of SuperStars, whom I know a lot of you know. He is one of our young entrepreneurs who, when you are with him, lights up the room with his presence, I have to say. He is talking about the number of firms that he sees that have suddenly realised that they can grow because they have a Jobs Growth Wales youngster and they see the profit that that youngster brings into the firm. So, we have a number of SMEs that are growing faster than they would have, or, indeed, have grown for the first time ever because they have suddenly seen the value of an employee supported in that way. That is why those jobs turn into permanent jobs—because the firm sees the value of it. So, that is one of the main levers in the economy that we are using. So, all of these schemes basically support our small and medium-sized enterprises into

having the kind of ambition for growth and the ambition for exports and so on that this committee has been so interested in over its work programme.

[92] **Keith Davies:** You have a skills implementation plan with skills performance measures, and, as part of the paper that you have submitted to us, you talk about making sure that STEM subjects are supported, because that is a real issue it seems to me. What you said earlier, and we are talking about careers, Julie—. If we look at children in year 9 in schools, and what schools actually offer, it is quite important that they offer the range of subjects that are important to the economy in Wales. I wonder whether the skills implementation plan will have a look at that, because the advice given to children when they are 14 is so important.

[93] **Julie James:** I will start off, but I am sure that the Minister will want to add something about the schools. Yes, absolutely; one of the main points about the skills implementation plan is to get advice into the schools early enough—right down as far as primary in some cases—to make sure that people make those very important choices early on. I am sure that the Minister can say something about STEM choices.

[94] **Huw Lewis:** We could talk about this for a very long time. There is a range of things that needs to be pursued in terms of making sure that we have that proper support and showcasing of STEM subjects for children at all ages. Perhaps, if I could highlight the younger children, I think that we do have an issue in primary schools, for instance, around the skills level and confidence of many of our workforce, which is either consciously or unconsciously often transmitted to our young people in terms of a lack of confidence around technical subjects such as mathematics, science and so on. You will have heard me talk about the new deal for the workforce in our schools; as a very particular strand of work within that, I want to make sure that we move closer to a subject-specialism level of confidence, if you like, within our primary-school workforce that simply was not there before. I think that we need headteachers to prioritise STEM expertise—as well as things like Welsh language or music tuition, and sport is another—to ensure that they have a menu of subject specialisms in their workforce.

[95] I am talking to our higher education partners, including the Open University, incidentally, about how we can considerably raise our game in terms of making sure that, in those younger age groups, we do have professionals around our young people who are confident about transmitting enthusiasm for STEM. That is just for the primary side of things and there is a huge menu of things that needs to happen here, including what we do about John Furlong's review of teacher training, for instance, which is another aspect of this. There is the temptation to talk about this at length this morning, and I am not too sure that the Chair would appreciate that as part of the agenda this morning. However, there is a great deal to do.

[96] **William Graham:** Eluned has questions on higher education.

[97] **Eluned Parrott:** Minister, I would like to ask a few specific questions. I realise that individual funding decisions are down to the funding council rather than to you specifically, but I would like to ask about how Welsh Government priorities are protected and ensured through the funding that goes through the Higher Education Funding Council for Wales. I am wondering in particular, to start with, about widening access provisions. I note that the Auditor General for Wales made a recommendation to you in November last year that, alongside HEFCW, you should monitor how money is being spent on widening access initiatives and whether or not value for money is being achieved. Can you tell me what progress you have made with that, how you are ensuring that your widening access priorities are being delivered on the ground and that the money is being spent well in these areas?

[98] **Huw Lewis:** My thanks to Eluned for that important question. It is important to remember that the context around funding in higher education is changed utterly. When we

talk about these issues, it is important to remember that the way in which HEFCW used to ensure the public good, if you like, through its co-working with higher education institutions, has changed. Essentially, the amount of resource that HEFCW is channelling into HEIs is nowhere near what it once was. A great deal of the resource of universities now—the vast bulk—flows through student numbers as they walk through the entrance of the HEI; the money is with the student. Hence the Higher Education (Wales) Bill and the need to take a fresh look at the ways in which we ensure that issues like widening access are properly prioritised and that we can continue to have a national conversation about what the Welsh public is actually investing in when it places its trust and its tax pounds into the hands of HEIs.

[99] In terms of access, there is a very great deal of good work out there at the moment. I was very impressed last week to visit some of the Bangor University initiatives around widening access in the communities immediately surrounding Bangor, but I have made it very clear to the council that what we need to grow here is a much more systematic approach that is truly nationwide and driven by partnerships, in terms of how every single HEI comports itself in its relationship with every single school—most particularly secondary schools, but not just secondary schools. We need proper targets and measures for that. I have asked for this work to be done, and the work is ongoing, obviously.

10:15

[100] However, I want to see a very different and much more structured request of Wales's HEIs in time for the submission of the next set of fee plans in 2016-17. I want to see every headteacher, in particular, have a reliable, year-on-year, timetabled and well-understood series of interventions with an HEI for children down to the age of year 9, at least. A headteacher would know, a couple of years in advance, at least, what is coming for their young people in terms of an offer, and that has to be a two-way interaction—from the school into the university and from the university into the school. We are a very long way from where we need to be in that regard. However, HE is the only educational sector that you will see in this budget that can be confident of an above-inflation year-on-year increase in its funding between now and the 2020s. I think that the onus is on that sector now to rise to that challenge.

[101] **Eluned Parrott:** Sorry, Minister, returning to the very specific question, which was about ensuring value for money, there has, as you know, because of the fee plans, been a big increase in the amount of money that is spent on widening-access initiatives by Welsh HEIs; that is a very big investment. The question was: what progress have you made to ensure that value for money is being achieved by that investment?

[102] **Huw Lewis:** Of course, HEFCW will publish its annual report on this; that is backed up by my meeting with the chief executive of HEFCW on a quarterly basis. So, that relationship is ongoing. In terms of the evaluation, I will turn to Huw for a bit more detail on that, if that is alright.

[103] **Mr Morris:** Thank you, Minister. In addition to the annual report from HEFCW, the Minister sends a letter annually to the funding council—a remit letter. In the most recent of those remit letters was a requirement for the council to work with HEIs to look at the costs of different activities and to develop whole-system measures for performance. There has been an ongoing dialogue about how that may work in the run-up to the introduction of any new regime consequent on the Bill. Through that work, the cost-effectiveness of provision would be looked at. In the terms of the Bill, there are much more precise proposals in terms of how the cost-effectiveness of widening-access work could be measured and monitored.

[104] **Eluned Parrott:** Turning now to expensive subjects—obviously, they are

strategically important for the Welsh Government's objectives—can you tell me how the delivery of the number of places in those expensive subjects, particularly the STEM subjects, is being protected?

[105] **Huw Lewis:** The same thing applies here, of course; this is all part of that ongoing relationship in terms of the remit letter, and the contact and constant co-working between us, HEIs and HEFCW. Again, the Bill will give us more clarity, I think, in terms of how a national need, like the stepping up and reinforcement of STEM subjects, is transmitted into reality on the ground in the individual HEIs. Do you want to add anything on that, Huw?

[106] **Mr Morris:** Yes—just to reinforce points that you made, Minister, and points that I made earlier, in terms of our desire to encourage the sector to see the value of these subjects, and to monitor the costs closely to ensure that the funding that is coming from students is directed to those areas that are not only the ones that students wish to pursue in their studies, but the ones that are important to the economy and to Welsh society more broadly.

[107] **Eluned Parrott:** Turning to the work that universities do that is really important to the economy, like innovation, engagement and making sure that we have a stream of young people who, on graduating, stay in higher education doing supported and sponsored studentships, perhaps, so that they can get the postgraduate training that they need, but also to develop the innovative products that can then be turned to market, how are you ensuring and monitoring that there is adequate postgraduate provision and that Wales is getting the most out of the UK-wide funding that is available for supportive studentships, such as knowledge transfer partnerships, given the cut a couple of years ago to the Prince of Wales innovation scheme, which was obviously Wales only?

[108] **Huw Lewis:** We are talking about the same series of relationships and ongoing co-working that I have described already. I will freely admit that I agree with you that we are not where we need to be in terms of making sure that we have sufficient levels of such provision. We do not have enough co-working with the private sector in particular. I have asked, as a particular emphasis of the work of the Diamond review, that we take a long hard look at exactly, for instance, how we are supporting postgraduate students within the Welsh system. As I say, we are nowhere near where we need to be.

[109] However, the prerequisite for all this is that we should think less about individual Welsh HEIs and their individual programmes of work, and a little more about the body of Welsh higher education and how it can co-operate and co-work and, therefore, punch above its weight in terms of making further progress in this regard. We are too much at the mercy, at the moment, of flare-ups of good practice, which are fantastic in some instances, but then fizzle out or are unsustainable or are too isolated within a single HEI. We need a much more systematic approach to this. It is that message that I have sent to the Diamond review and also, through HEFCW, to the HEIs. So, there is a great deal of work to do there, I will accept that.

[110] **Eluned Parrott:** Finally from me, how are you evaluating the impact and the cost-effectiveness of the Coleg Cymraeg Cenedlaethol?

[111] **Huw Lewis:** Coleg Cymraeg Cenedlaethol has recently been evaluated by Old Bell 3 Ltd. The report, I understand, is now with my officials for consideration. It is hot off the press. I will be receiving advice on the findings and recommendations before too long. Then, the public conversation around the findings will take place. As a preview, I have spoken with officials and others about what might be in store. The Coleg Cymraeg Cenedlaethol is showing, first of all, that it has consolidated its presence and has had a material effect on the increase in provision of courses and choices for young people. That has been very positive progress. What has been more of a concern is that the actual take-up—in other words, young

people, particularly, opting with their feet to take on those options—is more of a worry than the progress that has been made in terms of provision. There is a conversation to be had around that, but the evaluation by Old Bell 3 will be shortly available.

[112] **Keith Davies:** I was very pleased this morning to see one of the amendments on the higher education Bill on preserving the autonomy of institutions—

[113] **Huw Lewis:** I know you were worried about that, Keith.

[114] **Keith Davies:** My question is: in your paper you talk about an increase of 2,200 in student numbers. How many of them are from Wales? With that increase, I am sure that we are widening access. I would like to know how many of the 2,200 are from Wales or from England.

[115] **Huw Lewis:** That is not an answer I can give readily at the moment. It is worth noting, as I said, that, as the budgets grow, student numbers grow and as student numbers grow, the budget grows. This is a very healthy and robust sector of educational provision in Wales at the moment. There comes with that a responsibility for all the actors involved to think very carefully about who benefits and why and how the national good is served through this unprecedented opportunity, in times of austerity, that HE has to continue expanding and consolidating, while most public actors on the stage are really thinking about things in a very different way. Chris, did you want to add something?

[116] **Mr Jones:** Yes. On the number of students in the system, as was mentioned, they are all actually Welsh students. It is about where the Welsh students are going and where other students in other parts of the UK are going. The budget for 2015-16 has seen an increase in the number of students. What we do not know is how many will be in the system by the end of the cycle. That information will not be available until December or January.

[117] **Keith Davies:** No, but they are good figures to start with.

[118] **Mr Jones:** There are more Welsh students in the system, yes.

[119] **Byron Davies:** My question is on the Welsh Government's learning grants and the budget proposals. There is concern that they could result in a double disadvantage for female learners, because we are told that female students make up a large proportion of learners overall and women make up a greater proportion of older learners, aged 19 plus. So, the question really is whether the freezing of grants is having a disproportionate effect or impact on female post-16 learners.

[120] **Huw Lewis:** The honest answer is that it is too early to tell whether there has been an impact in that regard. However, what I can say is that, since 2010, the number of females undertaking a first-time degree at a UK HEI has increased, so the trend is upwards across the board, and the proportion of female learners is now between 50% and 60%. However, it is a little early in the game, is it not, for a direct answer to Byron's question?

[121] **Mr Jones:** The information will take about 15 months to come through, so we will know more about the 2013-14 cohort in December or January time, as the information comes through from the institutions.

[122] **William Graham:** Gwenda, would you like to ask about the Welsh language impact assessment?

[123] **Gwenda Thomas:** Yes. Minister and Deputy Minister, can you please provide any examples of where your proposals were amended or changed as a result of their potential

impact on people with the protected characteristics contained within the Equality Act 2010?

[124] **Huw Lewis:** We have protected funding for Coleg Cymraeg Cenedlaethol in 2015-16. There is £8.6 million, if I recall rightly, set aside, and that is within the 'For Our Future' BEL. The establishment of the Coleg Cymraeg Cenedlaethol is the central step forward, really, in terms of addressing the agenda that Gwenda is concerned about. So, despite the cuts that you are seeing, which are very real, in the education budget, we will continue to support the Coleg Cymraeg Cenedlaethol and consolidate its work.

[125] **Julie James:** We have also redirected funding to specialist placements for disabled learners as a result of the impact assessments' original findings. So, we have changed the way that the budget would have worked after seeing what the impact would have been in the first place. So, we are very responsive to that. We have also protected the levels of the voluntary youth service grant, because, as I said, we want to prioritise those with protected characteristics in those groups. So, those budgets have protected and maintained. They are not subject to these cuts, and that is because we are particularly concerned with the impact that some of those cuts might have had on people with protected characteristics.

[126] **Gwenda Thomas:** Minister, you have touched on the Coleg Cymraeg Cenedlaethol and, earlier, you mentioned prioritisation of the Welsh language. I note that. So, was a specific Welsh language impact assessment undertaken in your department as draft budget allocations were decided? If so, can you give a specific example of how any such assessment impacted or influenced allocations?

[127] **Huw Lewis:** Yes. Obviously, the impact assessment of protected characteristics was completed. Chris, would you have more detail, in terms of an example that we could point to?

[128] **Mr Morris:** There were ongoing discussions within the department including the Welsh language division in all stages of the development of the budget proposals and the impact on the Welsh language. The consequences that would flow from that were considered along the way. It is not possible to pinpoint specific things that were not done as a consequence of that process, but those issues were actively considered at all points.

10:30

[129] **Huw Lewis:** Yes. To turn your question around, Gwenda, I would feel confident about any challenge being directed at this budget that attempted to point out that there was some detriment at any point in it as regards the Welsh language. Certainly, in terms of the generality of schools and college funding, there is a level playing field, of course, for learners. Particularly within HE, we have the enhanced work of the Coleg Cymraeg Cenedlaethol, which attempts to do a good job of work in that regard. We will know more about the efficacy of it shortly.

[130] **William Graham:** Thank you very much, Minister. That brings us neatly to an end. I thank the Minister, the Deputy Minister and their officials for their evidence. It has been very helpful to the committee in its consideration. We are grateful for your attendance today. Thank you very much.

10:31

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod**
**Motion under Standing Order 17.42 to Resolve to Exclude the Public from the
Meeting**

[131] **William Graham:** I propose that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(vi).

[132] I hear no disagreement, so we will now move to a private session.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10:31.
The public part of the meeting ended at 10:31.*