

**Section A – Item 3(d)  
Matters for Discussion**

MEMORANDUM TO CHIEF MINISTER AND MEMBERS OF THE POLICY COUNCIL

**FTP: Savings from Higher Education Grant Funding**

**1. Issue**

The Education Department has requested that they be allowed to count the full forecast value of the savings associated with the reduction in the maximum level of grant subsidy available for students attending UK universities.

The Executive Leadership Team have informed the Department that only savings that can be verified/guaranteed within the life of the FTP can be counted and that as a result the forecast savings for 2015, 2016 and 2017 (an additional £435k) is not eligible.

The Executive Leadership Team seeks Policy Council's endorsement of their decision to reject the request for the inclusion of the additional benefits for the following reasons;

- The savings quoted are estimates with actual savings unknown at this time and affected by a number of significant variables including the number of applicants for the subsidy, the demographics of each cohort and any changes to the fees charged by UK universities and institutions;
- The savings are not guaranteed by either by a contract or, as is the case with the college subsidies, a States resolution.

And that;

- the amount "banked" in January 2013 is reviewed as soon as actual savings from the 2013 cohort have been validated
- The savings from the 2014 cohort are "banked" at the point actual savings are validated

**2. Background**

In November 2012 the Education Department announced its decision to reduce the available subsidy for students undertaking Higher Education in the UK by £1000 for those starting in 2013 and by £2000 for those starting in 2014 onwards.

In January this year, the Education Department 'banked' £217k towards its FTP target from the 2013 reduction. Their current portfolio also includes provision for a further £260k of savings to be signed off in January 2014, from the savings that accrue from the next cohort.

Also in January this year the Education Department raised a question as to whether the savings that will be generated as the remaining cohorts enter the system in 2015, 2016 & 2017 could also be counted towards its FTP target, citing the treatment of the savings from college subsidies project as a precedent.

For savings to be counted towards the FTP target, as a minimum they must meet the following criteria;

- They must be from a reduction in revenue expenditure;
- They must be proven to be annually recurring, or guaranteed through a contract or States decision
- They must be sustainable for a reasonable period of time.

Based on the information provided by the department, the ELT does not believe that the criteria 2 & 3 can be met for the saving that accrue in 2015, 2016 and 2017 for the reasons highlighted in the Recommendations, and that these later savings cannot be counted towards the Departments FTP target, in advance of their delivery.

The college subsidy project, cited as the precedent for this, was eligible on the basis that specific savings values were identified and proposed for each of the remaining years and are now guaranteed by the associated States resolution.

Furthermore, ELT believes that the 2013 savings have in fact been prematurely signed off, as actual figure are not yet known. As a result actual level of savings will need to be validated by the department once the application process has completed and an appropriate adjustment (up or down) made to the departments FTP total for the year.

### 3. Decisions

Policy Council is asked to;

1) Endorse the Executive Leadership Team's decision to:

- a. reject Education Department request that they be allowed to count the full forecast value of the savings associated with the reduction in the maximum level of grant subsidy available for students attending UK universities.

And that;

- b. the amount "banked" in January 2013 is reviewed as soon as actual savings from the 2013 cohort have been validated
- c. The savings from the 2014 cohort are "banked" at the point actual savings are validated

Bethan Haines  
States Treasurer

April 2013