

Senedd Cymru / Welsh Parliament
Y Pwyllgor Cyllid / Finance Committee Cyllideb Ddrafft Llywodraeth Cymru
2023-24 / Welsh Government Draft Budget 2023-24
WGDB_23-24 09
Colegau Cymru / Colleges Wales

Colegau Cymru Senedd Finance Committee Welsh Government Draft Budget 2023 – 2024

18 November 2022



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Introduction

ColegauCymru is a post-compulsory education charity; we promote the public benefit of post-compulsory education and learning. We also convene the further education (FE) Principals' Forum, which represents Further Education colleges and FE institutions (FEIs) in Wales. ColegauCymru also undertakes research, policy development and provides practical support to FE colleges in Wales, including on work-based learning (WBL) which is a key part of FE college activity.

As we move through these uncertain economic times, the breadth of financial challenges ahead should be recognised. Colleges are facing a number of different challenges to their overall operating budgets, which include rising energy costs, the tapering out of EU funding, uncertainty over Shared Prosperity Fund allocations, changes to Additional Learning Needs budgeting etc. It is essential that the 2023-24 Welsh Government budget for Further Education is sufficient and flexible to deal with the challenges ahead. While increases over recent years have been very welcome, the impact of inflation should be taken into account. The current economic circumstances facing colleges is unprecedented. It is critical that the FE sector has sufficient funding to be able to navigate the recession, and the course to economic recovery.

1. What, in your opinion, has been the impact of the Welsh Government's 2022-23 Budget, including funding related to the recovery of the pandemic? Have Welsh Government business support policies been effective as the economic outlook for 2023-24 continues to worsen?

- 1.1.** The primary impact of Welsh Government funding has been the ability to plan with a degree of consistency. However, this is compromised somewhat by the one year budgeting, often highlighted as a weakness and also due to the complexity of funding streams available to institutions. Some of this still encourages nugatory competition and does not always promote cooperation or put the learner at the heart of planning decisions.

It is important that allocations reflect the demographic needs e.g. the rise in specific cohorts of learners, as well as the operational costs that do not always rise or fall uniformly with learner numbers. While welcome, various additional 'one-off' pots of money, that can involve fairly complicated and time-consuming bidding processes, are not always the most efficient way to deliver effective support and provision. Such funds do not provide certainty and a secure basis for planning.

To provide more certainty in planning and managing budgets, Welsh Government should explore how to deliver a three year funding model as outlined in the 2017 Wales Audit Office report, or what longer-term assurances it can give to the sector. This would allow for better planning provision across the sector.¹

¹ Audit Wales, *A Picture of Higher and Further Education*, October 2021, page 31 paragraph 57. Available [here](#).

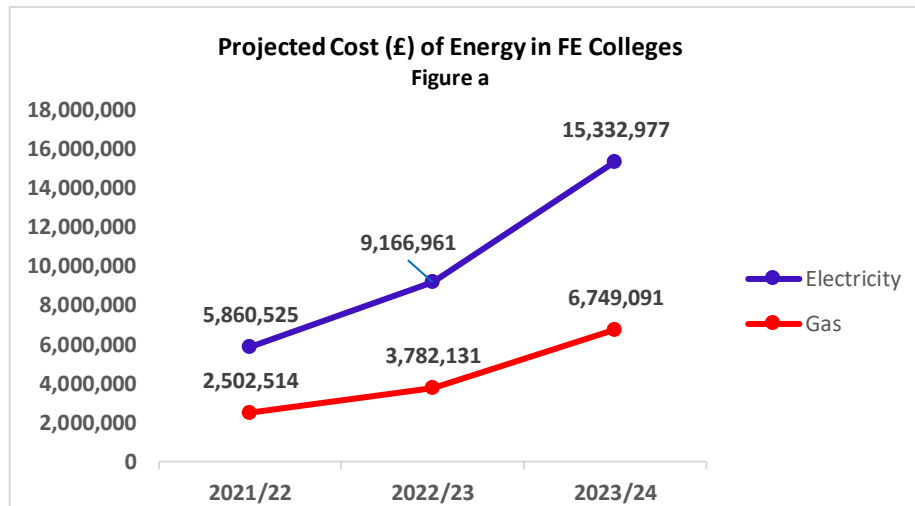
- 1.2. The Welsh Government publishes the FE funding allocations annually and the amounts for 2022/23 can be found on its website. There has been a 1.28% increase in total allocation of funding to FE institutions in 2022/23, from 2021/22.²
- 1.3. We acknowledge the support received by the Welsh Government to help navigate the challenges of the Pandemic, although we are yet to see what the long-term impact on education and attainment has been. The effect of the pandemic seems to have been most negative for those in the vocational sector, especially at lower qualification levels, and for learners who are already vulnerable due to deprivation, circumstances at home, or learning disabilities.
- 1.4. Further to this, we still do not yet know the true impact that the pandemic has had on those learners who have missed out on extended periods of learning. There are a broad range of complex, often interlinked, factors that contribute to the sustained absence of a single pupil. Some of these pre-date the pandemic, but Covid-19 also introduced new problems. For example, whether it has had a negative effect on literacy and numeracy proficiency, suggestions that maturity levels among young learners have been affected, and issues around increased social anxiety and the impact this will have on long-term attainment. The longer term impact of the pandemic is still being understood, and funding arrangements should take this into account.

2. How should/could the Welsh Government support the economy and business following the pandemic, Brexit and inflationary and other economic pressures?

How financially prepared is your organisation for the 2023-24 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

- 2.1. The FE sector in Wales is responsibly managed and has negotiated the initial shock and ongoing disruption of COVID-19 as well as could be expected. However, there is uncertainty regarding revenue streams in the FE sector, with the loss of EU funds being especially challenging.
- 2.2. The infographic below illustrates the impact that the cost of increasing energy prices will have on FE Institutions as a whole in Wales. Between 2021/22 and 2022/23, the cost of electricity and gas is expected to rise by up to 56.4% and 51% respectively. By 2023/24, as a result of the ongoing uncertainty, it is anticipated that costs will rise again dramatically. By 2024 we expect to see a 164% increase in energy prices.

² Welsh Government further education institutions: allocations 2022 to 2023. Available [here](#).



- 2.3.** Although the trend in funding to FE is positive, this needs to continue in real terms, taking into account the financial challenges that remain as a result of Covid-19 and the pressures of rising inflation. Between 2022-23 to 2023-34, the total Welsh Government budget will be £4bn less in real terms than when it was set. The effect next year will be a loss of £1.5 billion. Therefore a flexible approach to supporting the FE sector from Welsh Government in its future budget is essential.
- 2.4.** Work-based learning providers, including colleges, are concerned about future finance. Currently, providers are facing increased costs associated with delivery (e.g., staff costs, registration costs, energy, and travel costs etc.) with no additional funding support available from the Welsh Government. Providers are needing to absorb these additional costs within their allocated funding – this is clearly unsustainable and is likely to jeopardise the Welsh Government’s commitment to its target of 125,000 apprentices over the term of this Welsh Parliament. Nevertheless the sector welcomes the additional funding provided for apprenticeship provision, and colleges will be working through the detail to ensure maximum benefit in its application.
- 2.5.** Last year, an increase of 7.2% was granted to all post-16 providers except for the work-based learning sector. This is at odds with the aim of parity across all post-16 sectors, which was a founding principle of the post-16 National Planning and Funding System. From the perspective of providers, the same or similar support would appear appropriate during this time. This would provide stability and certainty to employers, learners, and the sector.
- 2.6.** Uncertainty around the continuity of support from replacement EU funding, delivery of the Shared Prosperity Fund, and the lack of clarity about the cost of the Commission for Research and Tertiary Education (CTER)– remains a challenge for colleges to navigate. 17% of all replacement EU funding has been set aside for adult numeracy programmes as part of the Multiply Scheme. We have had constructive discussions with the Department for Levelling Up about the potential for adapting programmes to meet digital and literacy needs – the most important thing here is that the support is able to reach those who need it most.

3. With inflation and costs of living issues continuing to escalate, what action should the Welsh Government take to help households cope with this latest crisis?

- 3.1.** A significant part of increased funding is immediately absorbed by staff pay as the hard work and progress of those delivering for the sector is rewarded.
- 3.2.** In line with the Welsh Government principle of pay parity between teachers in schools and the FE Post-16 sector, there is a need for the budget to reflect both ours and the Welsh Government preferred approach to staff pay settlements in FE on the premise that they are on equal terms with schools.
- 3.3.** Further to this, the inability for apprenticeship providers to meet the rising wage need of the professionally registered workforce, is having a direct impact on staff retention. 690 experienced and professional work-based learning practitioners have left their roles in the last 12 months, most citing cost-of-living pressures, and the need to secure better paid employment. This represents unprecedented staff turnover of 17 per cent for the sector. It is forecasted that the sector will see an increase of £473,701 in the next 12 months, on things such as awarding body fees, learning materials, and energy costs etc.
- 3.4.** Recruitment and retention of high-quality teachers is not only a problem in WBL, but a critical issue across the FE sector. FE colleges are also under pressure as they increasingly struggle to keep a hold of staff who are returning to industry where salaries are higher.
- 3.5.** Funding increases are also often the result of Welsh Government in-year additional pots of funding outside of the core allocation to FE. Again, while these are welcome and enable much positive work, they are not consolidated and so do not allow a firm basis on which to plan activity and delivery.
- 3.6.** The Financial Contingency Fund provides vital support for post-16 learners on full time courses (or part-time for those in care or care leavers). Though we recognise the fund is limited and subject to changes term to term, it is important to ensure that there is enough set aside as part of the new budget for colleges to deliver financial support to those learners who are experiencing difficulties as a result of low income.

4. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

- 4.1.** When making decisions about spending priorities, the stability of green funding is key to ensuring colleges are supported as they prepare to meet current and future Welsh Government demands for green skills development - part of their Net Zero Skills Action Plan.
- 4.2.** Welsh Government has agreed to support a Net Zero Coordinator project within Colegau Cymru to support the FE sector, helping to implement the Net Zero action plan and intended to give long term consideration of what the FE sector can deliver in this area. The project is central to the development of skill requirements necessary to:
 - help create green jobs in renewable energy, net zero emissions and the nature-based sector;

- allow specific sectors such as energy, transport, construction, agriculture, and manufacturing to support the transition to net zero emissions; and
- establish more generic requirements across all sectors that drive a net zero economy.

4.3. It is important that the budget reflects long term plan for skills training in green and sustainable areas, and given a realistic time frame with which to do this. This ties into long-term sustainability, building on the existing good work between the FE sector and Welsh businesses; the providers of skills and business support.

4.4. Future proofing is critical. We recognise the challenges on employers and sectors in meeting the training and reskilling requirements of Net Zero. For this reason it is important to gear the attitude of industry and ensure sufficient funds to raise awareness and re-train workers on green skills.

4.5. To illustrate this, the UK government has set out its intentions to phase out the installation of gas boilers in homes by 2030. Alongside this, the Audit Wales Report on *The Welsh Government’s Warm Homes Programme* also notes Welsh Government’s commitment to net-zero carbon emissions by 2050 with an interim target to reduce carbon emissions by 63% in Wales by 2030. The Future Generations Commissioner recently recommended a ban on new fossil fuel heating for all homes by no later than 2030.³

It is therefore clear that a period of transition, that sees a shift from gas boilers to sustainable heat pumps, will be necessary – and FE colleges will be central to identifying green skills gaps and providing re-training to ensure the Welsh workforce has both the capability and capacity to develop and install greener technologies more widely.

4.6. The quanta for capital development in the Welsh Government’s *Sustainable Communities for Learning Programme* is fixed, and therefore may impact the viability of much needed building developments given the ageing stock of many college campus buildings. Formerly the 21st Century Schools Programme, it remains important that long-term investment for schools and colleges to develop them as hubs for learning and reduce buildings in poor condition.

4.7. The challenges of Covid-19 have of course accelerated the need for adequate digital connectivity, this is particularly true in rural communities where there is a lack of public transport links and high costs of private travel, have the potential to create poverty in access to learning opportunities. The package of funding announced at the start of the year to help colleges and universities reach net zero, and included £46m to help post-16 education and community learning providers reduce their carbon footprint and improve their digital connectivity, will support this. It is essential that this digital infrastructure is able to reach those learners who most need it.

4.8. A significant investment needs to be made to ensure the development of apprenticeship frameworks and pathways, so that young people can take advantage of the future ‘green skills economy’. Currently, not enough frameworks or pathways exist for this to happen. There is an overwhelming lack of (human)

³ Audit Wales, *The Welsh Government’s Warm Homes Programme: Report of the Auditor General for Wales*, November 2021, page 14, paragraph 1.9. Available [here](#).

resource within the Welsh Government's Apprenticeships Unit, and associated stakeholder organisations, that is stifling development.

5. Welsh Government policies to reduce poverty and gender inequality. Is enough support being given to those people living in relative income poverty?

- 5.1.** Further education, in all its forms, offers a demonstrated route out of poverty as it serves as a fantastic source of increased educational opportunity. FEIs provide practical support, are key to upskilling the workforce and are at the hearts of their communities. They are connected to their local places and best placed to understand how to direct support to learners and identify those who have disengaged with education, and understand how to support them to reengage.
- 5.2.** The Apprenticeships, Jobs Growth Wales Plus, and Personal Learning Accounts programmes offer a key part of the solution for addressing poverty and gender inequality and should be enhanced moving forwards.
- 5.3.** International exchange programmes reopened following the easing of restrictions introduced during the Pandemic. These visits provide opportunities to those learners who would not otherwise have been able to access the life changing experiences educational trips such as these have to offer – a key factor in how colleges are addressing inequality.

6. Support for children and young people whose education, development, and mental health and well-being have been affected by the pandemic. Is there enough infrastructure investment targeted at young people?

- 6.1.** There has been, and this needs to be maintained. In the last 12 months, £292,468 has been spent on supporting the mental health and wellbeing of learners undertaking apprenticeships. To support this, there needs to be a concerted and sustained effort to skill and/or up skill the wider education workforce to support the mental health needs of learners.
- 6.2.** It is important to remember that ensuring access to mental health and wellbeing support to learners and staff in FE and wider education, through their preferred language i.e., support through Welsh medium provision.

7. What are the key opportunities for Government investment to support 'building back better' (i.e. supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations Act)

- 7.1.** Until such time as the Commission for Tertiary Education and Research (CTER) is established and operational, the Welsh Government should undertake a 'rapid review' of what currently works well in supporting individual and business growth, and fund sufficiently. There is a real danger that with the

anticipated arrival of CTER, there will be significant inertia within the skills-system – right at the time when it is needed most.

- 7.2. Alongside this, the Welsh Government – working with the Combined Local Authorities – should identify how Shared Prosperity Funding can be best utilised to support funding for the Apprenticeships Programme, which is heavily reliant on ESF funding (circa 14 – 20% each year). Currently, the Welsh Government funds the Apprenticeships Programme in Wales. It is time that a ‘hybrid model’ is created, so that local authorities (utilising SPF funding) can contribute also.

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November 2022