

Senedd Finance Committee: Welsh Government Draft Budget Proposals for 2021-22 Consultation Response

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Introduction

ColegauCymru welcomes the opportunity to respond to the Senedd Finance Committee's scrutiny of the Welsh Government's Draft Budget Proposals for 2021-22.

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.

Summary

ColegauCymru notes the difficulties that Covid-19 has caused for budgets and planning. For the Welsh Government 2021-22 budget proposals, it is essential that the Further Education budget is sufficient and flexible to deal with the challenges ahead. While increases over recent years are very welcome, the impact of inflation should be taken into account.

Likewise, 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, in line with the Welsh Government priority of pay parity with teachers. 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.

FE colleges have used diversified income from activity such as catering and other activities, work-based learning contracts etc. to manage their overall financial position. However, the focus of this submission is predominantly core FE activity.

Although the trend in funding to FE is positive, the upward trend of funding needs to continue in real terms, taking account of inflationary pressures.

We would like to highlight the following key aspects of our submission:

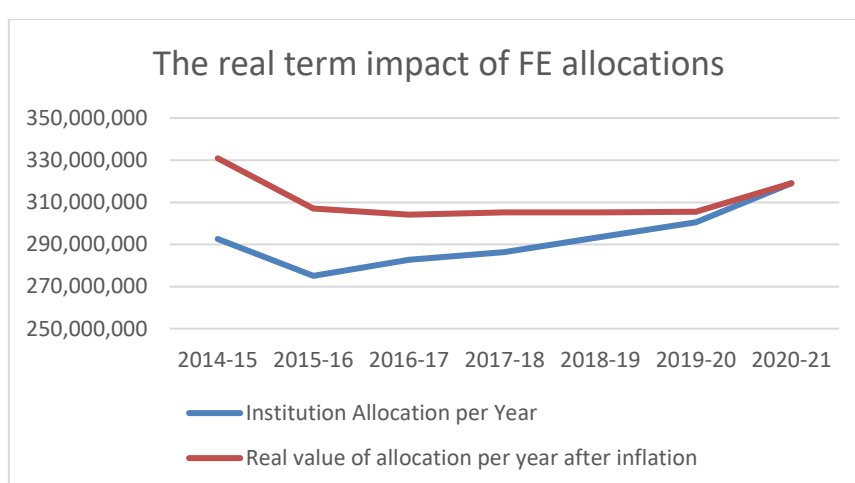
- Consolidation of the 2021 pay award
- Recognition of pay parity for 2021/22 and following years
- Maintain funding for PLAs, equipment and maintenance
- Consideration of ways to combat the 10 year decline in the average rate of funding.

Question 1

What, in your opinion, has been the impact of the Welsh Government's 2020-21 budget including recent funding related to COVID-19?

- 1.1) ColegauCymru understands that as a result of COVID, we are living in unprecedented times and that therefore it is very difficult to budget effectively.
- 1.2) Figure 1.1 shows the change in funding allocations in real terms for FEIs since 2015-16.

Figure 1.1:¹



This infographic shows that despite actual funding allocations increasing since 2015/16, when an inflation measure is introduced, the real term value of yearly allocations is actually decreasing. In real terms, since 2014-15, the FE sector's funding has been decreasing.

This historic underfunding shows that despite recent efforts from Welsh Government to increase FE provision, due to current challenges facing the sector as a result of COVID-19, further support is required, especially if we are to meet the challenges of COVID-19 effectively.

- 1.3) In July 2020, Welsh Government provided an additional £15 million of funding for learners aged between 16-19 beginning A Level or vocational courses at FE colleges. However, there remain concerns over the allocation of this funding. Current restrictions are impacting upon courses, learners, and FEIs in different ways. To expand, the impact of moving to increased digital learning is far greater on practical

¹ Welsh Government, *Further Education Institutions Allocations 2019-20*, <https://gov.wales/further-education-institutions-allocations>, ONS, *Inflation and price indices*, <https://www.ons.gov.uk/economy/inflationandpriceindices>.

courses such as Construction as opposed to ICT courses. The existing allocation methodology uses learner number and programme value to determine FEI funding.²

Learning programme valuations are not due to be revalued for another two years. Therefore, it is important that there is transparency from Welsh Government that this additional funding is being distributed appropriately, and that learning programmes most impacted by the pandemic receive sufficient support.

- 1.4) In July 2020, Welsh Government allocated an additional £3.2 million into providing digital equipment in FE. This is important in helping to address the digital divide and supporting those learners who do not have access to digital devices. FEIs report that while welcome, this funding is insufficient. However, it also needs to be emphasised that digital entitlement extends beyond simply the provision of equipment, and that additional funding is needed to meet learner needs.
- 1.5) In September 2020, Welsh Government provided £469,000 for facemasks.³ There needs to be clarity regarding if this is a one-off payment, or if it will be repeated should their use continue to be required in the future. FEIs also require guidance on whether facemasks and enhanced cleaning need to be taken into account in when preparing their future budgets.
- 1.6) The additional support and flexibility provided to the FE sector by the Welsh Government has been essential in allowing vital work to continue but there have been occasions when the approach to the education sector has been fragmented, even where issues facing schools and colleges, for example, have been very similar.

Question 2

How do you think Welsh Government priorities for 2021-22 should change to respond to COVID-19?

- 2.1) Welsh Government should prioritise ensuring that all learners can continue to achieve their full potential in the face of challenging and uncertain times. This needs to be effectively costed.
- 2.2) The diversity of FEIs should be accounted for in the 2021-22 budget, and provision made for the loss of revenue from colleges' diversified business income which has been used for many years to offset the increasing cost of providing a high-quality service to all learners. Outside of Welsh Government funding allocations, FEIs receive income from on-site training facilities such as college restaurants, hair

² <https://senedd.wales/research%20documents/18-028/18-028-web-english.pdf>

³ Welsh Government, *£2.3 million to provide face coverings for secondary school and further education learners*, <https://gov.wales/funding-for-face-coverings-for-secondary-school-and-further-education-learners>

- 2.8) Flexibility and responsiveness are key to Welsh Government priorities for 2021-22. The FE sector needs to be supported to quickly revise activity to meet emerging challenges.
- 2.9) Welsh Government should provide pay parity and consolidation for FE staff in line with schools. Following recommendations from the *Independent Welsh Pay Review Body: Teachers' Pay & Conditions*, teachers received a differentiated pay uplift of on average 3.1%.⁶ As the FE sector is not included in these discussions, the sector is put in the position of having to react and provide parity without additional support.

Question 3

How financially prepared is your organisation for the 2021-22 financial year, and how can the budget give you more certainty in planning and managing budgets given the ongoing volatility and uncertainty?

- 3.1) The FE sector in Wales is responsibly managed and has negotiated the societal shock of COVID-19 as well as could be expected. However, there is much uncertainty regarding revenue streams in the FE sector, as outlined above.
- 3.2) Although FEIs share common goals, the nature of the institutions is extremely diverse and therefore there are differences among colleges over financial preparation amid COVID-19. FEIs with a greater number of more experienced staff members have a higher salary costs whilst physical and environmental factors influence energy and maintenance costs. Budget allocations to FEIs therefore should move away from the existing rigid allocation methodology and be flexible to support intangible costs.
- 3.3) Welsh Government should provide greater surety to improve sector confidence. Welsh Government should also be proactive in supporting FEIs in new forms of teaching and learning delivery and should provide continuous support and understanding to the challenges being faced by FEIs.
- 3.4) A major income stream for FEIs is from work based learning (WBL) contracts that are awarded following a tender exercise. The requirement for FEIs to follow a tendering process to deliver mainstream provision is often time consuming, costly and delivers unhealthy competition. WBL contracts should be delivered through an assigned funding formula which allows all colleges to deliver programmes effectively for learners and employers and benefit proportionately according to their profile.
- 3.5) To provide more certainty in planning and managing budgets, Welsh Government should deliver a three year funding model as outlined in the 2017 Wales Audit Office

⁶ <https://gov.wales/written-statement-teachers-pay-award-2020>

report.⁷ This would allow for better planning provision across the sector, and would enable FEIs to budget according to circumstances that arise through fore-planning. Additionally, this would provide greater surety and will help improve sector confidence.

- 3.6) There are issues around centrally agreed pay increases to FE sector staff without any clearly identified additional funding to pay for these increases. The principle of pay parity with schools – advocated and supported by the Welsh Government – sets expectations that the FE sector will match rises for school teachers, despite the FE sector not being party to discussions of the Independent Welsh Pay Review Body where decisions about teachers’ pay are made. This results in an additional level of uncertainty in terms of balancing FE budgets.
- 3.7) Within the previous budget allocations which show a real term decrease in funding, much of the actual increase in funding has been *committed* to providing pay increases. In essence this means that FE budgets are being stretched to accommodate pay increases as well as other pressures despite actual funding rates decreasing in real terms.
- 3.8) FE pay increases should not just represent parity, but also consolidate the sector’s position. In line with inflation rates, Welsh Government should allow for a minimum of 3.5% yearly increases in line with teacher rates.
- 3.9) This consolidated position should exclude additional costs caused by Local Government pension schemes. Alongside falling contributions, the scheme has been running at a deficit in recent times. In 2016, this scheme had seen an increase in deficits of £89 million, and this has fallen further since⁸. As such, FEIs are having to make up pension contributions and this is not currently being supported by Welsh Government.
- 3.10) ColegauCymru calls on Welsh Government to make a commitment to maintain parity with the general education sector in the upcoming budget.
- 3.11) The situation with COVID-19 is everchanging and guidance is consistently evolving. Therefore, Welsh Government should set aside a flexible funding pot to deal with potential developments. Should FEIs be placed in a position whereby specific equipment becomes mandatory, for example, there should be funding available immediately to implement these provisions and provide support for monitoring and administering these changes.
- 3.12) The COVID-19 pandemic has contributed to additional costs in teaching, learning and assessment. There are a significant amount of incomplete assessments. Consideration needs to be taken for the additional cost of these programmes.

⁷ Wales Audit Office, *Welsh Government oversight of further-education colleges’ finances and delivery*, (2017), p18, <https://www.audit.wales/system/files/publications/FE-finances-eng-2017.pdf>.

⁸ Wales Audit Office, *Welsh Government oversight of further-education colleges’ finances and delivery*, (2017), https://www.audit.wales/sites/default/files/FE-finances-eng-2017_7.pdf.

- 3.13) When the FE allocation is delivered based on the allocation funding formula, no provision has been made for the cost of incomplete learning as a direct result of COVID-19. Due to the pandemic, there are a high number of incomplete learning programmes. These incomplete programmes should be accounted for in the future budget, and also take into consideration the potential rise in inflation. Latest estimates predict 2020-21 inflation to be 1.97%, however due to the unprecedented circumstances, this could vary significantly.⁹ Therefore, adequate provision above this value should be set.
- 3.14) There are also instances of incomplete WBL programmes. The 2021-2 budget should include a flexible funding pot to account for these unfinished programmes to ensure that they do not impact upon the new academic year's allocated budget.
- 3.15) The issue of digital exclusion is extremely prominent in Wales and there is a need to ensure that no learner is disadvantaged by the current situation. The digital issue is more complicated than just providing digital equipment, extending into providing training to staff and learners as well as an adequate learning environment for learners to study.
- 3.16) Although most learners are able to use technology for recreational use, a survey carried out prior to COVID-19 found that just 43% of the Welsh population had used video conferencing functions.¹⁰ This is indicative of the study based training required by learners. Although the £3.2 million provided in July 2020 was welcomed, ultimately the one-off payment was insufficient. Welsh Government's 2021-22 funding to the FE sector should provide a specific uplift to support and enhance digital training for all staff and learners based on the number of learners studying at FEIs and the cost of training delivery. To help attain this figure, extensive research should be undertaken to understand the extent to which learners in Wales need assistance with *study related* digital programmes.
- 3.17) In July 2020, Welsh Government introduced a £40 million skills and jobs fund.¹¹ £20 million of this has been allocated to incentivise employers to recruit and retrain 5,000 apprentices, increase the capacity of traineeship programmes, and support more graduates to access work experience and placements.¹² Whilst this funding is welcomed, the 2021-22 budget should provide funding to FEIs to offer skill specific courses which would benefit from this funding. Labour market analysis should be undertaken to ensure that FEIs are able to meet skill shortages, and to subsequently work in collaboration with employers to offer training in required skill areas.

⁹ GDP Deflators at Market Prices, and Money GDP, <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-march-2020-budget>.

¹⁰ Welsh Government, *Statistical Bulletin: National Survey for Wales, 2018-19 Internet use and digital skills*, <https://gov.wales/sites/default/files/statistics-and-research/2019-09/internet-use-and-digital-skills-national-survey-wales-april-2018-march-2019-207.pdf>.

¹¹ See <https://businesswales.gov.wales/news-and-blogs/news/funding-support-employment-and-training-wales>

¹² Welsh Government, *Funding to support employment and training in Wales*, (28/07/2020), <https://gov.wales/funding-support-employment-and-training-wales>.

- 3.18) Personal Learning Accounts were originally allocated £12 million in funding which was boosted by a further £3.5 million in August 2020. This additional £3.5M is an amalgamation of previous funding, including the former Strategic Development Fund. (It should be noted that repurposing existing funding is often a feature of funding provided to FE). It is essential to remember, however, that this additional £3.5 million for PLAs was awarded in the current financial year, and therefore ends in March 2021. The 2021-22 budget should ensure that additional funding is secured for the entirety of the academic year and is subsequently refinanced at an appropriate level.
- 3.19) The FE sector has been encouraged in recent years to reduce its reliance on recurrent grants. However, the colleges that have responded to that 'steer' by increasing provision for Higher Education or international students for example are now in many cases facing the greatest pressures as those areas of income have decreased significantly.
- 3.20) There is also excess competition within the post-16 sector from sixth forms and universities, especially where the latter are expanding in terms of Level 4 and 5 qualifications, as well as Level 3, via 'Year 0' courses. In a time of financial hardship, the FE sector advocates for incentivising partnership working to ensure that resources are used as well as possible rather than encouraging unnecessary competition. It may be necessary to consider how penalties for nugatory competition might operate.

Question 4

Given the ongoing uncertainty and rapidly changing funding environment do you think there should be changes to the budget and scrutiny processes to ensure sufficient transparency and Ministerial accountability?

- 4.1) Any changes to budget and scrutiny processes must be proportionate and should not hamper the ability of Welsh Governments (present and future) to respond quickly to changing circumstances. Members of the Senedd should be given sufficient time to ask questions of Ministers on financial and budgetary issues, and major statements or announcements should be made to the Senedd where MSs can ask questions and provide scrutiny.
- 4.2) Learner funding should account for learner demographics, language medium and rurality as well as programme value to attribute a true reflection of funding required for colleges and learners in different circumstances.

- 4.3) Currently, FEIs are governed by their independent governing bodies, and are also recognised as charities. This approach currently works well and has allowed FEIs to receive adequate and effective scrutiny whilst maintaining high performance levels.
- 4.4) FEIs are also scrutinised by Estyn for their performance. The latest Estyn annual report (2018) noted that generally, FEIs were performing well and were identified to be meeting teaching and learning standards, providing health and wellbeing services, providing adequate support and guidance, and supported good leadership and management structures. Additionally, colleges were reported to be performing well with implementing strategic plans and responding to local and regional skills needs.¹³ As a result of this and oversight by governing bodies, FEIs should not be subject to increased bureaucracy. FEIs should have a high degree of autonomy and trust placed upon them to manage the crisis.

Question 5

Does the Fiscal Framework adequately reflect the impact of the public health emergency in Wales compared to other UK countries and do you support increasing the annual and/or overall limits to current Welsh Government borrowing within this Framework.

- 5.1) There should be some flexibility around the existing Fiscal Framework as the ongoing costs and impact of COVID-19 continue to emerge and to be understood. The Welsh Government should have all necessary channels available, including more flexible annual and/or overall limits to Welsh Government borrowing, to respond to the public health emergency and to adequately provide support should local lockdowns for example, continue to be a feature of 2021.
- 5.2) Funding through the Barnett Formula disadvantages Wales. Although public spending levels have consistently sat above the national average, the formula does not take adequate account of the economic and social conditions in Wales.¹⁴ 27.43% of the Welsh population are aged 60+ whereas this figure is 29.95% in England.¹⁵ Additionally in Wales, 9.5% of the population hold no qualifications with 25.6% of

¹³ Estyn, *The Annual Report of Her Majesty's Chief Inspector of Education and Training in Wales 2017-2018*, (2018), https://www.estyn.gov.wales/system/files/2020-07/ESTYN_Annual%2520Report_Accessible_English__2018.pdf108.

¹⁴ Dr Gillian Bristow, *The Barnett Formula and its Consequences for Wales, Final report for the Independent Commission on Funding and Finance for Wales*, <https://llyw.cymru/sites/default/files/publications/2018-09/barnett-formula-and-its-consequences-for-Wales.pdf>.

¹⁵ EMSI Analyst Tool

residents holding a degree or equivalent. These figures in England are 7.9% and 30.2% respectively.¹⁶

- 5.3) The figures above indicate that there is a demographic skills gap in Wales which needs addressing, and the cumulative cost of reskilling and upskilling the population post-COVID is going to be higher than the UK average. Therefore, there should be a revision of top level funding in Wales to address the disadvantages caused and undoubtedly extended as a result of COVID-19 in Wales.

Question 6

The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on any of the areas identified below, particularly in light of the COVID-19 situation and how these should be reflected in the 2021-22 budget?

How resources should be targeted to support economic recovery and what sectors in particular need to be prioritised. - To what extent alleviating climate change should be prioritised in supporting economic recovery.

- 6.1) Further education lies at the heart of economic recovery and has an imperative role in upskilling and reskilling the population. Funding to the sector needs to reflect the greater number of adults who will need to retrain or upskill, as well as vocational and academic learners who need additional support to complete courses or catch up on learning that they have missed. The latter will be an ongoing issue as learners are required to undertake periods of self-isolation in the current academic year. Likewise, FEIs will be impacted by staff needing to self-isolate which will increase costs to cover provision of learning.

Welsh Government policies to reduce poverty and gender inequality.

- 6.2) Women and young people in the workforce have been disproportionately impacted by COVID-19.¹⁷ Support schemes, including those to the FE sector to help with retraining, should not be age or gender blind and should take into account who will benefit from proposals to tackle unemployment, for example.

Approach to preventative spending and how is this represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)

¹⁶ EMSI Analyst Tool

¹⁷ Unpublished presentation on Youth Unemployment in Wales by Learning and Work Institute, August 2020.

- 6.3) Preventative spending should be given enhanced attention. Initiatives to prevent people from becoming unemployed, for example, are preferable to dealing with the impact of long-term unemployment. Mental health has been raised as a public health issue in light of restrictions as a result of COVID-19. FE funding should take account of support for learners' mental and physical wellbeing as part of core funding, rather than simply being additional and sporadic pots of funding which can require time-consuming bids or administration.

Sustainability of public services, innovation and service transformation

How evidence is driving Welsh Government priority setting and budget allocations - How the Welsh Government should use taxation powers and borrowing.

Support for businesses. economic growth and agriculture after EU transition ends.

- 6.4) Businesses need to be encouraged to invest in staff, including staff training and development. Additionally, these businesses should work with FEIs to allow staff to upskill and undertake training. This should be a key aspect of future funding provision.

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)

- 6.5) As Wales and the world more widely transitions to a post COVID-19 economy, all governments need to consider how we do things differently in the future, rather than making small adjustments to previous approaches. The pre COVID-19 economy was not working for much of the population in Wales as shown in wage levels, healthy life expectancy in many places, and a variety of other indicators. The Welsh Government must look to invest in citizens in a holistic way, rather than seeing them as units of economic activity or passive recipients of initiatives that do not take into account place and ambition.

Conclusion

In conclusion, our submission has set out a number of challenges facing the Welsh Government and its Draft Budget Proposals for 2021-22 if the Further Education sector is to be able to play its full part in navigating and supporting the national recovery from Covid-19.

The Committee may wish to explore the suggestion that the 2017 WAO exercise and report into Welsh Government oversight of further-education colleges' finances and delivery should be repeated.

It is vital that the upward trend in funding to FE continues in real terms, taking account of inflationary pressures and the issues of pay and pay parity identified in our submission.

Flexibility and the ability to respond quickly to changing circumstances, allowing colleges to meet the needs of learners, employers and the wider community, is central when making decisions about future finances. While this is always important, the events and experiences of 2020 have brought this into even sharper focus and this should be reflected in the Welsh Government budget for 2021-22.

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