

Jocelyn Davies AM
Chair
Finance Committee
National Assembly for Wales
Cardiff Bay
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21 September 2012

Dear Ms Davies

Re: Welsh Government Budget for 2013-14

Thank you for your invitation to correspond with the committee in relation to the Welsh Government's (WG) budget for 2013-14. ColegauCymru, which is the voice of further education colleges and learners in Wales, is delighted to be able to respond with our view of the priorities that should be relevant to the National Assembly in its consideration of the Budget.

ColegauCymru's overall view is that despite the extremely testing economic outlook we have the opportunity to rebuild our industrial future based on an ever more highly skilled workforce with learning providers working to the needs of industry and employers generally. The National Assembly can help do this by approving a Budget that:

(i) Sustains investment in quality learning outputs

This key goal is something that is rightly reflected in the Minister for Education and Skills Priorities Letter for 2012/13 in which he makes it an imperative for colleges to up-skill their learners to levels 3 and 4. This priority has been supported by allocations to colleges in 2011/12 of a cash increase of 2.5% with a projected cash uplift in 2012/13 of 1%. This shows the Minister's commitment to investment in sectors that deliver the key targets set out in the *Programme for Government* in 2011. Colleges have responded to this investment with an increasing quality profile year on year. Our response to the White Paper on Further and Higher Education points out "Estyn's Chief Inspector has regularly commented positively on the performance of FE colleges in her annual reports. The Department for Education and Skills (DfES) annual Learner Outcomes Reports for 2010/11 showed that 90% of students completed their courses in FE colleges and of these 90% achieved their qualifications – making an overall success rate of 81%. This can be compared with a 40% successful completion in 2000/01. Colleges are not complacent however at this remarkable progress and are continually seeking to raise their game". *Investment in colleges bears a clear return on quality learning.*

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(ii) Invests in skills in the global 'Race to the Top'

Sustaining this public investment in skills in the medium to long term however is crucial. Vocational education delivered by colleges makes a major contribution to meeting the aims of Wales's ambitious skills agenda.

The need to develop a skills base for a renewed emphasis on industrial and construction industry growth is supported by a clear evidence base on projected labour demand in Wales up to 2020. According to the latest estimates from the UK Commission on Employment and Skills' *Working Futures* report: "*Wales is the only nation/region [in the UK] where skilled trades occupations are expected to grow in employment, and not decline*" and employment growth in Wales is projected to be: "*above the UK average...for the primary sector and utilities, construction, and trade, accommodation and transport*".¹ This gives a particular impetus to investment focused on enhancing Wales' crucial vocational skills base.

This impetus is supported by some significant shifts that may be occurring in the wider global economy in the coming period. *The Economist* on 21 April 2012 devoted a special issue to what it has called the coming 'third industrial revolution' for manufacturing and innovation. It reported that: "*the wheel is almost coming full circle*", with some highly skilled manufacturing jobs coming back to western nations from Asia in the coming decade as a result of higher labour and energy costs and the added transportation expenditure in getting products back to Western markets.

Wales needs a skilled workforce to ensure that we can make the most of any such shift, in any 'race to the top' of the value chain in products and services. This will require a strong cadre of skilled and adaptable people with *intermediate and higher level skills*, in line with the Minister's FE Priorities Letter.

Colleges are very well positioned to respond to this intermediate and high level skills agenda as they deliver the range of programmes from entry level basic skills through to degree level provision. As such, colleges are engines of both employability and progression - boosting the productivity of Wales's labour force.

(iii) Invests in powerful economic players who engage directly with employers

Colleges in Wales are pivotal economic players in their own right. The Welsh Government commissioned the Cardiff University² to investigate the economic impact of the *purchasing activity* of FE institutions and their staff and students. Scottish Executive-commissioned research showed the return on investment in *qualifications*. Combining these two indicators (and assuming that FE colleges in Wales are broadly similar to FE colleges in Scotland), they indicate that FE colleges in Wales contribute an estimated £1.4bn to the Welsh economy; a figure close to that generated by HE institutions. This figure will have increased substantially since the date of the study.

¹ Welsh Government synopsis of UKCES *Working Futures 2010-2020* report, December 2011, p.1 & 5.

² Welsh Government (January 2007) *The Impact of Further Education Institutions on the Economy of Wales*.

In addition to the direct economic contributions brought about by an investment in FE, studies have also demonstrated additional benefits to learners. For example, a Canadian study has shown that students benefit from increased earnings and improved lifestyles; taxpayers benefit from an enlarged economy and lower social costs; and society as a whole benefits from increased job and investment opportunities, higher business revenues, greater availability of public funds and an eased tax burden.³ The productivity gains from colleges' upskilling and their direct work with employers add a massive additional benefit to the economy that is more difficult to quantify - but is even more important than the direct economic output of colleges.

Work with between colleges and business is a central priority for the sector even before it was made a central aspect of the Education and Skills Minister's Priorities Letter. ColegauCymru has estimated that colleges engage with over 25,000 businesses every year to work to develop a suite of products designed to meet the needs of private and public sector employers in Wales. This ranges from work on apprenticeships (all all levels), bespoke training programme for staff, work on product innovation and general advice on the future skill needs of their workforce. Colleges are constantly redoubling efforts to ensure that their work with business is nimble, at the cutting edge and suited to individual employer needs. *This is a central goal for all colleges in Wales.*

Further assistance to the committee

In summary, sustained Assembly investment in FE colleges provides the foundation of an industrial recovery in Wales and a skilled and increasingly productive labour force. ColegauCymru would be happy to provide the committee with any further oral or written evidence in relation to the budget or in relation to colleges' wider contribution to the general economic or educational future of Wales. We wish the committee the best in its deliberations on the Budget.

Yours sincerely



Dr John Graystone
Prif Weithredwr / Chief Executive

³ Association of Canadian Community Colleges (2006) *The Economic Contribution of Canada's Community Colleges and Technical Institutes: An Analysis of Investment Effectiveness and Economic Growth*. Quoted in *Building a Better Scotland, Strategic Spending Review Submission 2007*, Association of Scotland's Colleges, 2007.