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Llywodraeth Cymru
Welsh Government

Welsh Government

Consultation – summary of responses

FINANCIAL CONTINGENCY FUND (FCF): REVISION OF ALLOCATION METHODOLOGY

July 2019

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.
This document is also available in Welsh.

Financial Contingency Fund (FCF): revision of allocation methodology

Audience	Further education institutions, the Open University and other organisations working in this sector.
Overview	Summary of responses to the Welsh Government's consultation on the revision of allocation methodology for the Financial Contingency Fund.
Action required	None – for information only.
Further information	Enquiries about this document should be directed to: Higher Education Division Skills, Higher Education and Lifelong Learning Directorate Welsh Government Cathays Park Cardiff CF10 3NQ e-mail: HEDConsultationsMailbox@gov.wales
Additional copies	This document can be accessed from the Welsh Government's website https://gov.wales/consultations
Related documents	Financial Contingency Fund (FCF): Revision of allocation methodology https://gov.wales/sites/default/files/consultations/2019-01/consultation-doc-financial-contingency-fund.pdf

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Introduction

1. The Welsh Government undertook a consultation on a new formula for allocating the annual Financial Contingency Fund (FCF) budget to Further Education Institutions (FEIs). This document summarises the key themes from the responses received to that consultation and provides a Welsh Government response.

Summary

2. The Welsh Ministers were seeking views on a proposed revision of the funding methodology for the Financial Contingency Fund budget to Further Education Institutions in Wales.
3. A consultation ran between 21st January 2019 and 18th March 2019 and thirteen responses were received. The Welsh Government is grateful to those who took the time to submit their views. A range of views were received. Most respondents supported the proposed changes to the allocation as described.
4. The Welsh Government weighed the responses to the consultation and are determined to introduce the revised allocation methodology as proposed in the consultation document.

Responses

5. The consultation received thirteen responses, twelve of which responded to all individual questions and one of which provided an overall comment. The largest number received was from FEIs. A response was also received from a Union and Charity body from within the sector in Wales. A full list of respondents is at Annex A.

Questions and themes

1. We asked the following questions to establish views on the proposed change to the funding methodology for the allocation of the FCF budget to FEIs in Wales.

Question 1.

Do you agree that the methodology for allocating the FCF budget should be open and transparent?

2. All of the respondents agreed that the methodology for allocating the FCF budget should be open and transparent.
3. While agreeing with this point, National Education Union Cymru commented that the consultation did not set out the proposed allocations alongside the current allocations.
4. Cardiff and Vale College queried which academic year's data would be used to calculate the grant award.

Question 2.

Do you agree that the basis of the allocations should be student numbers and a measure of economic disadvantage?

5. Twelve of the respondents agreed that the basis for the allocations should include student numbers and a measure of economic disadvantage.
6. Bridgend College felt the number of students accessing EMA/WGLG was not an accurate measure on which to base the funding methodology. They report that some eligible students are choosing to not apply for EMA/WGLG, while others have experienced barriers to evidencing eligibility.
7. The Neath Port Talbot Group of Colleges suggested that, while student number and economic disadvantage do provide a strong basis for calculating allocations, factors such as the impact of multiple deprivation and rurality would best identify the circumstances of learners.
8. Cardiff and Vale College noted a relatively high percentage of ethnic minority persons in the populations of both Cardiff and Newport. They reported that an overview of deprivation in Cardiff has highlighted that ethnic minorities and those with a work-limiting disability are more vulnerable to long-term unemployment.

Question 3.

How should economic disadvantage be measured?

9. Ten respondents agreed that economic disadvantage should be measured by current data on Education Maintenance Allowance (EMA) and Welsh Government Learning Grant (WGLG) awards, to reflect the characteristics of individual learners at institutions. Two respondents disagreed.
10. Bridgend College believe a postcode measure of economic disadvantage, based on the demographic of the student population enrolled within the institution, would ensure that institutions receive a fairer allocation. They highlight that some colleges are located in areas where the local authority has reduced post-16 transport subsidies. This, along with a reduction in FCF, may result in an inability to provide transport for eligible students, which could adversely impact on application/enrolment numbers and reduce both real-term place funding and FCF funding, under these proposals.

Bridgend also point out that some economic areas experience higher rates of teenage pregnancy, which may cause educational deprivation and present high levels of risk in relation to NEET, financial deprivation and lack of access to educational opportunities.
11. Adult Learning Wales disagreed and proposed that the area-based Welsh Index of Multiple Deprivation (WIMD) is a more appropriate measure of economic deprivation. They suggest that, because part-time students largely will not qualify for EMA and WGLG, this cannot provide an accurate and inclusive indication of the number of low income students at an institution.
12. While the Neath Port Talbot Group of Colleges agreed that EMA and WGLG may best reflect the characteristics of individual learners at an institution, they felt these would not take into account wider determinants of deprivation and their impacts. They suggest the WIMD could also be used.
13. Cardiff and Vale College agreed with the proposed measures, but suggested that factors such as population, unemployment, deprived communities, free school meals and those not achieving their potential, should also be considered.

Question 4.

Are you satisfied with the proposed weighting for each factor?

14. Nine of the twelve respondents agreed that they were satisfied with the proposed weighting for each factor.
15. The Neath Port Talbot Group of Colleges was not satisfied by the formula or weightings proposed and believe that multiple deprivation and rurality should be included.
16. Adult Learning Wales responded that allocating 95% of funding based on full-time learners would have a detrimental impact on their learners. They argue that other sources of income are not always available, especially for students with caring responsibilities.
17. Bridgend College suggest that the proposed methodology would benefit larger institutions, who have a higher overall proportion of students and potentially a higher numbers of students accessing EMA/WGLG.

Question 5.

Are there any other factors that should be taken into account? Please provide justification for any additional factor(s).

18. Five respondents did not suggest any other factors.
19. The issue of rurality and costs relating to transport was raised by five respondents (Pembrokeshire College, Neath Port Talbot Group of Colleges, Colegau Cymru, Bridgend College and National Education Union Cymru). These respondents highlighted the challenges of travel distances and transport infrastructure to institutions, which will mainly affect learners based in rural and sparsely populated areas, but sometimes those in urban areas.
20. The Neath Port Talbot Group of Colleges also suggested an alternative measure of deprivation should be used.
21. Cardiff and Vale College highlighted growth, mobility and income thresholds as factors. They believe that current income thresholds for awarding EMA and WGLG are insignificant to recognise poverty.
22. Bridgend College suggest that students who choose specific courses may face higher course material and travel costs than a student who chooses a course which is more widely provided.
23. Adult Learning Wales proposed that the total number of hours study undertaken by part-time students should be taken into account.

Question 6.

How would you define the additional factor(s)?

24. Pembrokeshire College define the Rurality (Sparsity) Measure as a pressure facing learners who suffer an unavoidable diseconomy of scale due to where they live, in proximity to the nearest alternative Post-16 provider.
25. Colegau Cymru, Coleg y Cymoedd and Pembrokeshire College all suggest that an additional allocation be made available to learners from rural areas, who face unavoidable diseconomies of scale due to where they live in proximity to their nearest FEI, or have additional transport costs associated with work experience placements. National Education Union Cymru noted that rurality is used in other Welsh Government formulas. The Neath Port Talbot Group of Colleges suggest that Section 3 of the “Welsh Index of Multiple Deprivation 2014: A guide to analysing deprivation in rural areas”, does include a definition and that could be a starting point.
26. Cardiff and Vale College define the following factors:
- a) Growth – Based on the growth which the City of Cardiff is currently experiencing;
 - b) Mobility – Ensuring mobility of learners from all regions, who are attracted to the breadth and quality of curriculum;
 - c) Threshold – Welsh Government should define a “threshold” for national use. The “discretionary” fund allows for individualisation at each FEI and could potentially disadvantage learners, particularly in the more affluent counties.
27. Adult Learning Wales suggest the total number of hours study undertaken by a part-time learner at an FEI during the academic year.

Question 7.

How would you measure the additional factor(s)?

28. The Neath Port Talbot Group of Colleges and Pembroke College suggest that Rurality (Sparsity) could be measured based on the latest Welsh Government Further Education Funding Methodology Review. Pembrokeshire noted that currently five Welsh FEI’s are highlighted as falling into this category.
29. The Neath Port Talbot Group of Colleges proposed that Multiple Deprivation could be measured using the relevant WIMD domains for Local Authority Area.
30. Cardiff and Vale College again define the following factors:

- a) Growth – A measure for assessing the growth which the City of Cardiff is currently experiencing;
- b) Mobility – A measure ensuring mobility of learners from all regions, who are attracted to the breadth and quality of curriculum;
- c) Threshold – A “threshold” for national use.

31. Adult Learning Wales proposed that the total number of hours study undertaken could be measured.

Question 8.

Do you have any other comments on the proposed methodology?

32. Four respondents (Coleg Cambria, Merthyr Tydfil College, Neath Port Talbot Group of Colleges and Pembrokeshire College) queried how the proposed methodology formula would be updated in subsequent years. In particular, it was noted that the allocations would need to be recalculated each year to ensure it remains fair and transparent. Coleg Cambria suggested that this could be done on a three year rolling basis, to remove the risk of volatile swings. Coleg Gwent queried if funds would be allocated on the number of learners at an FEI during the previous year.

33. Both Coleg Gwent and Coleg y Cymoedd commented to endorse the proposed phased change in allocation over a three year period, as they say an immediate change to new methodology could be problematic for some FEIs. Cardiff and Vale College consider the three year phased allocation to be inappropriate, due to the delay in allocation of additional funds.

34. Colegau Cymru and Coleg y Cymoedd highlighted concerns with the fact the overall FCF budget has remained static for the past few years.

35. Adult Learning Wales believe the formula will have a negative impact on their learners, particularly those hardest to reach. They felt that the proposal could raise potential Equality issues, as it may affect learners from ethnic minority groups who require part-time learning opportunities due to having childcare and caring commitments and those learners who have complex learning needs and mental/physical disabilities.

36. National Education Union Cymru felt the proposed methodology was generally unclear.

Question 9.

We would like to know your views on the effects that the proposals have on the

Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favourably than English.

37. No respondent identified any potential opportunities or issues with respect to the treatment of the Welsh language, if this policy is implemented.

Question 10.

What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?

38. No respondent identified any specific positive effects on the Welsh language, if this policy is implemented.

39. The Neath Port Talbot Group of Colleges felt that, in respect of the proposed FCF allocation methodology, there could be a negative effect where a college is having a reduction in their FCF allocation, and some eligible students may lose out, or types of support will have to be reduced.

Question 11.

Please also explain how you believe the proposed changes could be formulated or changed so as to have positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language, and no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

40. No respondent identified a specific way that the proposed change could be formulated or changed in a way to have positive effects, or increased positive effects, on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language, and no adverse effects on opportunities for people to use the Welsh language. Cardiff and Vale College suggest there may be an opportunity to address this through core funding, but not the FCF budget.

Question 12.

An opportunity to highlight any additional points.

41. There were six responses to this question.

42. Gower College outlined their feelings that, while FCF is discretionary, it goes nowhere to meeting the full and ever increasing needs of their student cohort. To manage their funding the College generally has to limit some allocations to a percentage of the funding that is being requested.

43. Coleg y Cymoedd made the following comments:

- a) Static FCF budgets and recent budget cuts, along with inflation has meant that FCF has supported reducing numbers of students;
- b) Government lead changes to the curriculum in relation to increased Work Placement opportunities has increased associated costs to learners;
- c) There has been a growth in Mental Health issues experienced across the sector and financial stress is known to play a part in this, as families struggle to make ends meet. The size of the financial budget is one of the key ways that FEIs can help learners overcome some stress factors;
- d) The amount of financial support available to learners, in the form of EMA and WGLG, has remained static. In that period the real value of payments has been significantly eroded as cost have risen. Considerations should be given to the size of the overall FCF allocation, the amount paid for EMA and the amount paid for WGLG.

44. Merthyr Tydfil College outlined that they have experienced a substantial increase in mental health issues within the student portfolio, over recent years, with financial stress playing a key factor. They questioned whether the increasing needs will be met if the FCF budget remains static or reduces. It was also noted that financial support from EMA and WGLG has remained static, resulting in a reduction of the real value, impacting on financial hardship.

45. The Neath Port Talbot Group of Colleges made the following comments:

- a) The FCF allocation of spend on student transport varies from institution to institution and the factors that contribute need to be more fully explored. In this respect the Old Bell Evaluation of the Financial Contingency Fund has already identified the following:
 - i. There is a need to address some of the wider and fundamental differences across local authority policies on the transport provision for 16-18 year olds as these have a significant bearing upon the use of FCF for transport costs across FE;
 - ii. There may be future implications upon FCF resources if Local Authorities implement any cuts to disabled student transport budgets as a result of local government funding pressures.

The Old Bell FCF evaluation goes on to recommend:

- iii. In the long-term the Welsh Government in conjunction with its partners explores alternative means of funding travel provisions for 16-18 year olds where this is currently being paid for via the FCF.
- b) The Group has recently been advised by its transport partner for the South Colleges that it will be raising the cost of the full range of bus pass options by 5% for the new academic year starting in September 2019. In terms of providing ongoing support for home to college transport for those most in need the cost element attributed to transport is already seeing an increase for the new academic year.
- c) Additional Learning Needs Education Tribunal Act – an additional consideration will also be the as yet unknown impact of the ALNET Act. The changes that will result from the new legislation and the implementation of the new Code have the potential to increase transport costs as colleges will be required to provide increased support and access to students with complex additional learning needs and disabilities.

46. Colegau Cymru made the following comments:

- a) The starting point for the budget should be learner need and the funds necessary to support all learners to continue their studies. A social justice approach, of assessing and providing what is necessary, rather than based on historical budget allocations. Investing in (often vulnerable) learners, rather than funding;
- b) Allocations must be in-line with academic year, rather than financial year;
- c) Concerns that the FCF budget received a cut two years ago and has since remained static, while costs have risen;
- d) Curriculum changes, via Learning Area Programme, has introduced more emphasis on work placements, which has resulted in increased travel costs;
- e) There is a risk of a learners with childcare responsibilities withdrawing from education, on the basis on financial hardship, if FCF allocations to FEIs are cut;
- f) An increase in Mental Health problems across the Education sector, with financial stress known to play a part in this;
- g) EMA and WGLG support available to learner has remained static, the real value of those payments has been significantly eroded as cost have risen;
- h) Investing in education, by ensuring that learners at risk of not completing their studies are able to continue, has to be offset against the cost of learners becoming NEET, or at best, working in low-paid jobs;
- i) The FCF should be rethought, with genuine discussion about Welsh Government introducing a statutory obligation on itself to provide a hardship fund.

47. Pembrokeshire College re-iterated that rurality/sparsity and a recalculation each year are the two fundamental issues that they would like addressed.

48. Y Ganolfan Dysgu Cymraeg Genedlaethol /National Centre for Learning Welsh responded commented that, although they receive a relatively small

amount, it is an invaluable resource for their learners. They welcomed the proposal to be excluded from the implementation of the formula until their learners' needs and requirements are better understood, as the arrangement is relatively new. It was noted that the structure and learners are very different from the other institutions. The new methodology would not take into account the cross-section of learners, as few full-time learners exist in the field and EMA/WGLG do not apply.

Welsh Government response

49. The Welsh Government considered and analysed all respondents' comments and views. As a result no significant changes were made to the policy which was set out in the consultation.
50. The additional factors proposed for inclusion in the allocation methodology were discussed during development of the proposed approach, but considered to be applicable to some institutions, but not others. Inclusion of such factors would compromise the fairness and transparency of the methodology. This is reflected in the contrasting responses to the relevant consultation questions.
51. The measure of economic disadvantage was chosen because it is specific to individual learner circumstances, rather than the area in which they live or their institution is situated. An area based measure was considered during development of the proposed approach, but considered more of a proxy than a targeted measure of the economic disadvantage of the learner population.
52. The split in the budget allocated in respect of full-time and part-time learners is based on how institutions have historically spent their budgets. This split will be reviewed annually as part of the formula update, taking account of the latest data collection returns from institutions.
53. The allocations will be re-calculated each year, to ensure they remain fair and transparent. The phase in of this approach over three academic years is intended to help institutions manage the initial impact of changing allocations. With reference to the current 2018/19 static allocation, institutions will see one third of the change arising from the latest calculated allocation in 2019/20, two thirds in 2020/21 and an allocation based entirely on the new methodology in 2021/22.

Annex A

List of Respondents

NEU Cymru
Gower College Swansea
Addysg Oedolion Cymru/Adult Learning Wales
The College Merthyr Tydfil
NPTC Group of Colleges
Colegau Cymru/Colleges Wales
Y Ganolfan Dysgu Cymraeg Genedlaethol /National Centre for Learning Welsh
Coleg Gwent
Coleg Cambria
Cardiff and Vale College
Coleg y Cymoedd
Pembrokeshire College
Bridgend College