



20 March 2023

Dear Peredur

During the Finance Committee meeting on 1 March, on the scrutiny of the Welsh Government's Second Supplementary Budget 2022-23, the Minister for Finance and Local Government agreed for a note to be issued to the Committee on the impact of inflation on the schools and education capital programme.

As noted in my [evidence paper](#) to the Children, Young People and Education Committee on the Welsh Government's Draft Budget 2023-24, and in my evidence session at Committee on 11 January, the impact of inflation is having an impact across my portfolio including the Sustainable Communities for Learning Programme – our programme to improve and develop schools and colleges across Wales. This is not unique to the Programme; it is a universal pressure faced across the public sector.

Local Authorities and Further Education (FE) Institutions have been affected by the soaring cost of energy and inflation across all services. Inflation is impacting upon the cost of new school and FE projects, with the increase in energy costs having a knock-on effect on the manufacture and transportation of materials, equipment and labour. Whilst excellent progress has been maintained under the Sustainable Communities for Learning Programme, the availability of construction materials and labour has seen costs increase by around 15%. Consequently, we have seen some local authority projects slowing down as commercial tender submissions are scrutinised and, in some instance, re-tendered. Under the Programme's co-construct approach, we have been working with Local Authorities and FE Institutions in managing these cost increases, including cost sharing (at agreed project intervention rates – typically 65% Welsh Government / 35% delivery partners) of legitimate contractual cost increases as and when these arise.

These increases in cost will inevitably result in less being delivered for the same budget allocation. However, we remain committed to investing more than £1.5bn in the next phase of Sustainable Communities for Learning Programme and the Education Infrastructure general capital budget allocation for 2022-23 stands at £0.3 billion, which represents an increase of over 30% when compared to the Programme's 2021-22 baseline. This increase in budget, which remains at a similar level for 2023-24 and 2024-25, will help in mitigating the impact of inflation.

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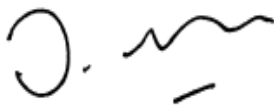
We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I have recently announced an extra £60m to Local Authorities (£50m) and Further Education Institutions (£10m) in 2022-23 to support capital maintenance, prioritising energy efficiency works across schools and colleges in Wales and supporting cost of living pressures through energy reduction and decarbonisation in line with our Net Zero Strategy.

In response to our delivery partner needs for a more agile programme, I have introduced a Rolling Programme for delivery to improve efficiency and delivery for both partners and the Welsh Government. This has strengthened one of the Programme's key attributes of projects progressing at the pace and priority of our delivery partners. Implementation of a more dynamic rolling programme provides our partners and the Welsh Government with the opportunity to be more responsive to positive and negative budgetary pressures through the acceleration and deceleration of pipeline projects according to budget availability.

It is anticipated that some level of programme acceleration will be achieved through the rolling programme, however cost pressures associated with increased energy prices and the general cost of living will naturally have an impact on both the Welsh Government's budget as well as our delivery partners budgets. The co-construct delivery framework will see close collaboration maintained as we work a way through these challenging times. Whilst we have inevitably had to revise the timeline of delivery due inflationary pressures, it does not impact on the scale of our ambitions.

Yours sincerely,

A handwritten signature in black ink, consisting of a large 'J' followed by a series of loops and a horizontal line.

Jeremy Miles AS/MS

Gweinidog y Gymraeg ac Addysg

Minister for Education and Welsh Language