



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Menter a Dysgu
The Enterprise and Learning Committee**

**Dydd Mercher, 12 Mawrth 2008
Wednesday, 12 March 2008**

Cynnwys
Contents

- 4 Cyflwyniad ac Ymddiheuriadau
Introduction and Apologies
- 4 Sgiliau sy'n Gweithio i Gymru: Ymateb Drafft y Pwyllgor i Ymgynghoriad
Llywodraeth Cynulliad Cymru
Skills That Work for Wales: Committee's Draft Response to the Welsh Assembly
Government's Consultation
- 8 Cynnydd o ran gweithredu argymhellion adroddiad y Pwyllgor ar Ariannu Ysgolion,
'Adroddiad ar Drefniadau Ariannu Ysgolion yng Nghymru'
Committee follow-up inquiry—Progress in implementing the recommendations of the
Committee on School Funding's 'Report on School Funding Arrangements in Wales'

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Alun Cairns	Ceidwadwyr Cymreig Welsh Conservatives
Christine Chapman	Llafur Labour
Jeff Cuthbert	Llafur Labour
Gareth Jones	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Huw Lewis	Llafur Labour
Janet Ryder	Plaid Cymru The Party of Wales
Kirsty Williams	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

Elaine Allinson	Pennaeth Cyfarwyddiaeth, Partneriaethau Addysg, Hyfforddiant a Chynhwysiant, Estyn Head of Directorate, Education Partnerships, Training and Inclusion, Estyn
Jeremy Colman	Archwilydd Cyffredinol Cymru Auditor General for Wales
Rob Hay	Pennaeth Cangen Refeniw Cyllid Llywodraeth Leol Head of the Local Government Finance Revenue Branch
Jane Hutt	Aelod Cynulliad, Llafur (Y Gweinidog dros Blant, Addysg, Dysgu Gydol Oes a Sgiliau) Assembly Member, Labour (The Minister for Children, Education, Lifelong Learning and Skills)
Huw Lloyd Jones	Archwilydd, Swyddfa Archwilio Cymru Auditor, Wales Audit Office
Ann Keane	Pennaeth Cyfarwyddiaeth, Darparwyr Addysg, Estyn Head of Directorate, Education Providers, Estyn
Sylvia Lindoe	Pennaeth Is-adran Rheolaeth Ysgolion, Llywodraeth Cynulliad Cymru Head of Schools Management Division, Welsh Assembly Government
Dr Bill Maxwell	Prif Arolygydd Ei Mawrhydi dros Addysg a Hyfforddiant yng Nghymru, Estyn Her Majesty's Chief Inspector of Education and Training in Wales, Estyn
Catherine Roberts	Yr Is-adran Rheolaeth Ysgolion, Llywodraeth Cynulliad Cymru Schools Management Division, Welsh Assembly Government

Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol
Assembly Parliamentary Service officials in attendance

Dan Collier	Dirprwy Glerc Deputy Clerk
-------------	-------------------------------

Dr Kathryn Jenkins

Clerc
Clerk*Dechreuodd y cyfarfod am 9.32 a.m.
The meeting began at 9.32 a.m.***Cyflwyniad ac Ymddiheuriadau
Introduction and Apologies**

[1] **Gareth Jones:** Mae ychydig ar ôl 9.30 a.m. felly mae'n amser i ni ddechrau oherwydd mae gennym gyfarfod eithaf maith y bore yma. Croeso i chi i'r cyfarfod hwn o'r Pwyllgor Menter a Dysgu. Fe'ch atgoffaf fod trefn wahanol ar gyfer heddiw: yr ydym yn cychwyn yn hwyrach oherwydd argaeledd y Gweinidog, ond bydd toriad am 11 a.m.. Dylai pawb ddiffodd unrhyw ffôn symudol neu ddyfais electronig arall. Yr ydym yn ymwybodol o'r sefyllfa ynghylch y meicroffonau ac nid ydym yn disgwyl ymarfer tân, felly os bydd larwm yn seinio bydd yn rhaid i ni ddilyn cyfarwyddiadau'r tywysyddion. Mae'r cyfarfod yn ddwyieithog ac mae clustffonau ar gael i dderbyn y gwasanaeth cyfieithu ar y pryd o'r Gymraeg i'r Saesneg ac i chwyddleisio'r sain.

Gareth Jones: It is a little after 9.30 a.m., so it is time that we start because we have quite a lengthy meeting this morning. Welcome to this meeting of the Enterprise and Learning Committee. I remind you that there is a different schedule for today: we have started later because of the availability of the Minister, but there will be a break at 11 a.m.. Everyone should switch off their mobile phones or any other electronic gadgets. We are aware of the situation concerning the microphones and we are not expecting a fire drill, so if an alarm should sound, we will have to follow the instructions of the ushers. The meeting will be conducted bilingually and headsets are available to receive the simultaneous translation from Welsh into English and to amplify the sound.

[2] Yr wyf wedi derbyn ymddiheuriad gan David Melding. Nid wyf yn credu bod dirprwy ar ei ran. Yr wyf yn deall bod rhai ohonoch o dan bwysau heddiw felly y bydd mynd a dod yn ystod y cyfarfod hwn.

I have received an apology from David Melding. I do not think that there is a substitute for him. I understand that some of you are under pressure today, so there will be some coming and going during this meeting.

9.33 a.m.

**Sgiliau sy'n Gweithio i Gymru: Ymateb Drafft y Pwyllgor i Ymgynghoriad
Llywodraeth Cynulliad Cymru
Skills That Work for Wales: Committee's Draft Response to the Welsh Assembly
Government's Consultation**

[3] **Gareth Jones:** Yr ydym yn ddiolchgar iawn i'r clerwr a'r tîm am lunio'r adroddiad ar ein cyfer. Dyma'n cyfle i drafod ein ymateb drafft i ymgynghoriad y Dirprwy Weinidog dros Sgiliau ar sgiliau a chyflogaeth, sy'n cau ar 10 Ebrill. Mae ychydig o amser ar ôl. Os ydych yn fodlon, bydd yr ymateb hwn—yr adroddiad—yn cael ei osod gerbron y Cynulliad. Pwrpas yr eitem hon y bore yma yw gofyn am eich sylwadau ar yr adroddiad drafft. Yr wyf ar ddeall fod Jeff Cuthbert am wneud sylw.

Gareth Jones: We are very grateful to the clerk and the team for drafting the report on our behalf. This is our opportunity to discuss our draft response to the Deputy Minister for Skills' consultation on skills and employment, which closes on 10 April. There is a little time left. If you are content, this response—the report—will be laid before the Assembly. The purpose of this item this morning is to ask for your comments on the draft report. I understand that Jeff Cuthbert wishes to comment.

[4] **Jeff Cuthbert:** Thank you very much, Chair; I do wish to comment. I have a little difficulty in that I was not present two weeks ago when the issue was discussed with the Deputy Minister. When I read the report, which I received by e-mail on Monday, I grew concerned. I cannot comment too much on the recommendations that the committee made because if those are the recommendations, that is fine—I may have some technical issues with them, but, at a draft stage, that is not much of a problem, although I am surprised that there is no reference in the recommendations to European structural funds and the fact that we would want a co-ordinated and strategic approach, which would impact on the issues to do with the Deputy Minister. It seems that the committee did not address that, so I want that to be looked at in terms of the final response.

[5] However, my main concern is the tone of the report. What caused me alarm straight away was the final sentence of paragraph 2 of the introduction, which states:

[6] ‘Overall, the Committee was disappointed by the lack of detail in the consultation document and perceived the absence of a strong and positive steer from the Deputy Minister.’

[7] That seems to me a very sharp statement, and when I read through the transcript to try to find out where this might have arisen, the only reference that I could see was a point made by Kirsty. I was not there, so I cannot comment on the atmosphere of the meeting, but there seemed to be some banter going on, and John said

[8] ‘I am quite pleased that you want me to be a dictator—’

[9] To which Kirsty replied,

[10] ‘I do not want you to be a dictator; I want you to lead.’

[11] That is the only reference to it that I can find in the transcript. For that to be used to justify such a comment seems to me inappropriate, Chair. We only have 10 minutes on this issue and I do not want to take up more time, but I am concerned about some of the wording of the report. I know that it is a hard job to convey the feeling of a meeting, but there are comments such as that in paragraph 20, which states:

[12] ‘The Deputy Minister made much of the fact that the Government would’.

[13] Paragraph 21 states:

[14] ‘On basic skills, we welcome the Deputy Minister’s admission’.

[15] I do not feel that the report is written in as positive and helpful a manner as it could be. I cannot comment on the recommendations, because I was not at the meeting, but, as I said, I am surprised that there is no reference to the structural funds.

[16] **Christine Chapman:** I have read the report and I am pleased with the recommendations—we had a very long discussion and scrutiny of the Deputy Minister—but, like Jeff, I was disappointed at the tone of the report. We are here to scrutinise the Government on all sides, but I felt that this was very inappropriate in comparison with the style of the reports that we have had in the past. There is a comment in paragraph 2 that ‘the Committee was disappointed’. Some Members may have been disappointed, but other Members were not. We have scrutinised and have looked at the facts, and I am not at all happy with that statement. There may have been one or two comments to that effect, but I would not want to sign up to that. I am more interested in the facts, rather than innuendo or off-hand comments. So, I am not at all happy with the tone of the report—it is totally inappropriate in comparison with the style of the reports that we have had previously.

However, the facts are there, and they are what needs to be there; that is what we are there to judge.

[17] **Kirsty Williams:** I do not underestimate how difficult it is for the secretariat to come up with a form of words that will suit everyone, but I think that the report is a fair reflection of what happened in the meeting with the Deputy Minister. In fact, I would say that this report pulls its punches; there are things that could be said about that strategy that I would like to see in the report that are not there. As I said, I think that the report pulls its punches—there is nothing in it about the comments and the issues around the target of full employment, and there was general consensus that the target was meaningless. There is nothing in the report about the lack of funding attached to the strategy, and the lack of issues that it addresses with regard to capital issues in further education and how the FE sector is supposed to respond to this agenda when the revenue funding and the capital funding that it has is so poor. I hate to think that we will water it down even more. This committee is here to be robust in scrutinising Government policy, and we should be confident in our ability to do that. One of the problems with the Assembly over the last eight years arises because we are such a small institution and we all know each other so well: it is difficult to come up with hard-hitting stuff when we have to sit next to the Minister later on in the day. If anything, this report pulls its punches, and it is not as strong as I would like to see it.

9.40 a.m.

[18] **Gareth Jones:** Please make your contribution brief, Alun.

[19] **Alun Cairns:** It will be very brief. I was not present at the meeting, like Jeff Cuthbert, and it would be audacious of me to seek to make changes to a report when I was not present at the meeting. All that I will say is that the comments in the report tie in closely with the principles of further education that I came across in preparation for that meeting, which, sadly, I could not attend, namely, leadership, funding and guidance. They are all reflected here.

[20] **Gareth Jones:** I will try to pick up on a possible way forward, from the chair. Our concern is that there was discussion of this in the committee, but, somehow, that discussion has been translated into an expression of disappointment in the draft report. I dare say it was there, but I feel that, speaking from the chair again, a more accurate description—if we can agree to it; if not, we will have to go to some kind of a vote—than ‘the Committee was disappointed’ would be ‘the committee discussed the lack of detail and the need for a strong and positive steer’. I think that that is an accurate reflection of what happened. We are not being critical, but at least it will be noted that we discussed that. That is a possible way forward, but if you are not happy with that, then say so.

[21] **Janet Ryder:** The report reflects what was discussed and what came out in the committee, but perhaps we may need to look, as you have just done, at some of the words used, some of which might be a little subjective. As it is a committee report, it will presumably go to Plenary, so there will be an opportunity to discuss this fully in Plenary. However, as it is a committee report, words like ‘admission’ could be changed to ‘statement’, because it was a statement of fact; he did say that.

[22] **Gareth Jones:** It takes nothing away from the discussions that we had.

[23] **Janet Ryder:** No, it does not, because, as I said, the report reflects what was said in the meeting, but we might need to look at one or two of the words.

[24] **Gareth Jones:** I appeal, from the chair, that you consider that carefully, because there will be an opportunity to discuss this in that debate, if you want to proceed.

[25] **Kirsty Williams:** We need then to consider the consequences of a committee report being signed up to unanimously by all committee members, and committee members then feeling it necessary to go into a public debate in Plenary and disagree with the content of that report. That is not a position in which you need to put Members. It will undermine the work of this committee. If you have committee members who have signed up to one thing in this arena, who then go next door and say ‘This is the report that we could get through the committee, but actually I think the Minister was lacking in this and this regard’, that undermines the integrity of the report.

[26] **Gareth Jones:** There is a question of subjectivity here, and we could argue all day about the interpretation. That is my problem. As a committee, we need to reflect accurately what was said and discussed. The draft report comes to the conclusion that there was disappointment in the committee, but we did not take a vote on an expression of disappointment to begin with. We could be forever arguing these different points in terms of subjectivity. The real crux of the matter is in the recommendations, and we stand by those recommendations. They will go on to be debated in Plenary, as will the factors that we reflected upon. If you want to amplify them in the debate, that is democracy, and entirely up to you, but we are asking a lot from the clerk and her staff to take us from the step from noting what was discussed to an expression of disappointment, because we did not vote to say that we were disappointed. So, I feel that we are taking a step too far.

[27] **Alun Cairns:** With respect, there is an opportunity for a scrutiny committee such as this to take a view, because, otherwise, we will be cautious in future scrutiny sessions, as this potentially sets a dangerous precedent. In any scrutiny sessions in the future, if we are disappointed, we will have to be categorical and say, ‘I am very disappointed with that answer, Minister.’ We will then have vote on that in order for it to be reflected.

[28] **Jeff Cuthbert:** This is a draft response, so I thought it was placed before us for comments to be made. I was unavoidably detained two weeks ago, but I have read the transcript of the meeting, so I have based my comments on that transcript and not on what others may have said to me, and the flavour of the transcript was along the lines that you suggest. I am thinking, for example, about that sentence and similar ones. Overall, the committee discussed the level of detail in the consultation document and the need for a clear and positive steer from the Welsh Assembly Government Order. I would be content with that. However, if this were the final draft, I would vote against it, and then we would have a split committee.

[29] **Christine Chapman:** I would like to address one point—whichever party we are in, we take this seriously. The Members who were here during the last meeting will remember that Members on the Labour side scrutinised this. Huw, Lorraine and I were present, and we asked the questions. I do not want people to think that we are not scrutinising. This is a serious report. I agree with Janet; it is a question of language. On that statement that we talked about, namely ‘the committee was disappointed’, many Members may have been, but not everyone was, so it is inaccurate. We need to take this seriously and we also need to take the job of scrutiny seriously. I am interested in the facts here and not the innuendos.

[30] **Gareth Jones:** I have made an appeal, but time is against us and I now have to draw this to a close.

[31] **Kirsty Williams:** Perhaps a way forward would be to say that there was a discussion on timescales and details and that some Members expressed their disappointment.

[32] **Gareth Jones:** That would be reasonably accurate, I should think. Can we agree on that?

[33] **Jeff Cuthbert:** I have no problem with that.

[34] **Gareth Jones:** Okay, thank you. We do not have time to take any further points, so I suggest that we move on to the next item.

9.48 a.m.

**Cynnydd o ran gweithredu argymhellion adroddiad y Pwyllgor ar Ariannu
Ysgolion, ‘Adroddiad ar Drefniadau Ariannu Ysgolion yng Nghymru’
Committee follow-up inquiry—Progress in implementing the recommendations
of the Committee on School Funding’s ‘Report on School Funding
Arrangements in Wales’**

[35] **Gareth Jones:** Yr ydych eisoes wedi derbyn nifer o bapurau, gan gynnwys papurau 2 i 7. Maent oll yn ymwneud â'r gwahanol rannau i'r eitem hon, sydd mewn tair rhan, fel y gwelwch chi yn yr agenda. Yn y rhan gyntaf, croesawn Swyddfa Archwilio Cymru. Mae hynny am 45 munud, cyn inni groesawu cynrychiolwyr Estyn. Bydd egwyl rhwng 11 a.m. a 11.15 a.m., ac yna daw'r Gweinidog atom i drafod ymchwiliad dilynol y pwyllgor i'r cynnydd o ran gweithredu argymhellion y pwyllgor ac ariannu ysgolion.

Gareth Jones: You have already received several papers, including papers 2 to 7. They all relate to the different parts of this item, which is in three parts, as you will see from your agenda. In the first part, we welcome the Wales Audit Office. That will take 45 minutes, before we welcome the Estyn representatives. There will then be a break between 11 a.m. and 11.15 a.m., and the Minister will then join us to discuss the committee's follow-up inquiry on the progress in terms of implementing the committee's recommendations on the school funding report.

[36] Estynnwn groeso cynnes i Jeremy Colman, Archwilydd Cyffredinol Cymru, ac i Huw Lloyd Jones, archwilydd yn Swyddfa Archwilio Cymru ac un o awduron yr adroddiad hwn, sef papur 2. Yr ydym yn hynod o ddiolchgar i chi.

We extend a warm welcome to Jeremy Colman, the Auditor General for Wales, and to Huw Lloyd Jones, an auditor in the Wales Audit Office and one of the authors of this report, namely paper 2. We are extremely grateful to you.

[37] Gofynnaf i Jeremy a fyddai mor garedig i gyflwyno am ryw bum munud, er mwyn i ni gael cyfle i ofyn cwestiynau i chi wedyn.

I ask Jeremy whether he would be so kind as to present the report for around five minutes, so that we then have the opportunity to ask you questions.

[38] **Mr Colman:** Thank you, Chair. I have little to say by way of introduction. Huw is our expert on this subject and I will pass over to him for some brief remarks.

9.50 a.m.

[39] **Mr Lloyd Jones:** I will explain the context of the paper briefly. As you know, we were commissioned by the Assembly Government in 2005 to review school funding arrangements, and we were specifically asked why there was such a difference between the amounts spent per pupil on education by local authorities. We produced that report in 2006 and we have undertaken no specific follow-up work since then.

[40] Therefore, this paper is based on the work that we do with Estyn, inspecting local education authorities, as well as on the joint risk assessment process within the Wales

programme for improvement. Both those processes lead us to consider and to try to compare—and I emphasise ‘try’—local authority education budgets as reported each year. Therefore, our evidence today is based on that range of our work. We do not, therefore, in our paper address any of the issues about the distribution of funding by the Welsh Assembly Government through the revenue support grant and specific grants, and neither do we address issues of capital funding. However, you may be aware that we are currently undertaking a study of capital investment in schools separately from this work, but it is much too early to report on that.

[41] Therefore, our paper is simply about the difficulties of comparing spending on education across local authorities, and the factors that contribute to those difficulties. We acknowledge that local authorities are free to set their education budgets at whatever level they see fit, but we believe that it is in the interest of transparency for schools, and other stakeholders, that those budgets should be capable of being compared fairly. We also believe that comparative information could and should be useful to local authorities when they review their budget priorities.

[42] Local authorities report their planned expenditure on all services to the Assembly Government each year on a form called the revenue account form. The education section within that complex form is quite brief—it consists, essentially, of just 13 budget headings, but these, together, account for all the planned revenue expenditure on education. That RA form, as it stands, replaced a more detailed version in 2004-05, I believe. We found that there remain significant areas of inconsistency in how local authorities complete that RA form. These inconsistencies affect the comparability of the totals, and the net education budget and its relationship to the indicator-based assessment. They also affect the comparability of individual rows within the RA form, and hence they affect the reported planned expenditure on schools and on other education functions.

[43] Part of the problem arises from the simplicity of the form itself. I will give you one example. Line 10.1 is entitled ‘Access to education excluding transport—schools’. In that row, authorities should report, without any itemisation, the sum of the planned expenditure on asset management costs, admissions, planning school places, monitoring and dealing with school attendance issues, the administration of exclusions, and pupil support, such as clothing grants. All those things are reported on the one line without any itemisation. Therefore, even if authorities fill in this row correctly and consistently, the resulting total is of limited value to them for benchmarking purposes, because they would prefer to know individual items.

[44] Leaving aside the issue that several RA lines accommodate budgets for a range of LEA functions, we have identified four main areas that cause difficulties. This is despite the fact that the Welsh Assembly Government has revised, and, we acknowledge, improved its guidance for the completion of RA forms. However, there are some inconsistencies. The first of these is line 3, which is entitled ‘Expenditure to support grants’. Unlike several other lines, the guidance for this line is brief—it just says, ‘Include expenditure to support grants not shown elsewhere; where possible, expenditure should be shown against the most appropriate line’.

[45] What we found, for example, is that, for 2007-08, seven authorities recorded nothing at all against that line, while in the other 15 authorities, the budgets ranged from £175,000, which is a small amount in the context of education budgets, to £4.6 million. Despite the fact that the line is entitled ‘Expenditure to support grants’, all those authorities reporting anything in that line include grant income as well, so we have grant income, apparently, supporting grant expenditure, which is rather strange.

[46] Therefore, line 3 essentially tends to be used as a safety net—as somewhere to record anything that cannot be recorded anywhere else. However, there is also line 6, entitled ‘Other

schools budget', which is another safety net—so, in a sense, we have two safety nets, which suggests that some authorities will use one, some will use another, and some will use one of the lines in which the expenditure occurs. That kind of inconsistency does not affect the total expenditure—it does not affect the bottom line, because the expenditure will be recorded somewhere on the RA form. However, it does affect line-by-line comparison, and obviously the problem could be overcome fairly easily if grant-awarding bodies specified which line of the RA form was to be used for recording the grant.

[47] There are three other areas that I will refer to briefly that caused problems for us with consistency. Before I detail those, it is important to note that your officials in the Assembly Government are not unaware of them—they know about them, and indeed, the information that they provided to you last November drew attention to two of the factors that I will mention, and adjusted the figures accordingly. We believe that the need to make such adjustments contributes to a sense of limited transparency—the figures reported to you as committee members do not match exactly the figures in the RA forms, and therefore the funding fog—to use that famous phrase—is perpetuated to some extent.

[48] The first of these three issues relates to the code of practice on local authority accounting. I should say at this point that I am not an accountant, but nevertheless, that code of practice includes something called financial reporting standard 17, or FRS 17, which is about the way in which pension liabilities are reported. It is worth saying that I have perhaps phrased this point in the paper a bit strongly, because although local authorities are obliged to adopt this convention when reporting their outturn expenditure—in other words, the figures that we audit—they are not obliged to do so in reporting their budget statements; it is up to them. Nevertheless, the situation is that 10 authorities complied with FRS 17 this year, and 13 did so in 2006-07. Interestingly, the effect of FRS 17 is to reduce the apparent net education expenditure, and although the amounts may not be huge—I think that £4.6 million was the amount quoted in Cardiff, for example, as the difference—it is sometimes enough to send the net education budget either above or below the indicator-based assessment; it will go to one side or the other of the 100 per cent mark. Given that the IBA figure was used almost as a target last year, that is undoubtedly a contributory factor as to why some authorities have reverted from using FRS 17 to not using it in 2007-08.

[49] The second area of distortion relates to the inclusion, or otherwise, of elements of capital funding within the revenue budget. Again, that is a legitimate accounting technique, and some authorities will include some buildings money, if you like, in the revenue budget, which would be treated as capital by other authorities. Clearly, therefore, the authorities that do that have a larger net education budget than those authorities that do not. However, because it is not itemised on the RA form, it is impossible to take account of that when one makes comparisons. So, it distorts the reported expenditure.

[50] The third area is the reporting of corporate recharges, which are the internal charges that each council makes on its front-line services for support from departments like corporate finance, human resources, information and communications technology, legal services, and so on. These recharges are included, but again, are not itemised, within line 14 on the RA form. They form one of a large raft of items within line 14. So, we cannot tell from the RA form how much is down to corporate recharges—it is just part of a much larger sum.

10.00 a.m.

[51] However, there is some evidence that recharges have been used again to inflate the net education budget so that it can go a little nearer to, or beyond, that 100 per cent of IBA. Those are the main areas of distortion. I am quite happy to take questions on those areas now, if that would be helpful. I am sorry that that was rather technical.

[52] **Gareth Jones:** Diolch yn fawr. Mae **Gareth Jones:** Thank you. Kirsty Williams
Kirsty Williams am ofyn cwestiwn. wants to ask a question.

[53] **Kirsty Williams:** Thank you for your paper, which, although technical, was understandable and clear. It seems to me, from what you are saying in your paper, that, in a nutshell, you feel that the Government has not achieved as much progress as you would have liked against recommendations 10 and 16 of the previous committee's report.

[54] **Mr Lloyd Jones:** It would certainly be fair to say that there is more work to be done in relation to those recommendations.

[55] **Kirsty Williams:** I notice that you said that the RA form had been altered in 2004 to make it simpler, but that the unintended consequences of that led to the fact that it gives councils, perhaps, greater flexibility and creativity and opportunities to do things differently, which then leads to the situation that we have here. Do you think, therefore, that there is merit in redrafting the RA form in a way that makes it more explicit to councils what is expected of them in each of the lines that they have to fill in?

[56] **Mr Colman:** I will say something here, if I may. I would never wish to be quoted as supporting making forms more complicated; it is a very good aim to go for a simpler form. A certain amount of aggregation is going to occur, and Huw has drawn attention to that. I would suggest that that is inevitable and, provided that everyone knows about it, it is not necessarily a big problem. However, what is a big problem is the inconsistency in the way in which the simplified form is filled in. That is quite straightforward to deal with: you just give a rather more detailed explanation of what goes where. Huw's presentation gave an example of an exceptionally vague instruction and it is not surprising that different councils interpret it differently. We must not be rude about them when they are trying to do their best, but it is quite possible that they will come to different conclusions about what to put in certain lines, and there might also be a perverse incentive to inflate the figure—there is obviously scope for doing that if anyone wanted to do it—but both of those issues could be dealt with by having clearer instructions.

[57] **Kirsty Williams:** Brilliant. Thank you.

[58] **Alun Cairns:** I want to pursue the line of questioning that Kirsty pursued, but I will ask the questions in a different way. Can you tell me a bit about the RA form to begin with? Is it a form that local authorities physically complete or is a more automated process, whereby expenditure incurred in a certain budget line is automatically transferred onto a form on the computer that collates it in a standardised way?

[59] **Mr Lloyd Jones:** The RA form is completed electronically. It prints out on one sheet of A4, quite neatly, for individual local authorities.

[60] **Alun Cairns:** I will interrupt you there, if I may, to clarify what I am asking. When a local authority incurs expenditure for educational purposes, does it start a completely blank RA form, or would expenditure in one area trigger a figure coming across to another column?

[61] **Mr Lloyd Jones:** It is not completely blank. Local authorities fill the form in prior to the beginning of each financial year, stating what their planned expenditure is under each of the categories. It is about planned expenditure not out-turn expenditure.

[62] **Alun Cairns:** That is useful. Is there a way of improving that to make it far more automated, so that there is less opportunity for the judgment of individuals to be used when completing the form? That is how we get inconsistencies and discrepancies across authorities. Secondly, if much of it is down to judgment in terms of whether or not things are included—

you had 13 authorities reporting on a financial reporting standard 17 basis but that fell to 10—could we say that people are making a judgment as to what would put them in a better position in relation to their IBA?

[63] **Mr Lloyd Jones:** In response to your last question, I suspect that there is a certain amount of truth in it. The fact is that, although the IBA has not been used officially as a spending target, questions have nevertheless been asked when authorities have not reached 100 per cent. Finance officials in some local authorities probably have looked for ways of getting the figure closer to 100 per cent, and that is perfectly within the rules. None of what I have described today is dubious practice in any way; they are perfectly legitimate accounting decisions—it is the inconsistency that is at issue.

[64] In response to your first question, local authorities, without fail, keep budget information that is much more detailed than the RA form. They will have separate budget headings, for example, for the educational welfare service and various other functions. In the best-organised authorities, it is often the case that the detailed budgets are kept on a spreadsheet that contains a code that links a line in the local authority's budget to the appropriate line in the RA form, so that transfers occur automatically. Nevertheless, with grants and the like, which vary from year to year, a decision has to be taken about where on the RA form this grant will be shown, and that is not always clear.

[65] **Alun Cairns:** Your response to Kirsty's question was that clearer guidance would clarify matter. However, given that the process is often down to the judgment of individuals to, potentially, push themselves up the RA form—not maliciously, but in accordance with legitimate accounting practice—should we not be looking at a much more automated version, similar to the good practice you noted, whereby the best-organised local authorities use a code that links that one budget expenditure line to the appropriate line in the RA form, so that there is no opportunity for individuals to exercise judgment, irrespective of whether more detailed guidance is available or not?

[66] **Mr Lloyd Jones:** With issues such as FRS17 and corporate recharges, for example, decisions are essentially taken outside the education budget. In a sense, they would not apply—

[67] **Alun Cairns:** That is not the best example, possibly. Where expenditure takes place within a certain area, that could be automated as a part of the RA form, but it should be made absolutely clear in unambiguous guidance how other things, perhaps manually, should be addressed. Does that make sense?

[68] **Mr Lloyd Jones:** The clearer the guidance, the better—certainly with grants. It would take very little work to specify with grants where on the RA form they should go, depending on what they are used for.

[69] **Alun Cairns:** Excellent; thank you.

[70] **Janet Ryder:** In your report, you say that that the interpretations of the guidance for lines 3 and 6 do not affect the total schools budgets. For the sake of clarity, would it be correct to say that none of the issues that you have raised this morning will, at the end of the day, in your opinion, affect the total schools budget? It is a matter of how it is reported, is it?

[71] **Mr Lloyd Jones:** No; it is only that particular item about line 3.

[72] **Janet Ryder:** So, these other issues about recharges not being clear could affect—

[73] **Mr Lloyd Jones:** They would not affect schools budgets as such, because they affect

the line called 'strategic management', which is outside—well, sorry; the strategic management line has, since last year, been split in two: strategic management schools, and strategic management non-schools. So, the strategic management schools portion is now counted as expenditure on schools. So, yes, the answer is that it could affect the—

[74] **Janet Ryder:** If a lay person were to look at this rather sceptically, could it be interpreted that the council is diverting some of the money that should be going to schools into recharges, and justifying it?

[75] **Mr Lloyd Jones:** Every council has to charge recharges, because the finance and legal functions do not have budget headings in themselves. They essentially recoup their costs from the front-line services that have service budgets. It is just a case of how the council divvies up, if you like, those recharges—the costs of its corporate centre—among its services. Were it to suit the council's purposes to increase the charges on education and reduce the charges on social services, let us say for the sake of argument, that would be a perfectly legitimate thing to do.

10.10 a.m.

[76] **Mr Colman:** Perhaps I could illustrate this with an example from a completely different world. It is an historical example, going back 20 years or so. In the NHS, the arrangement used to be that pharmacists were paid a fee for dispensing an NHS script—it was nothing to do with paying for the drugs; it was just a dispensing fee. It was a standard fee for all pharmacies in England and Wales, apart from Boots. Boots was far and away the biggest in those days, and you might have thought that there would be a different figure for Boots because, being so much bigger, there would be economies of scale. However, the fee paid to Boots in those days was bigger than that for everybody else. Why was this? It was because Boots was able to show that its costs were greater. Its costs were greater because it found ways of saying that the corporate overheads were higher and it allocated a certain proportion of corporate overheads for its dispensing business. There is clearly scope for legitimate manipulation, but if there is a number that is of particular interest—and the prescribing fee was of very particular interest to Boots, following directly on from its costs—then there is scope for making the cost figure look higher. In a sense, it is higher, but there is a certain amount of fuzziness about the figure.

[77] Coming back to this case, I assume that the committee is interested in what really happens on the ground in schools, and wants to know whether councils are providing sufficient resources. What this paper says is that the information provided on the form is only a very rough guide to whether the resources being provided are adequate. It is a rough guide because of scope for manipulation. I emphasise, as Huw has done, that I am not saying that there is anything improper, illegal or dishonest about any of this—there is scope for the manipulation of the figures and there is also scope for confusion about what is reported. So, the numbers on the form do not give a clear or consistent representation of the resources going into schools. If you are interested in what is happening in the schools in terms of resources, the form helps quite a lot, but it is not a completely clear picture.

[78] **Janet Ryder:** Again, we need to revisit the form, as has already been mentioned. Will this information be clear to councillors when they are presented with reports by their officers and must take these decisions? Have they been given accurate figures on which to make their decisions?

[79] **Mr Lloyd Jones:** In my experience, the RA form is not something that finds its way to councillors.

[80] **Janet Ryder:** So, councillors could be taking decisions thinking that they are

spending up to their IBA and not being aware, perhaps, of things that are altering, or could have an effect on, the spending behind it?

[81] **Mr Lloyd Jones:** That is a slightly different question. The IBA has become far more prominent in the last two or three years, since it was published by the Welsh Assembly Government. Councillors are taking much more interest now in the IBA figure, but directors of finance, quite legitimately, point out that the IBA was never intended as a spending target. It is, essentially, based on historical information about actual spending and when they find that they need to spend below IBA, they are very defensive of any accusations that they should not.

[82] **Janet Ryder:** I have one final question. It is this committee that has talked about the IBA and, perhaps, put the emphasis on it. Are we right in doing that, or do we need to look at another way of ensuring that the amount of money that should be going through to schools is clear and open and that councils are using it accurately?

[83] **Mr Lloyd Jones:** Within the Wales Audit Office, we certainly made use of IBA, because it was the only way that we could find of trying to judge the degree of priority that local authorities were giving to education in comparison with other services. It is an imperfect tool for doing that, but we were using it in a way that said that, if they were spending well below the IBA, we would, at least, ask the question. If they were spending well above the IBA, we would ask how long they could sustain that in comparison with other services. We would ask whether these spending patterns were consistent with the priorities stated in local authority plans. That is the kind of way that we will use it; to use it as an absolute hard and fast target could cause all sorts of difficulties.

[84] **Mr Colman:** This is one example of a general problem in public services and elsewhere; if a particular number is the focus of sustained attention as a measure of performance, it tends to be distorted over time. The answer is not to give up using numbers, but to avoid undue focus on any particular number. In that way, all the numbers can be taken as an indication of a reasonable grasp of reality. If you focus on a particular number, people will find ways, consciously or subconsciously, of influencing it—quite independently of the reality underlying the number.

[85] **Gareth Jones:** Mae'r amser wedi dod i ben. Fodd bynnag, yr wyf am ganiatáu i Kirsty wneud un sylw, ac wedyn Christine.
Gareth Jones: We have run out of time. However, Kirsty may make one comment and then Christine.

[86] **Kirsty Williams:** The Assembly Government has already revised its guidance as a result of the last recommendations, so I am assuming that it is not a particularly difficult job to do that. How quickly do you think the Assembly Government and its officials could move this one step forward again? Is it very difficult to do?

[87] **Mr Lloyd Jones:** There was a time when the guidance was at odds with the regulations to which it related, but that is no longer the case. I suspect that the guidance cannot be improved much more without going back to the regulations underlying it.

[88] **Kirsty Williams:** So, we need to focus on the regulations rather than the guidance, do we?

[89] **Mr Lloyd Jones:** That would be my opinion, yes.

[90] **Christine Chapman:** You say that more than half of all local authorities are showing inconsistencies. Can you clarify that? Your paper states that,

[91] 'Fewer than half of all local authorities complied with the Code of Practice on Local Authority Accounting in the United Kingdom in completing their RA Forms in 2007/2008'.

[92] We were talking about inconsistencies in Wales, but I am wondering about the inconsistencies across the UK and whether there have been discussions across the UK on this. We quite often compare Wales and England on this.

[93] **Mr Lloyd Jones:** I am not aware of any discussions across the UK, although I am sure that there will have been some. However, I emphasise the point that I made earlier that this section in the paper is probably a bit stronger than it should be, because local authorities need only comply for the statement of their accounts at the end of the financial year and not for budgeting purposes, which is what we have been talking about in this meeting. So, it is not as strong as compliance or non-compliance; it is more a case of consistency or inconsistency.

[94] **Gareth Jones:** Of great significance to Members and politicians generally is something to which you referred fairly consistently: comparison and the difficulty of making comparisons. Are we right to insist on the correct parameters, so to speak, of these comparisons? Should we strive to ensure that that is a goal that can be achieved, or does the financing of local authorities make it nigh on impossible to achieve a clear comparison? If it is within our ability, we should strive for clear comparisons, but are we taking on the impossible?

[95] **Mr Colman:** It is not quite impossible. We have identified ways in which the form and the regulations could be changed to improve comparability. However, there will always be scope for judgment, particularly on such matters as pension costs. It is exceptionally difficult to estimate current pension costs, as they depend on future—thus unpredictable—events, and on recharges for central corporate services, as there are lots of legitimate ways of doing that. So, there is a limit to the precision of the comparability that you will ever achieve.

[96] **Gareth Jones:** Diolch i'r ddau ohonoch am eich presenoldeb, ac am y papur defnyddiol. Dymuniadau gorau i'r ddau ohonoch. Diolch. **Gareth Jones:** I thank you both for your attendance and for a useful paper. Best wishes to both of you. Thank you.

10.20 a.m.

[97] Symudwn ymlaen at ail ran yr eitem hon, sef yr ymchwiliad dilynol. Estynnaf groeso cynnes ar ran y pwyllgor i gynrychiolwyr Estyn, sydd eisoes wedi paratoi papur ar ein cyfer, sef papur 3, yr adroddiad blynyddol. Yr ydych eisoes wedi cael copi ohono ac o bapur 4, sef y dystiolaeth ysgrifenedig a baratowyd gan y prif arolygydd am y materion penodol yn ei adroddiad blynyddol sydd o bwys i'n hymchwiliad. Fe'ch atgoffaf mai ymwneud â'r ymchwiliad dilynol i ariannu ysgolion yr ydym heddiw ac nid â materion penodol yn yr adroddiad blynyddol. We will move on to the second part of this item, which is the follow-up inquiry. On behalf of the committee, I warmly welcome the representatives of Estyn, who have already prepared a paper for us, namely paper 3, the annual report. You have already received a copy of that and of paper 4, which is the written evidence that has been prepared by the chief inspector on the specific issues in his annual report that relate to our inquiry. I remind you that we are now looking at the follow-up inquiry into school funding and not at specific issues related to the annual report.

[98] Croesawn gynrychiolwyr Estyn. Croeso cynnes i Dr Bill Maxwell, Prif Arolygydd Ei Mawrhydi dros Addysg a Hyfforddiant yng Nghymru, a chredaf mai We welcome the representatives from Estyn. A warm welcome to Dr Bill Maxwell, Her Majesty's Chief Inspector of Education and Training in Wales, and I think that this is his

dyma'r tro cyntaf iddo ddod gerbron un o bwyllgorau'r Cynulliad. Llongyfarchiadau i chi ar eich apwyntiad, a dymunaf y gorau i chi yn y swydd hon, sy'n amlwg o bwys i ni ac i'n holl sefydliadau addysgol. Croeso cynnes hefyd i Elaine Allinson, sef pennaeth cyfarwyddiaeth, partneriaethau addysg, hyfforddiant a chynhwysiant. Mae'n bleser arbennig i mi gael croesawu Ann Keane, pennaeth cyfarwyddiaeth, darparwyr addysg—yr ydym yn mynd yn ôl sawl blwyddyn, bellach. Diolch yn fawr am ddod atom ni. Gofynnaf i chi—ac yr wyf yn siŵr mai Dr Maxwell fydd yn gwneud y cyflwyniad—gadw'r cyflwyniad yn eithaf cryno, os gwelwch yn dda, sef rhyw bum munud o hyd, er mwyn inni gael y cyfle i ofyn cwestiynau i chi.

first appearance before an Assembly committee. I congratulate you on your appointment and I wish you well in this post, which is obviously very important to us and to our educational institutions. A warm welcome also to Elaine Allinson, the head of directorate, education partnerships, training and inclusion. It is a particular pleasure for me to welcome Ann Keane, the head of directorate, education providers—we go back quite a few years. Thank you very much for joining us this morning. I also ask you—and I am sure that Dr Maxwell will probably be giving the presentation—please to keep the presentation relatively brief, so around five minutes, so that we can have an opportunity ask questions of you.

[99] **Dr Maxwell:** Thank you, and bore da. It is a pleasure to attend my first committee meeting in the Assembly. Well, I hope that it will be a pleasure, but we shall see. [*Laughter.*] You have received our papers and will have picked up from the briefing that, at this stage, it is appropriate to give you a brief overview of what we want to emphasise. Then, we will give you all the time, in effect, to interrogate us for more detail about which aspects you want to follow through. Estyn contributed evidence when the original report of the Committee on School Funding was put together a couple of years ago, and we have approached this by giving you an update, two years on from that, and telling you what we currently find, by drawing on our annual report. The paper covers the key themes of school funding, school buildings, school places and key skills, in that kind of order.

[100] I will start by making a few points on school funding. Over the past few years, we have seen a positive impact, particularly where schools have begun to appoint bursars or finance officers. In those cases, we are seeing better, more effective use of the funding available to schools. However, there is a continuing issue that we would highlight in the context of the inefficiency, relatively speaking, which is that of small sixth forms being spread widely across many schools. So, there is an issue there that we would open up for discussion.

[101] On buildings, we are still seeing major refurbishment needs across the school estate. As we put in our annual report, almost half the schools that we inspected last year had significant shortcomings; the rate is in the mid 40 per cent range. Recent research and analysis that we have carried out over the past few years has just confirmed what is perhaps an obvious fact, namely that there is a link between good school buildings and positive learning. There is an impact, and we see better learning in refurbished schools than in non-refurbished schools. It is not the only factor and it does not transform completely the way in which learning happens, but it does help and is a significant benefit. We have a continuing concern about the strategic estate planning at local authority level, and perhaps at national level to an extent, which we may want to discuss in detail. Only about a third of local authorities have a clear, strategic plan for rationalising and improving their school estate, and are implementing it. There are many stages to that. They certainly need to consider school places as one aspect; in a falling-rolls situation, that is clearly an important factor. Within that, we expect authorities to look comprehensively not only at their school estate, but at all council buildings, for a variety of purposes, such as continuing learning, and youth work. In that way, they could think holistically about the school estate, and plan appropriately. It will often involve taking hard decisions, and we know that councils sometimes have political

issues to think about when taking hard decisions.

[102] The skills agenda was also flagged up in our paper. I just want to say a couple of things on this. We still see the majority of pupils developing good core skills, but we think that improvement in key areas such as numeracy and literacy is beginning to plateau. That point was made strongly in my annual report. We are also seeing a widening gender gap, to some extent. We have just released our remit report on the difference in attainment between boys and girls—and girls are doing better, you may not be surprised to learn.

[103] Finally, on post-school education, we are seeing progress in key skills areas in further education and in work-based learning, for example. However, once again, there is still too much variability in those areas. We are looking for further progress, to get consistently high attainment in core skills in the post-school arena, as well as in schools. That is probably enough from me to start off.

[104] **Gareth Jones:** Diolch yn fawr, brif arolygydd, am y grynodedb honno. Trown yn awr at Christine Chapman. **Gareth Jones:** Thank you, chief inspector, for that synopsis. We will now move on to Christine Chapman.

[105] **Christine Chapman:** Thank you, Dr Maxwell, and welcome to the committee. You mentioned school places. We are all conscious that it is an emotive issue in many parts of Wales. Have you any examples of best practice in the strategic management of school reorganisation? Could you say something about that?

[106] Secondly, the full report mentions improvements to pupil referral units, but says that there are still areas in which the curriculum is not as broad as it should be. I am conscious that perhaps these young pupils are the most vulnerable in our communities. Are there any resource issues? Should we be looking at increased resources, because of the particular nature of the work?

[107] You also mentioned the gap between boys' and girls' attainment. Do you feel that enough resources are being allocated to that issue? Girls have always done better than boys. Many years ago, I know that the figures were fiddled with the 11-plus. Do you think that the gap is even wider than it was 50 years ago? Are enough resources going into tackling that?

[108] **Dr Maxwell:** Those are three distinct issues that we should tackle separately. I will hand over to Elaine to comment on the best practice relating to the school estate, and on pupil referral units. However, my perspective on PRUs generally is that they are a form of special needs provision, in a sense. These are children with emotional, behavioural, and social problems that have led to their having difficulty coping with mainstream schooling. So, they should get full support, in my view. They should get a full educational curriculum, a full number of hours, and full engagement in education. That should be our starting point. I am sure that, although there have been improvements in PRUs in a number of ways, there are still major issues with regard to making them as effective as they should be. Elaine can say more about PRUs.

[109] I will pass the question on the gender gap to Anne, who can reprise some of what we have just put out in the report that we issued yesterday. Elaine, do you want to start on the school estate?

10.30 a.m.

[110] **Ms Allinson:** Yes. We have examples of best practice in Wales, but not enough. Many local authorities have incomplete asset management plans and, even when local authorities have asset management plans, there are not always links between the education

plan and the whole local authority asset management plan. The best instances that we see are where the education plans link in with the wider asset management plans of the local authority, so that the amenities and resources in an area are considered for the benefit of learners, citizens and communities in the wider sense of the word. So, in some areas, you have the surplus places in small schools managed by making schools more community focused, and by having a one-stop shop, where you might have health facilities in the same building as the school, as well as youth facilities and broader community facilities. The best practice is where a more holistic view is taken, and where the communication with the community is such that the local authority, while making hard decisions about closing certain parts of schools, is saying that there are also benefits for the community.

[111] To turn to pupil referral units, the chief inspector reported that there were improvements for the young people who are in PRUs, but that there are still significant issues. Assembly guidance says that these young people should have 25 hours of learning, and we know that that still does not happen everywhere; it is not a statutory requirement, it is only guidance, so that is an issue for us. Sometimes, the provision that is on offer does not stretch these young people enough. There is an assumption that these young people are working at a lower level than some of them are capable of, so they are not being stretched enough. There are still the transition issues of these young people being moved back into mainstream education and the planning not being robust enough for a successful transition. So, there are still a number of issues. Nevertheless, we saw an improvement in the standards that those young people were reaching.

[112] **Ms Keane:** You asked whether there are enough resources to address the issues to do with the gender gap. I will briefly take you through our concerns about the gender gap, which is the increasing gap between the attainment levels of boys and girls, going right through school, from key stage 1 to the age of 16 and beyond. It is particularly notable in English and Welsh, and the literacy aspect is the key to it, but, to a lesser extent, it is apparent in mathematics, science and other subjects too. There are many reasons for this, and many studies have been undertaken about literacy.

[113] We are concerned with the support for a particular group of boys in every cohort who seem to fall behind, and if they have fallen behind by the end of key stage 2, when they leave primary school, they find the transition into secondary school difficult to deal with, because literacy is the key to the secondary school curriculum. They also find the experience of learning different in secondary school, because in primary school there is generally an integrated curriculum, with one teacher teaching most of it, while in secondary school, they have a different experience in different subjects, which can be fragmented. If they are behind in reading and writing, it is difficult for them to access that curriculum, and the curriculum in secondary schools has become more academic since the introduction of GCSEs, with their emphasis on coursework. What used to be metalwork, woodwork and cookery, and much more practically oriented, has become design and technology, with more emphasis on reading and written work. That is in subjects that used to be more practically oriented, such as art and design and technology. Even physical education GCSE has a strong theoretical element, which would not have been the case years ago. So the situation is worse now than it was, partly because of the nature of the curriculum, and partly because girls may be more willing to do the coursework that is required and have more diligence for work of this nature.

[114] There are behavioural issues with that same group of boys in the cohort. The challenge for schools is how to adapt the curriculum at key stage 3 to support the literacy needs of boys and to ensure that subject teachers in key stage 3 fully understand the implications for the language register that they use and the differentiated materials that they use, to help boys not just to make progress in the subject, but to improve their literacy, because those skills are essential.

[115] We found during the course of the survey that boys like certain curriculum activities better than others, which has resource implications. For instance, they enjoy interactive work on computers in particular, and they enjoy practical activities. Not all boys do badly at school—I am talking about this particular part of the cohort. They enjoy vocational courses and if you look at the foundation phase and 14-19 learning pathways, you will see that there is increased choice and more emphasis on practical, experiential learning. There are more outdoor activities in the foundation phase and more vocational courses for 14 to 19-year-olds. With the right championing in schools from teachers, these should help.

[116] **Gareth Jones:** Diolch am yr atebion hynny. Mae dilyniant i hynny gan Jeff Cuthbert ac mae cwestiwn ychwanegol ganddo. **Gareth Jones:** Thank you for those answers. There is a follow-up to that from Jeff Cuthbert and he also has an additional question.

[117] **Jeff Cuthbert:** My follow-up question was on the points that Anne made on the gender gap. I take your point that as time goes by and the foundation phase and the 14-19 learning pathways are rolled out, I would trust that we will see a reduction in that gender gap. However, is there any evidence among pupils taking the Welsh baccalaureate—which is a different type of curriculum—that the gender gap is narrowing in terms of boys and girls that take that approach to learning?

[118] **Gareth Jones:** I think that Huw also has a question on that. Do you want to come in now, Huw?

[119] **Huw Lewis:** Yes, thank you, Chair. On the gender gap, it strikes me that we are missing part of the equation if we rely on the changes to provision for 14 to 19-year-olds to partially solve this problem, as you have already told us that the problem sets in before the age of 14—it is a literacy problem prior to the age of 14. To your knowledge, does the Welsh Assembly Government have any strategy at all for dealing with the falling behind of boys? I know that this committee has been concerned about this for many years now, so is there anything coming out of WAG that assists you to assist schools to deal with this problem prior to the age of 14?

[120] **Gareth Jones:** Before you come in, I remind committee members that these are all interesting and important points, but we are concerned about funding. I know that these issues are related—everything is related to funding, obviously—but there will be another opportunity for us to dwell on certain key issues. So, I ask you to try to present that in the light of what we are about—I think that that is all I can say from the chair.

[121] **Ms Keane:** On the Welsh baccalaureate, it has had a huge impact on the number of entries for key skills in communication, ICT, the application of number and the other key skills, particularly for post-16 education, because that is where the pilot started. Since then, the Welsh baccalaureate has been introduced into more pilot schools at key stage 4, and we are producing a report this summer on its impact. The Welsh baccalaureate offers more work-focused and community-focused experience for pupils, and it focuses on the key skills. So, we have evidence that pupils are being more successful in terms of literacy and numeracy because of the opportunities offered by the Welsh baccalaureate, although it is still early days. If you look at the Welsh baccalaureate outcomes over three years, as shown in the annual report, you can trace an increase in the attainment levels across those three years. As the Welsh baccalaureate is assessed by way of the key skills and individual investigation, it tells us that more pupils are succeeding at levels 2 and 3, particularly in the key skills.

10.40 a.m.

[122] On your question about what WAG is doing to help on the key stage 3 skills issues,

the introduction of the national curriculum review, the new subject orders and the skills framework, which will be introduced into schools in September this year, is a step forward. Whether it is enough of a step forward in order to focus the curriculum at key stage 3 more supportively towards developing skills is an issue that I think deserves debate, because of the very reasons that I mentioned earlier with the gender gap and the difficulty that boys have in accessing the current curriculum, especially if they are a bit behind with their reading age and their writing ability. What happens if they cannot access the curriculum is that that a sense of failure breeds a greater sense of failure and that then tends to lead to disruptive behaviour, can lead to school exclusions, and certainly leads to a switching off from a curriculum that does not interest and engage them. I think that the issues about pupil engagement in the curriculum in key stage 3 deserve more attention.

[123] **Dr Maxwell:** I will just add that I think that the point being made there is absolutely right. This goes right back to the foundation phase and, ultimately, we can see the beginnings of our gender gap there, if you go right back that far. To really address this in the long run we need very early intervention and very good assessment through the foundation phase and early years stage, so that it is followed very rapidly by quite intensive support where kids are clearly falling back in terms of literacy and not picking up the skills quickly enough. This needs to be pushed right through the school system.

[124] **Ms Allinson:** I will just add something, if I may—this does link into funding. There is a wide strategy, the basic skills strategy, that does try to fund different projects and approaches to tackling literacy needs right from birth. There are projects such as the book-bag approach, where mothers with almost newly born children are given bags of books to encourage literacy. That is not gender specific, but the funding goes in, so it may be that the gender tracking could be put in as part of that WAG strategy.

[125] **Gareth Jones:** Jeff, I believe that you have further questions.

[126] **Jeff Cuthbert:** I take your point about school funding, Chair, and I will do my best. Under ‘School Places’ in paragraph 20—you referred to it in your introduction, but you might wish to say a bit more about it—there is the very worrying statement that:

[127] ‘Generally, the strategic leadership of school reorganisation across Wales is weak. Only about a third of local authorities in Wales have established and started to implement clear strategic plans’.

[128] After this amount of time, it is disappointing to read that. I do not dispute that it is the truth, but it obviously has severe implications for the spending of public money in a cost-effective way. You might want to comment further on that. You make the point in paragraph 22 that:

[129] ‘Local authorities serving rural areas have been particularly slow in tackling the issue of surplus schools and unfilled places’.

[130] However, I dare say that those same criticisms could be made of a number of more urban local education authorities as well. How can we as an Assembly, as a committee, or the Welsh Assembly Government, do more to drive the cost-effective spending of public money in that area?

[131] On the issue of skills—and I hope that you are not going to stop me, Chair, because I think that it is related and it is certainly in the report—I refer to the issue in paragraph 32, where you talk about the youth justice system. You make the point, which I think is a very good one, that although there are clear benefits in the improvement of basic and key skills—and I am very pleased to see that—the settings do not provide for more able learners through

higher level courses as part of the curriculum. What do you feel would be the best way to tackle that? Should that involve intervention by the further education and higher education sectors? We had a very interesting discussion with the Open University last week, for example, and I can clearly see links there. I know that the Open University is not part of this, but do you have comments about how we may be able, in a practical way, improve the situation?

[132] My final point is about work-based learning. You refer to work-based learning in paragraph 34 of your report and say that 71 per cent of the ones inspected achieved either grade 1 or grade 2. I am pleased to see that improvement, because the work-based learning sector will be a key component of the 14-19 learning pathways. If the Chair permits it, I hope that you could say a little bit more about those completing the key skills, particularly what levels we are talking about here. Is it level 2 or level 3?

[133] **Gareth Jones:** Thank you, Jeff. In fairness to all Members we look forward anxiously to your response to the first question. I know that there are key areas in the Estyn report with which we need to get to grips and on which we need a further meeting, but, in fairness to all Members and to the inspectors who are here, I would strongly advise that where Members have specific interests and want to see progress being made on different items pertaining to the agenda in education in Wales, we note those and correspond with the inspectorate to arrange a further meeting. I would advise that we do that, unless you feel that there is something urgent in those questions that needs to be followed up now, but only in the context of school funding.

[134] **Jeff Cuthbert:** [*Inaudible.*] in the report that is before us. I am referring to specific paragraphs in that.

[135] **Gareth Jones:** I understand that, but time is short today. If we are to end up with a meaningful report pertaining to school funding, we need to make full use of our time today. So, I ask the Estyn representatives to respond to the first question. We may then have another meeting to consider the skills aspect and the points raised by Jeff.

[136] **Dr Maxwell:** I am quite happy to come back; we could either provide further written information or attend further meetings, as you wish.

[137] On the school rationalisation point and the link with rural areas, I will hand over to Elaine to give you more detail on that, but, to some extent, the link to rurality is related to the fact that some of the hardest decisions and dilemmas are often placed in those areas where schools are not so close together and there are hard decisions to be made about how you rationalise. However, I strongly emphasise the point that Elaine made earlier that these kinds of changes are best made not by dribs and drabs, and in small slices here and there, but by way of an overall strategic vision of how you will improve the provision. Certainly, if you are to convince local people that you will come up with a better overall service in their area, despite the fact that certain units may be changing, you need a strong, positive vision of how school and education estates will be improved, without just trying to rely on different bits and pieces here and there.

[138] **Ms Allinson:** To add to what I said earlier, particularly in relation to rural areas, one issue that local authorities need to address is the transport issue, because the reorganisation of school places is inextricably linked to young people being able to access the education environments that they need to access. So, that is down to transport. However, we also need to think of things like the use of technology and sharing personnel and staff. So, there are many issues, particularly in rural areas, which need a greater amount of thinking when looking at communities.

[139] You asked questions on what the Welsh Assembly Government can do to be more cost effective. An issue that we are aware of is that local authorities have to deal with many funding streams. Some come from different parts of the Assembly Government, and they focus on particular aspects. There needs to be a rationalisation of these funding streams because having numerous streams coming in means that local authority offices have to devote time to handling them, and that can then get in the way of handling the impact of the funding coming through. So, that is one thing that could be reviewed. That is not to argue against hypothecated funding in certain aspects, but just to say that we need to look across the piece to see what is being demanded of local authorities in terms of handling the money that they receive.

[140] In terms of how local authorities engage with their schools in relation to the handling of their finance, we have the school budget fora. When we conduct an inspection, we have headteachers' focus groups, and we ask them about communication with authorities. By and large, that is a good route of communication and understanding, and almost consultation, about the impact of funding changes and activities. So, there is something to be built on there—the best use of local authorities' resources in terms of managing surplus places comes about when there is trust between the leadership in the local authority and the leadership in the schools. One arena for building that trust is the school budget fora.

10.50 a.m.

[141] **Kirsty Williams:** There is conflicting evidence about the educational outcomes of small schools. I declare an interest because you do not get any more rural than my constituency, and Powys took quite a hammering about how it is handling its strategic vision. There is conflicting evidence about the educational outcomes for children in small and large schools, and there is growing evidence from the WLGA that the cost savings associated with taking out surplus places and closing small schools are rarely realised in actuality. Therefore, what evidence do you have that closing schools accrues financial savings, when the WLGA is saying that, in its experience, that is not always the case?

[142] On your assessment of local authorities' management of financial systems, I take your point about the school budget fora. What is your role in looking at some of the practices that we discussed earlier with the audit office in relation to how transparent local education authorities are in communicating budget decisions and budget monitoring processes not just to the Welsh Assembly Government, but to schools?

[143] Finally, in paragraphs 5, 6, and 7, you talk about how individual schools are managing their individual budgets, and you say that there is a lack of challenge from governing bodies in the primary sector. Do you have any recommendations on how we could support governing bodies to meet those challenges? You also say that, in the secondary sector, the use of bursars and financial expertise is having a definite effect in making those schools better able to manage their budgets. Is there any merit in employing bursars in the primary sector, maybe on a collective basis, so that there would be one bursar, or one financial expert, responsible for assisting several primary schools? Do you believe that that would better help governors to achieve the challenge that you identify?

[144] **Dr Maxwell:** I will ask Elaine to respond to the planning around small schools and evidence of what happens to the funding issue, and then ask Anne to comment further on governing bodies, bursars, and so on, in schools.

[145] You outline two issues around small school rationalisation. The first is whether there are, theoretically, savings or opportunity costs associated with running small schools. Undoubtedly, there are, in the same way that, in small sixth forms, you inevitably spend more per head on those kids than you do elsewhere, which means that you have less money to

provide other services. Therefore, inevitably, there is an opportunity cost to running a small school.

[146] There is a second-level question, namely, when authorities do that rationalisation, do they then re-channel the funding that they, undoubtedly, have saved somewhere in the system, back into educational purposes? That takes you into the complex area of education funding, which I believe you explored earlier with Jeremy and his colleagues from the Wales Audit Office. Therefore, there are two steps to that. At a broad level, we see a cost attached to small schools—there are benefits in some respects too at certain levels, but there are also costs as to how you use the benefits of rationalisation more effectively. That is another related question.

[147] **Ms Allinson:** When we go out on inspection to local authorities, we do not assess the cost savings, or the finance, in the way that you describe it. We take a representative from the WAO with us on our inspection teams, and they bring a raft of experience and information. What we are particularly interested in is the impact of the educational opportunities delivered by schools for the learners in the area, so we are more concerned with that aspect than the finer points of how much money will be saved. That is why our message is that local authorities should not be looking at saving money through closing schools because of falling rolls, but should be looking to see what assets they have in the local authority and how best to use them for the educational opportunities of all learners. So, it is about looking at things in a different way, which may or may not result in financial savings.

[148] **Kirsty Williams:** So, your concern over councils' inability to tackle strategically surplus places is not about cost savings or the effective use of money. You are saying that your primary goal is educational outcome.

[149] **Ms Allinson:** Our primary goal is about educational outcomes and the best use of available resources. We have a responsibility to report on value for money but not on the actual amounts of money, which is a slightly different focus, but we work very closely with the Wales Audit Office and, as I say, we have a member of the WAO on our inspection teams.

[150] **Kirsty Williams:** I will ignore the Chair and hope that I get away with this: on what do you base the judgment, then, of best value? You must have some kind of baseline assessment, because, for example £7,000 per pupil in a certain primary school in Powys versus £3,000 for a pupil two miles down the road does not represent best value for us.

[151] **Ms Allinson:** There are approaches that we take but we see how much the per-pupil spend in a local authority is and what the outcomes are. There is not an absolute correlation between the two because you have all the different factors of rurality, urban issues, socio-economic deprivation, and linguistic factors and so on. It is not as absolute as, 'It costs this much to educate a pupil', so, we take a broad view around value for money.

[152] **Gareth Jones:** We are approaching the end of the session, but Alun Cairns wants to come in.

[153] **Alun Cairns:** In paragraph 5 of your paper, you state that,

[154] 'Most primary schools make effective use of the resources',

[155] and then, in paragraph 7, you state that,

[156] 'Most secondary schools use available funds and resources well'.

[157] Can I read anything into that? Is there a difference or is it genuinely believed that there is the same level of effectiveness there, or is the bursar officer, at a larger school such as

a secondary school, the driving factor? I am trying to extend and build on what Kirsty said.

[158] In paragraph 17, you talk about a £640 million backlog in repair and maintenance work. The Minister recently published an answer to a written Assembly question saying that the latest estimate is that there is an £880 million backlog in repair and maintenance. However, that has only come out very recently, so it is more than understandable that the figures are different. Can you comment on whether the resources available to primary and secondary schools are sufficient to permit them to ensure good-quality accommodation, and do local authorities and schools manage existing funds effectively in terms of expenditure on buildings and accommodation? I am trying to drill down a little further, bearing in mind the backlog in maintenance and the comments that you made about primary and secondary schools.

[159] **Ms Keane:** There is not a one-size-fits-all answer to the small schools issue. Geography and language play a part in terms of how needs are met, so it is a complex situation.

[160] On whether there is enough funding, if you look back at our annual reports over the past three years, you will see that we report on the fact that roughly between 40 per cent and 50 per cent of primary and secondary schools have shortcomings in their accommodation and facilities. That tells you a lot. Obviously, we do not look at the financial budget headings, but we do look at the quality of the facilities and the provision available to pupils and, in reality, this means that the condition and nature of buildings are unsatisfactory for twenty-first century education: there may be no wheelchair access to some buildings or there may be rooms that are not suitable, are too small and which do not have the right facilities.

11.00 a.m.

[161] School toilets are a real concern to us, particularly in primary schools. We have a report on healthy living that is about to be published and we are going to be saying that, last year, the toilets were criticised in 54 per cent of our inspection reports on primary schools, which is higher than the figure for secondary schools. These are real concerns for learners. They will avoid using them if the conditions are poor, if the hygiene is poor and there is no hot water, paper or soap. A lot of bullying goes on in toilets, so there are also issues of security. We report on these issues in detail in our report and this has been an issue of continuing concern in our annual reports for several years.

[162] **Alun Cairns:** I accept that. The Children's Commissioner for Wales published a report called 'Lifting the Lid on the nation's school toilets' some years ago, which was an excellent report, but, to my mind, its recommendations have not been delivered; that is a secondary issue. I want to tie this back to finance. Bearing in mind the finance that is available and the shortcomings in the accommodation, would it be unfair to say that that is having a direct effect on the learning ability and on the learning and teaching capacity within schools?

[163] **Ms Keane:** I would say that it is having a direct effect on the wellbeing of learners; we report on that. It is a truism that, if learners are content, happy, positive and healthy, they are much more likely to learn effectively. I would say that there is a link.

[164] **Alun Cairns:** Are existing funds managed effectively by local authorities in terms of expenditure for buildings and accommodation, bearing in mind your paragraph 17 and my figure of £880 million?

[165] **Ms Allinson:** Quite simply, the answer is 'no'. What we have said in our report is that local authorities could manage the situation better, whatever the figures, and that the

management of the system is not right at the moment.

[166] **Alun Cairns:** The backlog is increasing, not decreasing.

[167] **Dr Maxwell:** There is an issue here about the Welsh Assembly Government and local authorities working together to address that large backlog. It is not about individual authorities working alone, but in collaboration.

[168] **Gareth Jones:** Diolch yn fawr am sesiwn hynod ddiddorol, a diolch am ein tywys drwy fater cyllido ysgolion ac am ein hatgoffa o'r her a'r angen i Lywodraeth Cynulliad Cymru a llywodraeth leol gydweithio er mwyn gwneud y gorau posibl o'r arian sydd ar gael. Diolch hefyd i Elaine am gyfeirio at y ffaith nad problem addysg yn unig yw ysgolion bach; mae'n broblem hefyd i'r gymuned. Mae rheidrydd arnom ni fel Llywodraeth i edrych ar yr holl beth yn gyffredinol ac yn gyfannol, yn hytrach na meddwl bod angen datrysiad addysgol i broblem addysgol; mae'n llawer ehangach na hynny. Yr wyf yn ddiolchgar ichi am wneud y pwynt hwnnw.

Gareth Jones: Thank you for an extremely interesting session, and thank you for guiding us through the issue of school funding and for reminding us of the challenge and the need for the Welsh Assembly Government and local government to work together to maximise the use of the funding that is available. I also thank Elaine for saying that the issue of small schools is not just an education problem; it is also a problem for communities. We, as a Government, must look at this in general terms and holistically, rather than thinking that an educational problem needs an educational solution; it is far broader than that. I am grateful to you for making that point.

[169] Ymddiheuraf i Aelodau os ydych yn teimlo nad ydych wedi cael cyfle i fynd ar ôl elfennau a phwyntiau hollbwysig sydd y tu allan i'r maes ariannu, ond yr wyf yn addo y cawn gyfle arall i wahodd yr arolygiaeth yma i ni gael trin a thrafod materion eraill sydd o bwys i ni. Diolchaf i chi am eich presenoldeb ac am eich cyfraniadau gwerthfawr.

I apologise to Members if you feel that you have not had an opportunity to pursue other crucial issues that fall outside the area of funding, but I promise that we will have another opportunity to invite the inspectorate here to discuss other important issues. Thank you for your attendance and your contributions this morning.

[170] Cawn egwyl o chwarter awr yn awr.

We will now take a break for a quarter of an hour.

*Gohiriwyd y cyfarfod rhwng 11.03 a.m ac 11.20 a.m.
The meeting adjourned between 11.03 a.m. and 11.20 a.m.*

[171] **Gareth Jones:** Symudwn ymlaen yn awr at ran olaf eitem 3, lle yr ydym yn edrych ar ymchwiliad dilynol y pwyllgor ar ariannu ysgolion. Ar gyfer y sesiwn hon, mae gennym dri phapur: papur y Gweinidog, adroddiad ar yr ymgynghoriad ysgrifenedig a gynhaliwyd gan y Pwyllgor, sef papur 6, a phapur 7, sef tystiolaeth ysgrifenedig gan yr Athro Glen Bramley. Yr ydym yn estyn croeso cynnes i'r Gweinidog ac yn diolch iddi am ei thystiolaeth ysgrifenedig, sydd eisoes wedi'i dosbarthu. Croeso cynnes ichi, Jane Hutt, y Gweinidog dros Blant, Addysg, Dysgu Gydol Oes a Sgiliau. Croesawn hefyd Sylvia Lindoe, pennaeth yr is-adran rheolaeth

Gareth Jones: We will move on now to the final part of item 3, where we look at the committee's follow-up inquiry regarding school funding. For this session, we have three papers: the Minister's paper, the report on the committee's written consultation, which is paper 6, and paper 7, which is written evidence by Professor Glen Bramley. We extend a warm welcome to the Minister, and thank her for her written evidence, which has already been distributed. We warmly welcome you, Jane Hutt, the Minister for Children, Education, Lifelong Learning and Skills. We also welcome Sylvia Lindoe, the head of the schools management division,

ysgolion, Catherine Roberts, hefyd o'r is-adran rheolaeth ysgolion, a hefyd Rob Hay, pennaeth cangen refeniw cyllid llywodraeth leol. Yr ydym yn falch iawn o'ch gweld. Ni fydd cyflwyniad; mae'r wybodaeth wedi dod i law, fel y dywedais eisoes. Trof yn awr at gwestiynau'r Aelodau, gan ddechrau gydag Alun Cairns.

Catherine Roberts, also from the schools management division, and Rob Hay, head of local government finance revenue branch. We are very pleased to see you. There will not be a presentation; the information is to hand, as I have already said. I now turn to Members' questions, starting with Alun Cairns.

[172] **Alun Cairns:** Diolch yn fawr, Gadeirydd. Minister, thank you for the paper, which certainly answers some of my questions. However, my fundamental question relates to the evidence that we received earlier from the auditor general. It suggested that, in relation to the IBA, which we are using as a very broad measure of education spend, some local authorities will manipulate—legitimately, but nonetheless manipulate—their figures in order to adjust the measure on the IBA. Do you recognise that that is the case? If so, what action are you proposing to correct it? Clearly, such inconsistencies are wholly unacceptable and go against the original recommendation for transparency and for clearing the funding fog.

[173] **The Minister for Children, Education, Lifelong Learning and Skills (Jane Hutt):** I was also interested to read the Wales Audit Office report, on which you have just taken evidence. The issue of consistency in terms of financial reporting across local government is crucial. Although I would disagree that there are serious inconsistencies in financial reporting at local authority level, I do believe that we have made improvements and that there have been strides to secure improvements, as I said in my paper, particularly with the section 52 RA returns. I am very happy to consider the recommendations in the Wales Audit Office paper, and what was said in committee today, to see whether there is any room for improvement.

[174] You raised this in relation to IBA, but you are seeking consistent financial reporting. It is the way in which we ensure that we take on board the WAO views and assessment of those two committee recommendations, in particular, that is important. We will continue to publish details of the education IBA and local authority budgets set annually for education. However, I am sure that there will be other issues with regard to whether the IBA is the route to the improvement of the outcomes, which is what we are seeking, to ensure that our funding is delivering better learning outcomes for our children and young people.

[175] **Alun Cairns:** Going back to the question, do you accept, Minister, that some local authorities are manipulating their figures—legitimately, but manipulating nonetheless—in order to adjust their ranking in relation to IBA? A 'yes' or 'no' answer will do.

[176] **Jane Hutt:** I do not think it can be a 'yes' or 'no' answer, Alun. It is clear that what we need to ensure that the education spend that we are allocating through the revenue support grant, and through specific grants, is making a difference and enabling local authorities, through their formulae and arrangements, to deliver improved spend for education. I am most interested in progress and in seeing whether there has been any progress. Yes, we are using the IBA, and we can question and dispute whether IBA is, ultimately, the best as a comparator, because it does not link to the needs assessment outcomes orientation that Bramley is addressing. However, we need to ensure that there is improvement year on year in the education spend. You should be scrutinising not only me, as the Minister, on that, but local authorities. Otherwise, you can get caught up in using the IBA in too rigid a way when assessing whether local authorities are making education a priority in their budget setting.

[177] **Alun Cairns:** May I come back on that?

[178] **Gareth Jones:** No, I think that the Minister has responded to that, Alun. We need to

be careful. There was a measured use of the word ‘manipulation’—

[179] **Alun Cairns:** I said ‘legitimate’—

[180] **Gareth Jones:** Indeed. You qualified it the first time. We need to be careful, because we are not calling local authorities to give evidence for the purpose of this report. The Minister has said that there is room for improvement and that she will be looking at that. We need to move on, but I will allow Kirsty to come in if it is a follow-up to that point. However, please bear in mind what I have just said.

[181] **Kirsty Williams:** Minister, you said that what you are interested in is monitoring year-on-year progress. The point that Alun and I are probably trying to get at is that it is very difficult for you and your officials to do that, because the mechanisms for reporting back to you allow local authorities to account differently every year. That does not give you, us, teachers, parents or schools the ability to compare year on year. Therefore, given your interest in monitoring progress and the comments made this morning that we have not made progress on recommendations 10 and 16, is it your intention to inform and redraft the LEA Budget, Schools Budget and Individual Schools Budget (Wales) Regulations 2003, as recommended by the Wales Audit Office this morning? Is it your intention to redraft the RA form to make it easier for you and schools to achieve consistent year-on-year reporting?

[182] **Jane Hutt:** I want to take on board what the Wales Audit Office said, not only in its paper, but in the meeting today, because, as you say Kirsty, the witnesses probably went further than the paper by saying that we should look at regulations. I have been talking about guidance. We have improved the guidance, as you know. The guidance for the 2008-09 RA forms has already been issued. However, we can take on board the points made by the WAO about the guidance for the 2009-10 forms. With regard to whether that delivers to your satisfaction, Kirsty, in achieving consistency to ensure that there is comparable practice, I am prepared to consider regulations.

[183] However, we need to go back to what we are looking for. We are looking for progress and outcomes. Part of the route to that is consistent financial reporting. Indeed, I remain committed to consistent financial reporting in Wales, but we need to be clear about what this is. This is about the way in which schools record their spend and about enabling them to benchmark their spending on particular activities against spend by similar schools. We did a benchmarking project as a tool for post-16 learning provision, and officials are now looking at the feasibility of extending the project to the pre-16 sector. That could be helpful for benchmarking across all schools in Wales. We are also considering an option to adapt the national pupil database to include consistent financial reporting data as well as individual pupil attainment data for the pre-16 sector. These are issues that I have discussed with teachers’ unions.

[184] It is important that we look to improving consistency and enabling schools to benchmark, but surely the whole point of the Committee on School Funding’s recommendations was to achieve improvement, not only in terms of spend and priority in local authorities for education and schools, but to ensure that we are getting a focus on outcome, too. I am sure that others would want to raise the fact that Professor Bramley’s report is taking us in that direction, and we must also consider the whole quantum, including spend, and not just the mechanisms to deliver consistency.

11.30 a.m.

[185] **Gareth Jones:** We must accept now that we are striving towards this comparability, as referred to by the Wales Audit Office, and WAG is certainly taking that on board. I welcome your response to that. We will move on to a question from Huw Lewis.

[186] **Huw Lewis:** My question is on Bramley, if that is all right, Chair. The Bramley report is complex, Jane, but that is no excuse for ignoring it, as the Welsh Local Government Association seems to think. It has a stark and simple conclusion:

[187] ‘The most important drivers of attainment are SEN and poverty’.

[188] Bramley then moves on to advocate a needs-based funding structure to take account of those two central issues of special educational needs and poverty. First of all, does WAG accept that central conclusion from Bramley? If so, how does WAG intend to move forward to a needs-based approach to school funding? We are all overfamiliar now with the complexity of what happens when funding reaches the child, after it has been filtered through the 22 local authorities, so how do we address the core message of Bramley?

[189] **Jane Hutt:** I alluded to Bramley in my answer to previous questions, because an important recommendation of the Committee on School Funding was that we looked at the issue of the formula and outcomes. I think that we discussed this at the meeting on 21 November, but, as far as I am concerned, this should be the way forward in delivering those important outcomes in relation to attainment. The key points that came out of his conclusion were that the most important drivers of attainment are SEN status—namely whether children are statemented or not—and poverty, including deprivation-related social need factors, such as lack of parental qualifications. You will know that, as you have scrutinised the findings carefully. Attainment at the primary stage has a direct bearing on attainment at secondary level. These are powerful conclusions that I clearly recognise and acknowledge. This would move us towards an outcome-oriented methodology, away from the historic cost patterns that we have had for education funding. I also recognise that how we reach that, and how we unpick, understand and take forward Professor Bramley’s report will take some time and effort, but we clearly have to do that with our partners in local government.

[190] The distribution sub-group, in partnership with my officials and education finance practitioners, is committed to taking this forward. A special workshop has been convened for May to frame a way forward. In Professor Bramley’s paper in response to questions from the committee, he talks about the need to build a consensus. I remember being here before, when I was Minister for Health and Social Services, in relation to the Townsend report and what to do about formula changes. However, I recognise that Professor Bramley is saying that any changes should be implemented gradually.

[191] This brings out a contradiction in the Committee on School Funding’s report. Are we going to move in this direction? Are we going to enable and support the distribution sub-group in this work? Will we be able to build a consensus on the way forward on school funding, with an outcome orientation? Will we also recognise what that means for some of the other recommendations, such as consistency and transparency, which have to be addressed? The whole point of consistency and transparency is to be able to understand school funding, but is this taking us down a different path for school funding?

[192] **Gareth Jones:** We are talking about a radical change in school funding.

[193] **Jane Hutt:** Yes, we are, which is why I appreciate Professor Bramley’s points. I have to say that this paper went to my colleague, the Minister for Social Justice and Local Government, and Rob Hay from his department is here today. We recognise that this will not be easy to grapple with, but it is helpful to have this committee’s views on whether we should encourage this work to proceed.

[194] **Huw Lewis:** I recognise what you are saying; consensus is a comforting thing and it would be lovely to have consensus across the board on school funding, but I suggest that we

will probably never get full consensus. In the meanwhile, cohorts of children are leaving school with diminished life chances because we have not fixed this. So, given that you have told us that this should be the way forward—and I think that that was the form of words that you used—I take it from that that you accept that Professor Bramley is correct that SEN and poverty are the key drivers of educational underattainment. If we accept that fact and that this should be the way forward, when do we start?

[195] Professor Bramley also says, sensibly, that this is quite an upheaval for the pattern of spend, as Gareth mentioned, so we need to introduce this gradually as a drip feed over the years. We should not cut funding for schools in better-off areas, as they should be permitted to remain on an upward trend. However, the upward trend for pupils who are in the category of schools with large numbers of SEN and large levels of poverty should rise faster. Everyone accepts that, so you have to make a start. Given that we are also now moving to three-year funding programmes, unless we lock this into the first three-year tranche, we are, effectively, locking it out for three years, which the Welsh Local Government Association has stated it would like. So, the Bramley report sits on a shelf for three years, and another three cohorts of kids slip through our fingers without the benefit of a fair needs-based funding of their education. When do we begin? We have to start, do we not, so when?

[196] **Gareth Jones:** Just before you answer that, Minister, Alun has a similar point to make.

[197] **Alun Cairns:** It is the same point. With the greatest of respect, I did not hear the Minister in the same way as Huw Lewis, because I did not quite understand whether she had bought into the Bramley report. I have serious reservations about Bramley's report, so I think that a consensus around this table would be difficult to achieve. As the Minister well knows, the education spend of some local authorities, even within her constituency, is pretty low, and, according to Bramley, it would go even lower, which would be wholly unacceptable. So, I want a direct answer from the Minister. Does she accept Bramley's findings, and will she deliver on them—yes, or no?

[198] **Jane Hutt:** I will respond to Huw's point and say that Bramley's report will certainly not be placed on a shelf. I have already said that his findings will be taken forward by the distribution sub-group in partnership with my officials and education finance practitioners. A special workshop has been convened for May to frame a way forward. So, I am sure that your committee will want to hear how that is progressing.

[199] **Gareth Jones:** To be clear, we have something radical here, in the Bramley report. It will have a vast impact, and we all agree with driving that agenda. However, it is in your hands, as the Welsh Assembly Government and the sub-group, to look at that. It is not for us, as a committee, to decide whether Bramley is the way forward. We are here to scrutinise the outcomes. The concern that is being, quite rightly, expressed is the timescale for this. We have to leave it in your hands. You have given us that answer. There will be this meeting in May, and we look forward with great interest to the outcome of it, because we feel that Bramley needs to be implemented, but we are mindful of the consequences of its implementation, not least on local authorities. Some predict doom and gloom for the financial rather than the educational outcomes, and both are clearly related.

11.40 a.m.

[200] **Jeff Cuthbert:** The foundation phase is a new initiative that I feel will bring benefits to all children of that age, particularly those in the most disadvantaged areas, which I think links in with Huw's point. That is certainly the feedback that I am receiving, and I would welcome your assurance, Minister, that the foundation phase will be funded adequately, so that it can have the benefits that we hope it will bring.

[201] I have two other points that I wish to raise. The first, which I have raised with Estyn, is on surplus places in schools. It seems clear from Estyn's report that many local education authorities, when driving that issue, are still weak in ensuring that public money is used as cost-effectively as possible, and that it follows the learner as opposed to empty school buildings. I would welcome your assurance that that is a matter that the Welsh Assembly Government will keep under review to ensure that the best outcome is achieved.

[202] My second and final point is on the money for the 14-19 learning pathways. Has any evaluation been done of the changes that will come about as a result of the sharing of school funding resources with FE providers, work-based learning providers, and so on? Is there any estimation of the likely moneys that could then be used for other purposes?

[203] **Jane Hutt:** The foundation phase and the 14-19 learning pathways are two important developments in relation to the curriculum and educational priorities in Wales. The issue of surplus places is also crucial to the funding of schools. I can assure the whole committee that, as Minister for Children, Education, Lifelong Learning and Skills, I took funding the foundation phase as a key priority in my negotiations for the budget, securing additional funding of more than £107 million. It is important that the committee, schools and all those who are engaged so enthusiastically in the foundation phase recognise that commitment and the extra £107 million invested to take it forward. Implementing the foundation phase is a three-year developmental process, and we have had successful pilot programmes of the commitment to securing adult/pupil ratios of no more than 1:8 for three to five-year-olds, and 1:15 for six to seven-year-olds.

[204] Local authorities have received their grant allocations, using methodology agreed with the Welsh Local Government Association and the Association of Directors of Education in Wales, so I hope that that will give you an assurance. That is for September, of course, and our officials are in discussion with authorities and with ADEW and the WLGA about the implementation of that. Every local authority has been given the funding for a foundation phase co-ordinator.

[205] **Alun Cairns:** Minister, if there is so much money and everyone is happy, why are the teachers on the ground and particularly the unions so unhappy?

[206] **Jane Hutt:** When you start rolling out a hugely significant educational programme such as the foundation phase, concerns will inevitably arise. Do we have enough money? How will it work? Local authorities and schools are currently working out how they will deliver on the allocation. The allocation was agreed with the WLGA and ADEW. It is an extra £107 million, which is a considerable amount. I have had good discussions on this, not only with the unions but also with headteachers at our school effectiveness conferences over the past 10 days, where we met nearly 1,000 headteachers, probably. As this process settles down, I hope that people will be reassured as the allocations are given to schools. It has to be recognised that the foundation phase is significant and that extra money, when we have a very difficult budget, is a great achievement.

[207] **Gareth Jones:** Kirsty wants to come in, and then that will be the end of our discussions on the foundation phase.

[208] **Kirsty Williams:** I do not want to get hijacked on the foundation phase, because there are real issues that this committee needs to look at separately. One issue, however, that has arisen from the discussion of the foundation phase feeds directly back into our review of the implementation of fair funding, and that is how the Government informs local authorities of their grant. Your Government publicly stated in a document that money for the foundation phase—the offer of grant—would be made known to local authorities in December, but that

did not happen. This goes back to the original report on concerns about how your officials communicate with LEAs, which then communicate with schools. Your document said that the LEAs would know by the end of December, but that did not happen. Why? Why can the Government not get this right?

[209] **Jane Hutt:** You have made your point, Kirsty. This is delivered in partnership with our schools—clearly, they are at the forefront—and in partnership with local government and our directors of education. Okay, you may be on the committee in your position as education spokesperson for your party, so you will know that we move forward under a protocol of partnership with the Welsh Local Government Association and the Association of Directors of Education in Wales. I had to ensure that I got that money in the budget, which you know that I did. I secured that £107 million plus in the budget. In order to finalise those budgets, there had to be agreement on the methodology to distribute the allocations to LEAs. Clearly, this is a new programme; we had to get the methodology right, and we had to do it in partnership with ADEW and the WLGA. That is what we did. Of course, I would always want those announcements and allocations to be made as early as possible, but it was approved and agreed through the methodology on 22 February between ADEW and the WLGA, and then the schools got their allocations via their local authorities. In fact, we are talking about September, so it is not from 1 April. We are talking about September in terms of the requirements for foundation phase. So, I think that, Chair, should, hopefully, provide the assurances in terms of the foundation phase, but clearly that is something that we are working on across Wales with our local authorities in partnership.

[210] May I move on now to the other issues?

[211] **Gareth Jones:** Yes.

[212] **Jane Hutt:** It is an important question. I will just turn to the 14-19 learning pathways allocation. As you know, Jeff, an extra £32.5 million has gone in this financial year to the 14-19 learning pathways. The collaboration that has developed—you will be aware of it in your constituency, but it applies across Wales—between colleges and schools has been exemplary. That will be underpinned in statute when we move forward with our 14-19 learning pathways Measure. You can be assured that, with regard to the allocation of spend—and, yes, there will be grit in the system, so we have to ensure consistency in the 14-19 learning pathways, although not necessarily uniformity—we are scrutinising it carefully, and we are also evaluating the impact that the early years will have on the development of the learning pathways.

[213] Your point about surplus places and schools and how strategic we should be about this is, again, a matter for local authorities. In many ways, it links to the investment in school buildings that came through in much of your consultation. We are working with local government to ensure that it is more strategic in its investment in school buildings and the planning of school places. I recently spoke at a seminar at which every local authority was represented at leadership level, and those leaders know from the evidence of those who are delivering proactively and positively that they can deal with the planning of school places through the investment opportunities in the schools building investment grant and their own sources of funding. We are also revising our own regulations with regard to the planning of school places to ensure that we are taking this on board more strategically. Also, in terms of the capital investment for school buildings, Jeff, we are looking at ways in which we can ensure that those authorities that are using their capital investment appropriately can be candidates for the increased spend that we are putting into capital investment. So, it will be a win-win situation if you get your planning of school places right. It is very important that this committee examines falling rolls and the handling of school places and planning, because it is going to release funding. Those authorities that have done this successfully and proactively are releasing funding for their learners, and that is surely what this committee would want to

achieve.

11.50 a.m.

[214] **Jeff Cuthbert:** In terms of the 14-19 learning pathways, you referred to ‘grit in the system’. Is that a reference to moneys that could be liberated as a result of the sharing of resources and so on? I just want to be clear on that point. On school places, what prompted my question was Estyn’s statement that

[215] ‘the strategic leadership of school reorganisation across Wales is weak. Only about a third of local authorities in Wales have...clear strategic plans’.

[216] So, clearly, there are considerable financial implications in terms of the use of public funds, and I am keen to know how the Welsh Assembly Government is going to ensure that local authorities actively tackle that matter. There would seem to be a lot of money tied up here.

[217] **Jane Hutt:** When I talked about grit in the system in terms of the 14-19 learning pathways, I meant that it is about ensuring that those resources are shared collaboratively and appropriately. The grit in the system may go back not just to the allocation of resources but to appropriate management at a local authority level. That is why we need to ensure that we underpin this by statute, with the 14-19 learning pathways Measure.

[218] On school places, in its report, Estyn said that only about a third of local authorities have started to implement clear, strategic plans. It is important that we recognise that 17 have done their asset management plans for education appropriately, and the number developing plans is higher than that suggested in the Estyn report. Only about half a dozen or so are not actively involved in rationalisation strategies in terms of school places, but those authorities all know that they have to do something. In the seminar that I spoke at, it was very clear that they recognise that they have to address this proactively. Very few authorities in Wales do not have an issue with surplus places. So, I hope that we will see, perhaps post May, with the election coming up, a much more proactive and strategic approach, because authorities are not going to get the benefit of the strategic capital allocation that we have unless they show themselves to be proactive on this issue.

[219] **Christine Chapman:** We have had evidence here today and, as Kirsty said, there is conflicting evidence about whether small schools, for example, are better or worse in terms of education. Despite all that, there are still difficulties with any reorganisation because of the way in which the consultations are carried out. Until there is a full consultation, local authorities will find it quite difficult to engage. I think that a lot of people tend to think that it has to be the case that a worse situation will result from reorganisation. Is there any activity on the Welsh Assembly Government side to try to change that? The perception is that if a school closes, it will lead to a worse situation but, from the evidence, it seems that it is probably a good thing in many respects because of the levels of attainment that can be achieved.

[220] **Jane Hutt:** It is important to share good practice throughout Wales and that is how we work, particularly in the promotion of good public service. There is an interesting example of that. Before the seminar with all the local authorities, which was organised by the WLGA, I met with several authorities. They were able to demonstrate to me how they were addressing this issue, and what the positive outcomes were, not just for schools and learners, but for the whole focus on children’s services. Therefore, it takes courage and good communication. In terms of consultation, there is no doubt that the factors that emerged from the good practice were strategic planning, good communication, a commitment to education, and courage from politicians and chief officers to take this on board, and then they expect helpful guidance from

us. That is why we are revising the school places planning guidance. We have to take into account new curriculum developments. We also want to engage with children and young people more effectively. We must also recognise that Estyn's report already shows that, where schools have been reorganised, they have better outcomes. We commissioned that report from Estyn.

[221] Following the elections in May, I believe that we will see a renewal of activity and commitment from authorities. It will make a difference to children's lives and it will release funding. If it is handled effectively and appropriately, it can be a win-win situation. We have seen that, and we will be looking at issues such as opportunities for federation, which I believe Estyn promoted in its report.

[222] **Kirsty Williams:** Minister, the committee has gone out to consultation on the implementation of the findings of the Committee on School Funding's report. As a result of that consultation, we find that there is still widespread concern that we have not achieved as much as people would have liked to see in this field. Could you outline three specific things that you intend to do in the next six to 12 months, which have not been done so far, to improve this situation? There is still widespread concern that we do not have the clarity that people are seeking, and the committee's reports have not been fully implemented.

[223] I have another question, which I also asked you when you came before the committee on 21 November, and it concerns a website that would allow people to access information online. You said then that the website was delayed but that it would be available early in 2008. Has that happened? You went on to state that,

[224] 'it is important that this committee scrutinises me to make sure that it does happen.'

[225] Therefore, I would be grateful for an update on that.

[226] On school places, evidence from the WLGA seems to suggest the financial savings associated with closing schools are not necessarily realised. This morning, Estyn said that it had no evidence to suggest that there were financial savings to be made from closing schools, and that, if there were, it had no mechanism to ensure that those financial savings are ploughed back into education within the local authority. Therefore, any savings could be spirited off into some other aspect of the local authority's work. However, you have said clearly several times this morning that there are financial savings to be made. Do you have any evidence that you could give to the committee to demonstrate that that is the case?

[227] **Jane Hutt:** I will give you three or four positive outcomes. On the web pages, I am sure that you welcome the school funding section that is being developed. I am sorry that you did not have it by Christmas, but you will have that within the next few weeks. I have a commitment from officials that it will be completed before the start of the next school term. Therefore, in terms of the provision of information on the web, and improved access, I am sure that you will welcome that from the beginning of the next school term.

12.00 p.m.

[228] One of the other issues on which we have made progress, which I have highlighted in my report, is three-year school budgeting arrangements, which is obviously important. Now that we have three-year local government budgeting arrangements, we need to move forward with the three-year school budgeting arrangements, and I know that that will be welcomed. As my report says, this will be done initially on a voluntary basis, before we move forward to a regulatory situation. Local authorities will get details of the three-year school budgeting arrangements shortly.

[229] The review of school budget fora is also important. No-one has raised that this morning, although perhaps you were going to raise it. We now have the terms of reference for a review of the roles and responsibilities of school fora, which I think will be welcomed, because school fora have been up and running for four years, and they have improved the transparency and engagement at a local authority level. So, it is now timely to undertake that review, and it is all ready to move.

[230] **Kirsty Williams:** It struck me on reading the papers that ‘voluntary’ is an odd term. I sometimes think that I should not mention that in committee because it may be me that is being really stupid while everyone else understands what that means, and maybe I am the only person in the world who does not understand. However, I will risk it: how can a three-year budget be introduced on a voluntary basis? How does that work? Do some schools say, ‘No, don’t tell us. We don’t want to hear about it’, and, therefore, you do not tell them, while other schools say, ‘Go on then, we’ll risk it. We’ll participate on a voluntary basis’? How does that work? Am I the only person who does not understand how you can have a voluntary basis for that? Either you have a three-year budget, or you do not have a three-year budget.

[231] **Jane Hutt:** We will expect three-year budgets from our schools, and we are writing to local authorities, setting out the details of how that can be achieved. However, that will not be based in statute, and it will not be underpinned by regulation. As it says in my report, we will move towards a regulatory framework when we have seen how the arrangements are being implemented, as that will guide and steer us towards an appropriate regulatory framework. However, starting on a voluntary basis is the right way forward.

[232] **Kirsty Williams:** When would you anticipate having it on a statutory basis? Do you think that you will run it for three years or five years, eight years or 10 years?

[233] **Jane Hutt:** I would hope that the first year would be spent trying out how we can enable it to be delivered, and that then we could move to a regulatory basis. Part of this is about ensuring that local government, which is settling in its own three-year budgets, can be sufficiently geared up to deliver such an arrangement for schools as well. I do not know whether there is any other reason why we cannot move beyond a voluntary basis. Catherine, do you want to say anything on this?

[234] **Ms Roberts:** Perhaps ‘voluntary’ is not a good term. Effectively, it means ‘non-statutory’, because it is not about schools opting in or out; it is about authorities giving schools three-year budgets. Schools will not be able to say, ‘No thanks, we don’t want it’. We have faced some complex issues in terms of getting the regulations pinned down, and so it will be useful to see how it goes on a non-statutory basis.

[235] **Kirsty Williams:** That makes more sense.

[236] **Ms Roberts:** So, we can test whether the arrangements are practical and deliver that extra stability and ability for schools to plan ahead better, before we make it a requirement for authorities to do it in a particular way.

[237] **Kirsty Williams:** That is great; I understand now.

[238] **Gareth Jones:** I have a couple of comments. As regards three-year and five-year planning, which I am sure we would all wish to see because that would give schools stability, I feel that it will be difficult because school funding is essentially arranged on a year-by-year basis, and that is based on pupil numbers. Under the current funding arrangements, it is possible for schools to suffer due to pupil movement, and so on. So, that is a particular challenge for us in Wales. We referred to the Bramley report earlier. If we are to make radical changes, we must address the type of funding arrangements that we have, or the system itself.

That is just a comment in passing. However, it is an important challenge, but I do not know how you would approach and resolve that—I should think that there must be statutory changes.

[239] To move on to another point that Estyn raised in terms of strategic planning related to falling rolls and surplus school places, the inspectorate takes a holistic view as regards community cohesion and the role of the school within the community. I noticed recently that the Minister for Social Justice and Local Government made a statement along the lines of the community strategy. I understand that there are challenges in terms of education, but education extends beyond the educational limits, because you must interrelate—and the Bramley report itself is an example—with the community. That is a particular challenge to us in Wales. The Welsh Assembly Government document refers to the regeneration of communities. I would like to think that when we witness falling rolls, we would look at the wider and holistic community picture. How you bring those together is very demanding, but I would like to think that that reference by Estyn is a principle that we should take note of, because if we are to achieve the community strategy in the ways that the Minister for Social Justice and Local Government has referred to, we would need to look at the financing of education in terms of the wider community role, because they are interdependent. I hope that those comments might be of use, but they are particularly challenging areas.

[240] **Jane Hutt:** Indeed, Chair. This is where the role of local government is very important. We have had four excellent conferences over the past 10 days, attended by nearly 1,000 people from schools, local authorities, teachers' unions and partners. Local authorities will basically enable us to steer that wider community planning in terms of regeneration and tackling poverty. The children and young people's plans that are being developed at the moment are also key to that, and they will provide a more strategic approach to children's services. We are moving forward on tri-level reform, with the Assembly Government, schools and local authorities working together to ensure that we have better outcomes for our children and young people. We could not do this without a partnership with local government and schools. We are moving into a new arena where education will become more of a priority linked to children's services, regeneration, tackling child poverty and promoting social justice.

[241] In terms of the committee's report, you are now scrutinising where we are and where we should go, but I am sure that it will address the new opportunities that we have. There are wider Government policies that engage schools and local government directly. So, I hope that that will emerge. To return to Huw's earlier point, we are also looking carefully at how we can progress with the Bramley report.

[242] **Gareth Jones:** Nid oes rhagor o gwestiynau. Yr ydym yn hynod ddiolchgar i chi, Weinidog, ac i'ch swyddogion am eich presenoldeb, ac am ymateb mor gadarnhaol i'r hyn a ofynnwyd. Dymuniadau gorau i chi gyda'r gwaith pwysig hwn, ac mae'n siŵr y cawn gyfarfod eto yn y dyfodol agos. Yr wyf hefyd yn diolch i'r Aelodau ac i'n swyddogion a'r clerc am y gwaith da yn ystod y tymor hwn. Dymuniadau gorau i chi dros yr ŵyl.

Gareth Jones: There are no more questions. We are very grateful to you, Minister, and to your officials for your presence, and for responding so positively to our questions. Best wishes to you with this important work, and I am sure that we will meet again in the near future. I also thank Members, officials and the clerk for their hard work during this term. I wish you a happy holiday.

*Daeth y cyfarfod i ben am 12.10 a.m.
The meeting ended at 12.10 a.m.*