



Cynulliad Cenedlaethol Cymru
The National Assembly for Wales

Y Pwyllgor Cyfrifon Cyhoeddus
The Public Accounts Committee

Dydd Iau, 21 Hydref 2010
Thursday, 21 October 2010

Cynnwys
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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

Peter Black	Democratiaid Rhyddfrydol Cymreig Welsh Liberal Democrats
Jeff Cuthbert	Llafur Labour
Bethan Jenkins	Plaid Cymru The Party of Wales
Sandy Mewies	Llafur Labour
Jonathan Morgan	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Chair of the Committee)
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Simon Brindle	Pennaeth yr Is-adran Rheolaeth ac Effeithiolrwydd Ysgolion, Llywodraeth Cynulliad Cymru Head of Schools Management and Effectiveness Division, Welsh Assembly Government
Andrew Davies	Aelod Cynulliad, Llafur Assembly Member, Labour
Paul Dimblebee	Swyddfa Archwilio Cymru Wales Audit Office
Melanie Godfrey	Pennaeth yr Is-Adran Cyllid Cyfalaf, Llywodraeth Cynulliad Cymru Head of Capital Funding Branch, Welsh Assembly Government
Huw Lloyd Jones	Swyddfa Archwilio Cymru Wales Audit Office
Dr Emyr Roberts	Cyfarwyddwr Cyffredinol, Yr Adran Plant, Addysg, Dysgu Gydol Oes a Sgiliau, Llywodraeth Cynulliad Cymru Director General, Department of Children, Education, Lifelong Learning and Skills, Welsh Assembly Government
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Alun Davidson	Clerc Clerk
Joanest Jackson	Uwch-Gynghorydd Cyfreithiol Senior Legal Adviser
Andrew Minnis	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 1.30 p.m.
The meeting began at 1.30 p.m.

Ymddiheuriadau a Dirprwyon Apologies and Substitutions

[1] **Jonathan Morgan:** Good afternoon and welcome to this meeting of the National Assembly's Public Accounts Committee. First, I remind Members to switch off mobile phones, BlackBerrys and pagers. I remind colleagues and our guests that, as a bilingual institution, we operate with the help of translation equipment. Channel 1 on the headsets is for the translation, and channel 0 is for amplification. If the fire alarm sounds, please follow the advice of the ushers. This afternoon, we have received apologies from Lorraine Barrett, Alun Davies and Irene James. However, I am delighted that Joyce Watson is able to join us as a substitute and extend her a warm welcome. Janet Ryder has also sent her apologies for this afternoon.

Buddsoddi Cyfalaf mewn Ysgolion—Sesiwn Dystiolaeth gyda'r Swyddog Cyfrifyddu Capital Investment in Schools—Accounting Officer Evidence Session

[2] **Jonathan Morgan:** The first substantive item on the committee's agenda is the Wales Audit Office's report on capital investment in schools and we will take evidence from the newly appointed accounting officer. I extend a warm welcome to Dr Emyr Roberts. Congratulations on your appointment, it is a pleasure to see you here with your colleagues this afternoon. As Members will be aware, the report was discussed in private session on 8 July before it was published on 14 July, and we decided that it would be useful to take evidence from the accounting officer and his colleagues. I welcome the witnesses to the meeting. Please identify yourselves formally for the record.

[3] **Dr Roberts:** I am Emyr Roberts. I am director general for the Department for Children, Education, Lifelong Learning and Skills.

[4] **Ms Godfrey:** Good afternoon, I am Melanie Godfrey, the head of capital funding at DCELLS.

[5] **Mr Brindle:** I am Simon Brindle. I am now the deputy director of the schools management and effectiveness division, previously the deputy director of infrastructure and funding.

[6] **Jonathan Morgan:** The first recommendation in the report refers to the need to establish and use a clear framework for evaluating the benefits of major school building projects. Paragraphs 1.5 to 1.9 of the report refer to the lack of such a framework in the past. We need to understand in more detail the benefits of capital investment in schools, which goes beyond looking at the number of schools built and how much they have cost. Can you elaborate on what you have said in your paper about the progress being made under the twenty-first century schools programme in establishing an evaluation framework and the kind of information that is likely to be available from it once applied?

[7] **Dr Roberts:** That recommendation was particularly well made. One of the issues with the previous arrangements was the lack of a strategic view of what the money being disbursed for schools capital was achieving. With the more strategic approach under the twenty-first century schools programme, it is really important that we evaluate what the money is being used for and how effective it is. So, we welcome the recommendation, and a key work stream in developing the twenty-first century schools programme is the implementation of a post-occupancy evaluation framework. In developing that framework, the priorities of the evaluation will be demonstrating the value for money from the programme, the effectiveness of the environment in supporting Welsh Assembly Government

and local authority education strategies, user satisfaction, and the performance of the buildings themselves. We will do that quantitatively, setting a baseline of the current situation, and qualitatively, picking up the information on the outcomes of the programme for children.

[8] The evaluation and the responses from schools and local authorities will be conditions of the Assembly Government grant funding, and authorities must undertake a post-occupancy evaluation. That report is provided for post-project completion. The condition for retention of final payment is included in our funding contracts, and that will not be made until all conditions of grants, including this one, are satisfied.

[9] **Jonathan Morgan:** Paragraph 1.7 of the report outlines some factors that might be included in the evaluation criteria. Will the planned criteria allow us to monitor, for example, how deficiencies in the provision of school toilets are addressed by those schools, to try to address some of the concerns raised by the children's commissioner?

[10] **Dr Roberts:** Very much so. The performance of the school environment, including school toilets, will be considered. However, perhaps I could ask Simon to provide more detail on that.

[11] **Mr Brindle:** In taking forward the issue of school toilets, which is very serious given their current state, as highlighted in the children's commissioner's report, there is the expectation that, for new-build or major refurbishment projects, it is a precondition. We also want to work with local authorities to raise standards and to meet those recommendations across the estate. It is a systemic issue and needs to be part of the urgent maintenance programmes that happen across Wales in advance of major investment.

[12] **Jonathan Morgan:** Do Members wish to raise any points on this question before we move on? I see that you do not.

[13] The Wales Audit Office report identifies, in paragraphs 1.24 to 1.32, that there was insufficient clarity about the quality of school buildings that should be achieved, especially with regard to secondary schools. Paragraph 14 of your paper accepts this conclusion, and paragraphs 15 to 17 set out what you are doing to try to ensure clear and consistent standards in the future. How will you ensure that, once these standards have been developed, they will be applied in practice?

[14] **Dr Roberts:** As our evidence paper says, a high-level definition has already been agreed for the standards. That builds on existing schools standards, which are already available in guidance. As part of the programme, we have established a work stream that looks at an appropriate range of guidance. It is a suite of toolkits across a range of measures to help us to build up the view of standards. We will be asking schools and local authorities to report against the standards that we are putting in place.

[15] **Joyce Watson:** Annex 1 of your paper provides the high-level definition of 'fit for purpose' adopted by the Welsh Government. However, your paper also says, at paragraph 16, that this will be underpinned by appropriate tools, guidance and strategies. Paragraph 8 of your paper states that local authorities are preparing to submit strategic outline programmes in December 2010 outlining their proposed investment over the next 10 years, based presumably on the high-level schools estate survey referred to in paragraph 12. Have the tools, guidance and strategies that underpin the definition of 'fit for purpose' been issued? If not, can you reassure the committee that the local authority strategic outline programmes will be based on reliable data?

[16] **Dr Roberts:** The situation is very much as you describe it, and the development of

the underpinning standards is ongoing. I will ask Simon to respond to that particular point as the programme manager.

[17] **Mr Brindle:** As Emyr said, a lot of the work is being done in collaboration with local authorities, to agree a shared perception of what the national standard is and what should be left to local determination. Some of the work is iterative; authorities have a common understanding of what they are working towards for their strategic outline programmes, and that work will be further enhanced as the early wave of investments progresses from strategic outline programme to outline business case. These toolkits have been supporting the authorities in developing particular aspects of that. So, part of this is a dialogue and an iterative process, and part of it is having that clarity up front about what they are starting with.

[18] **Joyce Watson:** In paragraphs 1.28 and 1.29, the report indicates that curriculum changes, such as the introduction of the foundation phase, can move the goalposts on the meaning of 'fit for purpose'. How will you ensure that the standards set for school buildings remain in step with curricular requirements?

[19] **Dr Roberts:** This is a dynamic process. As you say, the curriculum will change over the period of this programme—it is at least a 10-year programme—so we need to build in sufficient capacity and flexibility within the programme to allow for that. I will give a specific example. The foundation phase puts emphasis on outdoor learning, so one thing that we need to pick up as we go through this, together with schools and local authorities, is that sufficient provision is made in schools to allow the outdoor learning to take place. As Simon said, it is an iterative process, but it is flexible enough that we can take account of changes in the curriculum or anything else that affects the school teaching.

1.40 p.m.

[20] **Jeff Cuthbert:** I have a question on this point. I am grateful for what you have just said about outdoor learning in relation to the foundation phase, and we could discuss what makes a school building. I have visited many schools in my constituency that have created gardens or play areas that are constructions, if not buildings. From time to time, we see schools where the outdoor land is very limited; are steps being taken to try to identify those schools, and what provisions can be made for them, perhaps in terms of purchasing additional land so that vital facilities can be created?

[21] **Dr Roberts:** I would expect those kinds of issues to be picked up in the strategic outline programmes that local authorities will be giving to us by December. That is the start of a dialogue between us and local authorities—and the schools, obviously—on that kind of provision. The main point of this programme is to find out whether schools are fit for the twenty-first century, and I would hope that the quality of the environment would be part of that. Simon, do you have anything to add?

[22] **Mr Brindle:** Part of the early-stage work of this programme was to carry out a high-level estates survey to give us comprehensive information so that local authorities have a level playing field; they can then look at whether they have any deficiencies in their estates, and those issues should be addressed going forward. Part of the strength of having a strategic programme is that it gives the ability to direct funding to those areas where the plans are sufficient. Authorities would need to find a solution for those areas where any gaps were found; for instance, if schools did not have sufficient outside space to deliver the curriculum.

[23] **Dr Roberts:** You have pointed out the funding issue, and that you may have to dispose of a school to generate the funding to create a better school; that is part of the dialogue that we will be having with local authorities. This matter is about the school environment, but we also need to know how the package is going to be funded and what

proportion the Welsh Assembly Government would pay for.

[24] **Peter Black:** To follow up on that point, it is evident to me that local authorities that bid for grants under the twenty-first century schools programme often have difficulty in meeting the criteria, especially where they are trying to drive out surplus places by merging a couple of schools, for example. All of the orders are required to be in place so that money can be spent straight away. However, it is difficult for the authorities to do that until funding is a certainty; there is a chicken-and-egg situation. We are now getting to a situation where straightforward replacement is becoming more limited, and we are moving towards the scenario that I have just mentioned. How are you going to adjust your programme to be more flexible? Are you going to accept that the local authority cannot always spend the money or make a commitment in that financial year?

[25] **Dr Roberts:** Part of the pressure within the programme is to challenge local authorities to deal with the issue of surplus places in schools; that is part of the ongoing negotiation. I will ask Melanie to answer the question on the flexibility of the programme.

[26] **Ms Godfrey:** The flexibility of the twenty-first century schools programme is that, on approval of the project, we will ensure that funds are available at the right time and in the right place to enable delivery.

[27] **Peter Black:** So, if an authority cannot spend the money straight away, it will not be a barrier to them gaining approval?

[28] **Ms Godfrey:** It will not affect them in gaining approval.

[29] **Peter Black:** Will that be the case even if they have statutory notices and so on?

[30] **Ms Godfrey:** We will work with the school reorganisation team to ensure that the funds are in line with the school reorganisation consultation process.

[31] **Peter Black:** It is quite clear that the Welsh Government's aim of making all schools fit for purpose by 2010 has not been achieved; it was never likely to be achieved, given that the previous programme was not supported by a fully costed investment plan. The Wales Audit Office's third recommendation requires the Welsh Government to determine how much it will cost to make all schools fit for purpose, and then to set a clear timescale for delivery. Paragraph 12 of your note says that the Welsh Government now has comprehensive asset-management data. Could you, therefore, give the committee a realistic assessment of how much it will cost, at today's prices, to bring all schools in Wales up to an acceptable standard?

[32] **Dr Roberts:** That is a very difficult question to answer. This is not a programme that will finish in 2020 or 2025 and will have costed £x million. This is an ongoing programme that will be developing over time. Therefore, it is difficult to say exactly what the timeframe is going to be and, at this point, it is difficult to say exactly how much funding will be committed to it. We will be in a much better position to try to answer that kind of question after the local authorities have presented their strategic outline programmes, because they explain the extent of authorities' ambition in improving their schools estate. That would give us a baseline for investment cost.

[33] As I say, it is a long-term programme and the actual cost will depend on many factors, such as the cost of construction in future years and the efficiency gains that we hope will come out of the programme. It is difficult to set an arbitrary funding programme for it. The Assembly Government also has to be mindful of the funding that will be available to it, particularly on capital. So, it is very difficult to say that it will be achieved by x and that it will cost y. I do not think that we should think of it in those terms.

[34] **Peter Black:** I did not ask you to tell me by when it will be achieved or how much money you had. I asked you how much it would cost.

[35] **Dr Roberts:** As we speak today, it is impossible to answer that question.

[36] **Peter Black:** What is the deadline for local authorities to come back with their programmes of improvements?

[37] **Dr Roberts:** I will ask Melanie to answer that.

[38] **Ms Godfrey:** Authorities will be submitting strategic outline programmes and, within their submissions, there is an expectation that they will provide a 10-year forward look at their programmes. At the same time, we are also mindful of the fact that there is some reticence to share some school proposals if there is school reorganisation.

[39] **Jonathan Morgan:** On a point of clarification, even when you have the strategic outline programmes indicating what local authorities need to achieve for their schools to be fit for purpose, you still think that it will be nigh on impossible to say that x will be required to deliver y by z date. In essence, saying that we will have twenty-first century, fit-for-purpose schools by x date is not going to be realistic.

[40] **Dr Roberts:** I think that it will be difficult to do that. This is a long-term programme. Each individual project will be project-managed, so we will know exactly how much it will cost, and by when it will be delivered. However, it is difficult to say how much the total programme will cost or by when it will be achieved. For example, different procurement models will be available to local authorities. On the balance of funding, there will be grants from us, the local authority will have its own resources, and there will be other options available to them. So, it is very difficult to arrive at an exact figure without going into those kinds of issues.

[41] **Peter Black:** By what date should local authorities present their strategic outline plans?

[42] **Dr Roberts:** By December this year.

[43] **Peter Black:** Therefore, they have just over two months left to get them all in. Have you had many in so far?

[44] **Ms Godfrey:** The twenty-first century schools programme team has been working with authorities on their drafts, and my understanding is that all 22 authorities will be submitting their SOPs by that deadline.

[45] **Peter Black:** So you have not had any in yet?

[46] **Ms Godfrey:** Not to my knowledge.

[47] **Jeff Cuthbert:** This question is about a strategic approach to capital investment. Paragraphs 1.45 to 1.53 of the Wales Audit Office report look at how WAG and the WLGA are taking forward a more strategic approach to capital investment. At paragraph 1.52, the report highlights that most capital funding for improving schools is now based on a more robust assessment of benefits likely from each project. To ensure that a robust appraisal of benefits, alternative options to investment and value for money is made before funding is allocated to specific projects, do you insist that bids are presented to you in accordance with a recognised methodology?

[48] **Dr Roberts:** We have five high-level criteria that each plan must meet. The first of the five high-level investment objectives is a school improvement strategy. Local authorities must be able to prove that there is a strategy in place for school improvement, where necessary and appropriate, and for joint-working between the Welsh Assembly Government, education consortia and the authority, and at a school level.

1.50 p.m.

[49] Secondly, there needs to be a transformation of approaches to teaching and learning, including the use of information and communications technology. We must be able to say that local authorities and schools have worked to implement a vision for teaching and learning that is more than just a building programme, drawing on the available best guidance. Thirdly, there needs to be an organisation strategy across the three to 19 age range, so that opportunities are taken, where necessary, to reduce surplus places and to address organisational change. Fourthly, in terms of sustainability and carbon dioxide reduction, there must be a strategy for reducing carbon dioxide emissions associated with the education estate. Fifthly, there need to be integrated public services, with the co-location of services and community benefits: opportunities need to be created, where possible, to co-locate and integrate community services and/or to enhance local or regional regeneration. Therefore, those criteria must be met before we approve anything.

[50] **Jeff Cuthbert:** A little while ago we talked about the implications for school buildings of the foundation phase at primary level. At secondary level—having listened carefully to what you have just said—you would expect capital projects to take account of the 14-19 pathways, for example, whereby schools, further education colleges and work-based learning providers will be encouraged to share facilities between them. You would expect to see that reflected in any capital build programmes, would you?

[51] **Dr Roberts:** Absolutely. As you know, a transformation programme already exists for the post-16 age range. The intent is to integrate the two programmes so that we have a rounded view—an all-age strategy, if you like. Perhaps Simon or Melanie could provide some examples of that taking place.

[52] **Mr Brindle:** There is also an expectation that local authorities will think beyond educational silos in these forward investment plans, and support for them to do that, to have some integrated forward asset management planning. To give you some early examples of projects, a primary school investment in Blaenavon is not just a school replacement, but is also taking into account investments going on in health, leisure and other public services that can be integrated in the facility, which then comes at a lower cost, with higher service outputs for the community there, and includes facilities that would not be affordable separately. Another example can be found with Hendre school, in Gwynedd, where the authority is looking to integrate with the health service, the police and other community services on a school site to bring those things together. That is one reason why the costing is complex, because we are looking for total-place thinking around the services and getting the investment together.

[53] **Dr Roberts:** In terms of the post-16 provision, I think that we gave an example in the evidence, at paragraph 21, of the learning works project in Ebbw Vale, which is a partnership between the Assembly Government, the local authority, Coleg Gwent and the University of Wales Newport. As a single capital initiative it brings together all sectors of education onto one site, from school provision through to a post-16 learning zone.

[54] **Jeff Cuthbert:** I would just like to be clear about what you would include in your examination of any proposals. For example, if the further education college a mile or so down

the road already had a very well-equipped construction wing for teaching building skills, you would be concerned if a school was then putting forward proposals that would involve creating similar facilities.

[55] **Mr Brindle:** We would not fund it.

[56] **Jeff Cuthbert:** You would not fund it. There we go. Okay. That is fine. Thank you.

[57] **Jonathan Morgan:** Before we move on to Nick Ramsay's question, paragraph 1.53 of the report by the Wales Audit Office points out that

[58] 'the assessment by the Assembly Government of local authority bids prior to the release of funds should make it more likely than before that Assembly Government funding will be targeted strategically'.

[59] Reading that, and perhaps, in essence, reading between the lines, one could argue that there is almost an implied criticism there that the previous system had the potential for funds to be allocated in a way that was not strategic. Has that been examined by the department, or was it a case of just getting to a point where you realised that perhaps what was being done was not achieving what was expected and therefore the system had to change? There is almost a criticism there that there was the potential for public money not to be used in the most strategic way. I am just wondering whether you have had a chance to assess that particular part of the report.

[60] **Dr Roberts:** I am not sure that a formal assessment was done, but the view is increasingly that the way in which the previous system operated was too piecemeal, and that we needed a strategic, collaborative arrangement between ourselves as the Assembly Government and local authorities. In a way, the job was too big to be done in that piecemeal way, so that is why we have asked the authorities to come back with their strategic plans, and, for the reasons that I gave in response to the last question, we are asking them to consider their proposals far more in the round. Equally, on the Assembly Government side, there are real economies of scale that we can bring to this in terms of the support that is given to local authorities in trying to manage this process. There is an implicit recognition that we have had to move on and change the model of funding for this programme.

[61] **Nick Ramsay:** I want to ask you about the problem of surplus places, and how this addresses it. The audit office has reported that, in 2008, 18 per cent of primary school places, and 15 per cent of secondary school places, were unfilled. The report's fourth recommendation is that, under the twenty-first century schools programme, no project will proceed without addressing the problem of surplus places. Could you explain how that programme will encourage local authorities to tackle the issue? Beyond that, how do you intend to measure it?

[62] **Dr Roberts:** As I said, in the high-level criteria, criterion 3 is that opportunities are taken in the organisational strategies to reduce surplus places where necessary and address organisational change in order to improve the efficiency of the school estate. The figures that you have quoted are the same as those that I have been briefed on. That is built into this, so as part of our discussions with local authorities we will talk to them about their position on surplus places.

[63] **Mr Brindle:** One barrier to tackling surplus place issues is the intensive investment required for school restructuring and matching supply and demand in the right places. Under the previous arrangements, where the money went to authorities in small amounts, authorities never had an intensive block of investment support from the Welsh Assembly Government. So, we are working with local government to intensify the funding in the areas that need it,

and then move on to the next areas. That will give those authorities the opportunity to plan according to what they need rather than according to what they can afford.

[64] **Nick Ramsay:** What about the monitoring aspect? How do you intend, beyond that, to ensure that it is happening?

[65] **Mr Brindle:** We monitor surplus places closely, and we look at all proposals that come through for the specific impact that they will have on surplus places. It will probably be the criterion given most importance in assessing the bids that come through.

[66] **Nick Ramsay:** With the assessment process, when you get a number of bids, can you tell us some more about how you prioritise the capital investment? If you have one proposal that involves four small schools being closed, and another that involves one school being closed, all other things being equal, how do you make the decision? What criteria do you employ?

[67] **Mr Brindle:** There is a range of factors, and that is one reason why we wanted to co-design the criteria with local government, because it is about a balance between local priorities and national priorities with regard to some of those things. The impact on revenue for the entire school system is one key factor. The quality of the buildings, and the extent to which they are a potential barrier to learning, is another. The other factors include environmental performance, the ability to meet the curriculum, and so on.

[68] **Nick Ramsay:** Do you take into account the popularity of the school? Would that be a factor?

[69] **Mr Brindle:** The authority needs to own the proposal for what it wants to take forward, and it is for it to determine on the particular solution that it wants to pursue.

[70] **Nick Ramsay:** Under the twenty-first century schools programme, I understand that local authorities put forward specific proposals for funding, in contrast to the previous programme, where capital was allocated on the basis of a formula. How sure are you that funding is now allocated where it is needed most?

[71] **Mr Brindle:** That touches on the question that you asked before.

[72] **Dr Roberts:** It is a more strategic use of the funding. It is very transparent in that we are discussing with local authorities precisely what those proposals are, and we have the criteria that we are measuring against. So, it will be much better value for money than the previous regime.

2.00 p.m.

[73] **Jonathan Morgan:** On a point of clarification, with regard to the way in which the issue of surplus places in schools can be tackled through the school improvement programme and the release of capital resources, the report states clearly that the Assembly Government has recommended that each local authority should aim to retain no more than 10 per cent surplus places overall. Is that set out in guidance or in a statutory instrument?

[74] **Mr Brindle:** That is part of the guidance for the twenty-first century schools programme.

[75] **Jonathan Morgan:** As it refers to the overall surplus, presumably there could be some schools that are under or over their capacity by more than 10 per cent, as that would purely be the average across the local authority area.

[76] **Mr Brindle:** Overall, the outcome is that we have a sustainable education system, in respect of running costs and matching supply and demand. So, a school where there is a particular problem of overcapacity would be unsustainable, and some action would be needed to move that forward. However, 10 per cent is a good operating tolerance, because you have to adjust for future demographic changes and so on.

[77] **Dr Roberts:** No local authorities currently have surplus capacity of less than 10 per cent, and six have surplus capacity that exceeds 20 per cent.

[78] **Bethan Jenkins:** Mae'r cwestiwn hwn ar gyfer Dr Emyr Roberts yn benodol. Mae paragraffau 2.48 i 2.52 o'r adroddiad yn ymwneud â chefnogaeth i awdurdodau lleol sydd â chapasiti cyfyngedig. Mae adroddiad y swyddfa archwilio yn tynnu sylw at y ffaith nad oes digon o gapasiti ac arbenigedd mewn rhai awdurdodau lleol i gyflawni rhaglenni buddsoddiadau cyfalaf ar raddfa fawr. Mae'r testun sy'n arwain at bumed argymhelliad yr adroddiad yn dweud bod rhaglen ysgolion yr unfed ganrif ar hugain yn darparu arbenigedd a chymorth ychwanegol i awdurdodau lleol wrth iddynt lunio'u cynlluniau buddsoddi, ac mae paragraff 11 yn eich papur yn ymhelaethu ar hynny. A allech roi mwy o fanylion ynghylch yr arbenigedd a'r cymorth ychwanegol sy'n cael eu darparu i awdurdodau lleol, ynghyd ag enghreifftiau o natur a graddau'r cymorth a ddarparwyd, a dweud gan bwy y mae'n cael ei darparu? Sut y mesurir yr angen er mwyn penderfynu faint o gefnogaeth y mae pob awdurdod yn ei gael, a graddau'r gefnogaeth hynny?

Bethan Jenkins: This question is specifically for Dr Emyr Roberts. Paragraphs 2.48 to 2.52 of the report refer to the support that is provided to local authorities that have limited capacity. The report by the audit office highlights the fact that there is not enough capacity and expertise in some local authorities to undertake large-scale capital investment programmes. The preamble to the fifth recommendation of the report says that the twenty-first century schools programme makes available additional expertise and support to local authorities in developing their investment plans, and paragraph 11 of your paper expands on that. Could you provide more detail on the additional expertise and support that is made available to local authorities, and give examples of the nature and extent of the support that is provided, and say by whom it is provided? How is the level of need measured in order to determine how much support is provided to each local authority, and the extent of that support?

[79] **Dr Roberts:** Gallaf gadarnhau ein bod yn cefnogi yn ariannol tîm bach sy'n helpu awdurdodau lleol i ddatblygu'r rhaglen ac i ddatblygu'r sgiliau i weithredu'r rhaglen. Hefyd, mae pobl ychwanegol yn helpu'r tîm hwnnw sy'n arbenigwyr mewn gwahanol feysydd, megis rheoli prosiect a chaffael. Felly, yr ydym yn cefnogi hynny, ac mae tîm y rhaglen yn cefnogi hynny'n ariannol. Yr ydym hefyd eisiau sicrhau bod yr hyn yr ydym yn ei ddysgu o un awdurdod lleol yn cael ei basio ymlaen i awdurdodau lleol eraill. Gofynnaf i Simon ymhelaethu ar y math o gefnogaeth sydd ar gael.

Dr Roberts: I can confirm that we provide financial support to a small team that helps local authorities to develop the programme and to develop the skills to implement it. In addition, other people help that team who are experts in various fields, such as project management and procurement. Therefore, we support that, and the programme's team supports that financially. We also want to ensure that what we learn from one local authority is passed on to other local authorities. I will ask Simon to expand on the type of support that is available.

[80] **Mr Brindle:** It comes through dialogue with the local authority on where it is and what it needs, and it is about bringing in specialist support at the right point in the planning process, whether that is the developing of a strategic educational plan, and engagement with chief executives and leaders of councils and so on, or some of the more technical aspects of the schemes, such as commercial arrangements, procurement or design issues. For example, if

you wanted an expert to ensure that your outside space is used effectively there are people who are expert in that whom it would not be efficient for any authority to retain as a permanent resource. So, we have that on tap when it is needed and we can procure and arrange that in an efficient manner.

[81] **Bethan Jenkins:** A ydych yn mesur angen awdurdodau yn erbyn ei gilydd? Yr ydych yn dweud eich bod yn trafod gydag awdurdodau lleol gwahanol. Ai ar sail y trafodaethau hynny yr ydych yn cychwyn gwaith newydd gyda'r awdurdodau lleol, neu oherwydd bod cynllun clir o'r hyn sydd ei angen a'r hyn nad oes ei angen ar un ysgol o'i chymharu ag un arall?

Bethan Jenkins: Do you measure the needs of local authorities against each other? You say that you hold discussions with the local authorities. Is it on the basis of those discussions that you begin new work with local authorities, or because there is a clear plan of what is needed and what is not needed by one school as compared to another?

[82] **Mr Brindle:** It is very much based on the dialogue with the authorities to see where they are. That also gives us the opportunity to take that assessment across the country with regard to what the overall skill levels are. A key aim of this programme is to enhance the internal capability capacity within Wales of that expertise. For example, in north Wales they are actively considering pooling together their technical services in a way that can enhance their in-house capacity to support investment across Wales on an efficient basis. At other times, we want to have the ability to have particular experts working on a particular aspect of a programme on tap.

[83] **Dr Roberts:** Yr ydym yn ceisio ymateb i'r galw. Os oes arbenigedd yno yn barod, mae'n iawn, ond os nad oes ganddynt y sgiliau, yr ydym yn ceisio ymateb i hynny.

Dr Roberts: We try to respond to the demand. If the expertise already exists there, that is fine, but if they do not have the skills, we try to respond to that.

[84] **Sandy Mewies:** My question is to Dr Roberts. The sixth recommendation in the Wales Audit Office report on the maintenance and repair of school buildings is directed at local authorities, rather than the Welsh Assembly Government. Nevertheless, it is still relevant to the Welsh Government's capital investment programme, for obvious reasons. The Wales Audit Office report makes it clear that inadequate maintenance over a very long period has contributed to the current need for capital investment in schools, and that unless schools are properly maintained, we could find ourselves in the same position halfway through the twenty-first century as we were at its beginning. Can you explain what steps, if any, the Assembly Government is taking to ensure that adequate maintenance programmes for schools are planned, resourced and delivered? Most schools have a rolling maintenance programme that goes on and on, but it does not take into account any suddenly leaking roofs—any big spend—and does not rectify some of the design faults that have been around for years. How will that be tackled?

[85] **Dr Roberts:** The point is well made in the Wales Audit Office report about this. As you said, it is a recommendation that local authorities should address. In terms of the programme, maintaining the assets over their lifetime is essential to achieving value for money in the investment supported through the twenty-first century schools programme. Investment proposals from local authorities will be assessed in terms of the initial investment required and their approach to whole-lifecycle costs, so we are trying to build that in from the outset. Local authorities will be asked to demonstrate how they plan to budget adequately for the good lifecycle maintenance of the school estate, so we are trying to factor that in from the outset.

[86] **Sandy Mewies:** I was very interested in what you said about having joint technical services, because in some educational circles it has long been thought that an off-the-peg plan

should be available for schools because their needs are often similar, although never entirely identical. Will the framework encourage the use of innovative materials and innovative heating systems? Schools are softer targets, but they can contribute a lot in the long-term with things such as solar panels on schools—which we have in Flintshire—wind turbines, biomass as fuel, and so on. Will these types of things be encouraged?

[87] **Dr Roberts:** Very much so. Coming back to the criteria, criteria 4 concerns sustainability and carbon dioxide reduction—strategies for reducing carbon dioxide emissions associated with the education estate. That is very much built in from the outset. Simon, do you have any examples of that?

[88] **Mr Brindle:** It is very much a live programme. By taking it in a strategic way at a national level, we can develop innovation within capital investment for schools. In the last transitional round of funding, we looked at two proposals that could take forward experimental work towards achieving a ‘best in class’ environmental school. Two schools at opposite ends of the country will be developed on a zero-carbon basis to explore some of those technologies. We are keen that the programme changes the economics of doing that. So, if we see success in some of those schemes, we can reduce their cost by thinking about procuring them on a larger scale and therefore rolling it out faster.

[89] **Jonathan Morgan:** Are there any further questions? I see that there are none. I thank Dr Roberts and his colleagues for being with us this afternoon. It has been very helpful.

2.10 p.m.

Cynnig Trefniadol Procedural Motion

[90] **Jonathan Morgan:** As we are running ahead of time, I propose that we move into private session to consider the evidence. That should allow us to make up some time before our next witness appears for the next item on our agenda.

[91] I move that

the committee resolves to exclude the public from this part of the meeting in accordance with Standing Order No. 10.37.

[92] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth y rhan gyhoeddus hon o'r cyfarfod i ben am 2.11 p.m.
This public part of the meeting ended at 2.11 p.m.*

*Ailymgynullodd y cyfarfod yn gyhoeddus am 2.23 p.m.
The meeting reconvened in public at 2.23 p.m.*

Ymateb i'r Her o Gyllido'r Sector Cyhoeddus yng Nghymru: Tystiolaeth gan Andrew Davies AC Meeting the Challenge in Welsh Public Sector Finance: Evidence from Andrew Davies AM

[93] **Jonathan Morgan:** Under this item on the agenda, we shall take further evidence on

the preparedness of Welsh public services to meet the financial challenge in this and the coming period. This item is based on the Wales Audit Office report, 'A Picture of Public Services', and a series of other reports that have looked at how prepared public bodies are to meet the financial challenge.

[94] We have already taken evidence from the Permanent Secretary to the Welsh Assembly Government, in which she outlined what the Assembly Government is doing to ensure that it is more efficient in its decision making as opposed to merely asking public bodies to be more efficient. After that session, one of our colleagues, Andrew Davies AM, the Member for Swansea West—he served as the Minister for finance until December 2009—raised a number of issues in a letter to the Permanent Secretary. At that point, as Chair of the committee, I decided that we should offer Andrew the opportunity to give evidence to the Public Accounts Committee.

[95] I must say on record that this is an unusual step for the Public Accounts Committee to take, because, as a matter of course, when looking at the past 11-and-a-half years, we have taken evidence from accounting officers and officials, but I understand that Andrew is the first Assembly Member to give evidence to the Public Accounts Committee. However, I do think that this is a practice that we could follow in future if we feel that further evidence needs to be explored to allow the committee to come to a full and considered view as to its work at that time. I am delighted that Andrew is able to be with us this afternoon. He has provided the committee with a paper, which has been circulated to Members. If it is okay with you, Andrew, we will proceed with the questions.

[96] In your letter to the Permanent Secretary of 25 July of this year, you question the £0.5 million saving that she stated had been made as a consequence of reorganising the Welsh Government's senior civil servants into the current configuration of directors-general. The Permanent Secretary replied to you on 24 August, and you state in your paper that questions in relation to the restructuring remain unanswered. Could you elaborate further on the questions that you feel need to be answered in relation to the restructuring of the Welsh Assembly Government's civil service?

[97] **Andrew Davies:** Thank you for the invitation to come here today. It was not just after the appearance of the Permanent Secretary before the Public Accounts Committee that I raised the issues; she had also appeared on two occasions before the Finance Committee, and it was on the back of the last appearance there that I raised the issues. We were clearly told in the committee that the number of director-level posts had been reduced by seven: there had been a reduction from 149 to 142. Just after the Permanent Secretary had appeared before the committee, following a Freedom of Information Act 2000 request from the *Western Mail*, figures were released to the paper and the number of civil servants on the list provided was 160. I then raised questions publicly about the apparent discrepancy, and the Permanent Secretary has replied to that. It seemed that two human-resource systems were being used, which in itself raises questions about the robustness of the information that is being issued. In my letter I asked why no attempt was made in the Finance Committee to qualify the answer on the reduction from 149 to 142. I do not feel that her reply answered that, other than to say that it was down to there being two reporting mechanisms. As you will see in my letter, I also ask questions about the employment status of those representing the difference between 142 and 160. In the *Western Mail* article, the Assembly Government statement said that the difference was due to various factors, including secondments. In question c, on the first page of my letter, I asked:

[98] 'What is the employment status of those over and above the 142 in SCS and how many of the 160 SCS are permanent staff and how many are on secondment',

[99] and I also asked questions about the organisations to which they had been seconded,

and which bodies were responsible for the costs of employing seconded senior civil service staff. I understand that it is custom and practice that the costs relating to staff who are seconded to various organisations in the public sector are still regarded as departmental running costs and still fall on the Assembly Government. There are questions later in my paper that do not refer to the restructuring, which I feel have not been answered.

[100] **Jonathan Morgan:** In point 2 of your letter to the Permanent Secretary, you say:

[101] ‘The reason I asked that question is that, as you are aware, when a Minister I asked you what Director posts had been lost and where exactly these savings of £505,000 had been made as a result of the management restructuring, and was informed by you that the Director of Public Services and PPS to the First Minister were among the posts are no longer existed’.

[102] You asked the Permanent Secretary that question when you were the Minister for Finance and Public Service Delivery, presumably. Could you recall when you asked that question? The reason why I raise is that, if we are being told that the figure is £505,000—and you rightly refer to the fact in your letter that that figure is presumed to be constant, regardless of the potential fluctuations in the number of people employed—I am trying to figure out a timeline in my own mind as to when you were told that figure.

2.30 p.m.

[103] **Andrew Davies:** As you will be aware, it was a major restructuring, and there had been quite a considerable discussion at Cabinet level. I met the Permanent Secretary regularly on a bilateral basis, and, along with the then First Minister, Rhodri Morgan, I met her in a Cabinet committee called corporate affairs. It was there that I asked what the savings were. Initially, we were told that it would be £0.33 million. Subsequently, when I asked what the basis for that was and what jobs would go, a paper was submitted to the First Minister on 14 September 2009. In her letter, the Permanent Secretary says that I signed this off. That is not true. I did not sign it off. It was not a matter for me to sign off. As I have said in my paper, civil service appointments and restructuring are matters for the Permanent Secretary or, indeed, Whitehall to approve. They are not matters for Assembly Government Ministers. At no stage did I agree to it or sign it off. I just want to put that on record.

[104] The paper referred to a saving of £505,000. Subsequently, I asked about the eight director posts that were supposed to be part of the savings. As I have said, if this was the private sector, we would expect considerably greater savings than that in terms of posts. However, that aside, I asked about the jobs. Nothing was put in writing, but verbally I was told that the posts of the director of public services and performance, Richard Davies, and that of Lawrence Conway, who was the then private secretary to the First Minister, were going. In fact, they were retiring anyway. Subsequently, I was surprised to be told by the then director general of public services and local government that he felt that he needed a director of public services. I pointed out to him that, if he did that, the alleged savings of £505,000 would be cut into, so I resisted that. I understand that, after I left Government, it was decided to create that job. It was subsequently advertised, and I believe that it was filled at a salary of £110,000.

[105] I also understand, with regard to the post of principal private secretary, that although the grade was not the same, effectively the same role was subsequently filled. That was why I was sceptical, to put it mildly, that, in the Public Accounts Committee and, indeed, in the Finance Committee, the Permanent Secretary continued to quote the saving of £505,000. I hope that that answers the question.

[106] **Jonathan Morgan:** It does; thank you.

[107] **Bethan Jenkins:** Following on from that, with regard to the restructuring of the

senior civil service, focusing on the level of savings that it has yielded, from what you have just said there is obviously still some concern about that figure. So, my question may be difficult to answer. Do you believe that the Welsh Government is better placed to face the financial challenges due to restructuring, or do you feel that there are still unanswered questions because of the figures and the process by which the restructuring took place?

[108] **Andrew Davies:** It is difficult for me to answer, because I have not been in Government for 10 months now. With regard to whether the Assembly Government is in a better place to face the financial challenges, it is difficult for me to give any informed assessment other than what I, and I am sure other Assembly Members, pick up anecdotally about what is happening. When I was Minister for Finance and Public Service Delivery, we were planning this spending review on the basis of efficiency savings of 3 per cent on revenue and 10 per cent on capital. Those have been planning assumptions for some time, so perhaps the Permanent Secretary is quite right to say that there has been a consistency in planning. However, with regard to the effectiveness of the director-general roles, I do not think that I am in a position to say whether the new structure, or indeed the way it was handled, puts the Assembly Government in a better position to deal with the financial situation it is in.

[109] **Joyce Watson:** Good afternoon, Andrew. Moving on to the issue of value for money, in your paper you suggest that the assessment of value for money within the Welsh Government is inconsistent, making a proper assessment of performance and achievement difficult. You say that accounting officers are required to utilise a range of Treasury and Office of Government Commerce tools to ensure that programmes and projects have value for money considerations built in at the outset, so that they can be monitored and evaluated throughout their lifecycle. Is it your assertion that this is not being done?

[110] **Andrew Davies:** A business case is always prepared for any new Government initiative. One thing that I was concerned about as Minister for Finance and Public Service Delivery —along with Dr Christine Daws, who became the director general of finance but, as Members may be aware, has since left the civil service—was that very few people who undertook a finance function in the civil service had accountancy qualifications or experience. My paper may have sounded a bit academic, but I feel that a lot of the problems that we face are systemic and are about the culture of the civil service. There is a generalist culture. Most civil servants are generalists; they do not have specific skills in a particular area, and nowhere was this truer than in finance. Dr Daws saw it as one of her priorities to recruit more people who understood figures. It is difficult for me, as a former Minister, to assess how robust they were, because you rarely saw the business case that was put forward; you were given a summary of it.

[111] On capital, I was concerned that things were going to be much tighter. You only had to look at the trajectory of public finances to know that things were going to get tight. In the first four years of the Assembly's life, there was a 7 per cent real-terms annual increase, in the second four years it was 4 per cent, and in the spending review period currently coming to an end, it was 1.8 per cent. Things were going to get tight and value for money considerations were going to be even more pressing than before. When it came to capital, I was concerned that we were not as efficient or as effective as we could have been. That is why one of the 'One Wales' commitments was to establish a strategic capital investment fund. By having a much more centralised, corporate and strategic approach, I think that we were able to introduce a new culture, a new way of doing things, and a much more robust assessment. Practice tended to vary across departments, but I think that the SCIF process has helped to give a much more robust assessment. Therefore, on capital, practice was variable. I believe that it has improved, but even so, the bulk of capital investment across Government is still dealt with on a departmental level and not at a strategic or corporate level.

[112] While there are internal business planning processes, I sometimes question how

robust they are. Often, departments will tend to do the same thing year after year, because that is the way that they do things. In some areas, Dr Christine Daws and I used to question colleagues about new ways of delivering services. For example, on housing, particularly affordable housing, the traditional route was to allocate a sum of money as part of the budget process, and that would then be effectively distributed to housing associations and registered social landlords on the basis of a formula for how much it would cost to deliver x number of affordable home units. We felt that we could get better value for money, and as part of the SCIF process we were pressing housing department officials to look at alternative ways of delivering more bang for the Welsh pound, as I have called it. Again, practice varies. You also have to realise that, in Government, cost-benefit analyses are rarely undertaken and opportunity costs are rarely looked at.

2.40 p.m.

[113] We had an example yesterday in the Enterprise and Learning Committee, when the Deputy First Minister was giving evidence with his officials on the economic renewal programme. I am not criticising the Deputy First Minister for the policy. Brian Gibbons and I questioned his officials about whether a cost-benefit analysis had been carried out on the commitment on broadband. We pressed them on that, because there is an obvious opportunity cost: if you invest in broadband, you cannot invest in other infrastructure such as road and rail, as you can only spend money once. We were informed by officials that a business case had been presented, which we were not surprised to hear. However, when I pressed them on the cost-benefit analysis, I was told by the official that that would be done once the broadband programme was up and running, which struck me as a case of closing the stable door after the horse has bolted. I repeat that this is not a criticism of the Deputy First Minister. It may well be the right policy decision, but there are opportunity costs, and my experience is that they are rarely examined. These are decisions for officials to take; they are the accounting officers and these are not matters for Ministers.

[114] **Sandy Mewies:** Andrew, you will be aware that accounting officers are required to ensure value for money. If an accounting officer cannot defend a ministerial decision on those grounds, they can seek a formal direction to proceed from the Minister. To the knowledge of this committee—certainly to my knowledge—such a direction has never been sought. In your experience as a Welsh Minister, did an accounting officer ever raise concerns about the value for money of a project or programme, either with you or one of your colleagues?

[115] **Andrew Davies:** No; I do not recall an accounting officer advising me that a programme did not represent value for money. An assessment of value for money against ‘One Wales’ commitments was an explicit part of the strategic capital investment fund process; there was an assessment of relative value for money, but that was against strategic priorities and not because there was a risk that no value for money would be delivered. A risk assessment will be a part of any assessment, which is understandable. No investment or policy comes entirely free of risk, but I do not recall ever being advised that a particular project, policy or investment raised concerns about value for money.

[116] **Peter Black:** Good afternoon, Andrew. On page 5 of your paper, you suggest that in many cases, the business relationship between the Welsh Government and outside bodies demonstrates,

[117] ‘poor and inconsistent performance and relationship management’.

[118] That is from the third paragraph on page 5 of your evidence. Do you believe that this has a bearing on the Welsh Government’s ability to take a lead in response to the financial challenge faced by the public sector in Wales?

[119] **Andrew Davies:** I do; that is why I put it in the paper. My critique is based on a critique of the civil service. It is quite an introverted culture. It is obsessed with its own internal processes, so relationship management is not seen as a priority. I gave a couple of examples of that in my paper and one concerns the difficulties experienced by the former Welsh horticulture college, which Members will be aware of. When I was Minister for finance, I received a submission that the financial management of the college had been questioned by external auditors over a period of eight years. I was somewhat gobsmacked by that, and asked fairly rigorous questions about why it had not been addressed by officials before then. That is one example where I feel that there had been an avoidance of dealing with issues.

[120] The other example was the Wales Millennium Centre. I had been approached by the then Minister for culture or heritage, Rhodri Glyn Thomas, who advised that it would help the operation of the centre if the loan that it had received from HSBC could effectively be ended, because I believe that it was costing about £1 million to service. As it turned out, we had sufficient spare capital in end-year flexibility to pay off that loan to HSBC, which we did. However, I was concerned that there should be something for something. The first issue for me was to question why officials had not identified earlier that the WMC was experiencing difficulties. Subsequently, as a quid pro quo for writing off the loan, I asked for a governance review of the management and board of the WMC to be undertaken. I believe it took something like nine months for that to be established and, in the end, I had to speak to the then Minister for culture to say that I was unhappy with the speed at which his officials were dealing with the issue. Whether it is early warning about difficulties, or indeed, subsequent management issues, those are two examples where relationship management was poor. I could give many other examples. Unfortunately, it is part of the culture that senior managers do not see managing external relationships as part of their role.

[121] **Peter Black:** Is there an issue also about providing an early warning to Ministers on any difficulties? Is it not the case that when a difficulty has been identified, instead of flagging it up to the Minister and looking for guidance and leadership, civil servants just let it go?

[122] **Andrew Davies:** In the case of the former horticulture college, I do not know. I had not been the Minister for finance for long at the time and I do not know what previous Ministers had done. When I asked why this issue had not been resolved, it appears that it was in the difficult-to-do category, or perhaps there was avoidance; I do not know. In subsequent meetings with colleagues, I made it clear that that had to be sorted out.

[123] **Peter Black:** Within the political system as it stands, we expect politicians to take responsibility, not just for policy, but for the implementation and execution of policy, which means that you are taking responsibility for what the civil servants do. If the relationship between civil servants and politicians is dysfunctional, then Government is dysfunctional. Is that a general, widespread problem, or are these just isolated examples?

[124] **Andrew Davies:** The issue of accountability, as I said in my paper, needs to be addressed. The status and function of the civil service is part of the constitutional settlement that has remained unreformed after devolution. The Permanent Secretary and senior civil servants are accountable, in effect, to Sir Gus O'Donnell, the Cabinet Secretary. As I point out in my paper, even changes in structure have to be approved by Whitehall. There is this fiction that Ministers are accountable for everything that happens on their watch. I do not see how any Minister could possibly be held responsible for operational matters at a fairly low level. However, that is the current way in which accountability is arranged in Government. I think that senior civil servants should be much more accountable and responsible for the management of their departments.

[125] **Sandy Mewies:** I will try to be brief. I am well aware of the situation at the former Welsh college of horticulture as it is in my constituency. It did seem that there had been a delay in getting to where we are now. The Welsh Assembly Government has put £2.5 million into a new learning zone at the college and it is linked with Glyndŵr University. It is a fantastic place. I was there at the opening the other day. It is now the Northop campus of Deeside College, and it has changed lives and education for the better. It seemed to take an unconscionable time to get there.

[126] Similarly, you talk in your paper about the evidence that Simon Gibson gave on the techniums to the Enterprise and Learning Committee. I was a member of that committee and we were all staggered—well, I was—to hear that firm and clear recommendations that had been made, which could have improved things, had not been moved forward at all. It seemed as though they had been put on the shelf and forgotten. I might be wrong in that, but, as a member of that committee, that is the impression that I got. I am not clear about what has happened since.

2.50 p.m.

[127] I do not know whether things have moved on, but it does seem that if there is a sort of laissez-faire attitude about such things, it has to compromise the ability to face up to the challenges that we face. There will have to be some very quick thinking and firm thinking. If you are saying that you will be ready for it, you have to be ready for it, not in a year's time, or two or three years' time; it is about the present. You may not be able to answer my question because you made the point yourself that you have not been a Minister for 10 months, but did you have any evidence that that sort of attitude was changing, and that there was a real thrust and movement to move it on slightly? You have talked about the culture; it is so indefinable in some ways, but did you feel that it was changing?

[128] **Andrew Davies:** No. As stated in the attached article, the technium programme was a case of déjà vu all over again. It was actually a Welsh Development Agency programme that went back to 2001. I raised concerns with the WDA then. I used to meet the chief executive regularly, along with the then chair of the WDA, and I raised my concerns that there was no strategy, plan or programme for the management of the roll-out of the programme. My concerns remained once the WDA was merged with the Assembly Government. I had hoped that, with the merger, we would be able to get a grip of the programme.

[129] However, I left the department in 2007, following the elections, and subsequently became Minister for finance, but I took a close interest in the programme because I had been so closely associated with it when I was the Minister for economic development. I kept asking questions about the effectiveness of the programme and I kept being given figures for occupancy levels.

[130] The technium centres were designed as business incubators. The idea was to attract small companies, such as spin outs from universities, which were usually high-tech companies that had high growth potential. The idea was that they would stay in the techniums centre and then move on to larger premises as they grew. There did not seem to be much throughput of companies and, in many cases, the occupancy levels of some of the technium centres were minimal, to put it mildly. Sometimes, I felt that the companies that were in there were not what the original vision of technium was about.

[131] I kept asking for performance figures and, to put it crudely, I was fobbed off. I never got the figures that I had asked for. Therefore, I kept challenging, within the Government, as the Minister for finance, the performance of the techniums. Colleagues may remember that, as well as the 10 that exist, there were two other techniums previously: one was a biotechnium at the National Botanic Garden of Wales, which was subsequently sold off to a biotechnology

company; and there was a creative industries technium in the old Gelli-aur buildings near Carmarthen, which no longer exists. These were some of the concerns that I had about the management of the programme, its rationale, and the business case for it.

[132] As I said, even as the Minister for finance, I was never able to get performance data. I suspect that that was because they do not exist. The only evidence that I had was on occupancy levels and that sort of indication. Since I left Government, and as a result of a freedom of information request from the BBC, I believe, the internal audit of techniums has been put in the public domain. I certainly never saw it or even a summary of it as Minister for finance. The question that I asked the Permanent Secretary was whether Ministers were made aware of that. I am not aware that they were. They could have been made aware of it, but I was certainly not told about it or made aware of it.

[133] In terms of corporate governance, I am told that the Audit Committee looked at the technium programme and issued two reports, which identified serious managerial failures over several years. Therefore, there has been a whole range of queries from Ministers and reports that have indicated that there were problems. It is my understanding that since the publication of the economic renewal programme, a review of techniums has been announced and is being undertaken, but that is not an external audit or review; it is being done by a senior manager within the department. I do not think that that is satisfactory.

[134] **Jonathan Morgan:** Bethan Jenkins wants to come back on that point.

[135] **Bethan Jenkins:** No, I want to return to the relationship with outside organisations. You may have covered that point, but can you clarify, particularly with regard to the Wales Millennium Centre, whether it was that Ministers were not briefed on certain issues, or whether it was that civil servants, in carrying out the day-to-day operations in their job descriptions, were not doing so appropriately? I understand the point about the accounting officer, but, ultimately, we have to hold Ministers to account in the Senedd for their work. So, I would like some clarification on that point.

[136] My second question is with regard to the fact that we are aware that Whitehall is in charge of the civil service. What efforts did you make while a Minister to change that culture or to appeal to Ministers on a UK level to change that culture? Is the Government doing anything like that at present?

[137] **Andrew Davies:** With regard to your second question, that would be a major constitutional change; it be a matter for the First Minister and the Cabinet to make the decision as to whether they wanted to change the constitutional status, and then they would need to negotiate that with the UK Government. My understanding is that the constitutional position is different in Scotland, and that, while the civil servants are part of the UK civil service, the Permanent Secretary in the Scottish Government is more accountable to the First Minister there. So, the situation does seem slightly different or better, from my perspective, in Scotland.

[138] With regard to your first question, I do not know whether Ministers had been briefed, for example, on the Wales Millennium Centre. That issue was raised with me by the then Minister, Rhodri Glyn Thomas, in the summer of 2007, not long after the One Wales Government was formed. I cannot speak about what had happened before that, but, clearly, issues had been identified, and I was rather surprised that that had not been flagged up previously to Ministers—it may have been, but, certainly in the briefings that I received, that was not made clear. The same applies with regard to the Welsh College of Horticulture; I am unsure as to what extent Ministers had been made aware of the issue, but, when I became aware of it, I said to my colleagues—the then Minister for Children, Education, Lifelong Learning and Skills and the then Deputy Minister for Skills—that we had to sort it out.

[139] **Joyce Watson:** I want to return to the issue of the techniums, which, if memory serves me, received £100 million in European funding, plus Government money. You talked about the vision not being realised, because the focus had shifted elsewhere. I remember being hugely excited by techniums—we have one in Pembrokeshire—because they were really forward thinking. My understanding as an outsider—you were an insider—was that the vision must have been borne out of a genuine desire to join up the expertise that existed in universities, not just in Wales, but further afield, in order to incubate genuine companies that would grow. We have a lot of small and medium-sized enterprises in Wales, but they tend to be more on the small side rather than medium-sized. So, are you saying that this amazing vision that could have really put Wales on the map, and particularly Pembrokeshire, which has industries that could have grown and expertise that could have been used, got lost in the mix of everything that you described? I find that really scary—and Halloween is approaching—and most incredible.

3.00 p.m.

[140] **Andrew Davies:** The vision was certainly as you describe it. What happened was that it became part of the WDA's culture and its property-based solution of 'Build, and they will come'. The techniums then became quite sector-specific, so, for example, in Dafen in Llanelli, there was a high-performance engineering technium that was linked to the automotive sector. In Baglan bay, on the energy park, there was a sustainable technologies technium, and, in north Wales, there was the OpTIC technium at St Asaph and the Centre for Advanced Software Technology Ltd in Parc Menai, which was mainly linked to Bangor University. So, certainly the intention was as you described it, Joyce. The problem was that it then became part of the WDA's property culture, which, as I said, was, 'Build, and they will come'. The other problem was a lack of people with the right skills who understood what companies needed to grow in terms of access to finance, legal advice or whatever it might be. The officials who were dealing with the techniums did not have the account management skills. That has been identified by the various reviews of the technium programme that I am aware of, but there has been a failure to address that by senior management in the department.

[141] **Jeff Cuthbert:** This is a question about management ability and flows logically on from the last round of questions, and, indeed, you may feel that you have dealt with this. In page 2 of your paper, following the five bullet points, you say that:

[142] 'In my experience promotion of senior officials is largely on the basis of intellectual and administrative ability not on management capability: 'Drafting' skills and facility with language are more highly valued than management ability. Senior management tend to intellectualise, to analyse and debate rather than take executive decisions. Because of a narrow preoccupation with policy making performance management, whether within or outside government, is not seen as a priority.'

[143] That is pretty damning stuff, with significant implications for the Government. Presumably, you think that it has serious implications.

[144] **Andrew Davies:** Very much so, but, as I said, this is part of my wider critique of the civil service. My paper referred to a series of departmental capability reviews that were undertaken by the Whitehall Government departments in about 2005-06, from which came a consistent message. It also relates to—and this will date me—the Fulton report set up by Harold Wilson when he was Prime Minister to look at the civil service, which reported in 1968. It said that the civil service had a generalist culture, it was not professional in terms of expertise and skills, and it was very much focused on policy making and not on delivery. That was in 1968. The departmental capability reviews in 2005, 2006 and 2007 identified exactly the same challenges. I do not feel that the Welsh Assembly Government is any different.

There is a focus on policy, and not on delivery. There is an emphasis on compliance and process, and not on outcome. For example, there is an emphasis on managing budgets, not on looking at outcomes. So, the Assembly Government is just part of that wider critique that I and others have of the civil service.

[145] In my experience of 10 years as a Minister, leadership and management skills are not the criteria by which senior civil servants are promoted. I remember that when the post of director of the new education department came up, following the merger of Education and Learning Wales into the Assembly Government, one of the core criteria stated as needed in the advertisement was drafting skills.

[146] **Jeff Cuthbert:** Briefly, do you see this as a fundamental, systemic problem, or could it be addressed through continuous professional development, for example, in relation to management and leadership skills training?

[147] **Andrew Davies:** Recruitment and training are important. The more senior jobs that are open for competition via external advertisement, the better. That would help to bring in new blood and greater comparability, so that existing civil servants can be compared in their performance and achievement with those from outside. However, I fear that it is a more systemic problem, which needs to be addressed at a system level as well.

[148] **Jonathan Morgan:** If I could pursue this a bit further, in your paper, towards the end, you say that you do not want your comments to be seen as a criticism of the majority of civil servants. You talk about the talent of people working in the civil service, and I am sure that Members, having met a variety of officials over the years, would agree with you. However, what you have said is that there are many good people in the civil service, but not enough with the right skills, and, in many cases, they were effective despite the senior management and the civil service culture, and not because of it. That is, they were capable of performing regardless of some quite considerable barriers that existed within the senior management of the civil service. The implication that I draw from that is that, if you were to look objectively at how the civil service operates, one could draw the conclusion that resources are not being deployed or used effectively. I am not saying that these people are not talented, but they are not being utilised in the right way. As Chair of this committee, that causes me concern. We review the work of the Wales Audit Office, based on value-for-money studies of public bodies, and the implication that I draw from your remarks, Andrew, is that we have an organisation supporting Government that has so many systemic flaws that one could almost call into question its value for money, efficiency and use of resources. Am I reading that in the right way or am I misinterpreting?

[149] **Andrew Davies:** I base my comments on 10 years as a Minister in three different jobs—Minister for Assembly Business, and then five years as Minister for economic development, and two and a half as Minister for finance—and dealing not just with the Assembly Government civil service, but also Whitehall. It just struck me again, because I have, as you gather, taken a close interest in this over many years, that the departmental capability reviews were quite remarkable in their consistency. Performance management was an area that was identified there. I think that you are quite right to ask those questions about effectiveness.

[150] One of my colleagues on the Finance Committee, when I was questioning the Permanent Secretary, said, ‘This is all very interesting, but—’, and I said that, for me, it comes down to effectiveness, particularly at a time of public finance constraints. Part of that has to be about ensuring that the machine is as efficient as possible, and there are fundamental systemic and cultural issues that need to be addressed.

[151] **Jonathan Morgan:** The reason why I raise that is that, elsewhere in your paper, you

talk about the fact that there were no uniform costings of activities in the civil service by which activities and achievements could be measured and performance assessed. Again, that is quite a substantial criticism when the Welsh Assembly Government, rightly, does what we expect in trying to get public bodies and those people who discharge their statutory functions in delivering public services and spending public money to be better performance-managed. In essence, the organisation that is demanding that of others does not appear to be following those particular demands itself. That is the criticism that I see in your report.

[152] **Andrew Davies:** Indeed, neither does the Wales Audit Office itself. I alluded to the fact that, for example, I rarely saw the issue of opportunity costs being addressed, and implicit in that, if you are comparing investment in one area to another, or one policy initiative to another, in that there is a way that you can assess opportunity cost. I rarely, if ever, saw that being done.

3.10 p.m.

[153] **Nick Ramsay:** Before we all go and jump in the bay, Andrew, is there anything good happening, management-wise, that you would say is an example of best practice? The Chair picked out in your interesting piece the fact that you have said that there are many good people, but that they might not be in the right places. Other than just moving those people to the right places, is any good practice happening at the moment that they would fit in well with?

[154] **Andrew Davies:** There have been many examples of good practice. For example, I cannot think of any devolved policy area for which the Assembly Government is responsible where there has not been substantial progress in making policy. I think that there has been some extremely good and innovative thinking and practice there. Of course, much of that is down to officials to deliver. I know of many examples from my experience of inward investment projects being won. For me, the problem is that, at a time of public finance constraint, being effective across the board has to be the priority. Having a much more consistent approach has to be a priority.

[155] I remember one of my senior civil servants saying to me some time ago that, in his judgment, the civil service was very good in an emergency or a crisis. It may be less good at dealing with the daily challenges that one of the large manufacturing companies that I used to work with, such as Ford, were dealing with in terms of continuous improvement. For example, when it came to dealing with the banking crisis and the recession, in the response, led by the then First Minister at the economic summits, some good work was done initially. There are many examples, in policy and in delivery; my concern is that it was not consistent enough. Going forward, the need for consistency and effectiveness will be paramount.

[156] **Nick Ramsay:** I would like to go back to talk about the techniums, because I thought they were a good example. I visited one myself and saw its potential as well as, as you were talking about, the vacancy levels for the businesses that you would like to have seen there. In talking about the failings there, are you saying that there was a failure, not so much in the policy itself, but in the management that set it up initially? Was that really always a case of barking up the wrong tree, for want of a better expression, as far as what could be achieved there, or is there a good record of setting things up, but not the necessary management support afterwards to keep it going? In other words, is it ultimately a matter of seeing a year's worth of money or so going down the drain because the right support is not there?

[157] **Andrew Davies:** In the case of the technium programme, it was successful in the sense that 10 buildings have been created and they have provided opportunities for many companies. My concern, as I said at the beginning, is that there did not seem to be a clear strategy. In fact, to the best of my knowledge, there was not a strategy, because I repeatedly

asked the then chief executive of the WDA for a copy of its strategy. So, yes, the money was available, much of it through European structural funds, and the buildings were built. My concern, however, was that the added value was not in the building but in the value of the companies and the growth of those companies and the employment they offered. There was a flaw in the original strategy, and I also believe that there was a flaw in the subsequent management of the programme.

[158] **Jonathan Morgan:** The final question goes to Bethan.

[159] **Bethan Jenkins:** We heard from the Permanent Secretary on 7 July that the Welsh Government is better prepared and more advanced in its planning than other parts of the civil service to deal with the financial challenges of the coming years, and that it is also better placed than many Whitehall departments. What is your view on this, considering what you have told us today?

[160] **Andrew Davies:** It is difficult to judge, as I have not been a member of the Government for 10 months or so. The Permanent Secretary is correct, in that the planning has been more consistent in the Assembly Government. When I was the Minister for finance, we were planning on the assumption that there would be 3 per cent annual revenue reductions and 10 per cent capital. Those planning assumptions have been in place for probably more than a year—about 15 months or so. So, from that point of view, I would expect that the Assembly Government would be better prepared due to the fact that there is consistency—there has not been an election in-between and therefore there has been no change of Government. I cannot judge how effective that has been because I am not in Government.

[161] **Bethan Jenkins:** I was going to ask about the balance between your statement that you had predictions in place and the cultural problems with staffing, and so on. Despite having plans in place for savings, how realistic is it that that would be achieved considering the paper that you have presented to us? Regardless of the fact that you are not in Government any more, the Government may still have the biggest percentage of savings predicted, but how realistic is it to achieve that with so many cultural and managerial problems in the civil service in Wales?

[162] **Andrew Davies:** The Government's last budget was approved by the Assembly on 8 December, and at the same time I published a document about better outcomes for tougher times, which was about how I believed the Assembly Government and public services in Wales needed to address what would become a very tight financial settlement. We recommended setting up an efficiency and innovation board, which has been set up. Before that, there had been an executive leadership group at official level, which brought together some of the key players in local government, other public sector bodies and the voluntary sector to start planning on the basis of the reductions that I had outlined. So, in terms of planning and subsequent actions, meetings and committees, progress has been made. However, because we are talking about the next financial year, I cannot judge how effective that preparation has been, but there certainly has been a lot of planning and preparation.

[163] **Bethan Jenkins:** To clarify, if you believe that changes are needed to the constitution to change the way that the civil service is run, would it not be very difficult for changes to be implemented effectively without those constitutional problems being identified, as you mentioned that they have in Scotland? It is all well and good to say that there may be plans in place, but if you have identified many problems, do you not agree that there may be difficulties and deficiencies in that delivery?

[164] **Andrew Davies:** I do not think that changes in performance necessarily hinge on a change in the constitutional position of the civil service. I believe that many of those changes could be driven through the system by Cabinet, the Permanent Secretary and her executive

team. However, in the longer term, there has to be renegotiation of the status and constitutional position of the civil service.

[165] **Jonathan Morgan:** That concludes this particular session. I thank Andrew Davies for being with us this afternoon. I found it extremely useful to crystallise some of the issues that the Welsh Assembly Government faces as an organisation and some of the challenges that need to be overcome. We will send you a copy of the transcript before it is published.

3.19 p.m.

**Y Defnydd o Adnoddau mewn Ysgolion Arbennig: Gwybodaeth gan Archwilydd
Cyffredinol Cymru**
**The Use of Resources in Special Schools: a Briefing from the Auditor General
for Wales**

[166] **Jonathan Morgan:** We will be receiving a report and a briefing from the auditor general. You have had a copy of the report. The auditor general is joined by Huw Lloyd Jones, a performance specialist for the Wales Audit Office. Welcome to both of you. I will ask the auditor general to brief the committee first, and then we will invite questions from Members before deciding how to proceed.

[167] **Mr Thomas:** This report differs from those that have been traditionally laid before this committee by the auditor general, in that it was commissioned by the support for learners division within the Department for Children, Education, Lifelong Learning and Skills. It is part of the Welsh Assembly Government's ongoing review of special educational needs. We have therefore drawn extensively on the findings of our colleagues in Estyn, who have also contributed to the department's review of special educational needs in the past. Before I go on, I wish to declare an interest as the parent of a child who has needed special educational support.

3.20 p.m.

[168] An earlier report by the auditor general examined funding across the whole range of special educational needs. In 2009-10, councils in Wales allocated £335 million of their budgets for SEN provision, which is about 13.5 per cent of the schools' education budget, and so it is a fairly significant figure. The report focuses specifically on the use of resources in special schools. It is not so much about those children who, with statements, are sent to general schools, as it relates to those who are sent to special schools, which represent 21 per cent of the total provision of SEN. So, around 80 per cent of children with special education needs go to general schools, and around 20 per cent of them go to special schools.

[169] There are 43 such schools in Wales, and they cater for just over 4,000 pupils. The test is whether the special needs of those pupils are so severe and complex that they cannot be met in mainstream education. The schools cater for a range of different needs, 30 per cent of which are in the autistic spectrum, including social, emotional or behavioural difficulties. Planned expenditure on special schools in 2009-10 amounted to some £100 million. That sum includes the often significant cost of placing individual pupils in schools that are outside the home authority and therefore maintained by other councils, or in independent schools. Education is provided that is tailored to the particular needs of the child. The report therefore looks at how well the special schools and the councils that maintain them use these resources.

[170] In carrying out the work, our staff visited 15 special schools in 13 authorities, and spoke to the education officers in each of those authorities. Our conclusion overall is that the schools generally make good use of the funds that they manage, which amounted to some £70

million in 2009-10. We also found that many councils have yet to update the way in which they fund special schools so as to reflect the significant changes that have occurred over the past 20 years in the context of the educational world and the world in which the special schools operate.

[171] We have identified a number of case studies demonstrating good practice, which I hope will be useful to the Assembly Government and to practitioners. They really need to work together to address the issues that we have identified in the report, which need to be taken forward to ensure that the children in special schools really benefit from the general development in education that has taken place.

[172] Huw Lloyd Jones will now provide a little more detail on the report.

[173] **Mr Jones:**The background to the report lies in the fact that it has been 20 years, more or less, since there has been any all-Wales-level consideration of how special schools should be funded. Circular 58/90 from the former Welsh Office set out some guidance as to the levels of staff that were necessary to teach pupils who had different sorts of special needs in special schools. However, since 1990, an awful lot has changed in the field of special education, and in the role of special schools. There have been changes to the types of pupils in special schools in that their needs have become more complex and severe over that 20-year period. There have also been changes in the expectations regarding what special schools should provide. For example, the national curriculum has come in since then, as has the local management of schools, and there are all sorts of new legislation regarding the safeguarding of children, which all have implications for the staffing levels that are necessary for special schools.

[174] Circular 58/90 recommended that there should be a banding system whereby pupils who had special needs of different levels of severity attracted different ratios of teaching support and different ratios of ancillary support in the classroom. We found that versions of the banding system are still being used in the authorities that we visited, although there have been evolutions and variations over the years. Whereas, in 1990, the band would have allocated a particular number of staff members to a child, because of the local management of schools it now allocates an amount of money, which schools can then use. That is clearly a difference.

[175] Part 1 of our report looks at the way that schools use the resources delegated to them. We found that, despite the fact that there is a huge variety in the level of funding for schools that appear to cater for pupils with largely similar needs, schools use their funding well. We found that schools that, on the face of it, catered for similar types of pupils and similar age ranges of pupils, varied between £12,000 per pupil and £23,000 per pupil, which is quite an astonishing range. We also found that the published data do not tell the whole story about the cost. Many councils provide additional support to special schools through staff paid for from central budgets. As such, it is therefore impossible to get a genuine handle on exactly how much it costs to run special schools and to benchmark those costs. Nevertheless, in the schools that we visited, we estimated the cost of these additional staff, thinking that, perhaps, they might account for these apparent differences in funding levels. However, we found that, once we added those costs on, those differences were accentuated. So, in fact, you will see in the report that one school in table 1 costs almost three times as much per pupil to run as another school in table 1.

[176] Despite this variation, Estyn inspections show that special schools make good use of the resources available to them. Perhaps surprisingly, inspection judgments show no link between the outcomes achieved by pupils and the quality of provision on one hand and the levels of funding available on the other hand. Special schools generally spend about 90 per cent of their budgets on staffing. That means either that those with higher levels of funding

are able to employ more staff than those with lower levels of funding or that they are able to pay staff at higher rates on the pay scales than those with lower funding. Those differences in levels of staffing may be justified because of the nature of particular pupils in particular schools, but, nevertheless, we have concluded that schools and the councils that maintain them do not review staffing levels regularly enough to ensure that they continue to reflect the cohort of pupils that currently attend the school.

[177] Part 2 of the report looks at how local authorities determine special school budgets and allocate that funding to special schools. We conclude that, despite a clear need to do so, many councils do not reflect the changed context in which schools operate in their funding and support arrangements. I referred earlier to those changes in the context and environment in which special schools work. These changes have significant implications for the way in which councils plan their special educational needs provision as a whole, and by that I mean SEN provision in mainstream schools as well as that in special schools. Councils are aware of the trends, but many have yet to tackle the challenges that arise from them. In many councils, the basis on which they allocate resources to special schools is broadly historical and probably no longer appropriate.

[178] Nevertheless, there are some good practice examples, and we include those in the report. However, there has been no fundamental review of special school budgets in the past five years in at least two thirds of councils. Several told us that their special school budgets and formulae were first set in the 1990s and have basically altered only because of inflation and so forth since then. Earlier, I mentioned that the banding system still exists. We are not saying that that is inappropriate, but the unit sum allocated to a child in a particular band now varies widely from one authority to another. It reflects the pot available rather than the needs of the child. Post-16 pupils are funded differently in the sense that, in the same way as sixth formers in mainstream schools, they are funded directly by the Assembly Government through a grant. That works by councils providing estimates of the required funding for their post-16 pupils in special schools to the Assembly Government.

3.30 p.m.

[179] Until very recently, these estimates have provided the basis for each authority's grant. Perhaps not surprisingly, that arrangement has proved unsustainable, and costs have risen year-on-year because of a situation in which the local authority specifies the provision required, and the Assembly Government picks up the bill. In 2010-11, therefore, after some debate the previous year, the Assembly Government decided that it would only fund 85 per cent of the estimated bill from local authorities, and local authorities have dealt with that in different ways. Some have passed on the shortfall to individual special schools, others have shared the reduction across all their schools—which obviously limits the impact on the special schools—while others have shared the shortfall across all council budgets, which limits the impact further. The point that we make in the report is that those strategies have a very different impact on special schools, and especially on the pupils in them.

[180] It is difficult to compare value for money in special school provision. That is partly because of the lack of availability of outcome data, highlighted by Estyn in a previous report in 2007, but also partly due to the limited detail and the inconsistency with which planned expenditure on special schools is reported on the revenue account forms to the Assembly Government. We found some cases, for example, where leisure centre costs apportioned to special schools far exceeded the leisure centre provision that was available to them. That kind of distortion impacts on our ability, or anyone else's, to compare costs accurately.

[181] Another issue that affects the value for money of the provision as a whole is the geographical spread of special schools, which, again, is largely historical. One council, Ceredigion, has no special schools at all—not by design, but by virtue of where the

boundaries are drawn. Nine authorities have no provision for pupils with social, emotional or behavioural difficulties, which is something of a growth area, and residential provision is patchy across Wales. All councils have to rely, to varying degrees, on buying places for certain pupils in schools in other authorities or in the independent sector. That process adds both cost and bureaucracy, and out-of-county provision is often a significant contributor to overspending. We understand that there have been some developments recently, in north Wales especially, on working together to solve some of those problems.

[182] My final point, Chair, is that we looked briefly at the level of support that special schools receive from other services, both from councils and the health service. Schools were broadly happy with the support that they received from other council services—we are talking about finance support, human-resources support, educational psychology and so forth. Many reported to us that they found it difficult to access adequate health service support. We have a situation where pupils' statements often specify that the pupil needs certain types of therapy—such as speech and language therapy, occupational therapy or physiotherapy—but the health board is not always in a position to deliver on that requirement. We found the picture that we often find—a patchiness across Wales, with different levels of provision in different parts of Wales, and particular difficulties for pupils who happen to attend a school served by a different health board from that of the area in which they live.

[183] I am happy to take questions. Thank you.

[184] **Jonathan Morgan:** On behalf of the committee, I thank you for the briefing. It is an extremely interesting report, and I was quite surprised to learn that the guidance and regulation around special schools is 20 years old. In essence, I can understand why the Assembly Government decided to commission this work, to get a further understanding as to some of the developments and challenges, and perhaps what needs to change in the future.

[185] Just to remind members of the committee, as this report has been commissioned by the Assembly Government, the Wales Audit Office is briefing the committee this afternoon in a rather different way, because it is not a strict, value-for-money study of the kind that we would ordinarily undertake an investigation into. In essence, it is for us to find out about the work, and to note it, and it may be that the Enterprise and Learning Committee will want to consider this information further, as it has been looking at special educational needs. However, this session is to allow members of this committee to pursue any points that they wish to raise.

[186] **Jeff Cuthbert:** I start by declaring an interest—I should have done this at the very beginning—as I am a governor of Trinity Fields School in Ystrad Mynach.

[187] On page 24 of your written evidence, in the section that states that councils have been slow to work together in order to improve value for money and so forth, the final sentence of paragraph 2.34 mentions schools for pupils with generic learning difficulties; could you clarify what you mean by that?

[188] **Mr Jones:** Schools with pupils with generic learning difficulties are ones that cater for all sorts of different special needs. They do not specialise in one particular type of need, such as autism, but cover multiple needs.

[189] **Jeff Cuthbert:** I think that I understand—it is schools that cater for fairly profound needs.

[190] You made the point that much of the funding is historical, in the sense that it is what has always been received, as opposed to being distributed as a result of a more thorough analysis of the needs of children. Please correct me if I am misinterpreting your words. You

also made the point that staffing ratios in some special schools are far higher than in other schools, which is perfectly understandable, because the children involved need much greater care and supervision, so support staff—not necessarily teaching staff—are going to be greater in numbers. This may sound like an obvious question, but do you think that that principle is generally understood by local authorities? I know that there have been issues in the past. The school of which I am a governor had difficulties not that long ago—I must stress that that is no longer the case—where there were battles with the local education authority over the issue of additional staff, because there was a proposal to trim funding in line with what was termed as a ‘normal’, mainstream school. It took time for some within the LEA to realise the difference, which was surprising, but that is certainly no longer the case. Do you still find that that attitude prevails in other LEAs?

[191] **Mr Jones:** I think that that is a fairly reasonable description; elsewhere in the report, we refer to the battle between Trinity Fields School and its LEA as a good-practice case study. It is an example of the type of thing that we think that local authorities should do—not to go into battle, but to work with their schools to come to a better understanding of precisely what needs youngsters have, how much it costs to provide for them and how that might be achieved best.

[192] **Sandy Mewies:** I have visited both of the special schools in Flintshire in my constituency recently, and they are fine examples of your suggestion that this is about sharing good practice. Things have changed enormously over the last 20 years, both in the curriculum and in attitudes towards what children with special needs can do. I am very pleased to see that expectations have been raised enormously; each child should be—and very often is—given the chance to explore their full potential, whatever difficulties they face.

[193] I was particularly concerned about a remark that you made about children with what I believe are now called social, emotional and behavioural difficulties; you said that this is a growing problem and need. From past experience, I know that locked secure units, which people do not realise are needed in some cases, are few and far between. Like all special schools, one of the high costs that these units face is in providing transport. By definition, those who attend anything that is specialised, like a Welsh-medium school, do not come from the adjacent town or village, but come from further afield. Having to travel a long way can have a detrimental impact on children’s educational standards. Why is this need for services for children with SEBD growing, and how great a need is it going to be, given that provision is very expensive?

3.40 p.m.

[194] **Mr Jones:** Our report did not examine the reasons why certain types of need are growing, but we have stated that, despite the fact that the number of children in Wales as a whole is going down, and that there has been a trend to include more children in mainstream schools who, in the past, would have been in special schools, the population of special schools is increasing. The conclusion that one draws from that is that pupils in special schools have more complex and severe needs than before. Another growth area is autism spectrum disorders, and it would be wrong of me to speculate as to why that might be. The problem that we highlight is that the provision for social, emotional and behavioural difficulties is patchy. There is a school in Carmarthen, in Monmouthshire and another in Gwynedd, but they are not necessarily located in the best places to offer such provision. In the report, we advocate a much more collaborative approach between local authorities, to set up provision where it is most needed and to avoid some of these very costly placements, which can cost as much as £0.25 million per year in the independent sector.

[195] **Jonathan Morgan:** Looking at the position of pupils who are catered for out of county, or even out of country, particularly those on the autism spectrum who have acute

needs and are perhaps looked after in residential settings, you say in paragraph 2.38 of your report that all councils rely to some extent on placements in independent special schools, indicating that there is not enough capacity in maintained special schools. In essence, that is a historical situation, probably without any specific guidance from Government since 1990. I imagine that local authorities have faced a number of complex situations that were probably too expensive for them to provide themselves, and so they secured that provision in the independent sector. In essence, I suppose that it comes down to whether a local authority sees its role as a provider of services or as an organisation that has to secure those services. Ultimately, many local authorities will say that their value judgment is that it is not their job to provide every service, and so local authorities will have gone in different directions. Without wishing to ask you to tell tales out of class, was there any indication from the Assembly Government, when commissioning work in areas of interest to it, that it wanted to address that area? Clearly, there are gaps in service provision within the statutory sector, which are then filled in by other sectors because there is a niche. I am wondering where this particular part is heading.

[196] **Mr Thomas:** I will leave Huw to comment on the study, but as regards the use of out-of-county and independent provision, much depends on the statement and the definition of needs given in respect of the individual pupil. There has been a growth of those in recent years, particularly in social, emotional and behavioural disorders. There has also been a parallel growth in independent sector provision throughout the UK and Wales. For an authority, getting the critical mass for such a school is difficult. As pupils come with their statements, one by one, the authority will find external sources of provision, including independent sources, but now, after a number of years, you can see the pattern. That is the point at which we can turn to authorities and say that now is the time to plan. The alternative is to continue to do it on a one-off basis as each pupil presents with a statement.

[197] **Mr Jones:** The scope of the study initially started as being about the funding of special schools. We went through our usual Wales Audit Office process of issues analysis to come up with the question that we answered. We were not given a specific brief about independent school places, but that came into the picture.

[198] To add to what the auditor general just said, we are not suggesting that every authority in Wales make provision to cater for every conceivable type of special need. We are advocating collaboration, which could include collaboration on the procurement of places, because four or five authorities coming together to buy 10 or 12 places in a certain institution on a guaranteed basis is likely to be far more economic than each authority buying one or two.

[199] **Bethan Jenkins:** I know that there is different funding for pupils aged 16 onwards, but do you have any information on the transition from education at age 19 into society? There are problems with statementing, post 19. Is that a part of this process or is it for another day? It has become more problematic in Wales.

[200] **Mr Thomas:** That will have to be a study for another day.

[201] **Mr Jones:** I happen to know that another workstream is looking at that side of things within the Assembly Government, so not by us, but by the department itself.

[202] **Peter Black:** I am interested in the relationship between the policies of individual councils on statementing and the use of special schools. In a number of councils, such as Bridgend, you have to be statemented to get into a special school. Other councils try to minimise the number of statements that they allow. Have you noticed anything as part of this study that indicated that, and that could be built on?

[203] **Mr Jones:** No. Invariably, we found that pupils who find themselves in special schools have statements, whichever authority they are in.

[204] **Peter Black:** We have talked about collaboration. Is there any movement in any of these special schools towards more regional provision? I know, for example, that the school for children on the autism spectrum in Swansea takes pupils from outside the Swansea area, and the situation is similar in other schools. Is there a move to make them genuinely regional or is it just a question of buying in to them?

[205] **Mr Jones:** It is largely a matter of buying in. There is a school for pupils who have an autism spectrum disorder in Denbighshire, which was initially designated as regional provision, but it operates in much the same way as the one that you described. I know that plans, under the twenty-first century schools programme, to upgrade the special school in Conwy have some regional ambitions, but it is too early to say exactly how those will work out.

[206] **Jonathan Morgan:** Thank you both for the briefing this afternoon. It is extremely useful, and we are grateful to you for bringing this report to us, although it was a report for the Welsh Assembly Government. We will note the report, and we would welcome any opportunity in the future for an update from the Wales Audit Office on how progress is being rolled out. We will keep a watchful eye on the Government to ensure that the Minister takes this on board and rolls this out to make changes to the way in which special schools are supported and developed in the future. I will notify the clerk to the Enterprise and Learning Committee, because it has done some work on this already, and perhaps it would be helpful if it was aware of this work as well. So, thank you for your attendance.

3.48 p.m.

Cynnig Trefniadol Procedural Motion

[207] **Jonathan Morgan:** Subject to the committee's approval, we will now move to a private session to consider the evidence that we received from Andrew Davies earlier. I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37.

[208] Are there any objections? I see that there are not and that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 3.49 p.m.
The public part of the meeting ended at 3.49 p.m.*