



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

**Pwyllgor Cyllid
The Finance Committee**

**Dydd Mercher, 20 Ionawr 2010
Wednesday, 20 January 2010**

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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 pwyllgor yn bresennol
Committee members in attendance

Lorraine Barrett	Llafur Labour
Angela Burns	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Chris Franks	Plaid Cymru The Party of Wales
Andrew Davies	Llafur Labour
Brian Gibbons	Llafur Labour
Ann Jones	Llafur Labour
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives
Janet Ryder	Plaid Cymru The Party of Wales
Kirsty Williams	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

David Blaney	Cyfarwyddwr Datblygu Strategol, Cyngor Cyllido Addysg Uwch Cymru Director of Strategic Development, Higher Education Funding Council for Wales
Frank Ciccotti	Cymdeithas Genedlaethol y Prifathrawon National Association of School and College Leaders
Bryn Davies	Colegau Cymru Colleges Wales
John Graystone	Colegau Cymru Colleges Wales
Philip Gummett	Prif Weithredwr, Cyngor Cyllido Addysg Uwch Cymru Chief Executive, Higher Education Funding Council for Wales
Richard Hirst	Cyfarwyddwr Cyllid a Gwasanaethau Corfforaethol, Cyngor Cyllido Addysg Uwch Cymru Director of Finance and corporate Services, Higher Education Funding Council for Wales
Chris Jones	Cymdeithas Cyfarwyddwyr Addysg Cymru Association of Directors of Education in Wales
Dr Chris Llewelyn	Cymdeithas Llywodraeth Leol Cymru Welsh Local Government Association
Greg Walker	Addysg Uwch Cymru Higher Education Wales
Phil Whitcombe	Cymdeithas Arweinwyr Ysgolion a Cholegau Association of School College Leaders

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

John Grimes	Clerc Clerk
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Catherine Hunt

Dirprwy Glerc
Deputy Clerk

*Dechreuodd y cyfarfod am 9.33 a.m.
The meeting began at 9.33 a.m.*

Ymddiheuriadau a Dirprwyon Apologies and Substitutions

[1] **Angela Burns:** Good morning. I welcome you all to the Finance Committee meeting of Wednesday, 20 January 2010. First of all, I wish you all a very happy new year. Welcome back. I will go through a couple of housekeeping issues. I remind you all that you are welcome to speak in Welsh or English and headsets are available for translation. Also, please switch off your mobile phones. If the ushers call us out because of fire, then please follow their instructions to the letter.

[2] I welcome the new Members to our committee. We have had many changes. I would like to put on record my thanks to Alun Davies, Huw Lewis and Joyce Watson for the work that they have done on this committee over the last few years. I welcome Janet Ryder, Andrew Davies, Dr Brian Gibbons and Lorraine Barrett. Of course, Lorraine is a familiar face because she has substituted in this committee on many occasions—welcome. I would also like to tender my thanks to Mohammad Asghar for his time with us as well.

[3] We have quite an unusual situation on the committee because we have two commissioners with us and a couple of former Ministers. If anybody wishes to declare any conflicts of interest at any point during the meeting, please do so.

[4] **Lorraine Barrett:** I declare an interest on items 3 and 5 and, as a commissioner, it would probably be appropriate not to take part in the meeting and to withdraw.

[5] **Chris Franks:** I also declare an interest on items 3 and 5 and, likewise, I hope to withdraw.

[6] **Angela Burns:** Thank you. In that case, we will discuss item 4 before item 3 and then the pair of you can withdraw from the meeting at the same time.

9.35 a.m.

Ymchwiliad i Addysg ôl-16, Addysg Bellach ac Addysg Uwch: Tystiolaeth Lafar Inquiry into the Funding of Post-16, Further and Higher Education: Oral Evidence

[7] **Angela Burns:** Today we are starting a new inquiry into the funding of post-16 and higher education. This came out of the budget that was produced by the Government last year. The Finance Committee had grave concerns about some of the assertions that were made. One of them was the 5 per cent efficiency saving that was being sought by the Government within this particular sector of schooling and further education.

[8] It is a short inquiry. Before Christmas, we invited expressions of interest and sent out a call for evidence. Today we have asked a number of witnesses to come and give us their views. First of all, I thank all of you for your papers. It is much appreciated. I know that it was a tough time of the year to have to do this. I welcome particularly a couple of familiar faces: Frank Ciccotti, who is the headmaster of Pembroke School, and Chris Llewelyn, who is the director for the Welsh Local Government Association. I am afraid most of you are new to

me, so I will ask you in turn to introduce yourselves, starting with you, Bryn.

[9] **Mr Graystone:** I am not Bryn Davies. I am John Graystone. Bryn is stuck in traffic at the moment, so we will probably do a neat change over when he arrives. I am the chief executive of Colegau Cymru.

[10] **Mr Jones:** Chris Jones, chief education officer in Cardiff Council, representing the Association of Directors of Education in Wales today.

[11] **Mr Whitcombe:** Phil Whitcombe, head of Bryn Hafren Comprehensive School in the Vale of Glamorgan, representing the Association of School and College Leaders.

[12] **Mr Ciccotti:** Frank Ciccotti, head of Pembroke School, but I am here representing NAHT.

[13] **Mr Walker:** Greg Walker, deputy director of Higher Education Wales. I have to give apologies for Professor Noel Lloyd, the chair of Higher Education Wales and vice chancellor of Aberystwyth, who is unwell today.

[14] **Angela Burns:** Thank you, Greg. I would like to put on record my thanks to Professor Lloyd. Nonetheless, you are more than welcome.

[15] **Mr Walker:** Thank you.

[16] **Angela Burns:** We have a tight timescale, but does anyone have any specific questions that they would like to ask or statements to make before we start? Chris, would you like to set the scene?

[17] **Dr Llewelyn:** I am quite happy to respond to the questions, Chair.

[18] **Angela Burns:** I would like to start by asking you to comment on the general budget allocations for 2009-10 in your sector compared with previous years and other sectors. I emphasise that this is because there appear to be some differences. I do not know who would like to start. Shall I start with you, Chris?

[19] **Dr Llewelyn:** Yes. Thank you, Chair. There is recognition within the public sector generally that finances are difficult and that things are going to be tight over the next few years. On the one hand, the local government settlement is a difficult one. It is one of the worst since the advent of devolution, but there was recognition and an expectation that that would be the case. In previous years, local government has tended to look at the comparison between the local government settlement and other sectors, and in this instance while the settlement is disappointing there is recognition that it is disappointing for other sectors as well. Given that expectation, there is a sense of resignation.

[20] On the post-16 settlement, we do not formally know the position for the year ahead and it is one of the concerns of local government. The difference is between the way the pre-16 settlement is negotiated through the revenue support grant and the contrast with the shared level of understanding that is gained through the education support grant process. When the local government settlement is negotiated there is a shared understanding through the ESG process of the pressures that come to bear. It may be that the government of the day says that it cannot fund those pressures, but there is a shared understanding that the pressures identified are legitimate. That level of consensus contrasts with the way in which the post-16 settlement is negotiated. As I say, at this stage authorities and schools do not know what they will be receiving for next year's post-16 settlement, despite the fact that school budget fora have to set their budgets by the end of this month. That creates a great degree of uncertainty and a

lack of clarity.

[21] **Ann Jones:** I am glad you said that this is the worst settlement since devolution. It is in your paper twice so I take it that it was an important point that you wanted to raise.

[22] You said that you do not know the settlement for post-16 education because the figures are not available. School budgets are calculated using pupil-level annual school census data, and PLASC data are often retrospective numbers and not numbers for the year. Settlements for pre-16 education are handled through PLASC data, which is, as I say, retrospective, so why is that a problem for post-16 education?

[23] **Dr Llewelyn:** The post-16 formula operates in a different way from the RSG formula. In recent years, there have been big fluctuations between the allocations that schools have received for post-16 funding. So, it is not as easy to estimate in advance what those allocations will be.

9.40 a.m.

[24] **Ann Jones:** Are you advocating, then, that the WLGA take over post-16 funding, or are you advocating that education funding should come out of local government's hands and be given directly to schools?

[25] **Dr Llewelyn:** If you look at the reasons for setting up the national planning and funding system, I think that it would be difficult to argue that it has achieved its aims in providing the level of clarity and security of funding needed for post-16 education, whereas the way that the pre-16 settlement is negotiated through the RSG provides continuity and security and enables planning to take place.

[26] **Janet Ryder:** Can you clarify the role of the WLGA and of local government in post-16 funding? It is fundamentally different from the role that it plays in pre-16 funding. Pre-16 funding is all state provision. An increasing amount of post-16 provision is through private providers, through colleges. Can you clarify the role that the WLGA plays in post-16 funding?

[27] **Dr Llewelyn:** In terms of the contrast between pre-16 and post-16 education, as I mentioned, with pre-16 education, with the way schools are funded, the RSG is discussed and the pressures coming to bear on schools are identified through the expenditure sub-group process. It is a tried and tested mechanism, and various Assembly committees have looked at the way in which schools are funded in recent years. The Wales Audit Office a few years ago looked at the variation in spending between schools within authorities and between authorities. I think that the phrase that it used was that the variations were not unreasonable. So, although there are some who think that that arrangement is flawed and that it has imperfections, there is evidence that, by and large, it works reasonably effectively.

[28] In contrast, post-16 funding is calculated using a funding formula. The calculations are based on pupil level annual school census returns. They are driven by the volume of learning, and there are various weightings within the process. So, in that sense, the WLGA does not have a significant role in identifying the various pressures that come to bear. For example, one of our concerns over recent years is that teachers' pay and other inflationary pressures have not been recognised within the process.

[29] **Janet Ryder:** I have a further supplementary. The argument was always developed when the funding formula was brought in and included sixth forms that there was never going to be a level playing field because we do not have the same pay and conditions for lecturers as we do for teaching staff. Now, a lot has happened to close that gap. Does that gap still exist?

[30] When the move to learning pathways and to funding individual learners and the volume of learning, as opposed to funding the school, if you like, occurred, for a number of years the argument was always, 'We cannot tell what impact it is having. It is an anecdotal impact on the rest of the school, as opposed to the sixth-form funding'. Is the WLGA in a position yet to state clearly what impact the change in the funding model of post-16 education has had on the education system as a whole?

[31] **Dr Llewelyn:** You have asked a series of questions. On the first one, my understanding is that there is parity between the salaries of FE lecturers and school teachers. The pay and conditions are different. For example, the teachers' workload agreement does not apply within the FE sector. I think that John would probably be in a better position than me to comment on parity.

[32] In terms of the impact of the funding formula, the NPFS, what we are hearing from authorities is that schools are finding it difficult to reconcile the pre and post-16 funding allocations that they get. As I mentioned earlier, there are wide variations between the funding that schools get from year to year, which does cause problems in relation to planning and the issue of security of funding. What is emerging is that there is, in effect, a cross-subsidy between pre-16 and post-16 funding within schools.

[33] Chris may be able to comment specifically about Cardiff.

[34] **Angela Burns:** I ask that we start making our questions and answers succinct, please.

[35] **Mr Jones:** I will just comment on the impact. We believe that there is evidence of this across Wales, but certainly in one local authority a year ago this month there was a very definite impact on a number of schools. We embrace the notion of a mixed economy and we welcome the opportunity of working with FE colleges in Cardiff, but in one month the impact of the post-16 settlement meant that one of our schools with a large sixth form went from a position at the end of December of having a growth budget overall for pre-16 education and being quite content with the staffing numbers that it was going into the next year with, to a situation where, overnight, as a result of the impact of the post-16 settlement, it was looking at five or six teaching redundancies, which, indeed, it enacted by the end of the year with our support.

[36] So, in terms of the impact, I picked the example of a school with a very large sixth form, but typically in Cardiff a year ago the impact of the cut then—I am sure that we will come on to the prospective cut—was, on average, £100,000. It happened overnight after our internal budget was settled. Given that most of the costs relate to staffing, the impact was clearly going to be felt in staffing numbers.

[37] **Angela Burns:** Thank you. Brian and then Andrew have the next questions.

[38] **Brian Gibbons:** I am just trying to clarify a point on the NPFS. As an allocation mechanism, I did see that, in the paper, it was originally down as being to allocate the quantum, but as an allocation mechanism is that satisfactory? If it is not satisfactory, why not? That is the first question.

[39] I think that in the paper the WLGA mentioned four different models: the Further Education Funding Council for Wales, Education and Learning Wales, the Welsh Assembly Government and then an LEA channel, which I think that Chris is arguing for, and bringing that into the overall assessment mechanism. What are the strengths and weaknesses of the NPFS and how does it compare with the alternatives referred to in the paper?

[40] **Dr Llewelyn:** I will start. The difficulty that is highlighted with the NPFS is the issue that the various inquiries into the way in which schools are funded have identified. Measuring the volume of learning and trying to create a funding formula that responds to that sounds relatively easy in principle but, in practice, it has proved very difficult. Since the advent of the NPFS, and since ELW_a came into being, those implementing the formula have struggled to get to grips with it. There have been various weightings introduced to try to make up for the problems that schools and other providers have encountered with it.

[41] Very recently, we have been discussing with the Assembly Government a way of taking post-16 special educational needs provision back into the settlement because the NPFS is not able to accommodate the requirements of funding post-16 SEN provision. It is too basic and simplistic a tool to fund post-16 education.

[42] **Brian Gibbons:** Is your argument that it is too complicated to put the inputs into the NPFS and that because putting the variables into the formula is so complex the formula does not work?

[43] **Dr Llewelyn:** I think that ELW_a and, more recently, colleagues in the Department for Children, Education, Lifelong Learning and Skills, have found it very difficult to come up with a formula that meets the demands of post-16 funding. If you think back to the education and training action plan and when the idea of the formula came up in the first instance, and the criteria that were set for the formula beyond the funding issue, that is, the planning aspect of it, and the idea of providing security of funding for institutions to meet learner needs and to meet the needs of the wider economy, those expectations have not been fulfilled.

9.50 a.m.

[44] **Brian Gibbons:** I do not understand. Which expectations?

[45] **Dr Llewelyn:** The range of them. I do not think that anybody would claim now that the NPFS is an effective planning mechanism.

[46] **Brian Gibbons:** Yes, but is that because it is too difficult to put in the inputs?

[47] **Dr Llewelyn:** I am not sure. There are issues with the actual data input, but, so far, the weightings within the formula seem to be adjusted every year, and the mechanism that is in place is, I suspect, too simplistic to meet the demands that are required of it.

[48] **Angela Burns:** I will bring in Phil first and then John.

[49] **Mr Whitcombe:** This point answers part of Brian's question. The collection of the data to complete the inputs to complete the returns is a cumbersome process, but that is what the IT systems are for—to deal with a cumbersome process. So, if the timetable is appropriately structured, and using a piece of software like SIMS that is able to extract it, it is less of an issue.

[50] I think that the issue at school level last year was the incredibly late timing of the change to the level of funding and the fact that we as a sector had an 8 per cent increase in activity last year at a time when we had no increase in the quantum to cover that, and with an anticipated 7 per cent to 10 per cent increase this year, depending on the authority, but with potentially a cut to cover that. So, we are delivering more activity but with considerably less funds. Quality inevitably is going to suffer. The credit equivalent unit—the value of the learning activity—has gone down. So, the amounts generated by the work that the children are doing or the provision that we put forward for them actually has gone down in value significantly. That is, frankly, unsustainable in the longer term.

[51] **Angela Burns:** I will bring in John, and then we will go back to you, Brian, but I have not forgotten you, Andrew.

[52] **Mr Graystone:** From a further education perspective, I do not think that we believe that the NPFS is too complicated, but it is a tool for allocating money and it can have unintended consequences. For example, about this time last year we had our provisional allocations, which were, for some colleges, a cut of about £1 million. We work very closely with the Welsh Assembly Government and, obviously, Andrew, in his previous role, was very helpful. We had an increased allocation, but, for all colleges not to have a cut, that technically meant suspending the NPFS. So, basically, you had to distort the NPFS to make sure colleges achieved a certain level of funding.

[53] I think that that is the difficulty with it. If it is just a cold formula it can have unintended consequences and it makes it very difficult for colleges to plan from one year to the next. I think that, as has already been said, if you have a fixed quantum and you have increased demand, it cannot cope with that because it can have these consequences. So, I think that is the difficulty. It is not the fact that the formula is wrong; it is just that you have to recognise it will have unintended consequences. We are working with the department now to review the NPFS to see if we can make it a more flexible means of allocating funding.

[54] The other point I would say is that the 'P' part—the planning part—has never really worked. It is really a funding formula and not a planning formula.

[55] **Angela Burns:** Brian, do you want to come back on that briefly?

[56] **Brian Gibbons:** I am slightly more confused now than I was at the beginning because I think that Phil was saying that the problem was with the quantum of money being made available. That is one issue, but as regards the quantum that is going to be available—and Chris acknowledged that we are going to face harder times rather than better times—do we have as fair a distribution mechanism as possible? You seem to be suggesting that the NPFS is as good as it gets. It could be fine-tuned but, essentially, it is a fairly reasonable allocation formula.

[57] I find that inconsistent with John's point about its being unpredictable. The whole point of the formula, whatever its strengths and weaknesses, is that you put figures in at the top and you get something out at the bottom. So, if anything, it is absolutely mechanical and not unpredictable. If the formula is not a good formula, then it will have unintended consequences. So, as I said, I am not really clear what the headline message from the responses is.

[58] **Angela Burns:** Frank would like to add something.

[59] **Mr Ciccotti:** I might confuse you further. ASCL and NAHT met with one of the lead officials, Andrew Clark, who manages the national planning and funding system. At the end of the meeting, we agreed that we could not really think of anything better. As a mechanism, it was fine. It certainly works in terms of matching the payments to schools and further education for the delivery of the same things. We did not think that it met any of the needs for SEN, where you have to deal with children on an individual basis. That is the point that was being made earlier—it does not work for special educational needs pupils because they have intensive support needs and yet will come out with very little volume of learning. They are not going to be doing four A-levels. So, the system is not appropriate for special needs pupils, but, for the vast majority of pupils, it is a reasonable allocation mechanism.

[60] The disagreement comes around the weightings and, as Phil pointed out, around the

last-minute changes of principle that were necessary in order to accommodate sudden cuts in budgets. Last year, it was, in effect, a 7.43 per cent reduction. There was a failure to fund the increased volume of learning, which did not hit people evenly and, therefore, that led to huge fluctuations. Some people were winners across the country and some institutions were losers. I think that one school in Cardiff lost £0.5 million; that is probably the one that was referred to earlier. My own school lost £200,000 in its initial allocation. These are not small amounts of money for schools. For example, £200,000 for me, with oncosts, is the salaries of five teachers, which suddenly have to be found from elsewhere.

[61] So, sudden fluctuations are unhelpful, as are changes of principle at the last minute. Modifications to the system without consultation tend to lead to unexpected consequences. As a formula, it is well thought out, it is well structured and it is functional.

[62] **Angela Burns:** We will first take questions from Andrew, then Kirsty, and then Chris.

[63] **Andrew Davies:** Brian made the point that whatever formula you have, there are always going to be complaints, whether the consequences are intended or unintended. I refer to everything from the Barnett formula through to the local government settlement. If you tinker with a settlement, you will, as you know, Chris, end up with other anomalies.

[64] Would you agree that the overall settlement for local government matches that for other Assembly Government departments of 2.1 per cent?

[65] **Dr Llewelyn:** Yes.

[66] **Andrew Davies:** Would you also agree that it is the hardest, toughest, lowest settlement that the Assembly Government has had?

[67] **Dr Llewelyn:** Yes.

[68] **Andrew Davies:** So, local government has not been singled out.

[69] **Dr Llewelyn:** No, we recognise that.

[70] **Andrew Davies:** It is good to have that on the record, because the WLGA has never actually put that on the record.

[71] What mechanisms does the WLGA have in place for planning education expenditure and need over a longer period, particularly now when, as we know, we will be faced with much tighter financial settlements?

[72] **Angela Burns:** That is a very broad question, so I am going to ask you to just try to make it—

[73] **Andrew Davies:** It does go to the heart of the NPFS.

[74] **Angela Burns:** It does, indeed.

[75] **Dr Llewelyn:** The WLGA has a range of mechanisms that it utilises, many of which feed into the ESG process. It works with networks such as the finance sub-group of the Association of Directors of Education in Wales, and with the Society of Welsh Treasurers, to establish the pressures coming to bear in future years.

[76] **Andrew Davies:** What is your planning horizon?

[77] **Dr Llewelyn:** I would have to check in terms of the Society of Welsh Treasurers and the Association of Directors of Education in Wales. That is information that we could get to you, but it is not at my disposal today.

[78] **Angela Burns:** A note on that would be most helpful.

[79] **Andrew Davies:** I am surprised, because I would have thought that part of the function of the WLGA, as the umbrella organisation on behalf of the 22 local authorities, the LEAs or whatever, would be to have in place robust mechanisms for planning various future scenarios about public expenditure and to then work out what the implications might be for education, social services and so on.

10.00 a.m.

[80] **Dr Llewelyn:** Yes. What I am saying, and I may not be making it clear, is that that work does take place. I am just saying that I do not have the detail with me today.

[81] **Kirsty Williams:** I think that what has worried the Finance Committee and has prompted the review is the conflicting evidence that we receive. Government Ministers come to this committee and tell us that there is not an issue with post-16 and higher education funding and that, in fact, there has been an increase in that budget, yet we hear from professionals like you that the reality on the ground is very different and that the supposed increase that is being advocated by the Government has resulted in significant cuts to your budget. That is what has prompted us to carry out this review.

[82] So, where do you think that gap arises from? How have we got to a situation where Government Ministers tell us there is not a problem and there are notional increases in the budget, yet your experience, last year, was of significant cuts, and you can only guess that this year will be the same? I am interested in hearing where you think that reality gap is.

[83] Secondly, Phil, you say that you are doing more with less and that, eventually, that will lead to issues around the quality of what colleges and sixth forms are able to deliver. I would agree with that, but that is a very bold statement to make without actually producing the evidence that quality is going to suffer. The reality is that the Welsh Assembly Government is going to continue to have less to give to schools and colleges for a significant period of time, so we are going to have to get used to doing more with less. Could you demonstrate the evidence behind that statement that quality for learners and for professionals who are trying to do their job of work is being directly affected now and will be in the future?

[84] **Mr Whitcombe:** Yes, I think that we probably can. We have a number of courses that we would wish to offer and have traditionally offered that, because of funding issues, have been removed from the curriculum options for the children.

[85] **Kirsty Williams:** Could you tell us what they are?

[86] **Mr Whitcombe:** Yes, these were minority A-levels or relatively small-volume A-levels. My school has a particularly large sixth form and we have a partnership agreement with two schools locally. We have 650-odd children in the sixth form, so by sixth form numbers that is a very large volume indeed. Despite that, there are several courses that we have traditionally offered that we have had to withdraw; for example, some of the media-based courses, which is ironic when there is massive investment coming into the Cardiff area at the moment. We have had to withdraw some of the smaller language options and are offering them outside school hours by buying other providers in.

[87] We are also concerned that we may not be able to deliver the wider range of vocational pathways that we would like to offer some children, in partnership with the local FE college, because of the funding demands. Such courses are inherently quite expensive to run. Again, we are talking about trying to increase choice for children and encouraging more children to stay in the system, at a time of relatively low unemployment. We are trying to raise both their knowledge and their skill levels for when the upturn actually arrives, and we are having to do that with considerably fewer resources.

[88] At school level, national conditions of service are fixed. We have to deal with national pay rises and people moving up pay spines without any variation. We cannot vary that at all. The big issue we hit last year—and I did mention it briefly in passing—was the incredibly late arrival of the information, which meant that we had already missed the time slot for the compulsory redundancy procedures that we may have needed to follow.

[89] **Kirsty Williams:** Can you talk about that from a college perspective, Bryn?

[90] **Mr Davies:** First of all, my apologies for being late; the weather beat me. When the Ministers come and say there has been an increase, certainly as far as FE is concerned, that is correct. However, that increase has been directed towards bringing the pay of lecturers and staff up to the level paid in schools. So, that increase that has come through to FE has been more than swallowed up.

[91] Someone mentioned the problems of the national planning and funding system and the fact that it is a mechanistic system ought to mean that you should be able to work out what is going to happen. That is not quite true because arbitrary changes occur within the detail of the NPFS every single year. Sometimes schools and colleges are notified of the changes, but, at other times, you only find out when you send in your return to the department.

[92] One good example, of which we were notified, was that we planned that we should provide key skills for people in colleges, 16 to 19-year-olds and adults, to try to meet some of the problems with basic skills we have in Wales. We were told at the beginning of the financial year that instead of doing six key skills, which we had all planned for and were expecting to offer, the NPFS would fund only three, with some exceptions. Consequently, those sorts of changes, which we hear about on 1 August for a 1 September start, are a little difficult to deal with.

[93] We have problems with the support for those with learning difficulties. We find out in January or February how much money is to be spent on supporting young people and adults with learning difficulties—often quite severe difficulties. However, we have to pay to provide the support that they need from the beginning of the previous September. We may find out, later in the year, because we record every single student and every single thing that we have to do for that student and cost them all, that we will only be receiving a proportion of that funding. So, we budget for it and then find that it does not appear.

[94] There have been courses removed in colleges. In my own college, due to funding constrictions, I have reduced the number of A-levels on offer. We run a particularly successful course, access to nursing, which is for adults who wish to return to education and become nurses. I have cut that back from five to three because there are insufficient funds. When I have talked to other principals in other colleges, they have also had to cut back on the number of vocational courses offered, particularly in construction and health, where many of them have kept waiting lists in case people drop out.

[95] **Angela Burns:** Thank you very much for that. What I would like to do is write to each of you, if I may, and ask you to send a note back to the committee noting your concerns over the funding structure. It has obviously taken up a huge amount of our committee time

today. There are obviously key areas that you would like to tell us about and then we will be able to take them under consideration. I would now like to move the meeting on. Chris, I turn to you.

[96] **Chris Franks:** Is this question 2?

[97] **Angela Burns:** This is question 2. An awful lot of the other questions that we were going to ask have been covered in some of the conversations that we have just had—not yours, Chris—and I expect Members to pick those out.

[98] **Chris Franks:** One of our colleagues mentioned the 5 per cent cut, or efficiency saving as some people would describe it. In the evidence, Colleges Wales say,

[99] ‘Colleges are expected to continue to absorb losses while maintaining their standards and responding to the increased demands from students, employers and their communities.’

[100] Can you comment on this 5 per cent saving? Is it achievable and what impact will it have on the front line?

[101] **Mr Davies:** First, we will need to know the detail of the allocation to individual colleges, but that does not come out until the end of this month. So, I do not know the precise detail of how we will handle it, but it would appear that we will be required to maintain the salary levels that we have to make them comparable with schools. So far, the schools salary review board has said that it will be looking for a 2.3 per cent increase for school teachers. We will have to absorb that—that is nearly half of it—without any increase in funding if, as we are led to believe, there is a flat budget. There is also the cost of what are called ‘increments’, as people move up through the years of working, which on average, across the colleges, is another 1 to 1.5 per cent. So, those are two direct costs that we will have to just deal with.

[102] We will then look at other areas of work where we can make efficiency savings. Support for students is certainly one. I work in the Valleys where we have much greater problems with literacy and numeracy, and we provide considerable amounts of support for that. We will look to see where we can trim that back, preferably without the students losing out and not being able to improve their literacy and numeracy. That is certainly an area that we will look at very closely.

[103] **Chris Franks:** The last part of my question was on the impact on front-line services. Can you elaborate on that?

10.10 a.m.

[104] **Mr Davies:** If we cut back on the support for basic literacy and numeracy, the impact on front-line services will be that front-line teachers have to include that in their vocational courses, to try to build that in. That can be very successful; it depends on the skill of the member of staff to do that. We will also see a reduction in the number of courses that we offer, particularly in adult and community learning, where we will pull back a number of groups. My college runs courses in about 83 centres scattered across the county borough and nearby, and we try to attract people who are not used to having much involvement in education since they left school—let us put it that way—and who lack the skills. We will cut those courses completely because we will take out the lower volume ones, probably those that have fewer than 10 in a group. This year, we took out those groups that had fewer than eight, but if we are still looking at this kind of thing next year, we will probably go for 10 or, if it is a difficult settlement, 12.

[105] **Angela Burns:** Chris, before you go on, I ask Chris Jones, Phil and Frank to comment briefly on the additional 5 per cent of efficiency savings on behalf of their respective organisations. Andrew then has a supplementary question, and then we will come back to you, Chris.

[106] **Mr Jones:** First, I want to agree with all the points that Bryn made about the impact on post-16 education, including adult learning. From a local authority perspective, more than half of our schools have sixth forms, and so I just need to reflect on the impact that this is likely to have on under-16s. The evidence in Cardiff—and in other authorities, we believe—is that schools that have to make cuts to preserve post-16 courses look at their pre-16 budget, and at the teachers who do not teach just in an FE college. These are teachers who may be teaching sixth formers in the morning, and pupils at key stage 3 and 4 in the afternoon. What schools have to do is increase teaching groups and alter the curriculum for under-16s. That is already happening in some places in Cardiff. That has an impact on basic skills, but also on pupils' curriculum entitlement. In fact, there is no doubt that, last year in Cardiff—although I cannot comment on elsewhere—a number of our schools already show clear evidence that the cut in post-16 funding has to be supplemented by the pre-16 budget. To make one last point, going back to Brian Gibbons's question about the broad issue, that is doing nothing for what we are all embracing in Wales, namely our holistic approach to 14-19 curriculum planning. When one end is compensating all the time for another one, that is not helping our holistic planning.

[107] **Angela Burns:** Phil, do you want to comment briefly on this at all?

[108] **Mr Whitcombe:** Yes. I will try not to make too many political points, but the reality is that we are already underfunded in Wales to the tune of £500,000 as a minimum, as is well documented. Set in that context, when reserve levels are relatively low, either I would have to make significant adjustments to pre-16 provision, which is terribly difficult with our commitment to the transformation agenda and to broadening choice for children, or, for post 16, I would have to lose 10 teachers and eight learning support or other ancillary staff just to balance the books. So, the effect on the curriculum, the options, and the support available for the children will be very significant, if not devastating in the case of some of the smaller courses.

[109] **Angela Burns:** Thank you. Frank, do you wish to add anything to this?

[110] **Mr Ciccotti:** Only that it will act against the Welsh Assembly Government's drive to increase learner choice. The choice is there but we will not be able to afford to run the courses. The knock-on consequence will be teacher redundancies and that will then lead to a decrease in quality lower down the school, because people will necessarily be teaching out of their subject discipline to make the timetable fit.

[111] **Angela Burns:** Greg, do you have anything that you wish to add on this?

[112] **Mr Walker:** Yes. It is very difficult to tell now what the impact of the efficiency gains will be on institutions, in the sense that it will be about two months before the Higher Education Funding Council for Wales can issue its grant letter to institutions. So, setting budgets is impossible at this stage.

[113] I want to start on a positive note, though, by saying that we welcome the First Minister's commitment to increase education spending by 1 per cent above the increase in the Barnett block. I think that that is an important and crucial commitment. That will come in in the next budget round. The final budget has been agreed already, so that will, hopefully, take effect next year.

[114] The former Minister for education, Jane Hutt, in March 2009 agreed also that an additional £31 million of resources would be coming into the higher education sector as a result of changes to higher education and student finance. So, I think that it is worth putting on the record that these changes, we hope, will be coming in the next year to 18 months. It is a welcome change of policy from the Assembly Government, and that is a good way of looking forward.

[115] Finally, the review of education funding that the Minister announced at the beginning of this week is also to be welcomed. We look forward to engaging constructively on that. I am sure that we will raise some of the issues that we set out in our written evidence to the committee and also that HEFCW mentions in its submission as well. We are looking forward to working with the Assembly Government to ensure that, in the next two or three years, we can minimise any problems and maximise the ability of Wales to come out of the recession as a result of any funding changes.

[116] **Angela Burns:** Andrew has a quick supplementary question.

[117] **Andrew Davies:** I have some questions for Colleges Wales. In paragraph 25, you talk about being granted incorporated status. What exactly is the legal status of a college now, in common or garden language?

[118] **Mr Davies:** The college is an incorporated charity. It has not been changed.

[119] **Andrew Davies:** So, is it self-governing.

[120] **Mr Davies:** It is self-governing under the direction of the Welsh Assembly Government, namely DCELLS.

[121] **Andrew Davies:** Are you able to raise revenue from a variety of sources other than Assembly Government funding?

[122] **Mr Davies:** We are, indeed. My college raises around 30 per cent of its income from sources other than the Assembly Government.

[123] **Andrew Davies:** I will come on to that in a minute. Coming on to the efficiency savings, in paragraph 23, you talk about measures for examining efficiency, and you use one measure. What other measures could you use?

[124] **Mr Davies:** I am sure that there is a variety of measures that we could use.

[125] **Andrew Davies:** Can you say what they would be, please?

[126] **Mr Davies:** We use benchmarking between colleges to see what our costs are in different areas.

[127] **Andrew Davies:** Do you do that?

[128] **Mr Davies:** Yes, we do that.

[129] **Andrew Davies:** Could you supply that information, please?

[130] **Mr Davies:** Yes, that can be provided.

[131] **Andrew Davies:** In the last sentence of that paragraph, you say,

[132] 'This amounts to an overall reduction of 23.6% or 1.47% per year'.

[133] Is that in real terms?

[134] **Mr Davies:** Yes.

[135] **Andrew Davies:** Over what period is it?

[136] **Mr Davies:** It says in that paragraph: 'since 1993/94'.

[137] **Andrew Davies:** When the Minister for health is expecting the sector to give 5 per cent and health inflation is running at 8 per cent, 1.4 per cent a year does not seem to be a great deal. Hearing all the testimony today, I feel that education is somehow being treated as a special case when the public sector generally is going to be faced with increasingly constrained budgets. So, 1.4 per cent does not strike me as particularly onerous.

[138] **Mr Davies:** Well, I am afraid that whatever strikes you is up to you. The—

[139] **Andrew Davies:** It certainly is.

[140] **Mr Davies:** The point that I am making is that, when we come to look at it, we are experiencing increased demand against a reduction in funding.

[141] **Andrew Davies:** I just want to challenge the point that Chris Franks made. It is not a cut that is being envisaged for FE funding, but an efficiency saving. It is a standstill budget. Clearly, 5 per cent will be a challenge.

[142] I come back to paragraphs 23 and 24. You use the words,

[143] 'FE funding has been squeezed'.

[144] Can you define 'squeezed', please?

[145] **Mr Davies:** Over the years, we have looked at different aspects of funding, of funding being directed more by DCELLS and its predecessors—for example, the wage parity—which meant that the funding not being used to deliver directly is altered to bring up salary levels. That means that other areas have to be squeezed, to be reduced.

[146] **Andrew Davies:** Chair, for the record, the issue of pay and parity between FE lecturers and teachers seems to be dismissed somehow. It has been a longstanding request of the unions and the sector generally for there to be parity. So, I do not see how it can be dismissed somehow as money not going into the sector, particularly when I go around colleges and hear that their staff are their most precious asset. That is not an inconsiderable commitment on behalf of the Assembly Government, but I will leave that one there.

[147] How many colleges in Wales apply to the invest-to-save fund?

[148] **Mr Davies:** I do not have that information.

[149] **Angela Burns:** Andrew, I need to bring you back on this, because we are running out of time.

[150] **Andrew Davies:** Chair, this is a very important point because we are talking about efficiency savings and the use of public resources. I am surprised that Colleges Wales, as the umbrella organisation for the sector, is unable to give that information.

[151] **Angela Burns:** Thank you. Chris, can you please ask your second question now?

10.20 a.m.

[152] **Chris Franks:** I think that we have touched on this.

[153] **Angela Burns:** You probably do not need to ask it, unless you particularly want to raise some points.

[154] **Chris Franks:** No. I think that we have squeezed this one.

[155] **Angela Burns:** I would like to go to Janet because I think that the subject of the increasing learner volumes is extremely interesting.

[156] **Janet Ryder:** You have all mentioned the increase in the volume of learners last year. What estimate do you put on that increase for this coming year?

[157] **Mr Whitcombe:** Would you like me to answer?

[158] **Janet Ryder:** I am not sure to whom this can be directed. Schools might anticipate the increase differently to the colleges.

[159] **Mr Whitcombe:** We have increases as a result of the final roll-out of the Welsh baccalaureate to years 12 and 13 and a wider range of link courses with the FE sector. We are looking at an increase of between 8 and 10 per cent in learner volume.

[160] **Janet Ryder:** Is that an increase of 10 per cent across the board, across Wales?

[161] **Mr Whitcombe:** Across schools in Wales, yes.

[162] **Janet Ryder:** What about the colleges?

[163] **Mr Davies:** From our point of view, we are expecting to see further increases. It is difficult for us to be certain at this stage because students apply to a college and they are applying at this time of year. They apply between now and April. For the areas that we have discussed, and certainly the link courses that we talk to the local authorities about, my college is looking at about a 10 per cent increase in the number of courses and the number of students—they come as blocks so it can vary a little from course to course.

[164] We will be, the same as the schools, having the roll-through of the Welsh baccalaureate. We have also run more two-year courses this year because there has been more demand for them, so there will be a second year to run next year. We are also seeing increases in demand from adults. For our part-time and short courses, the demand has increased throughout the whole of this year. We would expect to see that roll through into next year.

[165] **Janet Ryder:** Can you put a percentage on it, like 10 per cent?

[166] **Mr Davies:** It would be rather a wet-finger-in-the-air type of estimate, I have to say, but I would think that it would be somewhere in the region of 8 to 10 per cent.

[167] **Janet Ryder:** Given what you have all said about the challenges that you were facing last year to fund that increase in learner volume, is it possible to absorb that increase without affecting the funding?

[168] **Mr Whitcombe:** Absolutely not.

[169] **Janet Ryder:** What would be the effect if you were asked to absorb it?

[170] **Mr Whitcombe:** I will have to make decisions on what courses I am able to offer, which means that some of the learners who wanted to return to school or to FE or to our combined system will probably not find suitable courses available to them.

[171] **Janet Ryder:** I want to take you back to what you said about courses being available, because you are working in consortia now. When you say that you are cutting courses, and you have all talked about reducing courses, is that cutting a course across the consortia so that that course is no longer available anywhere?

[172] **Mr Whitcombe:** Yes. The consortia model works most effectively when a minority course is only offered in one centre of the two or three that are working together, which is exactly how we operate. We cannot justify running very small volume classes because the unit cost for each child is way over what we are going to be funded at. So, that option will disappear.

[173] **Janet Ryder:** Are there any other options for absorbing this increase in student numbers or not?

[174] **Mr Whitcombe:** No. I think that the problem is that if we increase student numbers, we have to increase the volume of our staffing, and staffing is, at the end of the day, 84 or 85 per cent of our cost base.

[175] **Angela Burns:** Janet, before you move on, Brian had a quick supplementary.

[176] **Brian Gibbons:** As a corollary to the point that Phil is making on collaboration for small courses—I understand the point and it is a good point—how much duplication do you think that there is, which is effectively an oversupply?

[177] **Mr Whitcombe:** I can only comment on the consortium that I work in, Brian.

[178] **Brian Gibbons:** Bryn may be able to comment further.

[179] **Mr Whitcombe:** Certainly, within my consortium, we have eradicated duplication already. For example, we run history on two out of the three sites, with very large classes of 25 kids at a time at A-level. That is cost effective; that is fine. Where we have Welsh, for example, we only run it at one centre because there is a relatively small volume of pupils and, therefore, we only base it in one place. We have eradicated duplication already.

[180] **Brian Gibbons:** So, if we assume that Phil's consortium is the benchmark of best practice, do we know how the other consortia are delivering against that?

[181] **Mr Davies:** I think that the consortia vary from area to area. I do not know the detail of every single consortium in Wales. I think that there are probably still areas of duplication where things could be made more efficient. One of the impacts of the Measure has been to reduce that considerably. So, we are looking at a policy that is working in that area.

[182] **Kirsty Williams:** Phil, how have you been able to do that effectively in your area, to run Welsh in one centre, for example? Is that a model that can, therefore, work in places like Pembrokeshire or Powys where there are larger distances between institutions?

[183] **Mr Whitcombe:** That is the issue. We have an FE college and two large sixth forms

within a two-and-a-half mile geographical area, so the movement of pupils and staff is easy. In the rural environment, it is a very different ball game, which is part of the issue that we have raised previously with the transformation agenda.

[184] **Andrew Davies:** To follow up on the questioning about reducing costs, there seems to be a lot of flabbiness of thinking around this. So far, all that has been talked about in terms of reducing costs is either reducing classes or, to be fair, working in collaboration. There is a question that really strikes me: what serious measures has the sector undertaken to look at reducing costs? In paragraph 24, you say that efficiency gains are likely to continue because of the funding situation. It strikes me that, across the public sector, people do not seem to assume that you should be trying to deliver things more efficiently anyway—it seems that you will only deliver efficiency savings because you are required to. It seems to me to be a very bizarre mentality.

[185] **Mr Davies:** I think that you are being somewhat unfair. Certainly, when you look at colleges, we have been using benchmarking for a number of years. In the past two or three years, we have benchmarked across the whole of the sector, but prior to that it was done in small groups of colleges. We have been looking at other efficiencies. We have looked at efficiencies in the way our estates are used. We have looked at efficiencies of heating and lighting and those sorts of things, which are very important. We have looked at the efficient use of staff: we have changed staff roles and merged staff roles. We have looked at the efficiencies of increasing group sizes significantly across colleges; mine has certainly moved up quite considerably over the past three or four years as we have brought numbers together. We have dropped small groups and then encouraged people to go into larger courses that may have a broader spread for outcome. There has been a whole range of things going on.

[186] **Andrew Davies:** You say that you have benchmarking figures. Could you supply those for us?

[187] **Mr Davies:** Yes.

[188] **Angela Burns:** Would you provide those to the committee? It would be of great interest to us and would help us out.

[189] **Andrew Davies:** I have just one last point. I accept the point about collaboration, but in terms of institutional collaboration, it is only extremely late in the day that the sector is now looking at mergers.

[190] **Mr Jones:** I have just the one point. I do not think that it is fair to say that within education generally we have not been looking at efficiency savings. Someone said earlier that we have to bear in mind the fact that, in education—I do not know if it is the same in other public services—as much as 85 per cent of the costs are tied up with staff. There are also some legal restrictions around class sizes, for example, that mean that we have to work with those.

[191] As an example, in the new financial year, my authority is imposing £800,000 of efficiency savings on energy for schools, which includes sixth forms. We are, as local authorities, looking at a whole range of ways of obliging schools to be more efficient in every way that we can. I do not think that this is any kind of neglect of efficiency. I just believe that, for some of our schools with sixth forms, as it may be for some colleges, they have reached the point where the only way that they can make further efficiency savings is by looking at the staffing.

[192] **Angela Burns:** I am sorry, Chris, we are just out of time, but I will come back to you with Lorraine's final question. Janet is next.

[193] **Janet Ryder:** Just before I ask this next question, the point that has just been raised by Andrew Davies is that you have come together in the consortia, you have taken out the excess provision of courses so that there is no duplication, and if that has been replicated throughout Wales, that is the first big saving to be seen. The next big saving will be made through merging. Is that as easy? Can you impose efficiency savings like that? That is when you are talking about the estate, and making savings through the institutions and the buildings. Can you make similar savings in rural and urban areas?

[194] **Mr Whitcombe:** I would argue that you definitely cannot. May I just raise one other point, as an aside to the issues raised by Andrew? Most schools have invested massively in technology as a way of becoming more effective and efficient organisations. The Estyn reports are in the public domain and, last year, 98 per cent of the inspection reports rated schools in the secondary sector with a grade one or two in key question 7, which is a measure of effectiveness and efficiency of the organisation, which is outstanding or excellent. So, the sector is already functioning fairly effectively. That does not mean to say that we cannot do more, but the bottom line is that we are trying to do more with less, as is everybody. I am sure that everybody will make the same case at the moment.

10.30 a.m.

[195] **Mr Ciccotti:** I speak now as somebody who is trying to make collaborative federation work in a rural area. The key factor is that the cost of a bus for a day exceeds the cost of a teacher for a day. So, although we have increased choice through the implementation of the Learning and Skills (Wales) Measure and have people moving from one school to another, it is not the case that it saves any money; in fact, it is costing more.

[196] **Janet Ryder:** You have talked about the fluctuations in the funding formula, about how it can change year on year and how the way that it is set out can, even within the formula, lead to massive differences between colleges and between schools. Can you see any way that that can be avoided? Can you think of any mechanisms that could be brought in to alleviate that?

[197] **Dr Llewelyn:** I think that I read in one of the pieces of written evidence provided—I cannot remember which—a suggestion that the local authority should retain some of the funding centrally to provide a cushioning or dampening mechanism to overcome the fluctuations in the formula. I am not advocating that at all, but that appears in one of the pieces of evidence that you have been given.

[198] **Janet Ryder:** Certain colleges that were affected drastically last year have suggested that a floor needs to be written into the formula. Would you like to comment on that?

[199] **Mr Davies:** A number of colleges have looked at a dampening mechanism, as things can fluctuate quite dramatically. The main point, I would argue, with regard to the funding mechanism, is that if we kept to the same mechanism every year then people would be able to live with it, but when we have changes, many of which are made at very short notice or with no notice, then it does have an enormous effect. The effect of moving policy and not telling colleges that we were going to concentrate on 16 to 19-year-olds rather than adults meant that, two years ago, a number of colleges had major cuts in their income because they had not picked up the nuance; the change had not been notified to colleges. Other colleges found that they did not have cuts. So, just sticking to the mechanism and not changing it would help.

[200] **Angela Burns:** Thank you. Nick, you can have a very brief supplementary, and then Lorraine has a question.

[201] **Nick Ramsay:** Do not worry, you can chill, because I am not going to ask for any figures or benchmarking. Janet Ryder's excellent question about rural areas spurred my interest, really, given that people like me and Kirsty represent very large rural areas. In terms of sixth-form education, do you think there is enough factoring in of that into the formulas that are used or do you think that there is very much a one-size-fits-all approach? It is a point that I raised in Plenary yesterday. I think that there really is a papering over of the cracks in terms of the differences between rural and urban areas in Wales. Do you think that there could be a lot more acknowledgement of the problems faced in delivering your sort of services in that area?

[202] **Angela Burns:** We will just have Chris to answer, please, and then, Lorraine, your final question will again be just to Chris.

[203] **Dr Llewelyn:** I generally agree with the point. Policymaking in the whole post-14 and post-16 area needs to be more joined up with transformation, with the Measure and with funding. Not enough account is taken of those variations and, certainly in terms of our authorities and the feedback that they get from schools, there are concerns about the specific needs of rural areas and a range of Welsh-language issues as well.

[204] **Lorraine Barrett:** Greg touched on this earlier, but perhaps Chris can just to respond to this. The First Minister recently talked about increasing the education budget from 2011 onwards by 1 per cent every year over the percentage increase received from the UK Government. Have you had any indication as to whether this will apply to the post-16 FE and HE sectors and, if so, how would it impact on your budget allocations?

[205] **Dr Llewelyn:** No. We have had tentative discussions with the new Minister for education and with the First Minister, but nothing beyond that.

[206] **Angela Burns:** Bryn, do you want to just very quickly comment?

[207] **Mr Davies:** No.

[208] **Angela Burns:** That is fine. It has been a very good session and there have been an awful lot of answers that have been given by you that we do not quite understand. We will be writing back to you to get further information. If you would like to submit further information it will be very welcome because this is an extremely important inquiry. Thank you all very much for the time that you have taken to come here today to see us. We will have a three-minute break before the next session.

*Gohiriwyd y cyfarfod rhwng 10.36 a.m. a 10.39 a.m.
The meeting adjourned between 10.36 a.m. and 10.39 a.m.*

**Ymchwiliad i Addysg Ôl-16, Addysg Bellach ac Addysg Uwch—Tystiolaeth
Lafar gan Gyngor Cyllido Addysg Uwch Cymru
Inquiry into the Funding of Post-16, Further and Higher Education—Oral
Evidence from Higher Education Funding Council for Wales**

[209] **Angela Burns:** Welcome to the Finance Committee this morning. I am sorry that we have been delayed. The first session was excellent and could have gone on for much longer, because some of the issues that were raised were very important. I do not think that we managed to do more than scratch the surface of our inquiry. I am delighted to welcome you to committee and I hope you will be able to cast more light on these matters. Please introduce yourselves and the organisations that you represent for the record.

[210] **Professor Gummett:** My name is Philip Gummett. I am the chief executive of the Higher Education Funding Council for Wales. I will invite my two colleagues to introduce themselves.

[211] **Mr Hirst:** I am Richard Hirst, director of finance and corporate services for the Higher Education Funding Council.

[212] **Mr Blaney:** I am David Blaney, director of strategic development for the Higher Education Funding Council for Wales.

[213] **Angela Burns:** Would you like to make a very brief statement before we begin with questions?

[214] **Professor Gummett:** Thank you. It is a pleasure to be here, Chair. Thank you very much for the invitation. We have tried in our paper to compress a lot of quite complex material into a short space and, we hope, reasonably coherently. There is a lot that lies behind it, and if we expose the need for more detail as we go through the session then we will be very happy to provide whatever is needed later.

[215] I would just like to make a couple of remarks. One is to say that we as the Higher Education Funding Council for Wales, as an Assembly Government sponsored body, are the main source, but by no means the only source, of funding for higher education in Wales.

10.40 a.m.

[216] The funding that flows through us amounts to about 38 per cent. That is to say, therefore, that the institutions earn a great deal more than the funding that we give them through a range of other means, which we list in the paper. Most of that funding is earned competitively. So, we take it as axiomatic that the way in which the funding that flows through us has to be used is to try to provide a competitive basis for them to earn additional income in the ways that they do. That is why we place so much emphasis in the context of a strong England/Wales market for students and staff on trying to maintain this competitive position.

[217] You will also see in the paper something that is not unlike what you were hearing earlier, which is that the majority of that funding is staff costs; in our case about 58 per cent of the expenditure in higher education across Wales. So, it follows, inevitably, that budgetary pressure is bound to lead to questions being raised about staffing levels. We would expect that to impact on discussions about the range and the nature of teaching provision and the range of research, and, therefore, to impact on the capacity to earn some of the other funding. However, we would expect the institutions in Wales to work hard in dealing with whatever lies ahead to protect the quality of the experience that students have because that is essential to the competitive basis of the business of higher education. If the quality of student experience in Wales falls, students will not come here and a vicious circle sets in. So, we would expect institutions to protect quality of experience above all.

[218] In referring to those figures, Chair, I apologise for a typing error. It is on the first page of our submission to you. It is the third paragraph under 'summary' where we say,

[219] 'The HE sector as a whole, in 2007-08, made a small operating surplus for reinvestment of £29 million, or 3.6% of income.'

[220] It should be '2.6 per cent', not '3.6 per cent'. I apologise for that error. So, there is a surplus which goes back into the sector for reinvestment. Most business people would say that it is quite a modest surplus with which to work.

[221] As for current challenges, there is an inevitable issue raised by the budget uncertainty that the Assembly Government faces. It is a fact of life in present circumstances that no-one knows budgets for the financial year 2011-12. I mention that because, in funding higher education, we allocate most of the funding on an academic year basis and the academic year cross-cuts the financial year—it runs from August to July, whereas the normal financial year runs from April to April. So, to draw up an academic year grant we need to know the allocations for two financial years. Therefore, there is inevitably an issue in relation to drawing up the grant for the next academic year, which begins in August, because no-one knows what the financial year 2011-12 holds at the moment. We would normally expect to publish that information to the sector in March so that they can start to plan for whatever lies ahead. That is one challenge that we have at present and we will have to manage that.

[222] The second is that we are now working extremely energetically in the context of the new Assembly Government strategy for higher education, 'For our Future', which was published in November. We are producing an action plan that we will be discussing with the Minister shortly, and we will then start to roll that forward. Of course, these are particularly challenging times in which to be addressing the very demanding expectations of that strategy.

[223] **Angela Burns:** Just to make sure that we clarify the situation, at the moment are you saying that, in relation to the funding that you are allocating, all recipients understand what they will be receiving up until July of this year and that they have no foresight from September onwards?

[224] **Professor Gummatt:** Yes, that is right. We have published a grant for the academic year 2009-10. We would expect to be publishing a grant letter in March in normal circumstances which would say what would happen from August for the next 12 months.

[225] **Kirsty Williams:** Given the uncertainty, I suppose that you have to take a reasonable guess and communicate that to universities. Is it correct to say that you have asked all universities in Wales to forecast the impact of a 5 per cent recurrent grant cut in 2010-11?

[226] **Professor Gummatt:** We have encouraged them to plan prudently. They are all legally independent bodies; they are responsible for their own circumstances. We have advised them that it would be prudent to plan on the assumption of a 5 per cent reduction.

[227] **Kirsty Williams:** So, a 5 per cent reduction for 2010-11. Is it also correct to say that you have asked them to look at an additional 10 per cent cut in 2011-12 and asked them to plan on that basis?

[228] **Professor Gummatt:** I am not aware that we have said anything to that effect.

[229] **Kirsty Williams:** Why do you think that the vice-chancellor of the University of Glamorgan would publicly say that in his address to staff? I quote:

[230] 'Glamorgan, like all universities in Wales, has been asked to forecast the impact of a 5 per cent HEFCW recurrent grant cut in 2010-11 and an additional 10 per cent cut in 2011-12. Effectively, over the two years this amounts to a reduction of approximately £7.5 million going into 2011-12.'

[231] **Professor Gummatt:** I think that you would have to ask him that question.

[232] **Kirsty Williams:** So, to clarify, has HEFCW not asked universities to plan on that basis?

[233] **Professor Gummatt:** No.

[234] **Kirsty Williams:** Great. Thank you.

[235] **Ann Jones:** You said that running a grant across two financial years causes some issues. Why can you not change it so that it runs across a financial year rather than an academic year?

[236] **Professor Gummatt:** With enough time and notice, that would be a possibility.

[237] **Ann Jones:** How much time and notice would you need to change it? Would it be worth the effort?

[238] **Professor Gummatt:** The point here is that universities run on an academic year basis and so it makes sense for the funding to flow on the same basis. Students come in in September, if we take the majority—

[239] **Ann Jones:** Schools get their budgets from the LEA every financial year and they run an academic year, so what is the big difference?

[240] **Professor Gummatt:** It could be done. In raising the point that I made, it was not, in any sense, a complaint. I was simply saying that there is a particular complexity in the planning process. We will manage it. There are advantages to the present arrangement because it fits in with the academic cycle and it means that institutions can plan their activities according to the academic cycle rather than cutting across it, but other ways are always possible.

[241] **Janet Ryder:** This point was raised when previous education committees undertook reviews of school funding looking at whether we should move to an academic year funding cycle from a financial year funding cycle. The response was, 'It may help, but what would help even more would be to know with a little more certainty what that funding is going to be'. Which would be the biggest help: to know with a little more certainty what the anticipated spending would be or to change the funding cycle?

[242] **Professor Gummatt:** Undoubtedly, in an ideal world it would be to know with a little more certainty, but we recognise the present circumstances and we are not looking for the impossible.

[243] **Brian Gibbons:** Just to be clear, are you saying that, in the swings and roundabouts of all of this, it is more advantageous to fund colleges based on the academic year? All in all, it cannot be a complaint. If you want to fund them on an academic year, unless you want the Treasury and the Assembly Government and everybody else to move to a financial year based on the academic year, it seems irrelevant. As things stand, you have a better deal by working to the academic year, so let us celebrate it rather than complain about it. Would that be fair assumption?

[244] **Professor Gummatt:** That is a much better way of putting what I was failing to say a moment ago. The difference—and the reason why I mentioned the point at all—was that in previous years it has been possible for the Assembly Government, and similarly the Government in Whitehall and the Government in Edinburgh, all of which are in the same situation now, to give an indication of the following financial year's funding, and that was provided.

[245] At the moment it is not possible for anyone to do that. That is life and we accept that. We will manage the situation. We will make assumptions; it is the only thing that we can do.

On that basis we will draw up an academic-year budget and then we will have to see. In releasing that budget, we will have to say to the institutions, 'Prepare for some changes as reality clarifies over the next few months'. So, we will manage the situation. I mentioned it simply as a complexity of the present moment.

[246] **Chris Franks:** The budget allocation for next year shows an overall reduction of £10 million, which is equivalent to a 2.2 per cent reduction from the current year. However, within that global figure we have a revenue allocation increase of almost £6 million. Were you expecting these numbers to be allocated to your sector?

[247] **Professor Gummatt:** I am not sure that I know the precise numbers that you are looking at.

10.50 a.m.

[248] **Chris Franks:** I am referring to the higher education DELLS allocation, and you had a drop of £10 million from £459 million to £448 million.

[249] **Brian Gibbons:** There has been a revenue increase, or there had been at the time, in capital.

[250] **Professor Gummatt:** Yes. It is quite a complicated matter to unpick those lines because, for example, as has just been mentioned, some capital had been brought forward and then is not available for the following year. So, interpreting those numbers requires a history.

[251] **Chris Franks:** To elaborate on Brian's comment, there is a drop of £16 million in capital. Might it be an idea if we send these details to you?

[252] **Professor Gummatt:** We can give a more detailed breakdown.

[253] **Chris Franks:** Yes, okay.

[254] **Angela Burns:** Are you happy with your questions, then, Chris?

[255] **Chris Franks:** Yes.

[256] **Angela Burns:** Nick, I will bring you in.

[257] **Nick Ramsay:** The Minister has commented that the higher education budget has been protected from the required 1.6 per cent cross-portfolio efficiency saving. How do you respond to that?

[258] **Professor Gummatt:** Yes, that is right. The figures are as they are. Essentially, funding for higher education going forward to 2010-11 is broadly flat, relative to the previous year a slight increase, as shown in the submission that the Minister has already sent to you. Then there is the reference to a 5 per cent efficiency saving against that, of which we had already proposed to impose 2 per cent anyway to get some strategic headroom, to start to take forward the work that arises under 'For Our Future'. 'For Our Future' is a radical document, and it requires really quite profound changes in the delivery of higher education in Wales. So, we needed some headroom to start to make those changes. We had already begun to plan ahead to do that without knowing the budgetary outcome.

[259] **Nick Ramsay:** Were you going to impose 2 per cent?

[260] **Professor Gummatt:** We were going to do that anyway, because we knew that we

needed some headroom to start—

[261] **Nick Ramsay:** Is 5 per cent reasonable?

[262] **Professor Gummatt:** Well, in the present circumstances, it is not for us to make those choices. We receive the funding that we receive, and we work with that funding. For the sector then to manage its pay and non-pay cost increases within the remaining 3 per cent of that 5 per cent, which is, essentially, what the arithmetic is suggesting, is no doubt not what it would have wished, but it is a situation that will need to be managed and that we are sure will be managed.

[263] **Angela Burns:** Brian has a supplementary question on this.

[264] **Brian Gibbons:** Sorry, no, mine is on a slightly different line, so it can wait.

[265] **Angela Burns:** Okay. Nick, carry on.

[266] **Nick Ramsay:** The pay and non-pay cost increases was a question that I was going to ask to the previous witnesses, but it was covered. Is it reasonable to expect the sector to absorb that cost? What do you think it may mean in cash terms?

[267] **Professor Gummatt:** The history of higher education funding is that the institutions will absorb the costs. What else can one do? By and large, higher education institutions do not get themselves into significant financial difficulty—and I emphasise that ‘by and large’. By and large, their finances are managed carefully and, as you have seen in our paper, there are controls exerted by the funding councils. We do it in Wales; others do it in other parts of the UK. Those controls aim to pick up early warnings when things are beginning to get a little tricky, to see what we can do about them. We are more or less successful at picking up those early signals. It is a long time since we had a university go bankrupt in the UK. Sadly, the last time that came close to happening was Cardiff in 1987, and a lot has changed as a result of that experience in how universities are managed.

[268] **Andrew Davies:** It never did pay its loan back.

[269] **Professor Gummatt:** It never did. Well, there we are, so there is a debt hanging there. So, higher education institutions will manage and I think that we can have every confidence that they will manage because they always do.

[270] What will be the consequence of tighter funding, assuming that that is where we end up? It is that they will have to look very hard at teaching provision and at matters not unlike those that we heard about earlier: staff/student ratios, class sizes, and the capacity to run courses that attract only very small numbers of students. That is not unusual. It does not happen only when you hit an economic crisis of the sort that we have been living through for the last few years. It is a normal process in higher education to be reviewing continually the portfolio of courses. Any well-run university would be doing that anyway just routinely, asking what it is doing that is not paying its way, and whether it is worth keeping it going for some special reason. Perhaps it is, and perhaps the university is prepared to operate that at a loss because there is some particular value to it but, if so, how will it be paid for? It will need to be making a profit elsewhere to pay for it. So, there will be a routine churn in the curriculum that is offered. Universities will also be looking at how they deliver, and through which methods the teaching will be delivered.

[271] There is also an issue about the range of research that it is possible to finance. So, universities will be looking at that and adjusting. They will also be looking at how they can work with each other—indeed, they already are. That is happening quite a lot now with

research. We have some very successful operations in Wales, with research activity running between institutions. Increasingly, they will also be looking—and some are already doing some quite significant activity in this regard—at shared services and collaboration on administration. That is sometimes between universities but it can also be between universities and other local partners. One example is Wrexham. The university there is not huge, and it would be an expensive luxury for it to have its own energy manager, so it shares one with the local authority just down the road. It is very sensible. It is a small example, but there are lots like that of a sensible arrangement having been made between local institutions. Each now has one good person whom they can call upon between them.

[272] **Nick Ramsay:** I represent a local authority that is currently building a headquarters with Coleg Gwent, and I take on board what you say. We hear a lot about collaboration and the savings that can be made in that way. Do you really think that that degree of savings can be found from the collaboration agenda? We talk a lot about working together to make savings, so I just wonder whether long-term savings can reasonably be made.

[273] **Professor Gummatt:** My very straight answer to that question would be that the savings are usually modest. Sometimes, in fact, you increase costs. We heard examples earlier of bussing staff around. If you are trying to get two institutions some distance apart to work together, there are costs involved that have somehow got to be found, and you hope that you can offset those against the savings that you are making in other directions.

[274] Where I see the value of collaboration is not so much in the cost savings as in the improved performance. That is what I would be looking for: better performance coming through. In research, we see that very clearly. In order to win those UK-wide and European competitions for research funding, too frequently in the past, the position has been that the teams that go to those competitions from our universities have been looked at by others and told that they are too small and so their scope is not great. They do not have the range of expertise that this group from University College London or that group from Manchester have, so our teams will not get funding.

[275] We had a very detailed discussion with the former chief executive of the Medical Research Council about this, and asked how Wales looked to his research council. What he said was, ‘Small units—but if you can get them to come together, they will look credible, and they could go up a league in their capacity to win funding’. So, we are looking much more at improved performance. Yes, we will take the cost savings where we can find them, of course, but really we think that the game is about improved performance and increased earning capacity for the same inputs.

[276] **Mr Blaney:** It is not just in respect of research. The shared services can often lead to much better deals for students, too, because institutions acting collaboratively can afford to make investments although, individually, they could not. For example, library systems, student support, and career services can all be delivered much more effectively with no additional costs even if there are no significant savings.

[277] **Janet Ryder:** Colleges pooling their research facility more is one way forward, but there are also strong arguments that departments within universities need to pool their resources more. Has that happened in Wales? Do we have all the research funding put into one block in universities and shared, or are we still funding in silos within each university?

[278] **Professor Gummatt:** Each university will do this differently, but they are all conscious of the pressures. It would take us into quite a technical discussion, but the way that we allocate funding for research depends, in turn, upon the UK-wide assessment of the quality of research in every department—there is a UK-wide process for establishing quality and against that we say what levels of funding we will give for different grades of quality—

and that is also related to the numbers of staff.

11.00 a.m.

[279] This year, uniquely in Wales—this has not been done in Scotland or England—we said, ‘If the number is below a certain threshold we will not give you funding for it’. The clear signal that we are sending is, ‘Concentrate. Build. Do not have lots of tiny things all over the place. That is not going to get you anywhere. Start to concentrate your activities’. So, universities can see the signals very clearly. They know they will not get funding.

[280] **Janet Ryder:** They have been getting those signals for a number of years now, so are you saying that they are still not moving on it?

[281] **Professor Gummatt:** We have sharpened things quite considerably in the last 12 months.

[282] **Mr Blaney:** We have moved to a situation where we are not just giving them those signals, but have now adjusted the funding formula to follow through on those signals.

[283] **Janet Ryder:** So, the universities have a big catch-up role to play here in terms of using the funding that they have efficiently. Is that right?

[284] **Professor Gummatt:** There is a very strong incentive now not to have tiny operations, because they will not be funded by us. Now, there may still be an argument for a university to say, ‘That is a little jewel in our crown’ or ‘That is something we want to grow, but it is going to take some time and we will invest in it as a strategic decision’, but then the university has to be clear about where the money is coming from to do that.

[285] The other thing that we are doing is we are imposing, and have been for some time now, a process whereby we require universities to show us how their research portfolio is going to be sustainable into the medium term. We have begun to develop a series of indicators that require them to show us how they are developing, reinvesting, and making sure that they do not just spend money on staff but also re-equip laboratories, for example, so that a particular area of their research business will be sustainable into the medium term. All of this pushes in the same direction, which is that they have to be very professional about how they do this or they will fall by the wayside.

[286] **Janet Ryder:** If you are changing your funding models to lead universities in that direction, to what extent are you asking them to quantify the eventual payback to society either in spin-off businesses or in academic achievements or in the forging of new research ground in arts subjects and history subjects?

[287] **Professor Gummatt:** That is a very difficult thing to do, because research can lead in so many different directions. Nevertheless, we have a UK-wide survey process called the higher education business community interaction survey. One of the things that does is track across a very wide range of indicators, such as the amount of collaborative research done with business, such as contracts won from business for research, which are measures of the quality of the offer that is going out from the university, such as spinouts, such as income earned from patents and so forth. So, we have that data and we play that back into the sector.

[288] Beyond that, where we are going now in terms of the next round of this UK-wide process for judging the quality of research—this is very controversial in the higher education sector across the UK at the moment—is that we are introducing into this process an element that is based on what we are calling ‘impact’. So, what we are saying to a department of chemistry in the university of X is, ‘When you submit your documents to this UK-wide

assessment process of your quality of research, you have to tell us not just about the papers that you have produced and not just about your staffing levels and your students and postgraduates and how you look after them or what kind of research environment you have created, whether we think it is a credible one or not; you also have to tell us what impact the work that you do has made in the last 10 years outside of the university world'. That could be in many different dimensions. It would not necessarily be economic; it might be social or it might be cultural. However, we are saying to them, 'You have to start to tell us now how you are making an impact'.

[289] It is quite controversial. There is a lot of resistance among the lecturing union to this. It managed to get a huge petition together condemning this approach. Our sense is that vice-chancellors and the representative bodies are broadly supportive of it, and the debate is about how much of the scoring should depend on this rather than about whether or not we do it. So, funding councils generally are very confident they will carry the day in this process. I think that what that is going to do is to bring the question that you raise much more centrally to attention than perhaps it has been in the past, because universities now will know they have to be able to start to produce a record of what difference it made outside of the university that they had that research funding.

[290] **Janet Ryder:** I just have a final supplementary question on that. It may go contrary to what you have just said, or it may not. An efficiency that has always been proposed for universities is to look at the length of time that a student is at the university. Therefore, for certain art subjects, certainly, the course could be concertinaed down from three years to two years. The counter argument is that if you do that the professors no longer have time in which to carry out research. What is the way out of that?

[291] **Professor Gummatt:** Well, there are several different ways forward. One is that you can run different staffing. You could do that, potentially. You could have a model in which you say, 'Essentially, we have got teaching-only staff and they will teach intensively throughout the year and we do not expect them to do research'. That is a controversial issue within universities, because people ask, 'Well, what is distinctive about universities?' Some will say, 'You cannot really call it a university if there is no research going on there'. Others would differ from that view and say, 'What is important is that the staff are at the leading edge of scholarship, and that they know what the latest work in their field is even if they are not contributing to it themselves'. So, it is controversial, but there are certainly some universities now where the practice is to have teaching-only contracts, teaching and research contracts, and research-only contracts, so they mix the staff in different ways. That is one way of doing it.

[292] The other thing that I would add to that is there is a split view among students on this, too, I think. There are some who would say, 'I would like to progress my studies more rapidly' and who would welcome compression, and there are others who would say, 'I cannot afford to do that because I need to work'. Even so-called full-time students these days are, on the whole, doing a significant amount of paid work during their studies. So those students would say, 'Well, actually, although it may sound attractive at first glance, I have to keep an income stream coming in and I cannot do it if you make the study period too intensive'.

[293] There is a debate about whether the deal is as fair and as good a deal as it should be across all subjects. Are some subjects too light in what they expect? That is being looked at on a UK-wide basis with a view to either getting those universities that look very light to explain much better, and in a convincing way, why things are as they are, or to change their practice.

[294] **Angela Burns:** Thank you. Nick, is your supplementary on this particular issue?

[295] **Nick Ramsay:** Yes. I am intrigued by what Philip said about asking universities to provide evidence of impact. Are you sure that will not just become a box-ticking exercise? Perhaps we could do the same thing with the Assembly Government, and send out some sort of survey of its work. Surely, the impact of a university, by its very nature, in terms of the innovation side of it, which I would imagine that we want to encourage, is such that you cannot limit it to, 'What have you achieved this year? What impact have you had in specific terms across the sphere of industry and in the world?'

[296] **Professor Gummatt:** It is controversial and it is tricky and we are running pilot projects at the moment to explore the ramifications of doing it. Our sense is that it is the right thing to do. There is a legitimate public demand to know what we have for the investment that we made. It seems to us that there has to be a better way of explaining that. It may be that we conclude that we are not able to explain it, but we have to explore that. It is controversial. There are many in the academic world who say it cannot be done. The sort of thing that is going on is that people are listing Nobel laureates who would never have been funded under such a regime. I do not buy it myself. I think that it is perfectly reasonable to say to anyone who has received public funding, 'You should be able to say to the taxpayer why it was worth making that investment in you'. That seems unarguable. I cannot see the problem with it and I am mystified that so many people find it difficult to accept that that is a reasonable proposition.

[297] So, on how exactly we will do it—

[298] **Angela Burns:** Thank you. I think that we have answered the question. We have talked about it at quite some length. Thank you, Nick, and thank you, Philip. Kirsty has the next question.

[299] **Kirsty Williams:** As you said earlier, we are competing not just in a UK market but a global market in terms of HE. Surely, what we should be about is ensuring that our investment in the HE sector is one that allows us to compete in that market. I am keen to understand the context in which you are working as a funding council in Wales vis-à-vis the rest of the UK. Obviously, the Government in Westminster has had a very tough message for the HE sector in England recently. We know that the universities say that they are potentially falling behind because of the funding gap—which undoubtedly exists, that is acknowledged by everybody.

11.10 a.m.

[300] However, I am trying to get a sense of whether, as we move into this new period of public spending being squeezed, we are investing enough to maintain our competitiveness in that particular market and of how you are placed vis-à-vis funding councils in the rest of the UK as we move forward.

[301] **Angela Burns:** I would appreciate if you could try to consolidate your answer.

[302] **Professor Gummatt:** There are many ways to skin a cat. The issue here is medium-term sustainability, so if we do not invest enough in the core, then we undermine medium-term sustainability, unless the sector reacts in a number of possible ways. One way to react, of course, is to shrink. If we have a sector that cannot deliver a good student experience, it will not attract students or staff. If it cannot provide good research facilities, it will not attract staff. Our view is that unless we have good facilities and good quality both in teaching and research in Wales, then we will have a second-rate operation and, in terms of the ambitions for Wales, which we expect higher education in Wales to serve, they will not be achieved. A second-rate system will not do it. It has to be a good system.

[303] The question, therefore, is around the level of funding available and what can be done with that funding, with good, efficient management—all of those things that are taken for granted for the moment. If one looked at very significant reductions in some scenarios, questions would have to be asked about the scale of the sector. It would not be good to run a large-scale, low-quality sector. We need to have high quality whatever the scale that is affordable.

[304] At the moment, the issue is about medium-term sustainability. The sector is performing very well in terms of teaching. It does very well in terms of the national student survey and things of that sort. In a survey last week in *The Times Higher Education Supplement* of student experience, there were four Welsh universities in the top 30, whereas we would expect one and a half on a proportional basis. That is very good. In research terms, we are holding the same relativity to the rest of the UK over a lengthy period but are undoubtedly lagging somewhat. In any race to catch up, you have to run faster than the people in front of you, and the problem is the energy: where does the power come from to enable you to do that?

[305] So, these are issues that have to be balanced in managing the money, but, for us, the fundamental is that it must be a good-quality system. The question relates to the scale at which that is possible.

[306] **Kirsty Williams:** Do you have a view on whether the scale at the moment is too large? Do you anticipate a reduction in scale?

[307] **Professor Gummatt:** No. It is not for us to lobby; we are an Assembly Government sponsored body. However, our view is that the evidence is clear that investment in higher education is a good investment given that there is a clear return on it. There are plenty of studies that demonstrate that point. The economic research unit in the Assembly Government has seen those studies, so it is not just us making that point. We think that it is a good investment and in that sense, therefore, the scale is not too large because the investment made is being repaid in terms of income coming into Wales.

[308] **Angela Burns:** Thank you. I need to bring in Brian at this point.

[309] **Brian Gibbons:** I would like to follow on from that and perhaps raise a new question. It seems from what you are saying that the decision by the Assembly Government to redirect money from the tuition grants—and this is a political issue, given that the tuition grant was a regressive type of funding mechanism, with money going to the better off at the expense of universities and improving access—towards universities will help to bridge the gap that exists between universities in Wales and in England. That is obviously a good thing. Improving access is right in terms of social justice. However, what is the current balance between importing and exporting university students in Wales and what are the implications of the gap for that? How does that gap explain it or not explain it?

[310] Looking at the evidence that we have had from Higher Education Wales and you, there seems to be significant disagreement in relation to the amount of funding being allocated to universities by special funding streams, hypothecation and so forth. Higher Education Wales argues that a disproportionate amount of money was going in that way, whereas your paper does not seem to argue that most of the money was going through fairly clear-cut funding formulae. Presumably, the rationale for having funding streams was that this was one of the few levers that we had in relation to universities to deliver the more holistic objectives that we would like from higher education in Wales.

[311] **Professor Gummatt:** My colleagues might want to add to this response. On the decision about student finance and the potential transfer of funding to universities, it is,

certainly from our perspective, very welcome. In terms of cross-border flows, it is a net total of about 10,000 coming into Wales. There are strong flows in both directions. It is quite unlike the England-Scotland flows, which are quite small from England to Scotland. There is a big gap between major centres of population in the north of England and Scottish universities. There is not a big gap at all across the Welsh-English border, so we get huge flows in both directions. It is a net import of about 10,000. Our view would be that that is a welcome sign of the quality of the universities, because students would not come if they did not think they were getting something good. Furthermore, they pay their way, so we get the net benefit to Wales from that.

[312] In terms of the analysis that we have done of the funding gap, it is important to emphasise, as we have tried to do in our paper, the scope of that analysis. We say in the paper that there are many sources of funding—38 per cent goes through us, therefore 62 per cent does not go through us. Our analysis focuses on that 38 per cent and compares what went through our books with what went through the books of the English funding council and the Scottish funding council at the year end, following all the changes that inevitably happen in-year. So, that is the scope of it.

[313] On hypothecation, you made the point for me. We try to provide, through formulaic allocation, a high degree of stability. It is important to recognise—and this takes us back to the academic year/financial year debate—that this is an area where a lot of the business requires long-term planning. The traditional undergraduate degree takes three years, and you need about a two year run-in because of the UCAS processes, and all of that. So, you have to be looking about five years ahead if you want to change the full-time undergraduate portfolio in a significant way.

[314] Therefore, we try to give as high a degree of planning stability as it is possible to give in the financial circumstances, whatever they happen to be. That is partly why we use a formula. A second reason for that is its transparency; people can understand how we did it and they can challenge us. If they think that we have misused their student numbers, they can challenge us. So, it is completely transparent; they can all redo the calculations and see how it works.

[315] At the same time, it is extremely important that we have flexibility to change the direction of the supertanker, and we do that through restricting some of the funding to be allocated in more specific ways to try to drive change. We do drive some change through those formulaic approaches. To give you a quick example, a couple of years ago we changed the weighting that we put on widening access. So, essentially, we said to those universities who were doing better at widening access, ‘You will get a bit more, and those who are not doing as well will get a bit less’. So, there can be strategic direction of that sort even within the formula, but it is important, as you said, that we retain some funding outside of those allocations so that we can drive change directly with it.

[316] **Brian Gibbons:** So, it seems counterintuitive, does it not, that a lot of money is spent on, or a lot of time is spent arguing about, the so-called funding gap when we are getting a net import of 10,000 students and we are able to deliver third-level education of sufficient quality for that 10,000 surplus or extra to be attracted to Wales. Is there is any rational way of explaining what is a very apparent paradox to me?

11.20 a.m.

[317] **Angela Burns:** I think that we ought to leave your paradox for a moment, Brian, unless you can say it in one sentence, because we are running out of time.

[318] **Professor Gummatt:** It is medium-term sustainability. You can go for only so long

without investing in new buildings. If you compare the campuses in England with the campuses in Wales you will see what I mean. For a while you can coast. It is the medium-term issue that we are concerned about.

[319] **Ann Jones:** I wanted to ask you about the potential impacts of reduced funding. In your paper you clearly state that it is difficult to predict the potential impact of any reduction in HE funding. You also go on to mention that you are aware that the sector as a whole is reviewing its staffing levels and that any reduction in funding is likely to lead to a reduction in staff. Do you have any indication of the extent of those reductions?

[320] **Professor Gummatt:** Not really. Fifty eight per cent of expenditure is on staffing, so it will be a similar ratio. If funding falls, then 58 per cent of it will impact on staffing. As I said before, it is a normal process for universities. A well-run university will be doing this every year anyway. It will be looking at its portfolio and changing what it does, getting out of some areas and getting into others. In that sense, it is normal.

[321] As money gets tight you have to ramp that up, so it becomes a much more active and extensive process than it otherwise would be. At the moment, all that we would say is the staffing costs are 58 per cent and the impact on staffing will be about 58 per cent. It is also important to recognise that it not just a statement about the funding that flows through us. If I may go back to the starting point, the 38 per cent of all funding that flows through us provides the basis for entering UK-wide and European competitions, and so on. Therefore, we would expect those income streams also to fall if core funding were to fall. So, there would be a knock-on effect.

[322] **Ann Jones:** Will the HE allocation in the 2010-11 budget result in the potential reshaping of the provision that is discussed in your paper and, if so, what impact will this have on the services that are provided?

[323] **Professor Gummatt:** Universities will react in the ways that we have been discussing through reshaping what they do, enlarging classes in some cases and dropping provision in others. It is always controversial. There has been controversy in recent months in relation to a university not far from where we are now sitting regarding significant changes that it wanted to make to reshape a major area of its activity—that attracted a lot of public attention. Therefore doing this is always tricky.

[324] As David said earlier, they will be looking at other ways of delivering teaching and providing student support, career services, library services and so forth. We have some good examples of that being run jointly between institutions.

[325] On top of that, there is a very important dimension to the new strategy for higher education, 'For our Future', which is the expectation that we look at the idea of a degree of regional planning of the delivery of higher education. We are talking here about teaching rather than research. Research probably has to be on a larger scale than sub-regions within Wales. We are also looking at outreach to businesses and employers.

[326] The questions that we will be asking the universities and the FE colleges in the near future are, 'Looking at the region of which you are a part, how could you, by working together in different ways, do a better job, particularly for the learner who cannot move outside the region for whatever reason? They have to stay local. How could you, between yourselves, do a better job of making higher education provision available to them? How could you improve your accessibility to business and other employers, whether that is for research-type interactions or whether it is for training and upgrading of staff?' We shall be taking up that challenge quite soon to see what reactions we get. That is a novel feature and, again, it is one that is attracting quite a lot of interest in England where they think that this is

far too bold and extremely dangerous.

[327] **Angela Burns:** A quick supplementary from Andrew, and then I will bring in Janet.

[328] **Andrew Davies:** I want to follow up on the question that Janet asked earlier. I note, Phil, that you made the point about the sectors listening, but I read the paper from HEW. Unfortunately, I should have asked these questions when they were here, but I assumed they would be alongside you. Reading that paper, it does not seem as if they are changing their behaviour or have any intention of doing so. I note that they use aggregate figures in comparing funding, but they do not compare the performance of the sector across England and Scotland.

[329] **Professor Gummatt:** I hope that you will allow me to say that I cannot speak for them. We are not a lobby group for the higher education sector; we are an Assembly Government sponsored body.

[330] **Andrew Davies:** You did talk about changing behaviour.

[331] **Professor Gummatt:** Yes. I would draw a distinction between the way in which individual universities are responding and what happens when you try to take a collective view. It is not unknown in other walks of life, I submit, that when you seek a collective view, be it a trade union view versus the view of workers in an individual factory, for example, sometimes the modalities shift a bit between those levels. Our sense is that the sector is listening, but equally we do not kid ourselves. There is significant work to do in taking this agenda forward.

[332] **Andrew Davies:** On modality shift, if you look at the research evaluation exercise figures for December last year and the year before, Wales is still not that great in terms of performance. Also on collaboration, how would you respond to the often-made allegation that it is only when an individual HEI hits the buffers, à la Lampeter, that structural organisational change comes about?

[333] **Professor Gummatt:** At the macro level, whole institutional level—

[334] **Andrew Davies:** There has only been one merger, has there not, between Cardiff University and the University of Wales College of Medicine?

[335] **Professor Gummatt:** Cardiff and the University of Wales College of Medicine have merged, but the Royal Welsh College of Music and Drama and the University of Glamorgan have also merged, which is important. You can see the evidence now on North Road. The point of that merger was that the college, as it was, was a very small operation and we could see that it was essential to make some capital investment to get it to the state where it could compete with its counterparts elsewhere in the UK. The concern that we had, with all respect to the management at the time, was that they did not have the experience to manage the scale of activity that was needed. Having secured the merger with the University of Glamorgan, with its considerable estates capacity and so on, it is possible to move forward. That is quite significant. We will have a conservatoire to be really proud of in Wales.

[336] Thirdly, there is the merger that you identified. That is three mergers in about five to six years. I would respectfully submit that if anyone can show me a region of England with that degree of change in its higher education sector over that time period I would be surprised.

[337] **Andrew Davies:** I was going to raise the issue of Scotland. How do we compare with Scotland in terms research and organisational collaboration?

[338] **Professor Gummett:** I think that we compare quite well. On research, we did a comparison recently of the range of partnerships in Scotland and the levels of funding going into them. Scotland has been more successful than us in publicising what it is doing. The concept of research pooling, which is what they have called it, has caught attention in a way that our reconfiguration and collaboration has not.

[339] The reality is that what we have in mathematics and computational sciences, what we have on low carbon, what we will now have on climate change and in aerospace—we are looking at another collaboration in aerospace—stand in good comparison with things like physics and chemistry and other collaborations in Scotland.

[340] There has been institutional change in Scotland, but I do not think that it is any more significant than that in Wales—in fact, I do not think that it is as significant.

[341] **Andrew Davies:** However, the sector there is performing at a much higher level than the sector in Wales in terms of the RAE.

[342] **Professor Gummett:** Yes, but equally the investment has been at a very high level indeed, far higher than England even.

[343] **Andrew Davies:** We have a sector that, in aggregate terms, is smaller than that of Manchester alone, do we not?

[344] **Professor Gummett:** It is of the same order, yes.

[345] **Andrew Davies:** The population is significantly different.

[346] **Professor Gummett:** The population is a little bit larger, but of the same order.

[347] **Andrew Davies:** The population of Manchester is significantly higher.

[348] **Professor Gummett:** It is over 3 million.

[349] **Angela Burns:** We need to stop here. We are now discussing the ins and outs of the Scottish education system.

[350] **Andrew Davies:** Chair, we are talking about performance. We keep being asked about aggregate figures. In 2007-08 the Welsh HEIs received £43.9 million in research funding. A quick calculation shows that that is about 3.9 per cent of the total income. How does that compare with other parts of the UK?

[351] **Mr Blaney:** On the range of income that is associated with research, we have been allocating a slightly smaller proportion of our grant-in-aid for research than is the case in England until recently. We have made strategic decisions to change the balance of our funding more in favour of research to give the sector here a better chance of running faster in order to catch up with the performance of England.

[352] However, the other predominant source of research funding is the capture of research council grants, and it is the case that the Welsh sector does not perform as well as we think it should in that respect.

11.30 a.m.

[353] **Andrew Davies:** You have a section in your paper about philanthropy. Compared with other parts of the UK, my understanding is that most of our institutions are not very good

at accessing the alumni networks, endowment trusts or donations. Is that true?

[354] **Professor Gummatt:** It is true across the UK with the exception of a handful of universities. That is why we have launched these schemes: to jump-start that, essentially. They were introduced in England first, and we followed suit after a slight lag. However, they will take some time. I dare say that many people around this table, like me, get letters from their former universities asking for money, and you react as you react. It is bound to take time, because the specialists will tell you that you have really got to start building up long-term relationships, and you are looking for an inheritance, and for larger sums of money later in life rather than smaller sums earlier.

[355] **Andrew Davies:** The allegation is that most HEIs in Wales are not very good at developing and exploiting their alumni networks.

[356] **Professor Gummatt:** That is recognised and is being worked on actively. This match funding scheme is designed to give that a jump start.

[357] **Andrew Davies:** May I ask just one last question on funding, Chair?

[358] **Angela Burns:** I must remind you that we are talking here today about the funding that the sector receives from the Assembly Government, not what the sector could or should be doing in other areas. We can come back to that.

[359] **Andrew Davies:** Sorry, Chair. I thought that the title was about funding for the sector. In a time of constrained public finances, the FE and HE sectors need to be exploiting all sorts of income sources. We talked a lot about the contribution to the economy. For the sector collectively, can you give me a figure for the income received from the exploitation of intellectual property?

[360] **Professor Gummatt:** I do not know whether I can tell you that instantly, but we could get it to you.

[361] **Andrew Davies:** Given that there is considerable investment in research and that the lodging of patents is a performance indicator for HEIs, the value to be exploited from that must be crucial.

[362] **Professor Gummatt:** Yes, it is. It is an important indicator. We have the number, just not to hand, but we can get it to you. What I would say on that, if I may—and this takes us back to the earlier question—is that judging the impact of that is tricky. There is a debate to the effect that we have made a mistake tactically in requiring institutions to try to maximise income from intellectual property, as it could have been of more economic value to encourage them to get the work out into the economy without trying to recoup anything for themselves. It is one indicator but it is not the whole story. We will get you the figures.

[363] **Angela Burns:** Thank you. I am just going through the questions that I know people still have to ask. Lorraine, I think that most of your question—

[364] **Lorraine Barrett:** It has more or less been covered, to be honest.

[365] **Angela Burns:** It has. Kirsty, I think that Phillip has also covered the answers to some of your questions to quite a large extent. Do you want to add anything?

[366] **Kirsty Williams:** Yes, if you do not mind. Professor Gummatt, you confirmed earlier that you had asked universities to model a 5 per cent recurrent grant cut in 2010-11 and you said that you have not asked them to look beyond that. You just said that it takes five years of

planning to think about what kind of curriculum a university is going to offer. What advice do you give to universities, and what assumptions do you make about the forward look?

[367] **Professor Gummatt:** It is very difficult, because we are all in the lap of the gods as regards what will happen at the general election, are we not?

[368] **Kirsty Williams:** Indeed we are.

[369] **Professor Gummatt:** What the budgetary consequences—

[370] **Chris Franks:** And what size cuts there will be.

[371] **Professor Gummatt:** Well, whatever they are, we will manage the situation as we find it. Universities are as well able as we are to read the newspapers and draw their own conclusions. We have given them that steer, telling them to start their forward planning processes and to make sure that they work through that model at least. Beyond that, as we get better information, we will give them further advice. At the moment, I do not think that we have a basis for doing it.

[372] **Kirsty Williams:** Sure, but, in your evidence, you said that you are having to make assumptions in the advice that you give to them. So, what are the bases of those assumptions? What assumptions are you making in the advice that you are giving to universities?

[373] **Professor Gummatt:** That is a discussion that we will be having with the council at the end of this month, to take its views and advice about what it thinks those assumptions should be. Then we will start to work that through, with a view, hopefully—

[374] **Kirsty Williams:** But you have already asked universities to plan for a 5 per cent cut next year, so you have obviously had some discussions on assumptions already, even if you intend to hold further ones. So, given that you have asked them to model a 5 per cent reduction for 2010-11, on what basis did you make that assumption?

[375] **Professor Gummatt:** It is the same answer, really. We will take advice from our council members at the end of this month about what they think, and then we will model on that basis. Whatever kind of trajectory we are on, our aim is to try to keep it fairly smooth. We try to avoid it looking like the teeth on a saw—up one year and down the next. We heard a little of that earlier. Those kinds of sharp changes are wasteful and inefficient in management terms, so we do our best, but we can work only with the information that is available to us.

[376] **Kirsty Williams:** Is there any way in which the Welsh Assembly Government could improve the information that is made available to you? Is there anything that this committee could recommend to make your job a little easier?

[377] **Professor Gummatt:** A crystal ball would be as welcome to the Welsh Assembly Government as it would be to us.

[378] **Kirsty Williams:** Yes, well, we could all do with one of those.

[379] **Professor Gummatt:** I genuinely do not think that the Assembly Government knows anything that would help that it is not telling us. We are all waiting for the general election and what happens after that.

[380] **Kirsty Williams:** Right, thank you.

[381] **Mr Blaney:** I just want to mention briefly that the 5 per cent indication that we gave to the institutions was not informed by our assumptions about the funding; we were just being careful to sensitise them to do that at least. Actually, it was an easy sensitisation, because they were doing it anyway—they are not stupid. We thought that we needed to make sure that they were at least thinking in those terms, but that does not necessarily relate to any assumptions that we made.

[382] **Mr Hirst:** Institutions' financial forecasts cover their range of income sources, of which our grant is a small part, as Phil has already said. So, we are telling them that they need to make those prudent assumptions across their range of income streams—and it is not just about council funding, as they may get less from businesses as they are hit by the economic downturn, and so forth. So, we are talking to institutions about their range of income streams and about the assumptions that they need to make about them all, and not just council funding.

[383] **Angela Burns:** Thank you all very much indeed for your time today. I apologise for the fact that we have overrun, but you have raised some interesting points that it was well worth our finding out about. We will be writing to you with a list of questions arising from today's meeting, and I would be very grateful if you could give us a timely response.

[384] **Professor Gummatt:** We will be very glad to do so. Thank you very much indeed.

11.37 a.m.

**Goblygiadau Ariannol Mesur Arfaethedig Cynulliad Cenedlaethol Cymru
ynghylch Taliadau
Financial Implications of the Proposed National Assembly for Wales
Remuneration Measure**

[385] **Angela Burns:** I have one more matter to raise today, and the rest I will move to our ad hoc Wednesday morning meeting. It is in the public interest for me to raise this today, and this is the point at which both Lorraine and Chris would like to come in.

[386] **Chris Franks:** What are you going to defer and to when?

[387] **Angela Burns:** The other items on the agenda—unless people are happy to stay later this morning. However, I believe that you all have additional meetings to attend.

[388] **Ann Jones:** I am concerned about these ad hoc meetings, Chair, because we were under the impression that we had a meeting every fortnight. They are in our diaries, and are a done deal. Are you proposing to hold a meeting every week?

[389] **Angela Burns:** The notification went out to you that we would hold a meeting every fortnight but also asking you to reserve space in your diaries in case of overrun or, if there is too much Assembly business for us to conduct our work on an inquiry in one meeting, for an ad hoc meeting every other Wednesday. I intend to use them as few times as possible and it is very much up to the committee. Are people happy to spend a little extra time here now? The rest of this meeting is very much to do with administration with the exception of this one proposed Measure that has financial implications. I am not keen to leave that until Wednesday. As you will remember, we set this up with the agreement of the Business Committee, because quite often Measures and legislation come before us, and we need to get back to the committees working on them with our financial views quickly.

[390] **Lorraine Barrett:** I have a meeting of the Public Accounts Committee every other

Wednesday.

[391] **Angela Burns:** Our ad hoc meeting is early in the morning and is to be used only in dire emergencies.

[392] **Janet Ryder:** Chair, I appreciate that this is my first meeting as a member of this committee, but I must say that I found both these evidence sessions extremely heavy going, and I feel that each one warranted a meeting of its own at least. They are very big subjects that we are trying to tackle in a short space of time, and I really do not think that we are able to do them justice.

[393] **Angela Burns:** I will be asking the witnesses to come to the committee again. I take your point on board, but this is one of the few times in which the committee has been caught in such a way.

11.40 a.m.

[394] We spoke to both the witnesses and our researchers about the types of questions that might be raised. This, of course, was planned when the committee was in a slightly different shape and some of the other people came back with their views. So, we felt that it could be done in one committee meeting. This does not often happen, and I agree totally with what you said.

[395] **Janet Ryder:** If that is the case, Chair, and you are intending to revisit this in another evidence session, I would like to see Higher Education Wales again, because I do not think we have been able to question it at all on how the sector as a whole is responding to this.

[396] **Angela Burns:** I am very happy to do that. Does anybody else have anything else in particular that they wish to review? We will e-mail you on this topic. The clerk has just reminded me that we all agreed at the time that we wanted to do a very quick inquiry on this in direct response to various items in the budget, but we can review the scope and decide if we want to make it into far more of an inquiry. I remind you that the new Minister for Children, Education and Lifelong Learning is himself conducting a review of the entire education sector. So, we must make sure that we do not produce something that will cut across what he is trying to do; we need to produce an aid to him rather than anything else.

[397] **Andrew Davies:** I speak as a former Minister, and I think that this committee has to be autonomous. I accept the point that Janet made, but I would not say that, because a Minister is doing something, the committee cannot do something.

[398] **Angela Burns:** No, and I do not think I said that. What I was saying was that we had a particular focus for this inquiry originally, which was to produce quite a quick review of a specific set of comments and ambitions and objectives that came out of the last budget. Now, if we want to just say, 'Okay, we are dealing with that, but what we have now seen is that we want to open it up a little bit more into a proper, larger inquiry into a full review of this sector,' then we can do that in much the same way that we did with the foundation phase. However, that was not the original objective of this inquiry, which was set up under the terms of the old committee last term. We can discuss it further.

[399] I invite the commissioners to absent themselves for the discussion on the proposed Measure.

[400] This is an extremely important proposed Measure. I would like to discuss the financial implications as a matter of a public record because of its content. We have had a very good briefing from the Members' research service, we have had a good look at the

proposed Measure and we have a few areas for some very brief discussion.

[401] I will lead on each particular area. All I am seeking from committee members is a response as to whether or not they feel that, as a Finance Committee, there are any financial implications that we would want to raise.

[402] **Brian Gibbons:** What paper are we working off, Chair?

[403] **Angela Burns:** It is the MRS paper. Do we believe that the explanatory memorandum details the level of remuneration costs that we would expect to see in providing an independent remuneration board for Wales? The explanatory memorandum explains the daily cost of all the board members that we would require, the estimate for what their rates would be and we also have here evidence by the Presiding Officer to Legislation Committee No. 1 that these are substantially less than the daily rate for ministerial appointments for the UK. Do we have any views on that? Do we think that these costs are adequate?

[404] **Brian Gibbons:** It is not above £40,000. You are asking whether the £40,000 is adequate compared—

[405] **Angela Burns:** It is the daily rates. The £237 figure.

[406] **Ann Jones:** The daily rate works out at £85,000 plus for the chair pro rata—that is, if it was a full-time post—and £67,000 for the board members, which is a lot more than the people that they will be scrutinising and looking after.

[407] It has also been quite clear from the evidence that we have received so far that the number of days that the board will meet will exceed that estimated in the proposed Measure. It is like Topsy—it grew and grew—and I think that we could be in danger that the estimated costs in the explanatory memorandum will be far greater in fact when the board comes together.

[408] I think that the board will want to do all sorts of things. It will want to meet more than twice and it will want to do inquiries and so on, so I think that we could end up with a lot more being taken out of the budget than is estimated. So, as a Finance Committee I think that we should have a view on whether that is the right way to progress.

[409] **Nick Ramsay:** I agree totally with Ann. It is almost like a blank cheque in some respects and I am not confident that we can be sure about the financial implications, given that Ann and I have the immense privilege on being on Legislation Committee No. 1, which has taken evidence on this. If you will forgive me for bringing in some of the experiences that I have had on the committee, like Ann I was not totally convinced that there was an obvious cap on the number of meetings and the amount the board could consider and the cost. I think that the Finance Committee should be very concerned about that.

[410] **Angela Burns:** I share your view, especially when you look at the possible administration costs, because already there are differences of opinion on how much administrative support this board would require. It is said that it will be minimal, but experience shows that in fact they probably need two to three days of support and therefore it seems to me that more and more costs will sneak through. Do you have a view on this, Janet?

[411] **Janet Ryder:** I do not see why the costs should escalate as you suggest that they might. It is set to look at remuneration. Remuneration is set now, so it is a matter of estimating, I suppose, how that equates to the level of work that we are doing. It is a matter of how much the board will monitor that and I would have hoped that that would be very clearly set out in the standing orders for this board.

[412] I would have concerns. I appreciate that you have to recruit people of a sufficient calibre. That does not always equate with a very high salary, and I would have concerns on that front, but this has to go ahead. I do not think we have any option about that. This has to go ahead and if there are queries about the costs, then we will have to have further discussions on it, but I do not think there is any question that it cannot go ahead.

[413] **Angela Burns:** That is not the role of the Finance Committee. Although we may, from time to time, feel like it, the Finance Committee has never sought to get in the way of any policy commitment. We are here to check whether or not the costs that have been allocated so far are adequate or whether more money should put aside.

[414] **Janet Ryder:** It might be helpful to have somebody in and ask them.

[415] **Angela Burns:** We did ask the Presiding Officer, and he felt that he had nothing else to add to his paper by coming here today.

[416] **Andrew Davies:** I cannot remember offhand the figure for what the Assembly Government pays for members of advisory boards and similar bodies, but that might provide a more relevant benchmark than comparing it with a UK body, as is done in the paper.

[417] **Nick Ramsay:** Are we not coming up against the same problem that I have raised before, with regard to the procedure for how we consider these things in terms of what goes through the legislation committee and then comes to us here? We are basically trying to do this blindfolded, without access to the evidence. Just by chance or fortune, Ann and I sit on the legislation committee and we have seen some of the evidence. I was not convinced, and neither was Ann—but that is for another committee. As you said, that is not for this committee.

[418] I just think that we are coming up against the same problem. The Presiding Officer says that he has nothing to add, but he has not spoken to the committee about this, so how can he not have anything to add? I find that difficult to understand. We need clarification on the procedure here, as well as the financial implications that we are trying to consider. How do we make these decisions when more than half the members here do not have access to the evidence that Ann and I have seen?

[419] To add to that very briefly, in an evidence session, Ann, I think—it might have been another committee member—asked about the press implications of this, which are obviously considerable. From what I have seen, there does not seem to be any factoring in of the office work needed to deal with the whole media element of this. I am really concerned about this. Once again, I ask, procedurally what are we considering, and how are we trying to consider it? We have to establish that before we can make a decision.

11.50 a.m.

[420] **Ann Jones:** May I just come back to it? It says that many of the calculations from the total remuneration costs have been estimated on the assumption that

[421] ‘each board member will input two days work per meeting day, to cover preparatory and follow up work.’

[422] Now, it is quite clear, when you look at that, and given the tasks that they are going to be asked to do, that two days is not going to be sufficient. Further on in the explanatory memorandum, I think that it says that that will be the case except for the year in which they will be determining salaries, when there may be a need to increase that. As Nick says, we are

looking at this blindfolded because other Measures will come forward that we will not have seen and we just have to look at the assumption.

[423] In financial terms, I think that the assumptions are rather low and that it will cost a lot more to deliver this board. This board will work a lot more and, therefore, your £237 a day for the chair will not be for just two or three days' work as there could be two or three weeks' of work a year. So, I think that the estimate of £40,000 over four years for the set-up costs is a very low estimate of what the initial cost will be.

[424] **Angela Burns:** I am perfectly content with what has been said because I think that the conclusion to be drawn is that we do need the Presiding Officer to come here before us and to explain this, so that we can answer these questions. So, with the committee's cognisance, I will ask him and say that it is not perhaps quite as simple a matter as he had thought.

[425] **Brian Gibbons:** Obviously, Andrew and I are coming in mid story here. Have we had information on the comparative costs of the independent remuneration panel for local government or the independent panel that will be convened in the House of Commons? It is quite difficult to follow this paper because there are references to 'the panel' and there are a number of panels out there. I am never clear which panel we are actually talking about. A lot of them have 'independent' in their title as well. We could even consider what is happening in Scotland. If we are going to have this information, it would be useful to have a page and a half on the costs associated with these other panels, to give us something to benchmark activity by.

[426] **Janet Ryder:** Like you, I am coming at this fresh, so it would certainly help me to see what work it is anticipated that these people will carry out. I do not quite see how it might escalate. I would like to see exactly what it is intended that they are going to do for the remuneration that is set out here.

[427] **Angela Burns:** Thank you very much. To put it bluntly, I have achieved what I wanted to achieve. We are discussing the proposed remuneration Measure and there is a degree of sacred cow about it and that everyone must just absolutely accept it, but as far as I am concerned, as the Finance Committee, we must apply the same rigour to this that we are being asked to apply to anything else. So, in that case, I will go back to the Presiding Officer and we will revisit this again in a more constructive and rigorous fashion. So, thank you.

[428] Thank you very much indeed for your attendance today.

Daeth y cyfarfod i ben am 11.53 a.m.

The meeting ended at 11.53 a.m.