



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

**Y Pwyllgor Cyllid
The Finance Committee**

**Dydd Mercher, 12 Ionawr 2011
Thursday, 12 January 2011**

Cynnwys
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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

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Angela Burns	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Alun Davies	Llafur (yn dirprwyo ar ran Lorraine Barrett) Labour (substitute for Lorraine Barrett)
Andrew Davies	Llafur Labour
Chris Franks	Plaid Cymru The Party of Wales
Brian Gibbons	Llafur Labour
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives
Janet Ryder	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Leighton Andrews	Aelod Cynulliad, Llafur (Y Gweinidog dros Blant, Addysg a Dysgu Gydol Oes) Assembly Member, Labour (The Minister for Children, Education and Lifelong Learning)
Susan Hudson	Swyddfa'r Ombwdsmon Gwasanaethau Cyhoeddus Cymru Office of the Public Services Ombudsman for Wales
David Lloyd Thomas	Pennaeth, Is-adran Llywodraethu a Chyllid Refeniw Ysgolion, Llywodraeth Cynulliad Cymru Head of School Governance and Revenue Funding Branch, Welsh Assembly Government
Peter Tyndall	Ombwdsmon Gwasanaethau Cyhoeddus Cymru Public Services Ombudsman for Wales
Bethan Webb	Pennaeth, Polisi Ariannu, Llywodraeth Cynulliad Cymru Head of Funding Policy, Welsh Assembly Government

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

John Grimes	Clerc Clerk
Catherine Hunt	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 9.36 a.m.
The meeting began at 9.36 a.m.

Ymddiheuriadau a Dirprwyon
Apologies and Substitutions

[1] **Angela Burns:** Good morning, everyone. I welcome you to the Finance Committee meeting of Wednesday, 12 January. I wish everyone a happy new year; it is lovely to see you back. I want to go through some public announcements. I remind you that you are welcome to

speak in Welsh or English and that headsets are available for translation. Please switch off all mobile phones. If the fire alarm goes off, please follow the ushers. I welcome Alun Davies as a substitute at this meeting. Jeff Cuthbert and Chris Franks will be arriving a little late.

Cyllideb Ddrafft Ombwdsmon Gwasanaethau Cyhoeddus Cymru 2011-12
Public Services Ombudsman for Wales Draft Budget 2011-12

[2] **Angela Burns:** We will start off today by looking at the draft budget from the Public Services Ombudsman for Wales, Peter Tyndall. I welcome you to the committee. I ask you, for the record, to introduce your colleague.

[3] **Mr Tyndall:** This is Susan Hudson, who is my strategy and performance management manager.

[4] **Angela Burns:** Thank you. You are welcome, Susan.

[5] We are here because you came before us in December with a draft budget containing a great many items on which we were not clear. We asked you to go away to review and revisit that draft budget and then to resubmit it. You have done so by answering a number of questions that I posed to you in a letter and by making an additional statement. Before we start, is there anything further that you want to add to the evidence that you have given us this morning?

[6] **Mr Tyndall:** I regret the fact that there were elements that lacked clarity in the original submission. I hope that, in answering the committee's questions, I have addressed those matters of a lack of clarity. I also responded in my letter to the committee's clear concern that further measures should be taken to achieve efficiencies. So, I have put forward some proposals to do that in the letter to you, Chair, and I am happy to answer your questions about it.

[7] **Angela Burns:** For the record, who has the responsibility in your organisation for putting together the budget and ensuring that you are armed with the information that you need? Do you do it personally or does someone else?

[8] **Mr Tyndall:** I am the accounting officer, but I have assistance from a colleague who has the responsibility for the accountancy function in the organisation. We are a small organisation, so I do not have a discrete director of finance. However, I have a qualified finance manager who deals with accountancy.

[9] **Angela Burns:** Last time, we had quite a lot of technical questions on the financial aspect, and I am surprised—because it is obvious that it is not Susan who carries out that role in your organisation—that that person is not with you today, because we have still more technical questions on the financial aspect of the draft budget that you have put forward.

[10] **Mr Tyndall:** I will do my best to answer them, Chair.

[11] **Andrew Davies:** Good morning, Peter. You have come back and re-presented the figures and your estimates. You said that you were looking at a 3 per cent revenue reduction. How did you decide that figure and on what basis?

[12] **Mr Tyndall:** On the last occasion that I came to the committee, you suggested a number of examples in the course of the questions that were put to me, including that of the Assembly Commission. So, broadly speaking, the proposals mirror those of the Assembly Commission.

9.40 a.m.

[13] **Andrew Davies:** You say in your letter:

[14] 'I have considerable reservations as to whether it will prove possible to meet my statutory obligations with such a reduction.'

[15] Playing devil's advocate, local authorities and other public bodies would probably make the same case, but, at the same time, they accept the need for reductions.

[16] **Mr Tyndall:** I think that that is what I have done, broadly, Chair. I have accepted the committee's view and taken measures accordingly. The figure of 3 per cent is below the level of the overall revenue settlement, so it represents a reduction over and above that which is being applied as an average across Welsh Assembly Government activity. It is difficult for me. Chair, I think that I have explained before that the organisation is a very simple one. It investigates complaints from members of the public, principally, that the services that they have received have either not been delivered properly or have been inadequate. There is not a broad range of other activity that I can cease doing, so I have to be as efficient as possible. Over the past year, I have worked very hard to bring the organisation back into balance, dealing with backlogs that arose from an increase in the level of complaints, which, admittedly, then levelled off. It has not continued to increase at anything like the same rapid rate.

[17] Nonetheless, we are fully engaged in keeping on top of the existing case load. I have explained in the letter elements of the case load that will increase as a consequence of the NHS Redress (Wales) Measure 2008 in particular. It is also reasonable to assume that the current low level increase, running at 2 per cent, is likely to be sustained, because we know that public services are not likely to improve. Therefore, the level of public dissatisfaction with public services may well increase. Therefore, I am saying that, with the best will in the world and everything going well, I would hope to be able to retain the current level of activity and to deal with the increase that we can reasonably forecast and manage those within the requirements of turning round complaints within a reasonable timescale and not rejecting complaints for investigation on resource grounds. Clearly, there will be complaints that are not appropriate for me to investigate. However, up to now, I have striven not to turn complaints away because I cannot afford to investigate them. What I am trying to do here is to set a budget, but it will be challenging. I thought that it would be wrong of me to come to the committee and say that I can make this reduction and absolutely guarantee that I can still deliver the same level of service, because until we attempt to do that and until we see the level of increase it is very hard to be certain about that.

[18] **Andrew Davies:** On the issue of complaints, have you worked out an average or a benchmark cost, such as in terms of your officials' time, for dealing with a complaint?

[19] **Mr Tyndall:** We look at it rather more in terms of case load and workload per individual, but we certainly have stringent measures in place to improve performance, and those measures have helped us to bring down the time taken to deal with a complaint. There is an enormous variation between, let us say, a complaint about a minor planning matter and a complex NHS complaint that may also involve social services. So, there is not a typical complaint. Instead, we use performance management to ensure that everything is dealt with speedily and effectively.

[20] **Angela Burns:** Andrew, I know that Brian and Peter would like to come in on this issue.

[21] **Andrew Davies:** Sorry, may I just pursue that last point?

[22] **Angela Burns:** Yes, finish your line of questioning.

[23] **Andrew Davies:** There seems to be an assumption implicit in your reasoning that a complaint takes a typical length of time, because, if the volume of complaints goes up, so will your costs. I understand what you say about the performance management system, but to what extent has that been effective in bringing down the time taken to deal with a complaint?

[24] **Mr Tyndall:** We have managed to achieve the commitment that I made to you last time, which was that the most complex complaints will not take longer than 12 months to deal with. Clearly, the majority of complaints will be dealt with in much less time. If there is an increase in the volume of complaints and the current staff are fully committed in dealing with the existing volume of complaints, it is impossible to deal with additional complaints without additional resource. That is the reality of managing our workload.

[25] **Andrew Davies:** Would that be the case even if you were able to strip unnecessary process from the way that you deal with complaints? If you increased productivity, you could do more, and deal with a greater volume of complaints.

[26] **Mr Tyndall:** We have increased productivity hugely by major changes to systems so that, at the front end, the vast majority of individuals are dealt with on the phone, and we are able to turn around initial decisions as to whether to investigate much more quickly. However, the length of time taken on an investigation is often to do with interviewing the doctors, nurses, patients and carers, and looking at hospital records. The process, once you are committed to an investigation, is the one that is demanded in order to give proper scrutiny to the issues.

[27] **Andrew Davies:** You are talking about the health service, for which you have only just taken responsibility, taking on the NHS redress function.

[28] **Mr Tyndall:** No; my office has dealt with health complaints since its foundation in 2005.

[29] **Andrew Davies:** You say that you have improved your productivity; do you have any figures for us to show how you have improved the efficiency in dealing with complaints?

[30] **Mr Tyndall:** Yes, we have figures to show that the number of case closures this year will be significantly higher than last year. At one point it was running 220 ahead of the equivalent position for the previous year.

[31] **Brian Gibbons:** I would like to try to nail down the volume of work, or the number of cases, that you estimate. You have said this morning, and you say in your documents, that the current year is running at a 2 per cent increase. Also, in your revised estimates, you state that

[32] 'we have already seen a substantial increase in enquiries in the current financial year'.

[33] Is that the 2 per cent?

[34] **Mr Tyndall:** No. Enquiries have doubled. People contact us initially, and let us say that, for instance, they have not yet complained to the local authority, we would advise them to complain to the local authority first. That would be an enquiry; it is the number of contacts with my office.

[35] **Brian Gibbons:** So, the number of contacts with your office has doubled.

[36] **Mr Tyndall:** Yes.

[37] **Brian Gibbons:** What proportion of those contacts has come from additional work that you have taken on? Does that additional work—such as the NHS redress work taking over from independent review, or such as signposting—not start until next year?

[38] **Mr Tyndall:** The signposting is due to start in the latter part of this financial year.

[39] **Brian Gibbons:** Is that this year?

[40] **Mr Tyndall:** Yes.

[41] **Brian Gibbons:** So there has been no—

[42] **Mr Tyndall:** We have not as yet taken any profile-raising measures associated with signposting. That is simply because we believe that the outcomes of our higher profile work have received consistent coverage, particularly with NHS cases. We are also working with agencies like Citizens Advice, community health councils, and the two commissioners, and we believe that that work has raised the profile of the office and is encouraging more people to get in touch with us.

[43] **Brian Gibbons:** Are more people getting in touch with you at the minute because of that, or has that phone not started ringing yet?

[44] **Mr Tyndall:** We have not started publicising the additional services yet, but already we are getting twice the number of enquiries.

[45] **Brian Gibbons:** That is what I am trying to get to the bottom of. Is some of that doubling of contacts due to the signposting and the new NHS work, or is it purely what might be regarded as your current core activities?

9.50 a.m.

[46] **Mr Tyndall:** It is purely around the current core activity.

[47] **Brian Gibbons:** So, you estimate that, for your current core activity in the current year, there has been a doubling of the number of people who have been contacting you.

[48] **Mr Tyndall:** Yes.

[49] **Brian Gibbons:** On behalf of those people who have been contacting you, the actual number of enquiries that you are undertaking has increased by 2 per cent.

[50] **Mr Tyndall:** Yes.

[51] **Brian Gibbons:** What proportion of your staff time would be given to enquiries, if it has doubled? Roughly speaking, are we talking about 5 per cent, 20 per cent or 50 per cent?

[52] **Mr Tyndall:** The complaints advice team is one of four investigation teams in my office and they deal with all initial enquiries. Not all of its work would be just on the enquiry, because when it is a complaint it will do the initial work to determine whether we investigate it or not. I think that 10 to 15 per cent would be a reasonable figure. There are four teams and only one of them is doing this work, but that is not its only work.

[53] **Brian Gibbons:** There has been a doubling to bring it up to 10 or 15 per cent in terms of preliminary enquiries, so 70 to 80 per cent of your work is taken up in dealing with the complaints and undertaking the work on the complaints.

[54] **Mr Tyndall:** Yes—in determining whether to investigate them or in investigating them.

[55] **Brian Gibbons:** When you say that there has been a 2 per cent increase, is it a 2 per cent increase on the 80 per cent?

[56] **Mr Tyndall:** Yes.

[57] **Brian Gibbons:** Is it a doubling of the 10 to 15 per cent?

[58] **Mr Tyndall:** Yes.

[59] **Peter Black:** I want to explore the issue of performance management. You say that you do not allocate unit costs to the caseload that comes to you. How do you monitor or measure the performance of your staff?

[60] **Mr Tyndall:** At each management team meeting we look at performance statistics by each team, but we are able to split that down to each individual. We look at it from the point of view of timeliness of cases, how long it has taken us to deal with a caseload, how many of the cases are with each team, how speedily they have been dealt with, whether there are any hold-ups and why there are hold-ups. We also build that very much into the one-to-one management between each team manager and the individual staff member, so that they manage the workload of each individual and make sure that the work is fairly allocated and that it is speedily turned around. As I said, we had a major backlog and we have now cleared that backlog, partly as a result of changing the systems, looking to make sure that there were no elements to the systems that were adding time but not adding value, but also looking at managing individuals so that they are turning out their work. So, at the level of each case, each team produces a traffic-light chart showing where each case is, and where it is against the time targets. Where there are ones that present particular difficulties, where we may not hit targets or where there is a strong risk of not hitting targets, we work very hard to turn that around.

[61] **Peter Black:** So, each team has a series of targets that it has to meet.

[62] **Mr Tyndall:** Yes, as do individuals.

[63] **Peter Black:** What are those performance indicators based upon?

[64] **Mr Tyndall:** They are based on targets that are set per case, but there is also an overall backstop target. As I explained, there is a big variation in cases. The investigation plan for each case will differ depending on the complexity of the case. There are targets for each case but there are also targets for when the draft report must be produced, so that we can see that that is being achieved—if the draft report is late the final report will inevitably be delayed. There is also a 12-month backstop target to try to make sure that every case is closed within 12 months.

[65] **Peter Black:** Will each case be dealt with individually on that basis, or do you have categories into which you slot a case, which have individual targets?

[66] **Mr Tyndall:** Generally, the timeline for a case is set individually, because they do vary considerably. Obviously, each is informed by our experience in managing other cases of

a similar kind.

[67] **Peter Black:** So, if you split your work into four teams, each team will have a budget or a cost associated with it. Is it not then possible, based on the work of that team, to calculate unit costs that can then be used to measure the performance that is involved in what appear to be fairly subjective targets?

[68] **Mr Tyndall:** The targets that we use are similar to the targets used by ombudsman schemes across the UK, the Republic of Ireland and, I would guess, elsewhere. There is variation in the caseload, and we use standardised information and communications technology systems that enable us to reflect that. The efficiency that we achieve is pretty high. There is a balance to be struck here. There is an expectation that the reports that we produce will be robust and that the quality of the investigation will be sufficient to persuade both the individual who has complained and the body concerned that the complaint has had a proper hearing. So, there is always a balance to be struck between being driven by performance, which is important, and by quality.

[69] **Peter Black:** Do you accept that the management tools that you are using are fairly subjective and are based on an analysis of each case, as opposed to a more objective unit-cost-based way of doing things?

[70] **Mr Tyndall:** They are based on experience and are designed to strike the right balance between the complexity of the case and the time taken to deliver an appropriate quality outcome.

[71] **Peter Black:** So, they are subjective.

[72] **Mr Tyndall:** They are subjective, but they are informed by experience.

[73] **Peter Black:** You are asking us to agree estimates based on a series of financial assumptions. How do your financial assumptions relate to those subjective judgments if you do not have a clear financial relationship between the two?

[74] **Mr Tyndall:** As I said, we have made presumptions about the number of cases that each team and individual will undertake, and the budgets are based on that estimate. Those estimates are based on the number of cases that we receive and our performance in dealing with those cases. So, from that point of view, the estimates are based on clear experience and knowledge of what it takes to deliver the services that we deliver.

[75] **Angela Burns:** Andrew, did you want to pick up on anything further or have you finished? I see that you have finished. Nick, did you want to briefly touch on the capital element?

[76] **Nick Ramsay:** On the responses that you have given regarding the capital element of your budget, I have a table in front of me showing the capital budget projections for the year 2011-12 as being £15,000, £14,000 for 2012-13, and £13,000 for 2013-14. There are also percentage figures in the table for the amount of capital budget reduction that you have factored in. You have already said that your organisation is pretty small, so I am interested to know exactly what that capital budget is spent on each year. There is a list there of some things, such as computers, back-up servers and office furniture storage units. Are you convinced that the scale of the budget for this year and in those following years is necessary for the sort of capital requirements that you have?

[77] **Mr Tyndall:** It is fair to say that £15,000 is not a substantial sum for a capital budget; it is very small. From time to time, any organisation has to replace equipment or has a need

for new equipment that falls within the capital rules, which means that it needs to be dealt with as capital, rather than as revenue, expenditure. The sum of money set aside there is based on our typical expenditure—it is a reduction on our typical expenditure since the service was founded in 2005, so it represents a smaller element of that. We have generally used that capital budget on the kinds of items that we have specified in our paper to you. So, our expectation is that we will require funding at that level in the course of the year just for casual replacements that may arise, or for the acquirement of one or two items—for example, we had to replace the franking machine, which is quite an expensive item, and that, of course, is a capital purchase. Those are the things that arise in the course of the year, which you cannot necessarily foresee, but for which you will have some small capital requirement.

10.00 a.m.

[78] **Nick Ramsay:** I hear what you are saying, but in terms of office furniture storage units, for instance, would there be a recurring need to replace those each year?

[79] **Mr Tyndall:** No, but you might find, for instance, that if you had an increase in the number of cases and therefore the number of files that you were required to store, you would need to expand your secure storage capacity in the course of the year. So, it is conceivable that if we have to undertake the additional work that we are envisaging as a result of health redress, for instance, we will need some additional secure storage in the course of the year.

[80] **Nick Ramsay:** You said that you would anticipate using all the capital budget that has been available until now and is anticipated for this year. If that budget is not used, what will happen to it, or is there almost a need to use that capital budget because it is there?

[81] **Mr Tyndall:** No. If it were not used, it would be returned to the Welsh consolidated fund. In fact, more to the point, we would not draw it down unless we had reason to use it. It would not be drawn down and held; it would be drawn down against a particular item of expenditure.

[82] **Nick Ramsay:** You may have partially answered this, but below that list, it also says that the capital expenditure in the coming financial year will be used for one-off capital items of a similar kind. That seems quite a full list. What sort of additional items have you purchased in the past that are not on that list?

[83] **Mr Tyndall:** If a computer failed, if we needed to get an additional server, or if we needed some additional, secure storage, those are the kinds of items that we have purchased—like the franking machine that I mentioned. It is only one or two of those, and that sum is accounted for.

[84] **Angela Burns:** Thank you, Nick. Brian, you wanted to talk about reconciliation?

[85] **Brian Gibbons:** Yes. Before we get into that, may I ask how are you going to present your estimates now? Clearly, because of all the additional information that you have provided, and the additional clarity and so on, it would suggest that a major redraft of the estimates would be required, with new tables, new commentary and so on. Is it your intention to present the original draft, perhaps with an appendix of the detailed responses that you have supplied to the committee?

[86] **Mr Tyndall:** I would assume that we would work on that basis, but for future—

[87] **Brian Gibbons:** On which basis?

[88] **Mr Tyndall:** The additional estimate will be qualified by the letter and the answers to

the questions.

[89] **Brian Gibbons:** Do you think that that would be a tidy read for anybody who was trying to understand the operation of your office?

[90] **Mr Tyndall:** Possibly not.

[91] **Brian Gibbons:** Do you think that there is merit in having a fresh rewrite? We are having problems and we spend our time looking at such papers. I know that your estimates are not going to be on the bestseller list or among anyone's Christmas presents, but nonetheless, this is an important document of public accountability, and the more tortuous it is to understand what is going on, the less likely it is that accountability will be exercised.

[92] **Mr Tyndall:** I am certainly happy to resubmit on the basis of consolidating the answers to the questions and the clarity from the letter into the tables. I had assumed that we would need to present them in a different format for next year.

[93] **Brian Gibbons:** I do not know whether the Chair has made any suggestion, but it seems to me that that may be something that would either be in our recommendations, or that you, off your own back, may feel to be necessary.

[94] Following these tables is very difficult, which is why I think we came to grief to a certain extent in the previous session. The problem is further compounded by the fact that different appendices now have different numbers. For example, the Public Services Ombudsman for Wales budget estimate for outgoing costs in the resubmitted document is now appendix B, whereas it was appendix C in the previous document, so we are likely to get lost in talking about this. However, just looking at the document that was presented in November—we will refer to them as the November and December documents—you gave estimates for 2010-11 for salaries and related costs, for example, of £2,478,000. This is in appendix C of the original document. I do not know when that estimate was made, but, presumably, that estimate was based on something that happened in the past. However, if you look at the one that was presented in December—the most recent one—if I am reading the table right, it seems that that estimate has changed to £2,297,000 from £2,478,000. I do not know whether you agree with me.

[95] Am I reading the right columns? The original estimate was made and I would presume that the original estimate would have stayed the same. I can see why the likely overrun would change, because you would have more information in a subsequent month, but I cannot understand the logic as to why the original estimate would have changed. I may not be reading the table right.

[96] I am referring to appendix C in November against appendix B in December. I am looking at the first entry in the second column.

[97] **Mr Tyndall:** Yes—

[98] **Brian Gibbons:** Obviously, it is the same thing at the bottom of the table: the total administration costs are £3,314,000 against £3,751,000.

[99] **Mr Tyndall:** I am sorry, Chair, but I am going to have to come back to you with a response on that one. Obviously, the figures are intended to be the actual costs of salaries, based on the existing known staffing costs. I will have to come back to you with the precise reason for that.

[100] **Angela Burns:** Thank you for that. I did not want the pause to be too drawn out; this

was not intended to be some sort of torture, however, I wanted to establish whether you were able to answer that question. I appreciate that Brian is going to pose a series of questions to you. If you are not able to answer them at this moment, please make that clear and we will write to you formally. This is why, as I said at the beginning, I am really surprised that you do not have your finance bod with you, because that is the sort of thing that the finance bod should know just like that. It is regrettable that you are being put on the spot in such a way, but we need these sorts of answers.

[101] **Mr Tyndall:** Indeed.

10.10 a.m.

[102] **Angela Burns:** We are not being pernickety. I also want to make it clear that we have given the same kind of grilling to the other budgets that have come before us, such as that of the Assembly Commission, because it is really important that we understand and know this level of detail. Ultimately, this is one of the areas that we are responsible for signing off and agreeing. Brian might like to carry on with his line of questioning and we will jot down anything that you feel that you are unable to answer at this point and come back to you on it.

[103] **Brian Gibbons:** My next question is in relation to your response to question 25 in your detailed responses. Going back to the November submissions, appendices B and C, you explained how to reconcile that and how the net operating costs can be higher than the total administrative costs. You have pointed out that your salary is not included in the total administration costs; your salary comes from a different budget.

[104] **Mr Tyndall:** My salary is paid by the National Assembly directly from the consolidated fund and it does not form part of the budget for my office that comes before this committee. However, when I look at how the resources of my office are allocated in respect of the work undertaken by my office, I include the cost of my salary, which accounts for the difference. I realise that, at the last meeting, I said that I was not able to give that clarity, but that is the reason that, when you actually look at how much money my office is spending, my salary is clearly part of that. Therefore, when analysing that against the strategic plan priorities, my salary is included in the total figure, which allows for the reconciliation.

[105] **Brian Gibbons:** I think that this is the type of information that would be useful if there was a re-draft of the estimates. Until I understood that your salary—

[106] **Mr Tyndall:** I should say that it is salary and associated costs, including national insurance, pension and so on.

[107] **Brian Gibbons:** Yes. However, until you understood that your salary came from a different route—

[108] **Mr Tyndall:** I am directly paid by the National Assembly.

[109] **Brian Gibbons:** It did seem a slightly unorthodox way of drawing up the total running costs of the organisation, but once you understand the separate way that you are paid, it makes more sense. Again, if I am right—and this is a sort of nit-picking point—you state in your response that the total is £3,962,000 in the fourth column of appendix C, but, to me, it seems to be the fifth column. Again, I am simply making the point that we probably need to look at re-drafting this.

[110] **Mr Tyndall:** In essence, the total sum required for my office was £3,962,000, but in analysing how the costs were spent by my office, we added in my salary and the associated costs to that.

[111] **Brian Gibbons:** I am just making the point that, unless I am wrong, the response itself is not accurate: it should be the fifth column of appendix C.

[112] Let us go back to 2010-11. There is £3,962,000 for next year and the figure for 2010-11 is £4,208,000. This is detailed in appendix C of the original submission. If you look at the comparable figure at the bottom of appendix B, you will see that it is £3,936,000. Would you agree that that is the figure that it should be?

[113] **Mr Tyndall:** Yes.

[114] **Brian Gibbons:** You say that the figure for 2011-12 is based on adding your costs to the £3,962,000, and then presumably the same methodology applies in 2010-11, however, the figure is smaller, whereas you would have expected it to be bigger if you had to add your salary to it.

[115] **Mr Tyndall:** Sorry, to which appendix are you referring?

[116] **Brian Gibbons:** I am looking at appendices B and C.

[117] **Mr Tyndall:** Are you looking at appendix B in the new one?

[118] **Brian Gibbons:** No, appendix B in the old one. The reason for the higher figure of £4,153,000, rather than £3,962,000, is that your salary, your pension and other support have been added in. However, if you look at the estimate for 2010-11, you will see that it is £4,208,000, and the estimate in appendix B is £3,936,000. So, you could not add your salary to £4,208,000 and come up with £3,936,000.

[119] **Mr Tyndall:** I think that the issue is probably that the cost of capital is not included in that. So, it is the £3,751,000 figure, which is higher up on the 2010-11 estimate, plus the cost of my salary.

[120] **Brian Gibbons:** Do you agree, on that basis, that the methodology used in these two tables is not the same? That is, the way in which the sums are added up mean that, in column 5 and column 2 in appendix C, a different methodology has been used to arrive at the figures in appendix B.

[121] **Mr Tyndall:** The one-off expenditure has been excluded in order to do that.

[122] **Brian Gibbons:** All right.

[123] **Mr Tyndall:** I can certainly confirm whether that is the case, but, for comparative purposes, you would tend to exclude the one-off expenditure. That would account for the difference. However, I will confirm that.

[124] **Brian Gibbons:** Okay, but is that in your estimate?

[125] **Mr Tyndall:** There is not any one-off expenditure in the current year's estimate.

[126] **Brian Gibbons:** No, but for someone trying to make sense of this, I do not remember seeing that included as an explanation for appendices B and C, and I do not see it in your subsequent detailed response, which we have before us. Question 25 explains why column 5 in appendix C correlates with appendix B, but we have only now received an oral explanation from you.

[127] **Mr Tyndall:** I answered the question in the letter, but I understand that there are further questions.

[128] **Brian Gibbons:** Okay, fair enough. The oral questions at the previous committee meeting were more general, about reconciling appendix C and appendix B. However, I think that you have given us a possible explanation, but I think that we would need written confirmation of that.

[129] **Angela Burns:** Brian, I think that you have highlighted some very good points. I am not sure that it is worth pursuing any further the reconciliation at the moment, because I do not think that there is much reconciliation that we can get in answers here. We need to sit down as a committee, after today's meeting with you, Mr Tyndall, and think about the way forward. What is becoming crashingly clear is that you need to have, in your organisation, a much stronger financial input in order to aid you to do your job. The sets of accounts, the reconciliations, the letters, the amendments and the notes are confusing, some of them are contradictory, and they do not follow the same pattern. Brian is absolutely right, in that one methodology is used at one time and a slightly different methodology is used the next. You are not clear, you do not have everything at your fingertips and, indeed, there is no reason why you should, because you have a bigger job than that. However, it appears to me that you need to have a right-hand man or woman who has his or her fingers on the pulse with regard to this, because, ultimately, this is public money.

[130] One of the concerns that I have, which I think Peter might raise, is on cost pressures and the uniformity of how this budget is dealt with when it is matched up with other public service budgets. The methodology used in your budget seems to be quite different to that used, almost without exception—and I am looking at my special adviser at the back of the room for confirmation of this—in every other public sector organisation. So, there are some odd things. The problem is not huge, and this does not impact on your ability to deliver outstanding service to the people of Wales in answering their queries, which is what we hope that you will do. However, for you to do that, you need a really good back-office function, and we are slightly worried that that does not appear to be the case.

10.20 a.m.

[131] **Mr Tyndall:** In response to that, we did respond to the written questions, and I hope that we provided clarity in our response. My accounts have always gone through cleanly without any difficulty, and the bulk of our activity in financial terms is cash accounting. I have day-to-day pressures, which arise principally from salaries and other costs. We undertake very detailed management accounting, which enables us to stay fully on top of that. There is no guidance as to how I should present my budget to the committee, and I would welcome guidance from the committee as to how you would like to see the budget presented. I am sorry that some of the ways in which we have presented the budget have led to a certain lack of clarity. However, I would not want that to be seen as betokening any failings in the management of the budget, because, as I say, that has always been regarded as exemplary. There has never been any difficulty with auditors, and there has never been any difficulty whatsoever in remaining within budget and being able to monitor expenditure accurately. We do so, virtually once a month, when the management team looks in detail at expenditure heads across the budget. So, as for the notion that some of those issues of presentation are impacting upon the management of the budget, I would want to put on record that that is not the case.

[132] **Angela Burns:** We will come back to that in a moment, but before that, Andrew wants to come in.

[133] **Andrew Davies:** Thank you, Peter, for that. Could you clarify your statement? I am surprised that you say that no guidance has been issued to you as an accounting officer or as a

public body in Wales about standard accounting procedures and the ways in which accounts are presented.

[134] **Mr Tyndall:** No, I did not say that at all. Clearly, we followed the Treasury financial reporting manual on preparing accounts. Our accounts are fully compliant with it, and we have never had any difficulties in that respect. The particular issue that I was referring to was how the budget is presented to this committee, and whether the committee sees other budgets presented in a certain way and wants to see my budget presented in that way. If that is the case, clearly I would be happy to comply with that.

[135] **Angela Burns:** Maybe I have completely misunderstood your budget, but I was under the distinct impression that, for example, the costs within it are not calculated using Her Majesty's Treasury's gross domestic product deflator, which is what pretty much every other public sector body uses—Brian can correct me if I am wrong. I am extremely puzzled by the statement that you do that as everyone else does.

[136] **Mr Tyndall:** I said that our accounts are prepared fully in compliance with the requirements of Her Majesty's Treasury. We did not use the GDP deflator as a basis for calculating inflation, as we were not asking for an increase in respect of inflation, so whichever basis we used for inflation would not have had a material impact on the requested budget. We were asking for a flat budget. In the letter, we have shown the impact of the deflator in response to the questions, and we are happy, as is said in the letter, to include it in the future.

[137] **Peter Black:** You say that you have not shown the impact of inflation, but clearly there are increases in the budget that are based on inflation or actual increases, as shown in appendix B of your letter. Any local authority or public sector body would have applied the GDP deflator at 2.5 per cent, which it currently is, as opposed to 4.6 per cent, 5 per cent, or 3 per cent, as you have done.

[138] **Mr Tyndall:** Ultimately, as the accounting officer, I have to run the office on the basis of the actual costs. Those are the cost pressures that I am facing. Any local authority, in preparing its budget, would be aware of the cost pressures facing it and would have to take account of them. So, if there was to be a salary increase, for instance, it would have to factor that into its budget creation. Using a notional figure would not be sufficient. I need to know what my actual increase in costs will be and plan my budget accordingly.

[139] **Peter Black:** So, clearly, you have not been following the Treasury's guidelines, because its guidelines state that you should apply the GDP deflator at 2.5 per cent to calculate inflation.

[140] **Mr Tyndall:** Treasury guidelines would expect me to produce a budget that took account of the real cost pressures that I face.

[141] **Peter Black:** So what is the point of the GDP deflator?

[142] **Mr Tyndall:** The GDP deflator is an allowance for inflation, if there is to be inflation. We are not asking for increased funding with regard to inflation: what we are saying is that we are looking to manage without such an increase. However, we have shown the impact of the GDP.

[143] **Peter Black:** Can you explain the difference between cost pressures and inflation?

[144] **Mr Tyndall:** Inflation is a measure of increased cost within the overall economy, and it is measured in a variety of ways. Cost pressures are what I know I will need to pay next

year over and above what I need to pay this year, and I therefore need to allow for that. So, if you know that you will have to pay increments to staff within your budget for next year, which will be a fixed amount, you will need to plan and budget on that basis, not on some notional figure. So, I need to make savings to enable me to do that, rather than to enable me to hit a notional figure. I know that my cost charges are increasing and that my staff are entitled to increments. As I also know what the other cost pressures are, I can plan the budget properly on the real cost of the increases that I will face next year, and I then plan savings to ensure that I can afford to live within my budget.

[145] **Peter Black:** I cannot see the difference between those two definitions.

[146] **Mr Tyndall:** One of the definitions is a notional definition, or a general definition applying across the economy, and the other involves the actual additional costs that I face in managing the business. It would be a lot quicker for me to say that my costs next year will go up by 2.8 per cent and then I will make a saving of 2.8 or 2.5 per cent, whatever the deflator might be. However, that is not the reality. I expect my costs to go up next year by the amount that I have set out in that table, and I need to make that amount in savings to enable me to meet those increased costs.

[147] **Angela Burns:** Does any other Member wish to raise any other point on this? Andrew?

[148] **Andrew Davies:** I just want to repeat the ombudsman's point about guidance, because it is something that we need to consider. I understand the point he makes about cost pressures and the general issues about inflation in the economy.

[149] **Angela Burns:** We will address the issue of guidance when we come to consider our report. I take on board your point, Mr Tyndall, that you have presented budgets in the past that have been accepted. I can only say that the whole financial scrutiny element of Government and of organisations such as yours, local councils and so on is constantly evolving, and that the people of Wales are asking for greater clarity and more understanding; everything is far more open. So, we are all moving with the times to ensure that we are constantly reflecting what society demands of us now. We will ensure that when we come back to you, we will be really clear about what we hope will happen next year and what we need to see. We will seek any further clarification that we require on the reconciliation between the two sets of figures that you sent us. Is that acceptable?

[150] **Mr Tyndall:** Yes, thank you, Chair. If there is a budget format used by another body that you are particularly content with—and the Welsh Assembly Government's format would of course be inappropriate given the massive differences in scale—then we would clearly be happy to follow that format. I would find it helpful to have more opportunity to discuss issues of that kind with officials before meeting with you, to ensure that we are putting something forward that you are content with. The ability to have such an exchange, in which we could be told, 'The committee would not be happy with that, perhaps you should represent it this way', would be helpful, and it would obviate the need to have this kind of extended discussion here.

[151] **Angela Burns:** We will consider that in our report as well. We must draw quite a strong line between giving you what guidance we can and writing your budget for you. That was the concern, given our first round of discussions. We did not want to be perceived to be putting words into your mouth and saying, 'This is what we want, these are the figures' and so on. It is the responsibility of your organisation to come up with this framework and to bring it to the Assembly.

10.30 a.m.

[152] **Mr Tyndall:** Indeed, but if there is a format that you would find easier, we are more than happy to fit in with that.

[153] **Andrew Davies:** The Treasury has issued consolidated budgeting guidance as well as the accounting guidance; presumably, you follow that. I would have thought that that would have some element of standardisation.

[154] **Mr Tyndall:** To some extent, because of the issues around different treatments of cost of capital and so on, and the way that that impacts on the budget of a small organisation, and because that is written for the whole of Government, following that led to the initial budget being more complex than it needed to be, given the scale of the resource that is being deployed. A version of that scaled to fit the size of the organisation would probably be more appropriate.

[155] **Angela Burns:** Thank you very much for coming before us again and thank you, Susan. I draw this session to a close. We will have a very brief break, Members, in which you can go and grab a coffee, because I know that the Minister for Children, Education and Lifelong Learning is waiting—apparently, the meeting he is attending next door is overrunning, so I take that back. You can have a slightly more leisurely coffee before the Minister comes before us to discuss the proposed Measure. Thank you very much for your time today, Peter.

*Gohiriwyd y cyfarfod rhwng 10.31 a.m. a 10.38 a.m.
The meeting adjourned between 10.31 a.m. and 10.38 a.m.*

**Goblygiadau Ariannol y Mesur Arfaethedig ynghylch Addysg (Cymru)—
Tystiolaeth gan y Gweinidog dros Blant, Addysg a Dysgu Gydol Oes
Financial Implications of the Proposed Education (Wales) Measure—Evidence
from the Minister for Children, Education and Lifelong Learning**

[156] **Angela Burns:** Thank you for returning from your coffee break promptly. The second part of our committee meeting today is to discuss the financial implications of the Proposed Education (Wales) Measure. I welcome the Minister for Children, Education and Lifelong Learning. Minister, I ask you to formally introduce yourself and your colleagues for the record, and to make any opening remarks that you may have.

[157] **The Minister for Children, Education and Lifelong Learning (Leighton Andrews):** I am Leighton Andrews, the Minister for education. With me I have David Lloyd Thomas who looks after the school governance area, and Bethan Webb.

[158] **Angela Burns:** Do you wish to make any opening remarks on your proposed Measure?

[159] **Leighton Andrews:** No.

[160] **Angela Burns:** In that case, we will go straight into questions. Peter, I think that you are leading.

[161] **Peter Black:** Yes, I am first, apparently. Good morning, Minister. I will start with some general questions, for the record more than anything else. Could you outline what work you have undertaken to assess additional costs and potential efficiency savings that will result from this proposed Measure?

[162] **Leighton Andrews:** There is some detail in the explanatory memorandum that sets

out some elements of costs and potential savings in respect of a number of aspects of the proposed Measure. My starting point would be the work that we commissioned last year on the review of the cost of administering the education system, which was subsequently carried out for us by PricewaterhouseCoopers. That has given a range of potential savings that could be achieved through a number of different activities, including collaboration activities, which are very much driven by this proposed Measure. That is why we submitted the PwC report to this committee as part of the evidence for this inquiry.

10.40 a.m.

[163] **Peter Black:** Do you have an estimate for the overall financial impact of the proposed Measure in terms of additional costs and efficiency savings?

[164] **Leighton Andrews:** No, because our approach to this would be a bit like that of PwC, to be honest, in that you could say that there would be a range of costs and a range of potential savings, looking at a number of different aspects. If you look at what is currently charged by local authorities for the clerking of governors, for example, it would cost between x and y, and you could look at the potential for savings in respect of, say, the federation of governing bodies, and say that that is within a range of a to b. It would be theoretically possible to make those kinds of calculations. I think that we have given the best indicators that we can in the memorandum. At the end of the day, as a lot of the potential costs and potential savings would be borne by local government, we would expect local government to take into account in its planning processes the impact of the proposed Measure on its budgets.

[165] **Peter Black:** This is my last question, really. What consultation have you undertaken with organisations that will be affected on the financial implications of the proposed Measure?

[166] **Leighton Andrews:** We have had an extensive consultation over the last 12 months with education bodies around the review that PwC has carried out. Bear in mind that PwC talked to 100 stakeholders within education, and, subsequent to that, we instituted the front-line resources review last summer; it has a number of working groups dealing with each sector of education. Therefore, we are in a continuing dialogue, if you like, with local authorities, further education institutions, higher education institutions, and others, to identify ways of driving more resources to the front line. A number of the proposals within this proposed Measure would assist that process, and therefore I feel reasonably confident that there is nothing new here that would surprise people. What we are seeking to do is very much in line with that overall drive.

[167] **Peter Black:** Do you think that there is a general understanding in the education sector of what you are trying to achieve in this proposed Measure, and how it can derive savings or will see costs as a result?

[168] **Leighton Andrews:** I do think that. If you look at the proposals around school governance, for example, they derive from an inquiry undertaken by the Enterprise and Learning Committee in this Assembly. There was considerable consultation around that inquiry. Therefore, I think that we have a proposed Measure here that is implementing initiatives that the Assembly itself has called for, and which is very much in line with the responses that we have received from across the education sector.

[169] **Angela Burns:** Janet, I think that you and Chris are going to talk about collaboration.

[170] **Janet Ryder:** Yes. I would just like to go back to one point. You just said, quite rightly, that you anticipate a range of costs for clerks to committees. Have you made an estimate of the number of committees that might be formed, or are you leaving that?

[171] **Leighton Andrews:** I certainly do not have an estimate, because, at the end of the day, we would expect this to largely be driven locally. Therefore, I have not come to this with a blueprint, but what we have done in the explanatory memorandum is to indicate some of the costings that we have derived from existing local authority practice. That gives you a reasonable estimate. We have discussed with local authorities the current salary structures for individuals providing support to school governance, and they have come in with a range of figures. I will not go through the detail of the salaries, but there are governor support officers, for example, on salary scales of between £24,000 and £38,000; school improvement officers on scales of between £40,000 and £55,000; and administrative support on scales of between £15,000 and £19,000. It is rather difficult for us to make judgments about that centrally; those are issues that local authorities will have to accommodate in their own planning. Bear in mind that our proposals include the federation of governing bodies, and giving local authorities the ability to lead on that. Therefore, within their own approach to planning, they will need to evaluate whether the proposals that they are making in respect of extra support for governance, are balanced by the savings that they will then make on federation of governing bodies.

[172] **Janet Ryder:** So, cost-wise, you are looking at this as an enabling Measure for authorities, to enable them to proceed along this line. Your officers have not necessarily looked at each authority and estimated how many collaborations they would anticipate, and looked at the costs of that saving per authority.

[173] **Leighton Andrews:** No, and I do not think that it would be appropriate for us to do so. Let me go back to what we did with the PricewaterhouseCoopers review. PwC set out a range of savings and the opportunity to drive £83 million to the front line if only 2 per cent was shifted. It set out, through a number of different approaches, the kind of savings that could be made by local authorities and others. At the end of the day, the savings that will be achieved will be achieved by people working together locally. We sent out a challenge to local authorities, and to other parts of the education sector last summer, to suggest how we could move more money to the front line. Clearly, we are working through our working groups in the front line resources review to achieve that, but, at the end of the day, the real savings will be achieved by people on the ground.

[174] **Janet Ryder:** Have you had any indications from those initial enquiries yet?

[175] **Leighton Andrews:** Yes. What is coming back to us is that, if you take the different consortia of local authorities around Wales represented around the regional groups, such as the Association of Directors of Education in Wales, they are working very actively on concrete proposals. So, for example, if you take the north Wales authorities and bring school improvement support across the six local authorities together, it clearly will make some savings locally, in that they will buy in services across a range of authorities. However, they have to ensure that they are able to finance the joint services that they will provide. So, there is a lot of work going on, but I do not have specific figures in mind here.

[176] **Janet Ryder:** When new bodies are created like that, there are always some additional costs in setting them up. Will there be any financial support from the Assembly to assist in that setting up, or do you anticipate that authorities and other bodies will have to find that from their existing resources?

[177] **Leighton Andrews:** We have in the past provided support, for example, for mergers of further education institutions, but I think that the onus here has to be on local authorities—if we are talking about local authorities—to provide the support themselves. They have the borrowing powers to do that. We do not anticipate that there are particular mandatory costs that have to be undertaken for the federation of school governing bodies; indeed, we would

expect savings to be achieved over time. We would expect that local authorities would enter collaboration for joint purchasing, for example, on the basis that that would drive down overall costs. I do not think that it is for us to provide additional support beyond what we are already making available to local authorities through the revenue support grant, or through the specific grants that we have for particular activities, such as the money that we provide for 14-19 provision. We have provided fairly considerable sums, year-on-year, over the last few years to enable collaboration to take place in respect of 14-19 provision at a local level. So, we have given some support, but with regard to where we are now, on the basis of this proposed Measure, I do not see a need to provide additional support.

[178] **Janet Ryder:** Your regulatory impact assessment states that you do not have any information on the payments that schools make to clerks under private arrangements. Do you have any information on the number of schools that have private arrangements?

[179] **Leighton Andrews:** I do not know that we do.

[180] **Mr Thomas:** We do not collect data on that. About half the local authorities in Wales offer a clerking service. Not all schools in those authorities choose to take up the clerking service. What is generally typical is that more schools that are voluntary aided, or foundation schools, tend to make their own arrangements, as do secondary schools.

10.50 a.m.

[181] **Janet Ryder:** Okay. Finally, on the cost of providing a clerk to joint committees, is that the only cost that you think would be associated with the collaboration arrangements, or would there be other costs associated with it, such as staff time?

[182] **Leighton Andrews:** Staff time is an issue currently; I do not think that that would necessarily change, so I am not sure whether the proposed Measure itself introduces a new cost in that regard.

[183] **Janet Ryder:** So, it is not introducing new burdens.

[184] **Leighton Andrews:** I do not think that there are new burdens in relation to governance, apart from the fact that we will be seeking to make the training of governors mandatory. We already provide funding to assist with the training of governors. Local authorities already have obligations in respect of the training of governors. This is currently taken into account within the RSG. I do not see that we are necessarily creating any burdens. What I think we are doing here is providing a framework, and we would expect local authorities to accommodate that within their planning.

[185] **Chris Franks:** For clarity, can you tell me whether we have been given an estimate of possible financial savings due to these new arrangements?

[186] **Leighton Andrews:** As I have said in answer to previous questions, we have set out in the explanatory memorandum the implications of the proposed Measure in financial terms. We have supplied you with the PwC report, which, for example, has estimated that schools could achieve 5 to 10 per cent savings on a current cost base of around £156 million. On driving collaboration between local authorities, PwC estimated that there was potential for savings of 5 to 10 per cent on the £562 million currently spent on education support if local authorities worked together through regional consortia. Additionally, PwC estimated potential savings if there was better collaboration between local authorities and further education institutions of 10 to 15 per cent on a cost base of £284 million. So, I think that we have produced fairly rigorous estimates through the work that PwC had previously done on the benefits of collaboration.

[187] **Chris Franks:** The Association of School and College Leaders said that, if collaboration is to be a duty, there will be a need for cost savings to be identified before any enforcement is considered. How do you respond to its comments?

[188] **Leighton Andrews:** I would expect proposals for collaboration to be developed at a local level and for the cost benefits to be taken into account when those are being drawn up.

[189] **Chris Franks:** Do you think that it is being a bit pessimistic in what it is saying?

[190] **Leighton Andrews:** I think that we have done extensive work on the benefits of collaboration through the PwC work. What we are seeking to do here is not force people to collaborate but ensure that they consider collaboration. The duty is to consider collaboration. I would expect them to do that within the normal planning processes. I do not think that that in itself produces a cost burden, but I think that there are significant cost benefits to be achieved through better collaboration.

[191] **Chris Franks:** Its use of the word ‘enforcement’ seems a bit negative to me.

[192] **Leighton Andrews:** That is a matter for it.

[193] **Chris Franks:** Okay. Continuing with its evidence, it suggests that there should be a focus on administrative savings rather than on other aspects. It gives the example of transport. How do you respond to this view?

[194] **Leighton Andrews:** I am trying to drive down the cost of administration in the education system, so, clearly, that has got to be the starting point.

[195] **Angela Burns:** Brian, I think that you were going to touch on the issue of federation.

[196] **Brian Gibbons:** I have one final question following on from what Chris was saying. In strategic terms and in terms of quality and, equally, savings, the benefits of collaboration must be great, but I wonder, given that collaboration has not taken place to any great extent to date, there clearly must be inertia in the system. Do you think that latent or unintended financial risk has been one of the factors that have prevented the self-evident from happening so far?

[197] **Leighton Andrews:** Do you mean to say that collaboration or federation has not taken place?

[198] **Brian Gibbons:** Collaboration, first, to follow on from previous questions. Anecdotally, whenever organisations are challenged as to why they are not doing the self-evidently good thing, they will say, ‘There are hidden costs or disadvantages’. Therefore, the question that I am asking, before I move on to the federation, is whether or not there are any elephant traps of unintended consequences that would create financial risk in the enthusiasm to go down the collaboration route and the obvious benefits that follow. Are there financial risks of which we need to be aware that we may not be highlighting as well as we should?

[199] **Leighton Andrews:** For example, in the higher education sector, which is not really covered by this proposed Measure, I could point to one of the difficulties that we are having to work through, as are HE institutions—the risk that, if they were to provide support services on a shared basis, they might invoke VAT obligations, which they would not otherwise do. So, there is an example of an unexpected consequence, perhaps, of collaboration, which is something that I have also explored with the UK Government. The PwC work has underpinned our efforts to seek to look broadly at where the opportunities lie for

collaboration. When local authorities or other bodies then get down to the process of collaboration, they need to make the cost case themselves. There have been good examples of collaboration, but one of the issues here is that there is a significant degree of institutional inertia and pride. Unless we build in a duty to consider collaboration, we are not able to change that culture; that is partly what we are doing with this proposed Measure.

[200] **Brian Gibbons:** For the purposes of the Finance Committee, can we be reassured that, notwithstanding the benefits from PwC and so forth, a risk analysis has been done from the point of view of hidden bear traps? The explanatory memorandum and the whole regulatory impact assessment are so upbeat—it is just like motherhood and apple pie; it is all a good-news story. Nothing in the world is so good as not to have some risks. I was slightly worried that the tone of the documentation was so upbeat that I questioned whether anyone had done a risk analysis.

[201] **Leighton Andrews:** We have done a regulatory impact analysis, which is contained within the explanatory memorandum.

[202] **Brian Gibbons:** Yes, but that is as upbeat as the explanatory memorandum.

[203] **Leighton Andrews:** I will not apologise for it being upbeat. It is a regulatory impact analysis. It contains the best that we can do in terms of the financial estimates that we have. I think that the PwC work is rigorous. It fairly supports a number of the initiatives that we are taking in this proposed Measure. We will no doubt see, when these things are worked out locally, that people will bring difficulties to the fore. They will need to be worked through. No process of collaboration is ever 100 per cent smooth. People will need to make assessments, for example, if they are going to be sharing services and identify the disbenefits of doing that. Sometimes there may be initial start-up costs to be worked through. At the end of the day, what we are proposing is a duty to consider collaboration; it is very much about changing the culture of the approach that is adopted locally. I do not think that that, in itself, entails a cost risk.

11.00 a.m.

[204] **Brian Gibbons:** No. I suppose that the other prong of that is that where economies and efficiencies can be demonstrated, you have to consider moving ahead and implementing that part of the proposed Measure that gives local authorities the power to drive that for economies and efficiencies. So, presumably, there is a double lock there.

[205] **Leighton Andrews:** I think that it is section 2 of the proposed Measure that sets out the collaboration objective. That focuses on efficiency and effectiveness.

[206] **Brian Gibbons:** I will move on to discuss federation. The point was made in the submission by Wrexham that the speed at which federation is implemented will have a cost implication for local authorities. If federation is implemented at a phased, steady rate, it might not be too difficult to contain. However, if there was a headlong rush towards federation, it could lead to a spike in the costs for a local education authority that could be quite considerable. What is your response to that, particularly as a Minister who has been described as being ‘a man in a hurry’? Wrexham may feel that it has to comply with the wishes of the man in a hurry.

[207] **Leighton Andrews:** We have had the regulations on voluntary federation in place since last April and there has not been a headlong rush—far from it, actually. In respect of the proposed Measure, we are enabling local authorities to take a leading role in driving federation. Therefore, the speed and pace of federation is something that local authorities will have an opportunity to determine for themselves, so they can avoid the headlong rush.

[208] **Brian Gibbons:** That is an important reassurance for local authorities, that the pace at which this is implemented has to be affordable within their resources.

[209] **Leighton Andrews:** That is true. We are giving them an additional tool in terms of planning school governance arrangements locally. When they have that additional tool, if they are planning school arrangements on a sensible basis and doing so within the context of their existing planning mechanisms, such as their children and young people's plans, then they can work out a proper schedule for doing this. They will have to have a dialogue with the schools that are affected by the federation proposals, so it is not as though these things are going to happen overnight. They have to approach this in a measured way.

[210] **Brian Gibbons:** Would this approach be recognised in, for example, bids against the twenty-first century schools programme and so on?

[211] **Leighton Andrews:** The federation proposals relate to the federation of school governing bodies, so, in a sense, that is all that we are talking about. That may lead, on the basis of evidence from England and elsewhere, to the sharing of certain facilities, the sharing of a single headteacher between a number of bodies, or to the adoption of a single school budget across a number of schools. We go through a proper costing case for the twenty-first century schools programme based on the Treasury model. Therefore, following the passage of the proposed Measure, we expect that local authorities will take account, in future twenty-first century schools bids, of appropriate planning based on these proposals. What we are doing is giving local authorities an additional tool to allow them to plan better.

[212] **Angela Burns:** Alun, do you want to come in very quickly on this point?

[213] **Alun Davies:** Yes. I seem to remember reading about a pilot that you had proposed on federation in a number of different local authority areas, two of which were Carmarthenshire and Blaenau Gwent. Have you had any results from that pilot to help to inform the committee?

[214] **Leighton Andrews:** We have a number of pilots that are currently under way—they started last autumn—and evidence will come forward from those from September this year. On that basis, we hope that there will be more evidence for local authorities for future planning.

[215] **Alun Davies:** Perhaps it would be useful for the committee to have a note on where those pilot schemes are taking place and what their objectives are in informing wider policy.

[216] **Leighton Andrews:** I can probably tell you now. They are in Gwynedd, Wrexham, Blaenau Gwent, Rhondda Cynon Taf and Carmarthenshire.

[217] **Brian Gibbons:** Thank you for that. You mentioned, in response to Chris's question, the potential savings resulting from schools, or governors, federating. For the record, how will you evaluate the success in delivering those potential savings? Could you elaborate on how you see those potential savings being achieved?

[218] **Leighton Andrews:** Initially, federation allows for a single governing body to cover a number of schools, for example. Therefore, there would clearly be savings in respect of the support that is provided to governing bodies. There would be fewer governors and, therefore, I guess that the cost of training would be less overall. We have seen some of this happening in England already: where there is federation there is a move, in some areas, to have a single headteacher, which would clearly produce savings in respect of staffing. There might also be savings in respect of administrative staff who will be able to support more than one

institution. So, those are the opportunities that exist.

[219] **Brian Gibbons:** That is very good. There is a proposed federation in Neath Port Talbot—

[220] **Leighton Andrews:** Yes, in the Afan valley. We are looking at it as an option currently.

[221] **Brian Gibbons:** I can see the advantages on the ground, quite apart from the financial savings. There is specific reference in the legislation to the ability to direct federation for small maintained schools as an exceptional power. Are there any distinctive cost implications to be considered for those small schools because of that special provision?

[222] **Leighton Andrews:** The issue is the other way around, I suppose. Clearly, it is normally costly to maintain smaller schools, on a per-pupil basis. If there is a headteacher in every one of those small schools, that is a significant cost burden. So, the opportunities to federate small schools, perhaps under a single headteacher, ought to enable resources to be better deployed across those schools for the teaching and learning experience. I am not sure that it will necessarily lead to substantial savings, but it might lead to a better deployment of resources for teaching and learning.

[223] **Brian Gibbons:** Finally, are there cost implications for the Assembly Government? Again, the regulatory impact assessment, in this general good-news story, does not seem to indicate that there will be many costs to the Assembly Government.

[224] **Leighton Andrews:** We have set out some costs in respect of drawing up regulations, providing guidance and so on. We are already carrying a number of the costs that would derive from the proposed Measure: we already provide support for Governors Wales, for example, and for research on the training of governors. Local authorities are already meant to carry the costs of training and clerking. So, many of the costs that we are talking about are already in the system.

[225] **Angela Burns:** Alun, did you want to explore the training element further?

[226] **Alun Davies:** Yes. I am interested in what you say about the costs already being covered in the system. Like Brian, I am an optimist at heart, but when I read some of these regulatory impact assessments I see optimism running wild. If the purpose of the policy is to improve training and make it mandatory, as you question the quality of some of it in the impact assessment and say that we need to increase its depth and breadth, that implies that there must be an additional cost imperative to achieving that policy objective.

11.10 a.m.

[227] **Leighton Andrews:** There may be some additional costs in respect of the training of governors. We are seeking to respond to the proposals that came from the Enterprise and Learning Committee in its report on school governors. However, if more governing bodies are federated, there will be fewer governors to train. As I said, it is difficult to draw out clearly what the additional costs may be, but, at the moment, local authorities have obligations to support the training of governors. They may do that well or poorly. It will vary across Wales. We think that there are opportunities for further savings if they do that on a more collaborative basis and maybe if they provide clerking support on a collaborative basis. At the end of the day, we are putting in place obligations that the Assembly itself has recognised are important. How they are then implemented will be a matter for local authorities.

[228] **Alun Davies:** From the point of view of a backbencher, many of us would welcome

the fact that the Government has taken on board recommendations from a scrutiny committee, is taking them forward and putting them into law. That process will be welcomed. I do not think that anyone would question the policy objective at the heart of this piece of legislation. The issue relates to some of the assumptions that are made about delivering that objective. I do not disagree with you at all on what you are saying about collaboration and ways of working. My concern relates to the translation of that theory into reality on the ground.

[229] The assumption is that this will improve the quality, but quality costs, I think that it is fair to say. You are seeking to improve the breadth of training that is available to governors. I accept what you say that federation might well lead to, but we know that federation would not be appropriate everywhere and that it would not occur overnight, whereas this legislation will be on the statute book by March. So, are we looking at a regulatory impact assessment that deals with the cold light of day or at one that looks at the world as we would all like it to be?

[230] **Leighton Andrews:** Quality does cost, but poor quality also costs and there are disbenefits to it. The proposed Measure will be implemented in different stages, depending on different aspects of the proposed Measure. We are looking at September 2012 as the implementation date for the provisions relating to training. So, there is time for local authorities and others to plan for the impact of this. There are costs. We have set out, in the regulatory impact assessment, what we can estimate that those will be. We know what local authorities charge, given certain variables that I expressed earlier in terms of the support that they provide to governors. We know that there is a range of costs for clerking school governing bodies and we know what those costs are. I am not saying that this legislation is cost-neutral. That is not my job. My job is to try to honestly express what I think that those costs are likely to be. I have said that it is difficult to measure within certain ranges. Across the proposed Measure, we are giving you a considerable amount of evidence based on what PwC has carried out in its commission for us on collaboration. We are putting into the public domain the data that we have in respect of support for governors. That is about as transparent as we can be.

[231] **Alun Davies:** I do not have the breakdown of those costs in the documentation that I have in front of me, but there is a statement that is similar to the one that you have made today. I am not sure that we are in a position, as a committee, to report on any potential costs on the basis of the information provided by the Government. If your officials could provide us with a note on how they have come to the conclusions outlined on pages 36, 24 and 25 of the explanatory memorandum, perhaps that would be more useful to us.

[232] **Leighton Andrews:** I have to say that I do not agree with that. On pages 33 to 36 of the explanatory memorandum, we have given you the costs relating to clerking of committees, along with an estimate of the cost of producing guidance, and the potential savings. We have supplied you with the PricewaterhouseCoopers study, which is extensive. Today I have given you the range of costs for support to governors, which was given to us by a number of local authorities. We have given you fairly extensive material. I am not sure that there is anything additional that we could give you. In fact, I note that some of the costs for the governor support officers are set out on page 39 of the explanatory memorandum, and the potential savings, for example, that might incur from the federation of small schools. An assessment of headteachers' salaries is set out on page 39, while the support that we currently provide to the all-Wales centre for governor training and research is set out on page 40—and so on. Do you want me to go through every page of the budget section of the explanatory memorandum, Chair? I could do that paragraph by paragraph, if you like.

[233] **Angela Burns:** No, that will not be necessary. Does that answer your question, Alun?

[234] **Leighton Andrews:** If not, I am happy to read it into the Record, Chair.

[235] **Alun Davies:** It actually says ‘no additional costs’ under governor training on page 36. In terms of where we are now, we are anxious as a committee to support the policy objective of the Government in a way that rationalises the costs of implementing the policy. It is useful for us to understand where the Government is coming from with regard to this. I understand the points that you have made, as we have read through these documents, but there are statements made here without the sustaining evidence.

[236] **Leighton Andrews:** I just do not accept that, Chair. I am quite prepared to be challenged where I am not providing evidence, but where it says ‘no additional costs’ for local authorities, they already have an obligation to train governors. They may or may not be doing that well, or thoroughly, or with the sufficient investment of the resource that they are given. However, our assessment is that there should be no additional costs here. There are ways of organising training provision on a collaborative basis that might lead to savings. If we believe that there will be additional costs—for example, if we were to make certain forms of training mandatory, which we would prescribe in the regulations—then we will do further regulatory impact assessments as we introduce the regulations.

[237] **Angela Burns:** Brian, did you want to come in?

[238] **Brian Gibbons:** Yes. Alun’s point is quite valid, because there are a number of places where I—perhaps like Alun—have jotted question marks and notes like, ‘difficult to estimate costs’, ‘possible savings’, ‘no cost possible’, ‘possible reduced cost’, ‘cost offset’, and so on. This is not quite as watertight as the Minister might like us to believe. However, in fairness, this is all underpinned by the fact that proposals brought forward in the real world will involve individual business cases. As for whether these savings will materialise in the rather optimistic way envisaged in the regulatory impact assessment, the proof of the pudding will be in the eating. Alun’s point is not without merit. There is a degree of uncertainty, but we can take some assurance that each set of proposals will have its own resilient business case to allow it to move forward. That is as good as it can get in the circumstances.

11.20 a.m.

[239] **Janet Ryder:** On the costs of governor training given in the budget, we could get to a situation when this is in operation and a county will say, ‘This is what our governor training will cost us; we cannot get it within the cost allowed for’. Reading between the lines, we might go down a track that suggests that some counties are not using all of the money allocated for governor training to provide governor training. Should such a situation arise, have you and your officials made an estimate of what each county has allocated for governor training? Is each county satisfied that it can achieve the mandatory governor training system within the costs that you have already estimated? Do you know if counties are allocating those full costs towards governor training?

[240] **Leighton Andrews:** You could argue that they are not currently doing that. We make an assessment for the revenue support grant, but local authorities can ultimately spend their money as they see fit—we do not hypothecate. What I have sought to do—particularly through the PwC process—is to conduct a rather more rigorous analysis of what is actually being spent within the education system across the piece. We have not gone through every pound and penny spent by local authorities on governor training, but the anecdotal evidence that we have received from discussions with Governors Wales would suggest that it is not a consistent story across Wales.

[241] **Angela Burns:** We will examine your issue further, Alun, by writing to the Minister if there are specific points. Nick, did you have any final questions on clerking?

[242] **Nick Ramsay:** Yes, my question was touched on as the Minister embarked on his list

of costings, which was interrupted. He mentioned the specific clerking cost, and my question was on that. The cost for clerking in the regulatory impact assessment ranges from £450 to £2,000 for each school. It says in the document that those costs will be recouped from schools choosing to opt into the service. Does the Minister have any concern that, to some schools, this might be a disincentive to using the clerking service? For those that take up the service, would there be any adverse impact on their budgets?

[243] **Leighton Andrews:** Those are fair questions, and quite difficult to answer. You are almost going into policy in respect of governors. We want effective school governors who are properly supported and able to provide effective challenge, as well as support, to the leadership of schools. It means that they need appropriate support. We do not want governors being led to conclusions by the management of schools; we want them to understand the responsibilities that they have as governors, and we want them to be in command of the data in relation to their own schools' performance. Therefore, we want them to be able to undertake effective challenge to the school on the basis of performance. That requires effective clerking so that there is proper follow-up of decisions by the governing body and that a proper planning mechanism is in place for the governing bodies' activities on an annual basis, and so on. Therefore, we would have an expectation that there should be provision built into budgets for clerking. I hope that that would not be a disincentive. Proposals have come from some local authorities on unified clerking across Wales, which should be a way of driving down costs. As you can see, the range of costs, from £450 to £2,000, is extensive. We must build a culture whereby people see that as an important part of the process, and we will enforce that through Estyn's inspections to determine whether the governance of schools is effective. That will become an increasingly important element of Estyn's school inspections in future.

[244] **Nick Ramsay:** I completely agree with the Minister on the need to keep the governors separate from the management, and the clerking can clearly be part of that. On a technical issue, what would be the mechanism for recouping? Would an amount be deducted from the amount given to the school at a future point, or would it actually be taken from the school at that point?

[245] **Leighton Andrews:** It would almost certainly be recouped through a service level agreement between a school and local authority. We have been involved in a lot of dialogue with local government to drive up the amount of money that is delegated by local government to schools. The Welsh Local Government Association has been working with us on a commitment whereby we will see the current arrangement, in which around 75 per cent of budgets are delegated to schools, rise to 80 per cent within two years, and 85 per cent within four years. Clearly, having delegated money, there will be common services that schools will want to buy, which will very often be provided through SLAs.

[246] **Angela Burns:** Does any other Member have a question that they would like to pose to the Minister? I see that no-one does. Thank you, Minister, and your officials for your attendance today. It has been a most illuminating and, in fact, incredibly cheerful session. [*Laughter.*] Thank you very much for your time.

11.27 a.m.

Cynnig Trefniadol Procedural Motion

[247] **Angela Burns:** I move that

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

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

Derbyniwyd y cynnig
Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 11.27 a.m.
The public part of the meeting ended at 11.27 a.m.