

Review of the regulatory impact assessment for the Additional Learning Needs and Education Tribunal (Wales) Bill



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## Disclaimer

The views, opinions and conclusions that follow on from our external review do not comply with any regulated body of quality control principles, methods, or techniques.

This report may not be taken as certification that the regulatory impact assessment meets any particular set of quality standards, also referred to as 'quality stamp', or otherwise.

No responsibility in connection with the regulatory impact assessment, including its underlying calculations and final results, or how this report is used will lie with us.

The executive summary must be read in conjunction with the full report. The executive summary provides references to sections 1 to 5 of the full report where the reader can find further details.



## 0

### Executive summary

#### 0.1 Aim

0.1.1 The aim of this external review is to identify the strengths and weaknesses of the regulatory impact assessment and, where possible, to address any weaknesses and, thus, improve its robustness. See paragraphs 1.1.1 to 1.1.4 of the full report.

#### 0.2 Method

0.2.1 The regulatory impact assessment builds on over 30 calculations. We selected a sample of six for detailed review. The six sampled calculations varied in terms of their impact on the final results, this is, the final additional cost of £8,279,230 associated with the preferred option, as estimated by the Welsh Government in version 2d (unpublished) of its regulatory impact assessment. See paragraphs 1.2.1 to 1.2.3, and 1.4.1 to 1.4.4 of the full report.

#### 0.3 Fitness for purpose: affordability versus value for money

0.3.1 We believe that the regulatory impact assessment is comprehensive, and the result of detailed consideration of the changes involved in the Bill.

0.3.2 The Welsh Government decided that it had no reliable basis to estimate some of the social costs, and cost savings associated with the Bill. At present, decision makers have no indication of future social costs, and cost savings, in relation to the achievement of children and young people, and adult earnings. Based on our expertise, we believe that this decision limits the decision makers' ability to assess the value for money of the Bill. See paragraphs 2.1.1 to 2.3.4 of the full report.

#### **0.4 Fitness for purpose: managing uncertainties**

0.4.1 The production of the regulatory impact assessment was driven by a determined interest in using best available evidence. Where this was not possible, the Welsh Government chose to acknowledge the resulting limitations.

0.4.2 This approach is in principle valid. It manages the risk of producing final results that are far removed from the evidence. However, there is a balance to be struck with respect to decision makers' need to have a comprehensive evidence base, including an ability to manage future uncertainties. See paragraphs 2.4.1 to 2.4.6 of the full report.

#### **0.5 Sample tests**

0.5.1 We reviewed six of the more than 30 calculations that make up the regulatory impact assessment. Our tests produced some alternative estimates. The table below shows the changes that our alternative estimates triggered on the final results, this is, the final additional cost of £8,279,230, associated with the preferred option, as estimated by the Welsh Government.

0.5.2 As an example, our first test (just by itself) triggered a 5 per cent change on the final results. Our second test (just by itself, independently from all other tests) triggered a 6 per cent change on the final results; and so on.

0.5.3 Our methodology does not allow us to estimate how the final results in version 2d will change once a thorough review of all the calculations takes place. Whilst not necessarily probable, there is a possibility that the changes required for version 2d to be reliable are large.

0.5.4 Test 6 identified a sensitive section of the regulatory impact assessment. Small inaccuracies here can double the final results. See paragraphs 4.1.1 to 4.2.3 of the full report.

Changes on final results following on from Aldaba’s sample based review, percentages

Test	Section	Change
1	Individual development plans, local authority education services, ongoing costs	5
2	Additional Learning Needs Coordinator (ALNCO), mainstream schools, transition costs	6
3	Dispute resolution, local authority education services, ongoing costs	0
4	Post 16 special education provision, local authority education services, ongoing costs	0
5	Individual development plans, costs incurred by Career Wales, ongoing costs	1
6	Additional Learning Needs Coordinator (ALNCO), mainstream schools, ongoing costs	158

Source: Aldaba analysis.

## 0.6 Conclusion

0.6.1 Everything considered, our conclusion is that the current version of the regulatory impact assessment is not reliable for the purpose of making decisions on the Bill. The Welsh Government has developed a solid basis to achieve reliable estimates through some further work. To meet the requirements of different types of decision makers, the final results should be expressed in both cash, and net present value terms.

## 0.7

### Recommendations

- **Recommendation 1:** To produce a clear list of unquantified costs, alongside final results. See paragraphs 2.4.1 to 2.4.3 of the full report.
- **Recommendation 2:** To replace mid-range adjustments with a systematic quality assessment of the estimates and create ranges around them to inform best, and worst case scenarios. See paragraphs 2.4.4 to 2.4.6 of the full report.
- **Recommendation 3:** To calculate cash, and net present value estimates. See paragraphs 2.5.1 to 2.5.2, and 3.1.10 to 3.1.16 to see a practical example.
- **Recommendation 4:** To explain why four years are an appropriate time horizon considering the scale of the Bill. See paragraph 2.6.1 of the full report.
- **Recommendation 5:** To improve the audit trail for the underpinning spreadsheets substantially. See paragraphs 2.7.1 to 2.7.2 of the full report.
- **Recommendation 6:** Based on recommendation 2, to identify the most sensitive calculations and do some additional double checking on them. See paragraph 4.1.7 of the full report.

### 0.7.1

The final section of this report provides step-by-step guidance to produce the next version of the regulatory impact assessment. See paragraphs 5.1.1 to 5.2.6 of the full report.



# 1

## Introduction

### 1.1 Purpose, aim, and objectives

1.1.1 Aldaba ('we') was commissioned by the Welsh Government to conduct an external review ('the external review') of the regulatory impact assessment for the Additional Learning Needs and Education Tribunal (Wales) Bill ('the Bill').

1.1.2 The purpose of the external review was to provide Welsh Ministers, specifically the Minister for Lifelong Learning and Welsh Language, and the National Assembly for Wales with the assurance that the calculations and the methods adopted are appropriate. That is, to satisfy the requirements of the Standing Orders for the National Assembly for Wales (2017) which are to provide the best estimate of the costs associated with introducing the provisions in the Bill.<sup>1</sup>

1.1.3 The aim of the external review is to identify the strengths and weaknesses of the regulatory impact assessment and, where possible, to address any weaknesses and, thus, improve its robustness.

1.1.4 To achieve the purpose and aim of the review, the specific objectives are to:

- examine the formulas used in the regulatory impact assessment and the calculations, in terms of their appropriateness and accuracy, and to identify and make any amendments or corrections which may be needed;

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<sup>1</sup> National Assembly for Wales (2017), Standing Orders of the National Assembly for Wales, available at [http://www.assembly.wales/NAfW%20Documents/Assembly%20Business%20section%20documents/Standing\\_Orders/Clean\\_SOs.eng.pdf](http://www.assembly.wales/NAfW%20Documents/Assembly%20Business%20section%20documents/Standing_Orders/Clean_SOs.eng.pdf)

- consider the appropriateness of the methods, including any assumptions made, and where methods are considered to be inappropriate to propose alternative methods together with associated calculations; and
- note any strengths and weaknesses within the context of the purpose of the regulatory impact assessment and the data and research available.<sup>2</sup>

## 1.2 **Version 2d**

1.2.1 The external review took place between 9 and 25 August. At that time, the Bill had progressed through stage one of the legislative process. The Minister for Lifelong Learning and Welsh Language had decided not to move the financial resolution motion in light of concerns raised about the regulatory impact assessment.

1.2.2 The external review focused on an unpublished, revised version of the Explanatory Memorandum, incorporating the Regulatory Impact Assessment and Explanatory Notes, which had been previously published in December 2016.<sup>3</sup> The unpublished, revised version was referred to by Welsh Government officials as ‘version 2d’.

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<sup>2</sup> Welsh Government (2017, unpublished), Specification for review of the regulatory impact assessment accompanying the Additional Learning Needs and Education Tribunal (Wales) Bill

<sup>3</sup> Welsh Government (December 2016), Additional Learning Needs and Education Tribunal (Wales) Bill, Explanatory Memorandum Incorporating the Regulatory Impact Assessment and Explanatory Notes, available at <http://www.assembly.wales/laid%20documents/pri-ld10862-em/pri-ld10862-em-e.pdf>

1.2.3 In his letter of 25 May 2017, the Minister for Lifelong Learning and Welsh Language quoted the results of version 2d of the regulatory impact assessment, including an estimated overall additional cost of the Bill of £8,279,000 (rounded by us) over the four year period 2017-18 to 2020-21.<sup>4</sup>

### 1.3 Guiding principles

1.3.1 There is no single way of producing regulatory impact assessments, or external reviews of them. HM Treasury's Green Book, and the Welsh Government's Legislation Handbook on Assembly Bills provide a reference framework.<sup>5</sup>

#### More art than science: the key is to help decision making

1.3.2 Based on our expertise, we identified the following guiding principles for the external review, which we believe can support the decision making process for the Bill.

1.3.3 **Affordability versus value for money.** Decision makers need estimates of how much the Bill will cost, so that they can consider whether the available taxpayer money can pay for it. Decision makers also need estimates of what will be achieved through the Bill so that they can compare costs and benefits.

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<sup>4</sup> Alun Davies (25 May 2017), Letter to Children, Young People and Education Committee, and Finance Committee, available at <http://senedd.assembly.wales/documents/s63429/Letter%20from%20the%20Minister%20for%20Lifelong%20Learning%20and%20Welsh%20Language%20Revised%20RIA%20-%2025%20May%202017.pdf>

<sup>5</sup> Gov.uk, HM Treasury, The Green Book: appraisal and evaluation in central government, available at <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

1.3.4 **Best, and worst case scenarios.** There is a requirement for regulatory impact assessments to provide best single estimates. However, decision makers also benefit from understanding the ranges around the estimates, so that they can consider how much better, or worse, the situation can be.

1.3.5 **Err on the side of caution.** It is unreasonable to expect a regulatory impact assessment to predict future impacts with total accuracy. However, decision makers do need reassurance that the estimates have been prepared with care, and when faced with choices, those responsible for the regulatory impact assessment erred on the side of caution.

#### 1.4 **Method**

1.4.1 The time and budget available did not allow us to conduct a full review of the calculations underpinning the regulatory impact assessment. Instead, we selected a sample of calculations for detailed review among the over 30 calculations associated with the regulatory impact assessment.

1.4.2 The six sampled calculations varied in terms of their impact on the final results, as estimated in version 2d:

- **Larger impact.** If these calculations were inaccurate, even only slightly inaccurate, the final results might be different.
- **Smaller impact.** If these calculations were inaccurate, particularly as a result of an important inaccuracy, the final results might be different.

1.4.3 The table below provides the six sampled calculations, alongside their contributions to the final result, as estimated in version 2d of the regulatory impact assessment. Note the final result is arrived at through many other calculations not included in the table.

### Contribution of sampled calculations to final results

Test	Section	Contribution
1	Individual development plans, local authority education services, ongoing costs	-£2,750,740
2	Additional Learning Needs Coordinator (ALNCO), mainstream schools, transition costs	+£9,019,020
3	Dispute resolution, local authority education services, ongoing costs	£0
4	Post 16 special education provision, local authority education services, ongoing costs	£49,762,812
5	Individual development plans, costs incurred by Career Wales, ongoing costs	-£1,418,800
6	Additional Learning Needs Coordinator (ALNCO), mainstream schools, ongoing costs	£0

Source: Welsh Government (2017, version 2d, unpublished), Additional Learning Needs and Education Tribunal (Wales) Bill, Explanatory Memorandum, incorporating the Regulatory Impact Assessment and Explanatory Notes

1.4.4 Whilst our sample was not randomly selected, we believe that the results of our external review can be taken as a basis to

- estimate the overall quality of the calculations,
- form an opinion on the final result, and
- make recommendations for improvement.

### 1.5 Limitations

1.5.1 The main limitation of our external review is that it was based on a sample of calculations, rather than a complete review of all the calculations involved. Other limitations include:

- Of the two sets of summary results: by provision, and by organisation, we only reviewed the former, however, our conclusions can be easily transferred to the latter.
- Reviewing sources of information other than the regulatory impact assessment, and its underpinning spreadsheets, was not possible; for example, reviewing some of the key publications on which the regulatory impact assessment built was out of scope.<sup>6</sup>

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<sup>6</sup> Holtom (2012), Programme of Action Research to Inform the Evaluation of the Additional Learning Needs Pilot: interim report on the costs of the statutory reform of special educational needs provision ; Deloitte (2015), An Examination of the Provision of Funding for Learners with Special Educational Needs or Learning Difficulties and/or Disabilities (Welsh Government: Cardiff). <http://gov.wales/docs/dcells/publications/150706-final-report-en.pdf>

## 2

## Fitness for purpose

### 2.1 Overall

2.1.1 It is expected that the regulatory impact assessment reflects the changes involved in the Bill. To clarify, the regulatory impact assessment under external review is for the Bill, and excludes subsequent secondary legislation.

2.1.2 Based on our expertise, we believe that the regulatory impact assessment is comprehensive, and the result of detailed consideration of the changes involved in the Bill. In its published form, it provides greater level of detail than other equivalent documents, which aids transparency and scrutiny.

### 2.2 Options

2.2.1 The regulatory impact assessment included a 'do nothing' and a 'preferred option'. Whilst this is in line with available reference frameworks, decision makers can draw on a better evidence base when they have a greater number of options, such as 'do minimum' and 'do something'.

### 2.3 Affordability versus value for money

2.3.1 Regulatory impact assessments should provide clear estimates of administrative and compliance costs, and cost savings. In addition, they should also include environmental, health, and social costs.

2.3.2 Based on our expertise, we believe that the regulatory impact assessment under external review focused on administrative and compliance costs. This helps decision makers with the affordability question. It also included the costs to parents, which is often an omission when producing regulatory impact assessments.

2.3.3 The Welsh Government decided that it had no reliable basis to estimate some future social costs, and cost savings associated with the Bill, including in relation to the achievement of children and young people, and adult earnings.

2.3.4 Based on our expertise, we believe that this decision limits the decision makers' ability to assess the value for money of the Bill. There are information sources, methods and techniques to estimate future social costs, and cost savings. Considering the scale of the Bill, we believe that it would have been reasonable to incorporate this skillset into the production of the regulatory impact assessment.

**'... improving outcomes for children and young people. This reform process is not and never has been about cost savings. It has been driven by a determination to deliver the best possible outcomes for learners.' Minister for Lifelong Learning and Welsh Language, in his letter of 25 May 2017**

## 2.4 **Managing uncertainties**

2.4.1 The production of the regulatory impact assessment was driven by a determined interest in using best available evidence. Where this was not possible, the Welsh Government chose to acknowledge the resulting limitations. In many cases, it consciously avoided tentative calculations.

2.4.2 As a result, certain key aspects of the Bill were excluded from the final results in version 2d of the regulatory impact assessment, such as the development of the new Master's degree for additional learning needs coordinators (ALNCOs).

2.4.3 This approach is in principle valid. It manages the risk of producing final results that are far removed from the evidence. However, there is a balance to be struck with respect to decision makers' need to have a comprehensive evidence base, including an ability to manage future uncertainties.



**Recommendation 1: To produce a clear list of unquantified costs, alongside final results**

- 2.4.4 To clarify, we support the principle of erring on the side of caution. However, this does not necessarily mean excluding key aspects of the Bill from the regulatory impact assessment when no evidence, or only unreliable evidence, is available.
- 2.4.5 There was indeed awareness of the need to manage uncertainties, for example, by introducing mid-range adjustments.<sup>7</sup> However, these were used inconsistently.
- 2.4.6 Version 2d of the regulatory impact assessment missed opportunities to help decision makers consider potential worst, and best case scenarios. Again, this involves a separate skillset which does not seem to have been present in the production of the regulatory impact assessment.

**Recommendation 2: To replace mid-range adjustments with a systematic quality assessment of the estimates and create ranges around them to inform best, and worst case scenarios**

**2.5 Cash, and net present value terms**

- 2.5.1 There are different types of decision makers. For example, Welsh Government, and Assembly members need summary estimates that allow them to make a decision now on impacts that will happen in the future. Net present value estimates are most suitable for this purpose.

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<sup>7</sup> On certain occasions, version 2d produced a cost saving estimate, but only incorporated half of it in the final result to acknowledge the uncertainties around the realisation of cost savings.

2.5.2 On the other hand, those with funding and financial responsibilities, for example those considering the £20 million funding towards implementation of the Additional Learning Needs Transformation Programme<sup>8</sup>, need estimates with which they can work when planning and monitoring taxpayer's money each year. Cash estimates are most suitable for this purpose.

**Recommendation 3: To calculate cash, and net present value estimates separately**

## 2.6 Time horizon

2.6.1 We were unable to find an explanation for the four year horizon chosen to estimate the costs of the do nothing, and preferred options. Whilst this is not necessarily a limitation, decision makers should be able to put this choice in the context of the ambitions set by the Minister for Lifelong Learning and Welsh Language around cultural change, and how long this should take.

**Recommendation 4: To explain why four years are an appropriate time horizon considering the scale of the Bill**

## 2.7 Audit trail

2.7.1 The Welsh Government undertook internal reviews of early drafts of their own calculations. Whilst the Explanatory Memorandum, incorporating the Regulatory Impact Assessment and Explanatory Notes, provides greater level of detail than equivalent documents, the underpinning spreadsheets are not suitable for external reviews like the one we conducted.

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<sup>8</sup> Alun Davies (25 May 2017), Letter to Children, Young People and Education Committee, and Finance Committee, <http://senedd.assembly.wales/documents/s63429/Letter%20from%20the%20Minister%20for%20Lifelong%20Learning%20and%20Welsh%20Language%20Revised%20RIA%20-%2025%20May%202017.pdf>

### 2.7.2

It is not possible to identify information sources, track down the calculations, or distinguish discarded from final decisions, just by reviewing the underpinning spreadsheets. Cross referencing the spreadsheets with the regulatory impact assessment document is required as part of external reviews and presently too time consuming. We believe this does not meet the standards expected by the Welsh Audit Office.

**Recommendation 5: To improve the audit trail for the underpinning spreadsheets substantially**

## 3

## Sample tests

### 3.1 Test 1: Individual development plans, local authority education services, ongoing costs

3.1.1 The final result on version 2d of the regulatory impact assessment was a total overall cost of £8,279,230, which was arrived at as follows:

- Preferred option, four year total: £481,603,345 minus
- Do nothing, four year total: £473,324,116 equals
- £8,279,230

3.1.2 Local authority education services contributed to the total overall cost with a saving of £2,750,740 in relation to individual development plans, which was arrived at as follows:

- Preferred option, four year total: £57,693,060 minus
- Do nothing, four year total: £60,443,800 equals
- -£2,750,740

3.1.3 **Quality ranges.** If we use a similar approach to the one in version 2d, but instead of single estimates, we use ranges, we obtain the following:

- Preferred option, four year total: £53,101,440 (minimum), £58,296,378 (middle), £63,491,316 (maximum)
- Do nothing, four year total: £58,862,126 (minimum), £61,474,723 (middle), £64,087,320 (maximum)
- Preferred options minus do nothing equal: -5,760,686 (minimum), -3,178,345 (middle), -596,004 (maximum)

3.1.4 Therefore, our middle (best) estimate results in greater cost savings than in version 2d of the regulatory impact assessment. However, decision makers need to know that this cost saving can be as low as £596,004, or as high as £5,760,686

3.1.5 **Final result change.** Other things being equal, by driving our estimates through the whole calculations, the final result changes from a total cost of £8,279,230 in version 2d to the following:

- £5,269,284 (minimum)
- £7,851,625 (middle)
- £10,433,966 (maximum)

3.1.6 To give a sense of scale, our estimates represent the following percentage changes, which can be positive or negative, with respect to the total cost of £8,279,230 in version 2d:

- 36 per cent (minimum)
- 5 per cent (middle)
- 26 per cent (maximum)

3.1.7 The table below provides details of our estimates. It sets out the adjustments that we applied to the item estimates included in version 2d. These adjustments reflect our quality assessments, with wider ranges reflecting poorer quality.

3.1.8 Working with Welsh Government officials, we concluded that some of the estimates included in the preferred option calculations in version 2d were tentative, which resulted in wider ranges.

Test 1: Review of individual development plans, local authority education services, ongoing costs

Item	4 years	Adjustment	4 years	Adjustment	4 years	Adjustment	4 years
		Minimum		Middle		Maximum	
Welsh government, version 2d		Aldaba review					
<b>Do nothing</b>							
Statutory assessments	£31,922,800	-0.02	£31,284,344	Average	£32,401,642	+0.05	£33,518,940
Statutory reviews	£16,094,400	-0.02	£15,772,512	Average	£16,335,816	+0.05	£16,899,120
Disagreement resolution services	£1,539,800	-0.05	£1,462,810	Average	£1,578,295	+0.10	£1,693,780
Responding to disagreements	£6,532,400	-0.05	£6,205,780	Average	£6,695,710	+0.10	£7,185,640
Advocacy services, appeals	£21,200	-0.05	£20,140	Average	£21,730	+0.10	£23,320
Responding to appeals	£4,333,200	-0.05	£4,116,540	Average	£4,441,530	+0.10	£4,766,520
Reviews, further education (FE)	£0		£0		£0		£0
Appeals, advocacy, FE	£0		£0		£0		£0
Disagreement resolution, FE	£0		£0		£0		£0
Responding to disagreements, FE	£0		£0		£0		£0
<b>Total</b>	<b>£60,443,800</b>		<b>£58,862,126</b>		<b>£61,474,723</b>		<b>£64,087,320</b>
Total - cash (same year prices)	£62,965,062		£61,317,412		£64,038,987		£66,760,562
<b>Total - present value (2016-17)</b>	<b>£55,503,716</b>		<b>£54,051,313</b>		<b>£56,450,382</b>		<b>£58,849,451</b>
Final results as in version 2d	£473,324,116		£471,742,442		£474,355,039		£476,967,636

Item	4 years	Adjustment	4 years	Adjustment	4 years	Adjustment	4 years
		Minimum		Middle		Maximum	
Welsh government, version 2d		Aldaba review					
<b>Preferred option</b>							
Statutory assessments	£31,922,800	-0.02	£31,284,344	Average	£33,997,782	+0.15	£36,711,220
Statutory reviews	£16,094,400	-0.02	£15,772,512	Average	£17,140,536	+0.15	£18,508,560
Disagreement resolution services	£723,680	-0.05	£687,496	Average	£814,140	+0.30	£940,784
Responding to disagreements	£3,070,240	-0.05	£2,916,728	Average	£3,454,020	+0.30	£3,991,312
Advocacy services, appeals	£9,600	-0.05	£9,120	Average	£10,800	+0.30	£12,480
Responding to appeals	£1,993,200	-0.05	£1,893,540	Average	£2,242,350	+0.30	£2,591,160
Reviews, further education (FE)	£429,600	-0.05	£408,120	Average	£483,300	+0.30	£558,480
Appeals, advocacy, FE	£65,600	-0.05	£62,320	Average	£73,800	+0.30	£85,280
Disagreement resolution, FE	£62,000	-0.05	£58,900	Average	£69,750	+0.30	£80,600
Responding to disagreements, FE	£8,800	-0.05	£8,360	Average	£9,900	+0.30	£11,440
Mid-range adjustment	£3,313,140						
<b>Total</b>	<b>£57,693,060</b>		<b>£53,101,440</b>		<b>£58,296,378</b>		<b>£63,491,316</b>
Total - cash (same year prices)	£60,099,582		£55,316,434		£60,728,065		£66,139,697
<b>Total - present value (2016-17)</b>	<b>£52,977,795</b>		<b>£48,761,449</b>		<b>£53,531,803</b>		<b>£58,302,158</b>
Final results as in version 2d	£481,603,346		£477,011,726		£482,206,664		£487,401,602

Item	4 years	Adjustment	4 years	Adjustment	4 years	Adjustment	4 years
		Minimum		Middle		Maximum	
Welsh government, version 2d		Aldaba review					
Preferred minus do nothing option							
Total	-£2,750,740		-£5,760,686		-£3,178,345		-£596,004
Total - cash (same year prices)	-£2,865,480		-£6,000,979		-£3,310,922		-£620,865
<b>Total - net present value (2016-17)</b>	<b>-£2,525,921</b>		<b>-£5,289,864</b>		<b>-£2,918,578</b>		<b>-£547,292</b>
Final results as in version 2d	£8,279,230		£5,269,284		£7,851,625		£10,433,966

Source: Aldaba review of version 2d of the regulatory impact assessment



- 3.1.9 Based on our expertise, we believe that the estimates included in version 2d require further adjustments, in addition to the ones presented above.
- 3.1.10 **Cash terms.** Version 2d presents costs in 2016-17 prices. These costs cannot be interpreted as the actual cash required to deliver each of the two options. The reason for this is that these costs need to be adjusted for inflation in each of the four years in scope: 2017-18 to 2020-21, as set out in the table above.
- 3.1.11 **Net present value.** In addition to this, we believe that the estimates need to be further adjusted to obtain net present value estimates. Following HM Treasury's guidance, this adjustment produces estimates that acknowledge the fact that most people attach more value to current money, than to future money, however decision makers need to make decisions now which affect the future.
- 3.1.12 If we calculate net present value based on the estimates in version 2d, we obtain the following:
- Preferred option, four year total: £52,977,795 minus
  - Do nothing, four year total: £55,503,716 equals
  - -£2,525,921
- 3.1.13 If we use a similar approach to the one in version 2d, but instead of single estimates, we use ranges, we obtain the following:
- Preferred option, four year total: £48,761,449 (minimum), £53,531,803 (middle), £58,302,158 (maximum)
  - Do nothing, four year total: £54,051,313 (minimum), £56,450,382 (middle), £58,849,451 (maximum)
  - Preferred option minus do nothing equal: -5,289,864 (minimum), -2,918,574 (middle), -547,292 (maximum)

3.1.14 **Summary.** If a decision maker needs to select an estimate in order to form an opinion on how local authority education services will change their costs in relation to individual development plans, we recommend the following net present value estimates:

- It is estimated that they will save around 3 million, however
- the saving can be as low as just half a million, or
- as high as just over 5 million, in any case
- it is unlikely that they incur additional costs.

3.1.15 On the other hand, if the person approaching the estimates is responsible for funding or finances, cash terms estimates might be most helpful. This is the case, for example, when considering the £20 million funding towards implementation of the Additional Learning Needs Transformation Programme.

3.1.16 In this context, in addition to the net present value estimates, we recommend the following cash terms estimates:

- The preferred option will require local authority education services to spend just below £61 million by 2020-21 in relation to individual development plans, however the cash required can be
- as low as just above £55 million, or
- as high as just over £66 million.

### 3.2 **Test 2: Additional Learning Need Coordinator (ALNCO), mainstream schools and Welsh Government, transition costs**

3.2.1 The final result on version 2d of the regulatory impact assessment was a total overall cost of £8,279,230, which was arrived at as follows:

- Preferred option, four year total: £481,603,345 minus
- Do nothing, four year total: £473,324,116 equals
- £8,279,230

3.2.2 Mainstream schools contributed to the total overall cost with £9,019,020 in relation to the new role of Additional Learning Need coordinator (ALNCO), which was arrived at as follows:

- Preferred option, four year total: £9,019,020 minus
- Do nothing, four year total: £0 equals
- £9,019,020

3.2.3 Whilst detailed plans for the development of the new master's degree for Additional Learning Needs Coordinators (ALNCOs) are not available, we considered appropriate to include an assumed cost of £500,000 (middle estimate), which the Welsh Government, or another organisation in the public sector, will need to incur to set up the master's degree, including development of contents, and online facility.

3.2.4 **Quality ranges.** If we use a similar approach to the one in version 2d, but instead of single estimates, we use ranges, and include the £500,000 assumption, we obtain the following:

- Preferred option, four year total: £8,527,008 (minimum), £9,541,120 (middle), £10,555,233 (maximum)
- Do nothing, four year total: £0 (minimum), £0 (middle), £0 (maximum)

- Preferred options minus do nothing equal:£8,527,008 (minimum), £9,541,120 (middle), £10,555,233 (maximum)

3.2.5 Therefore, our middle (best) estimate results in greater costs than in version 2d of the regulatory impact assessment. However, decision makers need to know that this cost can be as low as £8,527,008, or as high as £10,555,233

3.2.6 To clarify, version 2d of the regulatory impact assessment included mainstream school costs only. On top of that, we have added a £500,000 assumption on master's development costs, and ranges based on our quality assessment of all item estimates involved.

3.2.7 **Final result change.** Other things being equal, by driving our estimates through the whole calculations, the final result changes from a total cost of £8,279,230 in version 2d to the following:

- £7,787,218 (minimum)
- £8,801,330 (middle)
- £9,815,443 (maximum)

3.2.8 To give a sense of scale, our estimates represent the following percentage changes, which can be positive or negative, with respect to the total cost of £8,279,230 in version 2d:

- 6 per cent (minimum)
- 6 per cent (middle)
- 19 per cent (maximum)

3.2.9 The table below provides details of our estimates. It sets out the adjustments that we applied to the item estimates included in version 2d. These adjustments reflect our quality assessments, with wider ranges reflecting poorer quality.

3.2.10 If the Welsh Government decides to include master's degree development costs in the next version of the regulatory impact assessment, these should be as part of a new section, rather than within mainstream school costs.

Test 2: Additional Learning Needs Coordinator (ALNCO), mainstream schools and Welsh Government, transition costs

Item	4 years	Adjustment	4 years	Adjustment	4 years	Adjustment	4 years
		Minimum		Middle		Maximum	
<b>Welsh government, version 2d</b>		<b>Aldaba review</b>					
<b>Do nothing</b>							
Schools - cost of degree	£0	-0.00	£0	Average	£0	+0.00	£0
Schools - cost of training days	£0		£0		£0		£0
<b>Total</b>	<b>£0</b>		<b>£0</b>		<b>£0</b>		<b>£0</b>
Total - cash (same year prices)	£0		£0		£0		£0
<b>Total - present value (2016-17)</b>	<b>£0</b>		<b>£0</b>		<b>£0</b>		<b>£0</b>
Final results as in version 2d	£473,324,116		£473,324,116		£473,324,116		£473,324,116
<b>Preferred option</b>							
Schools - cost of degree	£5,666,400	-0.15	£4,816,440	Average	£5,383,080	+0.05	£5,949,720
Schools - cost of training days	£3,352,620	-0.02	£3,285,568	Average	£3,570,540	+0.15	£3,855,513
Master's degree development	£0	-0.15	£425,000	Average	£587,500	+0.50	£750,000
<b>Total</b>	<b>£9,019,020</b>		<b>£8,527,008</b>		<b>£9,541,120</b>		<b>£10,555,233</b>
Total - cash (same year prices)	£9,392,316		£8,880,077		£9,936,216		£10,992,355
<b>Total - present value (2016-17)</b>	<b>£8,280,261</b>		<b>£7,828,627</b>		<b>£8,759,702</b>		<b>£9,690,777</b>
Final results as in version 2d	£481,603,346		£481,111,334		£482,125,446		£483,139,559

Item	4 years	Adjustment	4 years	Adjustment	4 years	Adjustment	4 years
		Minimum		Middle		Maximum	
Welsh government, version 2d		Aldaba review					
Preferred minus do nothing option							
Total	£9,019,020		£8,527,008		£9,541,120		£10,555,233
Total - cash (same year prices)	£9,392,316		£8,880,077		£9,936,216		£10,992,355
<b>Total - net present value (2016-17)</b>	<b>£8,280,261</b>		<b>£7,828,627</b>		<b>£8,759,702</b>		<b>£9,690,777</b>
Final results as in version 2d	£8,279,230		£7,787,218		£8,801,330		£9,815,443

Source: Aldaba review of version 2d of the regulatory impact assessment. Note: Master's degree development costs of £500,000 assumed in Aldaba's review calculations; in future versions, these should be a new section, rather than a mainstream school cost.

- 3.2.11 Based on our expertise, we believe that the estimates included in version 2d require further adjustments, in addition to the ones presented above.
- 3.2.12 **Cash terms.** Version 2d presents costs in 2016-17 prices. These costs cannot be interpreted as the actual cash required to deliver each of the two options. The reason for this is that these costs need to be adjusted for inflation in each of the four years in scope: 2017-18 to 2020-21, as set out in the table above.
- 3.2.13 **Net present value.** In addition to this, we believe that the estimates need to be further adjusted to obtain net present value estimates. Following HM Treasury's guidance, this adjustment produces estimates that acknowledge the fact that most people attach more value to current money, than to future money, and decision makers need to make decisions now on matters that affect the future.
- 3.2.14 If we calculate net present value based on the estimates in version 2d, we obtain the following:
- Preferred option, four year total: £8,280,261 minus
  - Do nothing, four year total: £0 equals
  - £8,280,261
- 3.2.15 If we use a similar approach to the one in version 2d, but instead of single estimates, we use ranges, we obtain the following:
- Preferred option, four year total: £7,828,627 (minimum), £8,759,702 (middle), £9,690,777 (maximum)
  - Do nothing, four year total: £0 (minimum), £0 (middle), £0 (maximum)
  - Preferred option minus do nothing equal: £7,828,627 (minimum), £8,759,702 (middle), £9,690,777 (maximum)



3.2.16 **Summary.** If a decision maker needs to select an estimate in order to form an opinion on how mainstream schools, and the Welsh Government, will change their costs in relation to the new ALNCO role, we recommend the following net present value estimates:

- It is estimated that they will incur additional costs just below 9 million, however
- the cost can be as low as just below 8 million, or
- as high as almost 10 million, in any case
- it is unlikely that they will experience cost savings.

3.2.17 On the other hand, if the person approaching the estimates is responsible for funding or finances, cash terms estimates might be most helpful. This is the case, for example, when considering the £20 million funding towards implementation of the Additional Learning Needs Transformation Programme.

3.2.18 In this context, in addition to the net present value estimates, we recommend the following cash term estimates:

- The preferred option will require mainstream schools and the Welsh Government to spend almost £10 million by 2020-21 in relation to the new ALNCO role, however the cash required can be
- as low as just below £9 million, or
- as high as just below £11 million.

### 3.3 **Test 3: Dispute resolution, local authority education services, ongoing costs**

3.3.1 The final result on version 2d of the regulatory impact assessment was a total overall cost of £8,279,230, which was arrived at as follows:

- Preferred option, four year total: £481,603,345 minus
- Do nothing, four year total: £473,324,116 equals
- £8,279,230

3.3.2 Local authority education services contributed to the total overall cost with £0 in relation to dispute resolution, which was arrived at as follows:

- Preferred option, four year total: £12,426,600 minus
- Do nothing, four year total: £12,426,600 equals
- £0

3.3.3 **Double counting.** Dispute resolution costs by local authority education services are already included in version 2d as part of the individual development plan costs. See section 3.1, test 1, above. Therefore, we believe that dispute resolution costs should be removed from version 2d. This is just in relation to local authority education services.

3.3.4 **Final result changes.** The changes that follow on from our decision can only be seen in the final results.

3.3.5 **Cash terms.** Version 2d presents costs in 2016-17 prices. These costs cannot be interpreted as the actual cash required to deliver each of the two options. The reason for this is that these costs need to be adjusted for inflation in each of the four years in scope: 2017-18 to 2020-21, as shown in the table below.

- 3.3.6 **Net present value.** In addition to this, we believe that the estimates need to be further adjusted to obtain net present value estimates. Following HM Treasury's guidance, this adjustment produces estimates that acknowledge the fact that most people attach more value to current money, than to future money, however decision makers need to make decisions now that will have consequences in the future.
- 3.3.7 If we calculate net present value based on the estimates in version 2d, we obtain the following:
- Preferred option, four year total: £442,262,578 minus
  - Do nothing, four year total: £434,639,242 equals
  - £7,623,336
- 3.3.8 If we remove dispute resolution costs incurred by mainstream schools from the dispute resolution section, while maintaining them as part of the costs for individual development plans, we obtain the following:
- Preferred option, four year total: £430,851,607
  - Do nothing, four year total: £423,228,271
  - Preferred option minus do nothing equal: £7,623,336
- 3.3.9 Note that the final result is the same: £7,623,336, however how the result is arrived at is different. Version 2d included some double counting which made the totals for the preferred, and do nothing options unreliable.
- 3.3.10 **Summary.** If a decision maker needs to select an estimate in order to form an opinion on how local authority education services will change their costs in relation to dispute resolution, this can be found in the table below. The same applies to those who prefer cash terms estimates.

Test 3: Changes in final results in relation to dispute resolution, local authority education services, ongoing costs

Item	4 years	Adjustment	4 years	Adjustment	4 years	Adjustment	4 years
		Minimum		Middle		Maximum	
Welsh government, version 2d		Aldaba review					
<b>Do nothing</b>							
Total	£473,324,116				£460,897,516		
Total - cash (same year prices)	£493,067,647				£480,122,702		
Total - present value (2016-17)	£434,639,242				£423,228,271		
<b>Preferred option</b>							
Total	£481,603,346				£469,176,746		
Total - cash (same year prices)	£501,675,992				£488,731,047		
Total - present value (2016-17)	£442,262,578				£430,851,607		
<b>Preferred minus do nothing option</b>							
Total	£8,279,230				£8,279,230		
Total - cash (same year prices)	£8,608,345				£8,608,345		
Total - net present value (2016-17)	£7,623,336				£7,623,336		

Source: Aldaba review of version 2d of the regulatory impact assessment

### 3.4 **Test 4: Post 16 special educational provision, local authority education services, ongoing costs**

3.4.1 The final result on version 2d of the regulatory impact assessment was a total overall cost of £8,279,230, which was arrived at as follows:

- Preferred option, four year total: £481,603,345 minus
- Do nothing, four year total: £473,324,116 equals
- £8,279,230

3.4.2 Local authority education services contributed to the total overall cost with £49,762,812 in relation to post 16 special educational provision, which was arrived at as follows:

- Preferred option, four year total: £49,762,812 minus
- Do nothing, four year total: £0 equals
- £49,762,812

3.4.3 It must be noted that this was as a result of a transfer of responsibilities from elsewhere in the public sector, so this cost was cancelled out by an equivalent cost saving.

3.4.4 **Quality ranges.** If we use a similar approach to the one in version 2d, but instead of single estimates, we use ranges, we obtain the following:

- Preferred option, four year total: £48,767,556 (minimum), £51,753,324 (middle), £54,739,093 (maximum)
- Do nothing, four year total: £0 (minimum), £0 (middle), £0 (maximum)
- Preferred option minus do nothing equal: £48,767,556 (minimum), £51,753,324 (middle), £54,739,093 (maximum)

3.4.5 Therefore, our middle (best) estimate results in a greater cost than in version 2d of the regulatory impact assessment. However, decision makers need to know that this cost can be as low as £48,767,556, or as high as £54,739,093

3.4.6 **Final result change.** Other things being equal, and considering that this cost is cancelled out by an equivalent cost saving elsewhere, by driving our estimates through the whole calculations, the final result changes from a total cost of £8,279,230 in version 2d to the following:

- £8,279,208 (minimum)
- £8,279,275 (middle)
- £8,279,342 (maximum)

3.4.7 To give a sense of scale, our estimates represent the following percentage changes, including positive and negative changes, with respect to the total cost of £8,279,230 in version 2d:

- 0 per cent (minimum)
- 0 per cent (middle)
- 0 per cent (maximum)

3.4.8 The table below provides details of our estimates. It sets out the adjustments that we applied to the item estimates included in version 2d. These adjustments reflect our quality assessments, with wider ranges reflecting poorer quality.

Test 4: Post 16 specialist education provision, local authority education services, ongoing costs

Item	4 years	Adjustment	4 years	Adjustment	4 years	Adjustment	4 years
		Minimum		Middle		Maximum	
<b>Welsh government, version 2d</b>		<b>Aldaba review</b>					
<b>Do nothing</b>							
<b>Total</b>	<b>£0</b>	<b>-0.00</b>	<b>£0</b>	<b>0.00</b>	<b>£0</b>	<b>+0.00</b>	<b>£0</b>
Total - cash (same year prices)	£0		£0		£0		£0
<b>Total - present value (2016-17)</b>	<b>£0</b>		<b>£0</b>		<b>£0</b>		<b>£0</b>
Final results as in version 2d	£473,324,116		£472,328,860		£475,314,628		£478,300,397
<b>Preferred option</b>							
<b>Total</b>	<b>£49,762,812</b>	<b>-0.02</b>	<b>£48,767,556</b>	<b>Average</b>	<b>£51,753,324</b>	<b>+0.10</b>	<b>£54,739,093</b>
Total - cash (same year prices)	£51,838,543		£50,801,772		£53,912,085		£57,022,397
<b>Total - present value (2016-17)</b>	<b>£45,695,688</b>		<b>£44,781,774</b>		<b>£47,523,515</b>		<b>£50,265,256</b>
Final results as in version 2d	£481,603,346		£480,608,067		£483,593,903		£486,579,739
<b>Preferred minus do nothing option</b>							
<b>Total</b>	<b>£49,762,812</b>		<b>£48,767,556</b>		<b>£51,753,324</b>		<b>£54,739,093</b>
Total - cash (same year prices)	£51,838,543		£50,801,772		£53,912,085		£57,022,397
<b>Total - net present value (2016-17)</b>	<b>£45,695,688</b>		<b>£44,781,774</b>		<b>£47,523,515</b>		<b>£50,265,256</b>
Final results as in version 2d	£8,279,230		£8,279,208		£8,279,275		£8,279,342

Source: Aldaba review of version 2d of the regulatory impact assessment. Note: Final results include transitional costs of some £300 per year

3.4.9 Based on our expertise, we believe that the estimates included in version 2d require further adjustments, in addition to the ones presented above.

3.4.10 **Cash terms.** Version 2d presents costs in 2016-17 prices. These costs cannot be interpreted as the actual cash required to deliver each of the two options. The reason for this is that these costs need to be adjusted for inflation in each of the four years in scope: 2017-18 to 2020-21, as shown in the table above.

3.4.11 **Net present value.** In addition to this, we believe that the estimates need to be further adjusted to obtain net present value estimates. Following HM Treasury's guidance, this adjustment produces estimates that acknowledge the fact that most people attach more value to current money, than to future money, however decisions need to be taken now with consequences into the future.

3.4.12 If we calculate net present value based on the estimates in version 2d, we obtain the following:

- Preferred option, four year total: £45,695,688 minus
- Do nothing, four year total: £0 equals
- £45,695,688

3.4.13 If we use a similar approach to the one in version 2d, but instead of single estimates, we use ranges, we obtain the following:

- Preferred option, four year total: £44,781,774 (minimum), £47,523,515 (middle), £50,265,256 (maximum)
- Do nothing, four year total: £0 (minimum), £0 (middle), £0 (maximum)
- Preferred option minus do nothing equal: £44,781,774 (minimum), £47,523,515 (middle), £50,265,256 (maximum)



3.4.14 **Summary.** If a decision maker needs to select an estimate in order to form an opinion on how local authority education services will change their costs in relation to post 16 specialist education provision, we recommend the following net present value estimates:

- It is estimated that they will spend around £47.5 million, however
- the cost can be as low as just below £45 million, or
- as high as just over £50 million, in any case
- it is unlikely that they will experience any cost saving.

3.4.15 On the other hand, if the person approaching the estimates is responsible for funding or finances, cash terms estimates might be most helpful. This is case, for example, when considering the £20 million funding towards implementation of the Additional Learning Needs Transformation Programme.

3.4.16 In this context, in addition to the net present value estimates, we recommend the following cash term estimates:

- The preferred option will require local authority education services to spend just below £54 million by 2020-21 in relation to post 16 specialist education provision, however the cash required can be
- as low as just below £51 million, or
- as high as just over £57 million.

3.4.17 As explained above, this is as a result of a transfer of responsibilities from elsewhere in the public sector, so this cost is cancelled out by an equivalent cost saving.

### 3.5 **Test 5: Individual development plans, Career Wales, ongoing costs**

3.5.1 The final result on version 2d of the regulatory impact assessment was a total overall cost of £8,279,230, which was arrived at as follows:

- Preferred option, four year total: £481,603,345 minus
- Do nothing, four year total: £473,324,116 equals
- £8,279,230

3.5.2 Career Wales contributed to the total overall cost with a saving of £1,418,800 in relation to individual development plans, which was arrived at as follows:

- Preferred option, four year total: £1,099,200 minus
- Do nothing, four year total: £2,518,00 equals
- -£1,418,800

3.5.3 **Quality ranges.** If we use a similar approach to the one in version 2d, but instead of single estimates, we use ranges, we obtain the following:

- Preferred option, four year total: £1,044,240 (minimum), £1,236,600 (middle), £1,428,960 (maximum)
- Do nothing, four year total: £2,425,076 (minimum), £2,739,318 (middle), £3,053,560 (maximum)
- Preferred option minus do nothing equal: -£1,380,836 (minimum), -£1,502,718 (middle), -£1,624,600 (maximum)

3.5.4 Therefore, our middle (best) estimate results in greater cost savings than in version 2d of the regulatory impact assessment. However, decision makers need to know that this cost saving can be as low as £1,380,836, or as high as £1,624,600

3.5.5 **Final result change.** Other things being equal, by driving our estimates through the whole calculations, the final result changes from a total cost of £8,279,230 in version 2d to the following:

- £8,317,194 (minimum)
- £8,195,312 (middle)
- £8,073,430 (maximum)

3.5.6 To give a sense of scale, our estimates represent the following percentage changes, which may be positive or negative, with respect to the total cost of £8,279,230 in version 2d:

- 0 per cent (minimum)
- 1 per cent (middle)
- 2 per cent (maximum)

3.5.7 The table below provides details of our estimates. It sets out the adjustments that we applied to the item estimates included in version 2d. These adjustments reflect our quality assessments, with wider ranges reflecting poorer quality.

3.5.8 Working with Welsh Government officials, we concluded that some of the estimates included in the preferred option calculations in version 2d were tentative, which resulted in wider ranges.

Test 5: Individual development plans, Career Wales, ongoing costs

Item	4 years	Adjustment	4 years	Adjustment	4 years	Adjustment	4 years
		Minimum		Middle		Maximum	
Welsh government, version 2d		Aldaba review					
<b>Do nothing</b>							
Assessments – LSPs	£1,418,800	-0.05	£1,347,860	Average	£1,596,150	+0.30	£1,844,440
Reviews	£1,099,200	-0.02	£1,077,216	Average	£1,143,168	+0.10	£1,209,120
<b>Total</b>	<b>£2,518,000</b>		<b>£2,425,076</b>		<b>£2,739,318</b>		<b>£3,053,560</b>
Total - cash (same year prices)	£2,623,032		£2,526,232		£2,853,582		£3,180,932
<b>Total - present value (2016-17)</b>	<b>£2,312,203</b>		<b>£2,226,874</b>		<b>£2,515,433</b>		<b>£2,803,992</b>
Final results as in version 2d	£473,324,116		£473,231,192		£473,545,434		£473,859,676
<b>Preferred option</b>							
Assessments – LSPs	£0	-0.00	£0	Average	£0	+0.00	£0
Reviews	£1,099,200	-0.02	£1,044,240	Average	£1,236,600	+0.10	£1,428,960
<b>Total</b>	<b>£1,099,200</b>		<b>£1,044,240</b>		<b>£1,236,600</b>		<b>£1,428,960</b>
Total - cash (same year prices)	£1,145,050		£1,087,798		£1,288,182		£1,488,565
<b>Total - present value (2016-17)</b>	<b>£1,009,362</b>		<b>£958,894</b>		<b>£1,135,532</b>		<b>£1,312,171</b>
Final results as in version 2d	£481,603,346		£481,548,386		£481,740,746		£481,933,106

Item	4 years	Adjustment	4 years	Adjustment	4 years	Adjustment	4 years
		Minimum		Middle		Maximum	
Welsh government, version 2d		Aldaba review					
Preferred minus do nothing option							
Total	-£1,418,800		-£1,380,836		-£1,502,718		-£1,624,600
Total - cash (same year prices)	-£1,477,982		-£1,438,434		-£1,565,400		-£1,692,366
<b>Total - net present value (2016-17)</b>	<b>-£1,302,841</b>		<b>-£1,267,980</b>		<b>-£1,379,901</b>		<b>-£1,491,821</b>
Final results as in version 2d	£8,279,230		£8,317,194		£8,195,312		£8,073,430

Source: Aldaba review of version 2d of the regulatory impact assessment

- 3.5.9 Based on our expertise, we believe that the estimates included in version 2d require further adjustments, in addition to the ones presented above.
- 3.5.10 **Cash terms.** Version 2d presents costs in 2016-17 prices. These costs cannot be interpreted as the actual cash required to deliver each of the two options. The reason for this is that these costs need to be adjusted for inflation in each of the four years in scope: 2017-18 to 2020-21, as shown in the table above.
- 3.5.11 **Net present value.** In addition to this, we believe that the estimates need to be further adjusted to obtain net present value estimates. Following HM Treasury's guidance, this adjustment produces estimates that acknowledge the fact that most people attach more value to current money, than to future money.
- 3.5.12 If we calculate net present value based on the estimates in version 2d, we obtain the following:
- Preferred option, four year total: £1,009,362 minus
  - Do nothing, four year total: £2,312,203 equals
  - -£1,302,841
- 3.5.13 If we use a similar approach to the one in version 2d, but instead of single estimates, we use ranges, we obtain the following:
- Preferred option, four year total: £958,894 (minimum), £1,135,532 (middle), £1,312,171 (maximum)
  - Do nothing, four year total: £2,226,874 (minimum), £2,515,433 (middle), £2,803,992 (maximum)
  - Preferred option minus do nothing equal: -£1,267,980 (minimum), -£1,379,901 (middle), -£1,491,821 (maximum)
- 3.5.14 **Summary.** If a decision maker needs to select an estimate in order to form an opinion on how Career Wales will change their costs in relation to individual development plans, we recommend the following net present value estimates:

- It is estimated that they will save around £1.4 million, however
- the saving can be as low as just £1.3 million, or
- as high as £1.5 million, in any case
- it is unlikely that they incur additional costs.

3.5.15 On the other hand, if the person approaching the estimates is responsible for funding or finances, cash terms estimates might be most helpful. This is the case, for example, when considering the £20 million funding towards implementation of the Additional Learning Needs Transformation Programme.

3.5.16 In this context, in addition to the net present value estimates, we recommend the following cash term estimates:

- The preferred option will require Career Wales to spend £1.3 million by 2020-21 in relation to individual development plans, however the cash required can be
- as low as just above £1 million, or
- as high as £1.5 million.

### 3.6 **Test 6: Additional Learning Needs Coordinator, mainstream schools, ongoing costs**

3.6.1 The final result on the version 2d of the regulatory impact assessment was a total overall cost of £8,279,230, which was arrived at as follows:

- Preferred option, four year total: £481,603,345 minus
- Do nothing, four year total: £473,324,116 equals
- £8,279,230

3.6.2 Mainstream schools contributed to the total overall cost with a cost of £0 in relation to ALNCOs, which was arrived at as follows:

- Preferred option, four year total: £261,166,800 minus
- Do nothing, four year total: £261,166,800 equals
- £0

3.6.3 **Quality ranges.** If we use a similar approach to the one in version 2d, but instead of single estimates, we use ranges, we obtain the following:

- Preferred option, four year total: £255,943,464 (minimum), £278,142,642 (middle), £300,341,820 (maximum)
- Do nothing, four year total: £255,943,464 (minimum), £265,084,302 (middle), £274,225,140 (maximum)
- Preferred options minus do nothing equal: £0 (minimum), £13,058,340 (middle), £26,116,680 (maximum)

3.6.4 Therefore, our middle (best) estimate results in greater costs than in version 2d of the regulatory impact assessment. However, decision makers need to know that this cost saving can be as low as £0, or as high as £26,116,680



3.6.5 **Final result change.** Other things being equal, by driving our estimates through the whole calculations, the final result changes from a total cost of £8,279,230 in version 2d to the following:

- £8,279,230 (minimum)
- £21,337,570 (middle)
- £34,395,910 (maximum)

3.6.6 To give a sense of scale, our estimates represent the following percentage changes, including both positive and negative changes, with respect to the total cost of £8,279,230 in version 2d:

- 0 per cent (minimum)
- 158 per cent (middle)
- 315 per cent (maximum)

3.6.7 The table below provides details of our estimates. It sets out the adjustments that we applied to the item estimates included in version 2d. These adjustments reflect our quality assessments, with wider ranges reflecting poorer quality.

3.6.8 Through this test, we identified a sensitive section of version 2d of the regulatory impact assessment. Small inaccuracies here can double the final results.

Test 6: Additional Learning Needs Coordinator (ALNCO), mainstream schools, ongoing costs

Item	4 years	Adjustment	4 years	Adjustment	4 years	Adjustment	4 years
		Minimum		Middle		Maximum	
Welsh government, version 2d		Aldaba review					
<b>Do nothing</b>							
Salary	£248,478,400	-0.02	£243,508,832	Average	£252,205,576	+0.05	£260,902,320
Allowance	£12,688,400	-0.02	£12,434,632	Average	£12,878,726	+0.05	£13,322,820
<b>Total</b>	<b>£261,166,800</b>		<b>£255,943,464</b>		<b>£265,084,302</b>		<b>£274,225,140</b>
Total - cash (same year prices)	£272,060,719		£266,619,505		£276,141,630		£285,663,755
<b>Total - present value (2016-17)</b>	<b>£239,821,586</b>		<b>£235,025,154</b>		<b>£243,418,910</b>		<b>£251,812,665</b>
Final results as in version 2d	£473,324,116		£468,100,780		£477,241,618		£486,382,456
<b>Preferred option</b>							
Salary	£248,478,400	-0.02	£243,508,832	Average	£264,629,496	+0.15	£285,750,160
Allowance	£12,688,400	-0.02	£12,434,632	Average	£13,513,146	+0.15	£14,591,660
<b>Total</b>	<b>£261,166,800</b>		<b>£255,943,464</b>		<b>£278,142,642</b>		<b>£300,341,820</b>
Total - cash (same year prices)	£272,060,719		£266,619,505		£289,744,666		£312,869,827
<b>Total - present value (2016-17)</b>	<b>£239,821,586</b>		<b>£235,025,154</b>		<b>£255,409,989</b>		<b>£275,794,824</b>
Final results as in version 2d	£481,603,346		£476,380,010		£498,579,188		£520,778,366

Item	4 years	Adjustment	4 years	Adjustment	4 years	Adjustment	4 years
		Minimum		Middle		Maximum	
Welsh government, version 2d		Aldaba review					
Preferred minus do nothing option							
Total	£0		£0		£13,058,340		£26,116,680
Total - cash (same year prices)	£0		£0		£13,603,036		£27,206,072
<b>Total - net present value (2016-17)</b>	<b>£0</b>		<b>£0</b>		<b>£11,991,079</b>		<b>£23,982,159</b>
Final results as in version 2d	£8,279,230		£8,279,230		£21,337,570		£34,395,910

Source: Aldaba review of version 2d of the regulatory impact assessment

- 3.6.9 Based on our expertise, we believe that the estimates included in version 2d require further adjustments, in addition to the ones presented above.
- 3.6.10 **Cash terms.** Version 2d presents costs in 2016-17 prices. These costs cannot be interpreted as the actual cash required to deliver each of the two options. The reason for this is that these costs need to be adjusted for inflation in each of the four years in scope: 2017-18 to 2020-21, as shown in the table above.
- 3.6.11 **Net present value.** In addition to this, we believe that the estimates need to be further adjusted to obtain net present value estimates. Following HM Treasury's guidance, this adjustment produces estimates that acknowledge the fact that most people attach more value to current money, than to future money, whilst decision makers need to make decision today's which will have consequences in the future.
- 3.6.12 If we calculate net present value based on the estimates in version 2d, we obtain the following:
- Preferred option, four year total: £239,821,586 minus
  - Do nothing, four year total: £239,821,586 equals
  - £0
- 3.6.13 If we use a similar approach to the one in version 2d, but instead of single estimates, we use ranges, we obtain the following:
- Preferred option, four year total: £235,025,154 (minimum), £255,409,989 (middle), £275,794,824 (maximum)
  - Do nothing, four year total: £235,025,154 (minimum), £243,418,910 (middle), £251,812,665 (maximum)
  - Preferred option minus do nothing equal: £0 (minimum), £11,991,079 (middle), £23,982,159 (maximum)

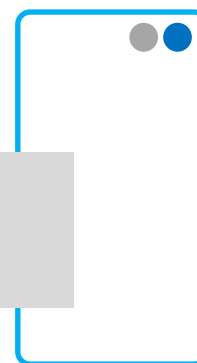
3.6.14 **Summary.** If a decision maker needs to select an estimate in order to form an opinion on how mainstream schools will change their costs in relation to the new Additional Learning Needs Coordinator (ALNCO) role, we recommend the following net present value estimates:

- It is estimated that they will spend around £12 million extra, however
- the extra cost can be as low as £0, or
- as high as almost £24 million, in any case
- it is unlikely that they will experience any cost saving

3.6.15 On the other hand, if the person approaching the estimates is responsible for funding or finances, cash terms estimates might be most helpful. This is the case, for example, when considering the £20 million funding towards implementation of the Additional Learning Needs Transformation Programme.

3.6.16 In this context, in addition to the net present value estimates, we recommend the following cash term estimates:

- The preferred option will require mainstream schools to spend just below £290 million by 2020-21 in relation to individual development plans, however the cash required can be
- as low as £266.5, or
- as high as just below £313 million.



#### 4.1 Extent to which reviewed estimates matter

- 4.1.1 The table below shows the changes that our estimates triggered on the final results of version 2d of the regulatory impact assessment, this is, the final additional cost of £8,279,230.
- 4.1.2 As an example, our first test (just by itself) triggered a 5 per cent change (middle estimate) on the final results. Our second test (just by itself, independently from all other tests) triggered a 6 per cent change (middle estimate) on the final results; and so on.
- 4.1.3 For reference, many statistical models based on tried and tested techniques allow a  $\pm 5$  per cent error margin. Applied to the final additional cost estimated on version 2d, 5 per cent represents just over £400,000 of taxpayers' money.
- 4.1.4 The minimum estimates in the table below are based on quality assessment adjustments that resulted in lower costs for the do nothing, and preferred options. The opposite applies to maximum estimates. See section 3 for details; for example, for test 1, see paragraphs 3.1.3 to 3.1.6.
- 4.1.5 The percentage changes in the table below may be positive or negative. We removed the signs to show scale of change, rather than suggestions on whether revised final results may represent greater costs or cost savings.

Changes on final results following on from Aldaba’s sample based review, percentages

Test	Section	Minimum	Middle	Maximum
1	Individual development plans, local authority education services, ongoing costs	36	5	26
2	Additional Learning Needs Coordinator (ALNCO), mainstream schools, transition costs	6	6	19
3	Dispute resolution, local authority education services, ongoing costs	0	0	0
4	Post 16 special education provision, local authority education services, ongoing costs	0	0	0
5	Individual development plans, costs incurred by Career Wales, ongoing costs	0	1	2
6	Additional Learning Needs Coordinator (ALNCO), mainstream schools, ongoing costs	0	158	315

Source: Aldaba analysis.

4.1.6 Our methodology does not allow us to estimate how the final results in version 2d will change once a thorough review of all the calculations takes place. Whilst not necessarily probable, there is a possibility that the changes required for version 2d to be reliable are large.

4.1.7 Test 6 identified a sensitive section of version 2d. Small inaccuracies here can double the final results. In our expert view, version 2d would benefit from an exercise to identify the calculations that just by changing slightly can have the greatest impact on the final results. This should be done as an additional layer of checking once the previous recommendations have been undertaken.

**Recommendation 6: Based on recommendation 2, to identify the most sensitive calculations and do some additional double checking on them**

## **4.2 Overall conclusion**

- 4.2.1 Everything considered, our conclusion is that version 2d of the regulatory impact assessment is not reliable for the purpose of making decisions in relation to the Bill. The Welsh Government has developed a solid basis to achieve reliable estimates through some further work. To meet the requirements of different types of decision makers, the final results should be expressed in both cash, and net present value terms.
- 4.2.2 In addition, the final results need to be reliable not just in terms of the additional cost estimate, but also in terms of the total costs for the do nothing, and preferred options. As shown through our sample testing, this is not the case in relation to version 2d.
- 4.2.3 The next section provides some step-by-step guidance to revise the whole of version 2d.



## 5

### Next version



#### 5.1 Technical recommendations

5.1.1 Based on our external review, we recommend the Welsh Government to undertake a review of the spreadsheets underpinning version 2d of the regulatory impact assessment.

5.1.2 The Welsh Government's review should take as a starting point the summary spreadsheet for version 2d, and the most immediate input spreadsheets. The inputs should be used prior to applying mid-range adjustments.

#### 5.2 Step by step

5.2.1 To create ranges around each of the items that make up the estimates included in the summary spreadsheet. The figure below provides the framework we used to do this as part of our external review. As a rule of thumb, the costs that can be identified through analysis probably exist. Whilst they can be lower, they are more likely to be higher, and so constitute a reliable minimum.

**The key is to apply quality ranges to all the calculations consistently**

### Quality adjustments to create ranges

Adjustment	Application
+0.50	Highly tentative estimate; unreliable or unknown sources; not possible to reconstruct the estimate independently; mostly an assumption
+0.30	Tentative estimate; unclear sources, or different sources result in different estimates; partly based on an assumption
+0.15	Known source and possible to reconstruct the estimate; some important limitations identified
+0.10	Known source and possible to reconstruct the estimate; minor limitations identified
+0.05	Adjustment by default unless any of the other adjustments is more applicable
+0.02	Alternative sources result in consistent estimates; no limitation identified; commonly accepted as a reliable estimate by experts
<b>Considering the 'reliable minimum' rule, discount adjustments should be justified by conceptual or technical arguments stronger than those to apply positive adjustments</b>	
-0.02	Alternative sources result in consistent estimates; minor risk that the estimate has been overestimated
-0.05	Under a reasonable scenario, a lower estimate can be more applicable; some important limitation identified that can result in a reduction
-0.10	Tentative estimate; unclear sources, or different sources result in different estimates; partly based on an assumption
-0.15	Highly tentative estimate; unreliable or unknown sources; not possible to reconstruct the estimate independently; mostly an assumption

Source: Aldaba

- 5.2.2 To calculate middle estimates based on the average (mean) between the lower and upper bound estimates produced in the previous step.
- 5.2.3 To inflate the upper, middle, and lower estimates to each of the years in scope based on Bank of England gross domestic product (GDP) deflators, although other types of deflators might also be useful.<sup>9</sup> This will be the basis for cash terms estimates.
- 5.2.4 To calculate net present values for each of the years in scope based on a 3.5 per cent discount rate, as per HM Treasury's Green Book guidance.<sup>10</sup>
- 5.2.5 To produce separate estimates for the do nothing, and preferred options, including each of the categories below:
- Lower bound estimates (minimum):
    - Cash terms
    - Net present value
  - Middle estimates (best estimate):
    - Cash terms
    - Net present value

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<sup>9</sup> [Gov.uk \(2017\). National statistics: GDP deflators at market prices, and money GDP June 2017, available at https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-june-2017-quarterly-national-accounts-june-2017](https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-june-2017) ; Gov.uk, How to use the GDP deflator series, available at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/205904/GDP\\_Deflators\\_User\\_Guide.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/205904/GDP_Deflators_User_Guide.pdf)

<sup>10</sup> Gov.uk, HM Treasury, The Green Book: appraisal and evaluation in central government, available at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220541/green\\_book\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf) page 26

- Upper bound estimates (maximum):
  - Cash terms
  - Net present value

5.2.6 To select key estimates for different audiences. In particular, decision makers, such as Welsh Government, and Assembly members, and finance and funding experts.

5.2.7 To identify the most sensitive calculations and do some additional checking on them.