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Llinell uniongyrchol/Direct line:
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Cc: Public Accounts Committee

Nick Ramsay AM
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA



Dear Mr Ramsay,

Additional Information: PAC Inquiry into 21st Century Schools and Education Programme

Many thanks for the invitation and the opportunity to give evidence to the Public Accounts Committee part of the inquiry into 21st Century Schools and Education Programme. During the evidence session I gave a commitment to provide further information concerning the Mutual Investment Model (MIM) element of Band B. During the course of the discussion and in the WLGA's written evidence I indicated that there were some anxieties within local government regarding a revenue funded approach to 21st Century Schools and the fact that several authorities had had less than favourable experiences of the Public Finance Initiative (PFI) which had been used as a vehicle for building schools in the past. There is no doubt that authorities would prefer a traditional capital funding approach if that was available but that is not the case. The Welsh Government and the 21st Century Schools Programme Board were determined from the outset therefore to learn the lessons of past experiences.

Despite initial anxieties, there are several potential benefits to the MIM proposal: They include:

- It provides an additional source of funding for the Programme which enables greater investment in school buildings beyond the capital funding available.
- It ensures that the school buildings that are delivered are maintained for their *lifetime* and over a long period of time than would otherwise be the case.
- If there are failures on the part of the contractor in terms of provision of the services and availability of areas in the building, then MIM provides the public sector with a route of redress. Deductions can be levied against the contractor for such failures.

Steve Thomas CBE
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Ni fydd defnyddio'r naill iaith na'r llall yn arwain at oedi.**

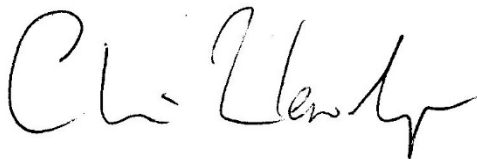
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- Local authorities might have to borrow to match fund the Welsh Government contribution to the traditional capital model whereas the MIM approach is unlikely to require additional borrowing.

Additional beneficial features of the MIM approach include the transfer of many risks currently borne by local authorities to the private sector. These include, the ongoing availability of the building; the efficient performance of the services on an on-going basis; the energy efficiency of the design of the building; asset replacement and the timely delivery of the facility and associated cost overruns. If the authority can't use the school building or if it is defective, then they are compensated through a deduction to the monthly payment.

As has already been stated, many aspects of the 21st Century Schools and Education Programme are contestable and authorities will consider all the evidence and come to different conclusions about which is their preferred funding approach. There are several potential benefits to adopting the MIM model and while some of these might be contestable, it is evident that MIM provides an additional source of funding that can be invested in the school estate resulting in new and improved school buildings.

Yours sincerely,



Chris Llewelyn

*Dirprwy Brif Weithredwr - Cyfarwyddwr Dysgu Gydol Oes, Hamdden a Gwybodaeth
Deputy Chief Executive - Director of Lifelong Learning, Leisure & Information*

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