



Llywodraeth Cymru
Welsh Government

Tracey Burke

Cyfarwyddwr Cyffredinol / Director General

Y Grŵp Addysg a Gwasanaethau Cyhoeddus
Education and Public Services Group

10 July 2018

Dear Mr Ramsay,

Re: Auditor General for Wales Report: 21st Century Schools and Education Programme

Thank you for inviting me to provide an update to the Public Accounts Committee on the 21st Century Schools and Education Programme on 25 June.

During the session I agreed to provide further information and clarification on some of the points discussed. Please find this in the annex attached.

Yours sincerely

Tracey Burke
Director General, Education and Public Services



Parc Cathays • Cathays Park
Caerdydd • Cardiff
CF10 3NQ

Ffôn • Tel 0300 0258047
tracey.burke@gov.wales
Gwefan • website:
www.wales.gov.uk

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

21st CENTURY SCHOOLS AND EDUCATION PROGRAMME

1. Details of the differences between the five business case treasury model used to approve Mutual Investment Model and the model used to approve Private Funding Initiative (PFI) Funding

Welsh Ministers have made clear that the investment undertaken using the Mutual Investment Model (MIM) must promote the public interest, including value for money. To that end all MIM schemes will be assessed using the Five Case Model.

The Five Case Model is co-owned by the Welsh Government and HM Treasury. It is a core part of the Better Business Case (BBC) programme, which also includes internationally accredited training at foundation, practitioner and reviewer levels. The Five Case Model provides a framework for effective decision-making with respect to a project's strategic, economic, commercial, financial and management cases. Value for money is subject to the discipline of the economic case, which includes, *inter alia*, the quantification of costs and benefits, the undertaking of an options appraisal, and the inclusion of optimism bias. More information about the Five Case Model and the BBC programme is available at:

<https://gov.wales/funding/wales-infrastructure-investment-plan/better-business-cases/?lang=en>

As the Welsh Government was not party to historic PFI contracts undertaken by HM Treasury, I am unable to comment on the value for money appraisals that HM Treasury undertook. However, I can assure the Committee that the value for money assessments have evolved over the years since the early PFI schemes, with lessons learned, which will be applied to the scrutiny of MIM projects.

2. Clarification of the Welsh Government's written evidence on how the 21st Century Schools and Education Programme will contribute to the Welsh Government's commitment to one million Welsh speakers by 2050

Growth in the Welsh medium sector is a key aim of the 21st Century Schools and Education Programme and we are working positively with our partners to deliver that. It is now mandatory for the business case for each individual project to provide details about how the proposal will contribute to the Welsh Government's commitment to one million Welsh speakers by 2050 or clarify why this is not appropriate and note the evidence base to support that decision. This information is scrutinised as part of the business case assessment process.

Where a local authority brings forward a proposal for an English medium school we would expect to see evidence both that there is sufficient Welsh medium provision in the area and why English is the appropriate language of instruction in this case. Officials from the Welsh Language team scrutinise each proposal and provide assurance as to whether the evidence is soundly based.

3. Details on how the Welsh Government will ensure the requirements of the Active Travel Act (2013) will be considered and implemented as part of future school builds

The Active Travel (Wales) Act 2013 seeks to increase the numbers of everyday journeys made on foot and by bike, such as the journey to school. As a result of the Act, local authorities need to plan and develop integrated active travel networks, connecting key trip generators, including schools. This change to legislation is referenced in our business case guidance. This guidance is used by local authorities and further education institutions when preparing business cases for capital investment in their education infrastructure to ensure that they comply with Welsh Government policies and legislation.

The Welsh Government expects any 21st Century Schools and Education project to include provision of safe and convenient walking and cycling access. Transport and education officials scrutinise business cases for 21st Century Schools and Education projects. Business cases that show poor consideration of active travel access are required to ensure that this is addressed before proceeding further. This is an area where we will be applying greater scrutiny and challenge going forward.

4. Further on information on what safeguards the MIM model has in place to ensure high quality building standards for school buildings

Strict building standards are applied to projects successful in securing programme funding. This will continue into Band B for both capital and MIM funded schemes. MIM schemes in particular will employ standardisation of design, with a standard output specification for works and services. Payment will not commence until an Independent Tester has signed off the building as complete.

The Committee asked in particular about our response to the Report of the Independent Inquiry into the Construction of Edinburgh (PPP) Schools in February 2017. Following release of the report an exercise was undertaken within Welsh Government to consider how the MIM could apply the Inquiry's key recommendations around the role of the contracting 'Authority' in relation to quality assurance of the design and construction of PPP facilities.

As a result of this exercise, it was concluded that the MIM Standard Form Project Agreement would be complemented with published guidance to extend the Independent Tester scope of services. This guidance is now available at:

<https://gov.wales/docs/caecd/publications/171215-independent-tester.pdf>

It was also concluded that further guidance concerning *Authority Assurance during the Construction Phase* would be issued to MIM project teams. This guidance sets out the Authority's rights and requirements under the MIM Standard Form Project Agreement). An Authority Construction Manager must be appointed to undertake quality assurance activities on behalf of the Authority, including, if required, the monitoring and inspection of day-to-day construction activities.

In brief, our response to the Inquiry:

- Addresses the recommendation that Authorities require investment to be made in appropriate expertise for the proper scrutiny of projects;
- Addresses the concern that the level of service provided by Independent Testers needs to be reviewed and contracts of appointment written to reflect what clients actually require of the role;
- Re-emphasises the need for thorough diligence during the procurement in respect of construction quality processes, and the ongoing monitoring of those activities;
- Mandates the appointment of an Authority Construction Manager to act on behalf of the Authority;
- Includes detailed construction completion criteria, e.g. relating to building standards, warrants and fire regulation;
- Achieves a move away from limited sample testing/audits toward a more bespoke completion testing approach; and
- Uses BIM (Building Information Modelling) to ensure that 'as built' drawings and other documentation is easily available through accurate and thorough record keeping.