

Tracey Burke
Director General
Education and Public Services Group
Welsh Government

24 July 2018

21st Century Schools and Education Programme

Dear Tracey,

Thank you for attending the Public Accounts Committee on 25 June 2018 to discuss the 21st Century Schools and Education Programme and for the additional information you have provided to us in your letter of 10 July 2018.

The Committee welcomed the Auditor General's findings that the Welsh Government has so far managed this large programme well and that it seems to be on track to deliver the improvements to school buildings anticipated from the first wave of investment.

However, we noted there is clearly more to do to address the overall condition and suitability of many schools in Wales and at a time when public funds are under continued pressure.

The Committee were also mindful of the potentially significant changes for the programme on the horizon and the importance of the Welsh Government clarifying the funding position as soon as possible in order to give councils and further education colleges the time to get their plans ready for the next phase of the programme starting in 2019.

Given this importance the Committee undertook a short inquiry into this subject areas and, rather than report at this stage, we write to you with the following observations for your consideration.



Overall, the Committee has noted the generally positive tone of the Auditor General's report. As the WLGA and Colegau Cymru recognised, the 21st Century Schools and Education programme represents a positive step forwards from what existed before. There are also positive signs in the way the programme has been delivered to date in the context of the requirements of the Well-being of Future Generations Act, even though the programme pre-dates the Act. We have also noted the Welsh Government's general acceptance of the Auditor General's recommendations which cover a range of areas for further improvement and which we endorse.

Nonetheless, there are some areas where we would like some further assurance based on the evidence we have received. The Committee's main concerns relate to the Mutual Investment Model (MIM). Firstly, the evidence was not entirely consistent, with the Welsh Government saying it was not being 'pushed on FE' but Colegau Cymru gave us a clear impression that, for larger projects, MIM was the only game in town. Both Colegau Cymru and the WLGA were clear that MIM is not ideal and they would prefer other options, although recent written evidence from the WLGA has acknowledged potential benefits. The 75% Welsh Government contribution is obviously attractive to councils and FE institutions individually. However, the Committee has concerns about whether MIM represents the best value in the round. In particular, the Committee has three broad areas on which we would like some further reassurance:

1. The alternative options – capital and supported borrowing had been fully exhausted before embarking on a novel, risky and potentially more expensive model.
2. That the Welsh Government as a whole has identified that the school building programme is the most appropriate programme for using the MIM. In particular, that there is a clear assessment that the WG's borrowing powers would not be better used for building schools and MIM for road building schemes, such as the M4 relief road.
3. That there is an appropriate 'pause and review' moment. Over time, for understandable reasons, the original aspiration to use a form of the Non-Profit Distributing model has changed significantly. We would like assurance that as the details are finalised and before committing to going ahead, there



will be an opportunity for reflection in the round as to whether MIM is indeed a good value for money method for building schools and colleges.

Other areas where we would like some further assurance are:

- Collaborative ethos – where there was a discrepancy between the WLGA evidence and that of Welsh Government. Would want to see that the joint working and collective ownership continues into Band B.
- Demand for places – we were not convinced on the responses we received around the flexibility of the programme to adapt to changes in the birth rate. In particular, we wanted to know whether the programme was factoring in technical solutions to the fabric of schools that mean they can build in flexibility – for example to open and close or re-purpose classrooms – as the demographics change.
- Energy performance – we were not convinced that the Welsh Government understood the concerns on energy efficiency savings. Your evidence said you were good at specifying the savings up front but those specifications are not leading to the cost savings expected. We think there is a wider issue of the realism of the potential savings from energy efficiency that needs to be factored into plans up front. We would like to see the Welsh Government take a lead role in challenging the industry if industry specifications are not actually delivering the sorts of financial and environmental benefits you would like to see. The WLGA has suggested that MIM contracts would look to transfer risks associated with the energy efficiency of the design of buildings to the private sector and we would also welcome clarification of how the Welsh Government expects that risk transfer to work.
- Technical support – we had evidence from the Design Commission Wales whose services are clearly not being used as they could be to support the delivery of the Programme. We would like the Welsh Government to rethink how it can make best use of the Design Commission to support the successful delivery of Band B alongside its consideration of the wider technical support that is needed. While you explained that the support that has been provided to date by Constructing Excellence Wales was for three discrete projects, members remain concerned about whether sufficient



technical support will be available to support delivery of the Programme in the next wave. It is for the Welsh Government to decide who provides that support. However, we would welcome an update on your plans in the context of recommendation 10 in the Auditor General's report and taking account of the lessons learned from the impact of the technical support provided during Band A and any capacity/capability constraints in the organisations responsible for project delivery.

- We welcome the commitment to community benefits. It is clear that there are complexities involved in making school facilities more available to the communities. We recognise that ultimately it is the governing body's responsibility. However, the Welsh Government and councils have significant leverage through the funding provided through the programme. We would like to be assured that the Welsh Government is using that leverage to full effect to ensure that wherever possible and feasible, schools funded from the programme make their facilities open to community use.
- Active travel – we are not convinced that the Active Travel (Wales) Act 2013 is being given sufficient consideration. Your recent letter appears to acknowledge a need for greater scrutiny and challenge in this respect and we would ask for clarification of what this will mean in practice. If the Welsh Government can highlight specific examples where Active Travel opportunities have been maximised then we would be interested to learn of them. Similarly, examples of where poor consideration of active travel access in business cases has been addressed.

The Committee would welcome an initial response on these areas. We would then like an update in January 2019, as the start date for Band B approaches. We would like that early 2019 update to include reference to the issues raised in this letter alongside the latest position in respect of the Auditor General's recommendations.

We also request an update on the Band A position at that point and more detail on the breakdown of plans for Band B.



I look forward to hearing from you.

Yours sincerely,

A handwritten signature in black ink that reads "Nick Ramsay". The signature is written in a cursive style with a long horizontal flourish at the end of the name.

Nick Ramsay AM
Chair

