



Ein cyf/Our ref: MA(L)/ARD/0551/17

Simon Thomas AM  
Chair  
Finance Committee  
National Assembly for Wales  
Ty Hywel  
Cardiff Bay  
CF99 1NA  
[SeneddFinance@assembly.wales](mailto:SeneddFinance@assembly.wales)

21 September 2017

I attended Finance Committee today to provide evidence in relation to the regulatory impact assessment (RIA) for and financial implications of the Additional Learning Needs and Education Tribunal (Wales) Bill. During the session I made a commitment to write to you to provide you with information about the 'sunk costs' incurred by the Welsh Government in 2015-16 and 2016-17. These were outlined in the version of the RIA that accompanied the introduction of the Bill in December 2016, but were removed from the revised version of the RIA provided to you earlier this month.

As I explained to the Committee this morning, the thinking at the time of drafting the original RIA was to include these costs in order to demonstrate the full investment in supporting delivery partners to prepare for the new ALN system. However, on reflection, we decided to remove sunk costs. This accords with HM Treasury Green Book guidance, which advises that "costs of goods and services that have already been incurred and are irrecoverable should be ignored in appraisal. They are 'sunk costs'. What matters are costs about which decisions can still be made."

The original version of the RIA listed the following 'sunk' Welsh Government transition costs:

**Original RIA (December 2016) Welsh Government transition costs - sunk costs**

	<b>2015/16</b>	<b>2016/17</b>
ALN Innovation Fund		1,100,000.00
ALN Strategic Implementation Group and Expert Groups		40,000.00
Person-centred practice grant (local authorities)	286,000.00	286,000.00
Person-centred practice grant (FEIs)	14,000.00	14,000.00
Awareness raising and resources		55,000.00
Readiness, compliance and impact monitoring		25,000.00
<b>Sunk costs (2015/16 - 2016/17)</b>	<b>300,000.00</b>	<b>1,520,000.00</b>

The actual spend at the end of the last financial year differed to the predicted costs set out above, due to grant recipients claiming less than their original grant allocation. The table below provides you with the actual expenditure on activities:

<b>Actual sunk costs</b>	<b>2015/16</b>	<b>2016/17</b>
ALN Innovation Fund		770,795.36
ALN Strategic Implementation Group and Expert Groups		30,160.65
Person-centred practice grant (local authorities)	286,000.00	286,000.00
Person-centred practice grant (FEIs)	14,000.00	0
Awareness raising and resources		58,358.16
Readiness, compliance and impact monitoring		27,408.60
<b>Sunk costs (2015/16 - 2016/17)</b>	<b>300,000.00</b>	<b>1,172,722.77</b>

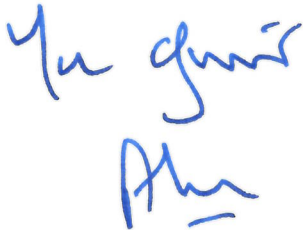
You will note that the actual spend in 2016-17 was **£347,277.23**, which is less than originally forecast. The differences to the forecast were as follows:

- A reduction of £329,204.64 for the ALN Innovation Fund: this related to under-claims by grant recipients at year end, to reflect the actual costs of activities claimed for;
- A reduction of £9,839.35 for the ALN Strategic Implementation Group and Expert Groups: the full amount was not required for the meetings and activities which took place;
- A reduction of £14,000.00 for PCP grants to FEIs, as no claim was made for this amount;
- An increase of £3,358.16 for awareness raising and resources, which was accommodated within overall budget; and
- An increase of £2,408.60 for readiness, compliance and impact monitoring: this related to the actual costs claimed by the external company delivering research, as part of a contract which was awarded following a full, public procurement process.

The reduction in 'sunk costs' compared to those originally forecast does not in any way affect the £20m investment in the transformation programme. These sunk costs are in addition to the £20m funding package, which covers the period 2017-18 to 2020-21.

I hope this letter provides you with the information you required on this particular point.

As I mentioned during my evidence to the Committee today, in the coming weeks I will publish a summary of responses to the consultation on implementation options and will make a statement about the Government's proposed approach to implementation. I will write to you again with an to update on any changes to the profile of the activities within the £20m that we decide to make in light of implementation plans.



**Alun Davies AC/AM**

Gweinidog y Gymraeg a Dysgu Gydol Oes  
Minister for Lifelong Learning and Welsh Language

